FY 2014

BUDGET ESTIMATES

FOR THE

UNITED STATES
DEPARTMENT OF AGRICULTURE

FOR THE FISCAL YEAR ENDING
SEPTEMBER 30, 2014

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FISCAL YEAR 2014

BUDGET

OF THE U.S. GOVERNMENT

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THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

Thanks to the hard work and determination of the American people, we have made significant progress over the last 4 years. After a decade of war, our brave men and women in uniform are coming home. After years of recession, our businesses have created over six million new jobs. We buy more American cars than we have in 5 years, and less foreign oil than we have in 20 years. Our housing market is healing, our stock market is rebounding, and consumers, patients, and homeowners enjoy stronger protections than ever before.

But we know that there are millions of Americans whose hard work and dedication have not yet been rewarded. Our economy is adding jobs—but too many people still cannot find full-time employment. Corporate profits have skyrocketed to all-time highs—but for more than a decade, wages and incomes have barely budged.

It is our generation's task to reignite the true engine of America's economic growth—a rising, thriving middle class. It is our unfinished task to restore the basic bargain that built this country—the idea that if you work hard and meet your responsibilities, you can get ahead, no matter where you come from, no matter what you look like, or whom you love.

It is our unfinished task to make sure that this Government works on behalf of the many, and not just the few; that it encourages free enterprise, rewards individual initiative, and opens the doors of opportunity to every child across this great Nation.

A growing economy that creates good, middle class jobs—this must be the North Star that guides our efforts. Every day, we should ask ourselves three questions as a Nation: How do we attract more jobs to our shores? How do we equip our people with the skills they need to get those jobs? And how do we make sure that hard work leads to a decent living?

This Budget seeks to answer each of these questions.

Our first priority is making America a magnet for new jobs and manufacturing. After shedding jobs for more than 10 years, our manufacturers have added more than 500,000 jobs over the past 3 years. Companies large and small are increasingly deciding to bring jobs back to America.

To accelerate this trend, the Budget builds on the success of the manufacturing innovation institute we created in Youngstown, Ohio last year, and calls for the creation of a network of 15 of these hubs across the Nation. In these innovation hubs, businesses will partner with universities and Federal agencies to turn regions around our country into global centers of high-tech jobs.

The Budget also includes new initiatives to support manufacturing communities, including a new tax credit to strengthen their ability to attract investments and jobs. And it expands my

Administration's SelectUSA initiative to help draw businesses and investment from around the world to our shores.

If we want to make the best products, we also have to invest in the best ideas. That is why the Budget maintains a world-class commitment to science and research, targeting resources to those areas most likely to contribute directly to the creation of transformational technologies that can create the businesses and jobs of the future.

No area holds more promise than our investments in American energy. The Budget continues to advance my "all-of-the-above" strategy on energy, investing in clean energy research and development; promoting energy efficiency in our cars, homes, and businesses; encouraging responsible domestic energy production; and launching new efforts to combat the threat of climate change.

Modeled after my successful Race to the Top education reform effort, the Budget includes a new Race to the Top energy efficiency challenge for States, rewarding those that implement the most effective policies to cut energy waste. And it establishes a new Energy Security Trust funded by royalty revenue from oil and gas leases to support initiatives to shift our cars and trucks off oil, cutting our Nation's reliance on foreign oil.

Over the last 4 years, we have begun the hard work of rebuilding our Nation's infrastructure. We have built or improved over 350,000 miles of road and more than 6,000 miles of rail. And we have repaired or replaced over 20,000 bridges. But to compete in the 21st Century economy and become a magnet for jobs, we must do more. We need to repair our existing infrastructure, and invest in the infrastructure of tomorrow, including high-speed rail, high-tech schools, and self-healing power grids. These investments will both lay the foundation for long-term economic growth and put workers back on the job now.

My Budget includes $50 billion for up-front infrastructure investments, including a "Fix-it-First" program that makes an immediate investment to put people to work as soon as possible on our most urgent repairs, like the nearly 70,000 structurally-deficient bridges across the country. And to make sure taxpayers do not shoulder the whole burden, the Budget creates a Rebuild America Partnership to attract private capital to upgrade what our businesses need most: modern ports to move our goods; modern pipelines to withstand a storm; and modern schools worthy of our children.

The Budget also supports efforts I announced earlier this year to modernize and improve the efficiency of the Federal permitting process, cutting through the red tape that has been holding back even some of the most carefully planned infrastructure projects. These efforts will help us to achieve the new goal I set to cut timelines in half for infrastructure projects, while creating new incentives for better outcomes for communities and the environment.

All of these initiatives in manufacturing, energy, and infrastructure will help entrepreneurs and small business owners expand and create new jobs. But none of it will matter unless we also equip our citizens with the skills and training to fill those jobs.

And that has to start at the earliest possible age. But today, fewer than 3 in 10 4-year-olds are enrolled in a high-quality preschool program, and the high cost of private preschool puts too much of a financial burden on middle class families.

The Budget therefore includes a proposal that ensures 4-year-olds across the country have access to high-quality preschool education through a landmark new initiative in partnership with the States. And it increases the availability of early learning for our youngest children to help their growth and development during the formative early years of life.

Providing a year of free, public preschool education for 4-year-old children is an important investment in our future. It will give all our kids the best start in life, helping them perform better in elementary school and ultimately helping them, and the country, be better prepared for the demands of the global economy. Not only that, it could save hard-working families thousands of dollars each year in child care costs. This is an investment we need to make, and it is fully paid for in this Budget by imposing a new tax on every pack of cigarettes sold.

The Budget also builds on the historic reforms made during my first term to improve our elementary and secondary school system by rewarding excellence and promoting innovation. To help ensure that our high schools are putting our kids on a path to college and a good job, the Budget includes a new competitive fund that will help redesign America's high schools to prepare students with the real world skills they need to find a job right away or go to college. The fund rewards schools that develop new partnerships with colleges and employers, and create classes focusing on science, technology, engineering and mathematics (STEM)—the skills today's employers seek to fill the jobs available right now and in the future.

Even with better high schools, most young people will still need some higher education. Through tax credits, grants, and better loans, we have made college more affordable for millions of students and families over the last 4 years. But skyrocketing costs are still pricing too many young people out of a higher education, or saddling them with unsustainable debt. And taxpayers cannot continue to subsidize higher and higher costs for higher education.

To encourage colleges to do their part to keep costs down, the Budget includes reforms that will ensure affordability and value are considered in determining which colleges receive certain types of Federal aid. My Administration has also released a new "College Scorecard" that parents and students can use to compare schools.

To further ensure our educational system is preparing students for careers in the 21st Century economy, the Budget includes additional measures to promote STEM education, such as launching a new STEM Master Teacher Corps, to leverage the expertise of some of America's best and brightest teachers in science and mathematics, and to elevate the teaching of these subjects nationwide. It also includes a reorganization and consolidation of STEM education programs to improve the effectiveness of Federal investments in this area.

The Budget takes other critical steps to grow our economy, create jobs, and strengthen the middle class. It implements the Affordable Care Act, giving every American access to the high-quality, affordable health care coverage they deserve, and reducing the deficit by more than $1 trillion over the next two decades. It implements Wall Street reform, ending too-big-to-fail and protecting consumers against the abuses and reckless behavior that contributed to the financial collapse in 2008. And it includes measures to strengthen our housing market and ensure that every responsible homeowner has the opportunity to refinance at today's rates, saving $3,000 a year on average.

Our economy is stronger when we harness the talents and ingenuity of striving, hopeful immigrants. That is why I have proposed a plan to fix our broken immigration system that secures our borders, cracks down on employers who hire undocumented workers, attracts highly-skilled entrepreneurs and engineers to help create jobs and drive economic growth, and establishes a responsible pathway to earned citizenship—a path that includes passing a background check, paying taxes and a meaningful penalty, learning English, and going to the back of the line behind the folks trying to come here legally. The Budget makes investments that will make our immigration system more efficient and fair and lay a foundation for this permanent, common-sense reform.

The Budget also builds on the progress made over the last 4 years to expand opportunity for every American and every community willing to do the work to lift themselves up. It creates new ladders of opportunity to ensure that hard work leads to a decent living. It rewards hard work by increasing the minimum wage to $9 an hour so an honest day's work pays more. It partners with communities by identifying Promise Zones to help rebuild from the recession. It creates pathways to jobs for the long-term unemployed and youth who have been hardest hit by the downturn. And it strengthens families by removing financial deterrents to marriage and supporting the role of fathers.

We also know that economic growth can only be achieved and sustained if America is safe and secure, both at home and abroad. At home, the Budget supports my initiative to help protect our kids, reduce gun violence, and expand access to mental health services. We can protect our Second Amendment rights while coming together around reforms like eliminating background check loopholes to make it harder for criminals to get their hands on a gun—common-sense reforms that will help protect our kids from the scourge of gun violence that has plagued too many communities across the country.

To confront threats outside our borders, the Budget ensures our military remains the finest and best-equipped military force the world has ever known, even as we wind down more than a decade of war.

Already, we have brought home more than 30,000 of our brave servicemembers from Afghanistan. Our remaining forces are moving into a support role, with Afghan security forces taking the lead. And over the next year, another 34,000 American troops will come home. This drawdown will continue and, by the end of next year, our war in Afghanistan will be over. Beyond 2014, the Budget supports our continued commitment to a unified and sovereign Afghanistan.

To maintain our national security, the Budget supports our ongoing fight against terrorists, like al Qaeda. The organization that attacked us on 9/11 is a shadow of its former self. But different al Qaeda affiliates and extremist groups have emerged—from the Arabian Peninsula to Africa. We will confront these emerging security challenges through the full range of U.S. capabilities and tools, including diplomatic, security, intelligence, and economic development.

The Budget also provides the resources we need to act on our commitment to and interests in global development, by promoting food security that reduces dependence and increases prosperity; by investing in the increasingly successful drive toward an AIDS-free generation; and by maintaining our leadership as a global provider of humanitarian assistance that saves lives and reflects American values.

We must also confront new dangers, like cyber attacks, that threaten our Nation's infrastructure, businesses, and people. The Budget supports the expansion of Government-wide efforts to counter the full scope of cyber threats, and strengthens our ability to collaborate with State and local governments, our partners overseas, and the private sector to improve our overall cybersecurity.

The Budget also focuses resources on the Asia-Pacific region, reasserting American leadership and promoting security, stability, democracy, and economic growth.

Importantly, the Budget upholds our solemn obligation to take care of our servicemembers and veterans, and to protect our diplomats and civilians in the field. It keeps faith with our veterans, investing in world-class care, including mental health care for our wounded warriors, supporting our military families, and giving our veterans the benefits, education, and job opportunities that they have earned.

The Budget does all of these things as part of a comprehensive plan that reduces the deficit. All of these initiatives and ideas are fully paid for, to ensure they do not increase the deficit by a single dime.

By making investments in our people that we pay for responsibly, we will strengthen the middle class, make America a magnet for jobs and innovation, and grow our economy, which will in turn help us to reduce deficits. But economic growth alone will not solve our Nation's long-term fiscal challenges.

As we continue to grow our economy, we must take further action to cut our deficits. We do not have to choose between these two important priorities—we have to do both.

Over the last 4 years, both parties have worked together to reduce the deficit in a balanced way by more than $2.5 trillion. That is more than halfway toward the goal of $4 trillion in deficit reduction that economists say we need to stabilize our finances. As we wind down two wars, we have protected our military families and veterans while cutting defense spending on outdated military weapons systems. Domestic discretionary spending is approaching its lowest levels as a share of the economy since President Eisenhower was in office; and we have moved aggressively to cut waste, fraud, and abuse. And together, we have begun to ask the wealthy to do their fair share while keeping income taxes low for middle class families. Overall, we have cut the deficit in a balanced way that protects the investments in education, manufacturing, clean energy, and small businesses we need to grow the economy and strengthen the middle class. There is more work to do, and this Budget is designed to finish the job.

But we should not do it by making harsh and arbitrary cuts that jeopardize our military readiness, devastate priorities like education and energy, and cost jobs. That is not how to grow the economy. We should not ask middle class senior citizens and working families to pay down the rest of our deficit while the wealthiest are asked for nothing more. That does not grow our middle class.

The American people understand that we cannot just cut our way to prosperity. That is why I have repeatedly called for a balanced approach to deficit reduction. And that is why I have offered proposals on multiple occasions that cut wasteful spending, strengthen entitlements, and eliminate special tax breaks and loopholes so the wealthiest pay their fair share.

In my negotiations with House Speaker Boehner in December over the so-called "fiscal cliff," I again offered a compromise proposal that was balanced and comprehensive, and would achieve our $4 trillion deficit reduction goal. That proposal is still on the table. I am including it in this Budget to demonstrate my commitment to making the kind of tough and balanced choices that are needed to put our Nation's finances in order.

To be clear, the package I am offering includes some difficult cuts that I do not particularly like. But these measures will only become law if congressional Republicans agree to meet me in the middle by eliminating special tax breaks and loopholes so millionaires and billionaires do their fair share to cut the deficit. I will not agree to any deal that seeks to cut the deficit on the backs of middle class families. I am willing to make tough choices that may not be popular within my own party, because there can be no sacred cows for either party. And I look forward to working with any member of Congress who takes a similar, balanced approach. This plan is built on the kind of common ground that Democrats and Republicans should be able to reach.

In total, the Budget will cut the deficit by another $1.8 trillion over the next 10 years, bringing the deficit below 2 percent of GDP by 2023 and putting our debt on a declining path. This is not an end in and of itself—the best way to grow the economy and cut the deficit is by creating good middle class jobs. But this plan to reduce the deficit in a balanced way is a critical step toward ensuring that we have a solid foundation on which to build a strong economy and a thriving middle class for years to come.

Finally, this Budget continues my commitment to reforming and streamlining our Government for the 21st Century. It builds on my Campaign to Cut Waste by further targeting and eliminating wasteful spending wherever we find it. It reorganizes and consolidates agencies and programs to make them leaner and more efficient. It increases the use of evidence and evaluation to ensure we are making smart investments with our scarce taxpayer dollars. And it harnesses new technologies to allow us to do more with less.

No single Budget can solve every challenge and every problem facing the country. But this Budget shows how we can live within our means while growing our economy, strengthening the middle class, and securing our Nation's future. It is not a Democratic plan or a Republican plan. It is an American plan. And it is a plan that I hope can serve as an outline for us to write the next great chapter of the American story…together.

BARACK OBAMA

THE WHITE HOUSE,
April 10, 2013.

to attract and sustain business investment. To support the partnership, the Budget includes $113 million at the Department of Commerce to provide targeted financial assistance to competitively-designated manufacturing communities, which would be matched by non-Federal funds to co-invest in state-of-the-art infrastructure projects, industrial parks, and research facilities.

- *Expand Federal Efforts to Attract Investment to Our Shores*. In 2011, the President launched SelectUSA at the Department of Commerce, creating the first Federal effort to actively attract business investment in the United States. The Budget significantly expands SelectUSA to create the capabilities and services to help our governors and mayors compete with foreign countries. The Administration will also host a SelectUSA Investment Summit this year, bringing together businesses from around the world with local leaders to attract jobs and investment to our shores.

- *Strengthen Manufacturing Supply Chains*. The Department of Commerce's Manufacturing Extension Partnership provides a range of business services to small manufacturers and is enhancing the program to help companies focus on upgrading technology to benefit from supply chain opportunities. The Budget includes a $25 million increase to launch Manufacturing Technology Acceleration Centers, which will be industry-specific centers that can facilitate expansions of firms' abilities to participate in key supply chains.

Invest in Research and Development. For many decades, the United States has been a world leader in research and development (R&D). We need to maintain our world-class commitment to science and research. The Budget does that by providing $143 billion for R&D overall, while targeting resources to those areas most likely to directly contribute to the creation of transformational technologies that can create the businesses and jobs of the future. It increases non-defense R&D by nine percent from the 2012 levels, even as overall budgets decline. As part of business tax reform it expands and simplifies the Research and Experimentation Tax Credit and makes it permanent—providing certainty to businesses and increasing the credit's effectiveness.

Basic research has been one of America's great strengths, creating whole new industries and jobs. The Budget maintains the President's commitment to increase funding for basic research at three key science agencies: the National Science Foundation; the Department of Energy's Office of Science; and the laboratories of the National Institute of Standards and Technology. Within these agencies, funds will be focused on basic research directed at priority areas, such as clean energy technologies, advanced manufacturing, biotechnology, and new materials.

The Budget supports biomedical research at the National Institutes of Health. Tomorrow's advances in health care depend on today's investments in basic research on the fundamental causes and mechanisms of disease, new technologies to accelerate discoveries, innovations in clinical research, and a robust pipeline of creative and skillful biomedical researchers.

The Budget funds the National Aeronautics and Space Administration to develop innovative aeronautics and space technologies that will keep the aerospace industry—one of the largest net export industries in the United States—at the cutting edge in the years to come. It also increases funding for Department of Agriculture competitive peer-reviewed research grants to support research in human nutrition and obesity reduction, food safety, bioenergy, and climate change.

Build a Clean Energy Economy, Improve Energy Security, and Enhance Preparedness and Resilience to Climate Change. Cleaner energy will play a crucial role in meeting the President's goals of reducing greenhouse gas emissions in the range of 17 percent below 2005 levels by 2020, and enhancing national security by reducing dependence on oil. The Administration supports a range of investments and initiatives to help make the United States the leader in this sector and bring about a clean energy economy with its new companies and jobs:

- *Adopt "All-of-the-Above" Strategy to Energy.* The President is committed to an "all-of-the-above" approach that develops all American energy sources in a safe and responsible way and builds a clean and secure energy future, including:

  — **Invest in Clean Energy Research and Development.** The Budget continues to place a priority on funding for the Department of Energy's Office of Energy Efficiency and Renewable Energy to accelerate R&D and further increase the cost-competitiveness and deployment of renewable power, electric vehicles, next-generation biofuels, advanced energy-efficient manufacturing, and energy efficiency in homes and commercial buildings. The Budget also proposes increasing support in 2014 for the Department of Energy's Advanced Research Projects Agency–Energy to support breakthrough research in clean energy technologies. It funds research and development of next-generation renewable energy and high-value bio-based products at the Department of Agriculture. It invests in cleaner energy from fossil fuels like clean coal, as well as funding to develop small modular nuclear reactors, and provides incentives for the development of the first, natural gas combined cycle power plant to integrate carbon capture and storage.

  — **Commit to Safer Production of and Cleaner Electricity from Natural Gas.** Our domestic natural gas resources are reducing energy costs across the economy—from manufacturers investing in new facilities to families seeing heating costs drop. The Budget invests in research to ensure safe and responsible natural gas production and promote the development of the first natural gas combined cycle power plant to integrate carbon capture and storage.

  — **Implement Responsible Nuclear Waste Strategy.** Under the President's direction, the Department of Energy created a Blue Ribbon Commission on America's Nuclear Future to recommend how to manage the challenges associated with the back end of the nuclear fuel cycle. The Administration has issued a report in response to the recommendations and looks forward to working with the Congress on implementing policies that ensure that nuclear power can continue to be part of our energy mix.

- *Make Energy Go Farther Across the Economy*. Cutting the amount of energy we waste in our cars and trucks, in our homes and buildings, and in our factories, will make us a stronger, more resilient, and more competitive economy. The Budget takes a number of steps to support these improvements, including:

  — **Set a New Goal to Double American Energy Productivity by 2030.** The President has set a new goal to cut in half the energy wasted by America's homes and businesses, with action aimed at doubling the economic output per unit of energy consumed in the United States by 2030, relative to 2010 levels.

  — **Challenge States to Cut Energy Waste, Support Energy Efficiency, and Modernize the Electricity Grid.** The Budget includes $200 million in one-time funding for Race to the Top performance-based awards to support State governments that implement effective policies to cut energy waste and modernize the electricity grid.

  — **Cut Carbon Pollution by Building on the Success of Existing Public and Private Energy Efficiency Partnerships.** Over the next four years, the President is also committed to accelerating self-referral of ancillary services leads to a higher volume when combined with fee-for-service payments, a finding consistent with GAO analysis. The Budget encourages more appropriate use of ancillary services by only allowing providers who meet certain accountability standards to self-refer radiation therapy, therapy services, and advanced imaging services. In addition, the Budget would modernize Medicare payments for clinical laboratory services by more closely aligning payment levels with the private sector and granting the Secretary authority to make other appropriate payment adjustments, as well as supporting policies to encourage electronic reporting of laboratory results. The Budget would also expand the availability of Medicare data released to physicians and other providers for performance improvement, fraud prevention, value-added analysis, and other purposes. In addition, the Budget would reduce payment of physician administered Part B drugs from 106 percent of average sales price to 103 percent of average sales price. These proposals would save approximately $20 billion over 10 years.

MAKING FURTHER TOUGH CHOICES TO REDUCE THE DEFICIT

As part of a balanced deficit reduction plan, the Budget includes other tough choices to cut spending and find further savings in other mandatory programs across the Government. These additional savings proposals include:

Maintain Farm Safety Net While Making Common-Sense Reforms. The President is committed to building a strong rural economy by ensuring targeted investments in renewable energy, infrastructure, conservation, and agricultural, food, and environmental research. The farm sector continues to be one of the strongest sectors of our economy, with net farm income expected to reach $128 billion in 2013, a nominal record and the highest level in real terms since 1973. With the continuing high value of both crop and livestock production, income support payments based upon historical levels of production can no longer be justified. The Budget proposes to reform agricultural programs while reducing spending by $38 billion over 10 years.

A key reform and cost savings is the elimination of "direct payments," while providing mandatory disaster assistance to livestock and orchard producers to protect them from significant losses, such as those experienced in the recent drought. The Budget also proposes to reduce subsidies for crop insurance companies by establishing a reasonable rate of return to participating crop insurance companies and reducing the reimbursement rate of administrative and operating costs. In addition, the Budget proposes to reduce producers' premium subsidy by three basis points for policies with subsidies greater than 50 percent and reducing the subsidy for the harvest price option by two basis points. Conservation programs are strengthened by the creation of a new agricultural conservation easement program, which would combine programs designed to preserve wetlands, agriculture land, and grasslands under one streamlined program. To offset the cost of the new program, the Budget proposes to reduce the Conservation Reserve Program to 25 million acres from 32 million acres and cuts the Conservation Stewardship Program from 12.7 million to 10.3 million acres. At the same time, the Budget targets funding for priorities such as bioenergy, specialty crops, organic foods, and beginning farmer assistance.

Restrain Increases in Federal Civilian Worker Pay. Putting the Nation back on a sustainable fiscal path will take some tough choices and sacrifices. Federal civilian employees are central to the Federal Government's success in serving the American people. They assure the safety of the country's food and airways, defend the homeland, provide health care to the Nation's veterans, search for cures to devastating diseases, and provide vital support to our troops at home and abroad. The men and women who serve their fellow Americans as civilian Federal workers are patriots who work for the Nation often at great personal sacrifice; they deserve our respect and

REORGANIZING, CONSOLIDATING, AND STREAMLINING GOVERNMENT

Over the years, the Federal Government has become increasingly complex, as agencies have been assigned new missions and duties in their service to the American people. At times, this has resulted in agencies with duplicative and overlapping responsibilities that have wasted taxpayer resources and made it harder for the public to navigate their Government. The Administration has been working to address this problem over the last four years. In its last report on duplication within the Federal Government, the Government Accountability Office concluded that more than three-quarters of its recommendations for Executive Branch action had been addressed in some way.

However, the Administration is committed to doing more to consolidate and streamline Government operations. That is why the President is again asking the Congress to revive an authority that Presidents had for almost the entire period from 1932 through 1984—the ability to submit proposals to reorganize the Executive Branch via a fast-track procedure. In effect, the President is asking to have the same authority that any business owner has to reorganize or streamline operations to meet changing circumstances and customer demand.

Building on the progress already made, the Budget includes a series of proposals to consolidate and reorganize Executive Branch departments, including to:

Consolidate Business and Trade Promotion Into a Single Department. As the President indicated in 2012, if he is given Presidential reorganization authority, his first proposal would be to consolidate a number of agencies and programs into a new Department with a focused mission to foster economic growth and spur job creation. The proposal would consolidate six primary business and trade agencies, as well as other related programs, integrating the Government's core trade and competitiveness functions into one new Department. Specifically, the new Department would include the Department of Commerce's core business and trade functions, the Small Business Administration, the Office of the U.S. Trade Representative, the Export-Import Bank, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. It would also incorporate related programs from a number of other departments, including the Department of Agriculture's business development programs, the Department of the Treasury's Community Development Financial Institutions Fund program, the National Science Foundation's (NSF) statistical agency and industry partnership programs, and the Bureau of Labor Statistics from the Department of Labor. Creating a department solely focused on economic growth would also require moving the National Oceanic and Atmospheric Administration from the Department of Commerce to the Department of the Interior.

By bringing together the core tools to expand trade and investment, grow small businesses, and support innovation, the new Department would coordinate these resources to maximize the benefits for businesses and the economy. With more effectively aligned and deployed trade promotion resources, strengthened trade enforcement capacity, streamlined export finance programs, and enhanced focus on investment in the United States, the Government could more effectively implement a strong, pro-growth trade policy. This reorganization would also help American businesses compete in the global economy, expand exports, and create more jobs at home. These changes could generate approximately $3 billion in savings over the next 10 years, with roughly half of the savings coming from reducing overhead and consolidating offices and support functions. Additional comparable savings would be generated through programmatic cuts once the synergies from consolidation are realized.

Consolidate 90 STEM Education Programs. Currently, Federal initiatives to promote STEM education are spread across the on a comprehensive review of GSA's operations, the Budget is proposing realignment and streamlining of key GSA functions that will result in estimated cost savings exceeding $200 million over 10 years. Consolidating reporting structures within GSA will increase accountability in decision-making in areas such as finance, human resources, and IT, and generate cost savings by eliminating redundancies. Further reforms to GSA's Public Buildings Service and Federal Acquisition Service are designed to deliver consistency across organizational units, particularly in service delivery and policy application, ensuring GSA serves Federal agencies as a single national solutions provider.

Reform Food Aid. The existing P.L. 480 Title II food aid program, which is administered by the U.S. Agency for International Development and funded through the U.S. Department of Agriculture, includes numerous requirements that raise the cost of providing food aid and reduce its timeliness and effectiveness in responding to humanitarian crises and fighting hunger abroad. The proposed reform replaces P.L. 480 Title II funding with an equivalent amount of flexible discretionary funding that will provide aid to over two million more people annually. At the same time, the less rigid funding stream will give the United States far greater ability to provide aid when, where, and in the form that it can be most effective. The program will use a majority of emergency food aid funding to purchase and ship food from the United States, will supplement the existing level of support for certain militarily useful ships, and will facilitate the retention of U.S. mariners. In addition to helping more people in crisis, the reform will reduce mandatory spending—and the deficit—by an estimated $500 million over a decade.

Prioritize Immigration Detention Resources. The Administration has focused its immigration enforcement efforts on identifying and removing individuals who pose a danger to national security or a risk to public safety, including aliens convicted of crimes, with particular emphasis on violent criminals, felons, and repeat offenders. To ensure the most cost-effective use of Federal dollars, the Budget focuses detention capabilities on priority and mandatory detainees, while allowing low-risk, non-mandatory detainees to enroll in lower cost, parole-like alternatives to detention programs, such as electronic monitoring and intensive supervision. As the Administration continues to focus on priority removal cases, it will work to reduce the time removable aliens spend in immigration detention custody. To achieve this goal, U.S. Immigration and Customs Enforcement is improving its ability to expedite removal of convicted criminal aliens, so they do not require lengthy stays in U.S. immigration detention custody prior to deportation.

USING EVIDENCE TO GET BETTER RESULTS

In its first term, the Administration developed innovative grant programs that drive resources to evidence-based practices and require strong evaluations to build knowledge of what works. In partnership with policy officials, researchers, and program managers, the Administration will expand the use of these models in other priority program areas in 2014.

Pay for Success. To ensure taxpayers get the best possible return on their investment in social programs, the Administration is expanding the Pay for Success program model started in 2012. Pay for Success leverages philanthropic and private dollars to fund preventive services up front, with the Government paying providers only after they generate results that save taxpayer money. In 2012, the Department of Justice awarded grants to two States for Pay for Success projects to prevent recidivism, and in 2013 the Department of Labor expects to support training programs using this model. In 2014, the Administration will broaden its support for Pay for Success, reserving up to $195 million in the areas of job training, education, criminal justice, housing, and disability services.

Create Performance Partnerships That Provide Flexibility While Demanding Results. Inconsistent and overlapping Federal program requirements sometimes prevent States and localities from effectively coordinating services or using funding to support strategies that are likely to achieve the best outcomes. For 2014, the Budget proposes establishing a limited number of Performance Partnership pilots designed to improve outcomes for disconnected youth, including young adults who have dropped out of school and are not employed. Approved performance partnerships designed at the State or local level could blend discretionary funds for youth-serving programs at the Departments of Education, HHS, Labor, Justice, Housing and Urban Development (HUD), and other agencies, in exchange for greater accountability for results. Performance indicators, such as education and employment outcomes, would be used to gauge progress, and evaluations would study what locally designed strategies work best. The Administration will learn from community leaders about the potential for similar performance partnerships, exchanging greater flexibility over funds for greater accountability for results, to revitalize distressed communities and reduce youth violence.

Inject Performance Focus Into More Programs. The Budget takes other steps to inject an emphasis on outcomes into programs that have lacked that focus for too long. For example, the Budget consolidates and establishes new performance requirements in programs ranging from rural and cooperative grant programs at the Department of Agriculture to the Federal Emergency Management Agency first responder grants. The Budget also continues the implementation of the historic requirement for low-performing Head Start grantees to compete for funding, establishes performance standards in the Community Services Block Grant program and requires competition for programs below those standards, and allocates Senior Corps funding on a competitive basis.

Support Initiatives That Can Produce Cost-Effective Results. The Budget makes additional investments in programs where the evidence suggests long-term savings outweigh short-term costs. For example, the President's historic investment in early childhood education reflects the deep body of research showing that high-quality early interventions can yield lasting savings to the Government and society through improvements in children's educational, employment, health, and other outcomes. New criminal justice investments, including State partnerships through the Justice Reinvestment Act, and grants through the Second Chance Act, may not only reduce crime and imprisonment, but also generate savings over the long run. This is also true of the Hawaii Opportunity Probation and Enforcement program's "swift and certain" approach to sanctions for probationers, which the Budget proposes to continue expanding and evaluating. To support and evaluate these efforts, the Budget strongly encourages cost-benefit analyses in States, as well as Federal agencies.

STRENGTHENING EVALUATION AND SHARING WHAT WORKS

Rigorous evaluations identify what works, under what conditions, and at what cost. They can also show what doesn't work and should stop. Innovative companies constantly use data and experimentation this way—to drive learning and improvement. Building on their lessons, the Administration is intensifying its use of evaluation and experimentation to build a culture of learning and continuous improvement to ensure Americans receive maximum value for their tax dollars.

Learn and Share What Works. The Budget supports new evaluations across the Government to analyze program impacts such as investigations into how to: structure student aid in order to increase college access for low-income students; strengthen the impact of Federal technical assistance to small businesses; strengthen performance benchmarking and create new efficiencies across Federal health care programs operated by the Departments of Veterans Affairs (VA), Defense, and HHS; use evidence-based home visiting programs to improve birth outcomes, reduce low-birth weight, and improve infant health, and; use increased local flexibility in housing assistance to achieve positive outcomes for families, including increased employment and self-sufficiency. The Administration will also help policymakers, program managers, and practitioners access strong evidence by continuing to expand "what works" clearinghouses for proven practices, such as the Department of Justice's *CrimeSolutions.gov*, the Department of Education's What Works Clearinghouse, the Substance Abuse and Mental Health Services Administration's National Registry of Evidenced-based Programs and Practices, and the Department of Labor's new Clearinghouse of Labor Evaluation and Research.

Share Data Across Agencies. Federal agencies are also beginning to reduce the costs of high-quality evaluations by using existing sources of data within the Government rather than conducting costly new surveys. The Budget provides funds to link data across programs in order to support high-quality, low-cost research. HHS and HUD, for instance, are sharing data to analyze how housing interventions affect the health care use and costs of residents. VA and HUD are also collaborating to streamline reporting by homelessness programs and to create a more comprehensive picture of homelessness trends and interventions. The Census Bureau is also working in partnership with agencies to expand capacity for researchers to securely access and analyze data to evaluate programs in ways that safeguard privacy and confidentiality.

Strengthen Agency Capacity for Data Analytics and Evaluation. The Administration is building a more robust evaluation and data analytics infrastructure within agencies to support rigorous research focused on important policy priorities. Building on an approach that has been successful at the Department of Labor, the Budget includes funding for a Chief Evaluation Officer at the Department of Agriculture to work closely with program offices to develop and implement evaluation agendas set by policy officials. As an example of cross-agency collaboration, evaluation officials from the Departments of Education, Labor, HHS, and NSF are developing common evidence standards for research studies, which can be a resource for improving the quality of studies throughout the Federal Government.

Interagency learning networks comprised of program, performance management, and evaluation officials are now forming to develop shared evaluation agendas and tools in areas as diverse as reviewing outcomes for business technical assistance programs, improving enforcement programs that oversee compliance with health, safety and environmental laws, operating financial literacy programs, and strengthening and evaluating STEM programs.

MANAGING FOR RESULTS

To improve the effectiveness and efficiency of Federal agencies, the Administration is implementing goal-focused, data-driven approaches to set priorities, benchmark progress, and ensure staff and resources across the Government are coordinating their efforts for maximum impact.

Use Goals and Frequent Data-Driven Reviews. To emphasize and enhance performance improvement practices across the Federal Government, in 2009 the Administration directed agency leaders to set high-priority performance goals (Priority Goals). Agencies set Priority Goals every two years, with the current set established for 2012-2013. The Deputy Secretary or Chief Operating Officer of each agency runs quarterly progress reviews and designates a senior accountable official responsible for driving progress on each Priority Goal. Goal Leaders are expected to select strategies based on evidence, set milestones, and assess progress at least once a quarter. They are also expected to use appropriately rigorous evaluations and other studies to refine understanding of problems and opportunities and to improve results.

DEPARTMENT OF AGRICULTURE

Funding Highlights:

- Provides $22.6 billion in discretionary funding for the Department of Agriculture, roughly equal to the 2012 enacted level.
- Reduces the deficit by $37.8 billion over 10 years by eliminating direct farm payments, decreasing crop insurance subsidies, and targeting conservation programs.
- Supports evidence-based decision-making by aligning program funding with performance measures through the creation of a new rural development grant program, targeting forestry grants and establishing a Chief Evaluation Officer within the Department.
- Invests $4 billion in renewable and clean energy and environmental improvements to make America more energy independent, and drive global competitiveness in the renewable energy sector.
- Increases funding for the Agriculture and Food Research Initiative to $383 million and targets areas that are key to American scientific leadership: human nutrition and obesity, food safety, bioenergy, sustainable agriculture, and climate change.
- Provides $7.1 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children to help ensure good birth outcomes, growth and development for low-income and nutritionally at-risk pregnant and post-partum women, infants, and children up to age five.
- Targets housing and water treatment assistance primarily through lending that has a lower cost to the Government.
- Leverages resources and works with Federal, State, and tribal partners to accelerate voluntary adoption of conservation practices to improve water quality.

The U.S. Department of Agriculture (USDA) provides leadership on issues related to food, agriculture, and natural resources, including energy, based on sound public policy, the best available science, and efficient management. USDA works to expand economic opportunity through the development of innovative practices and research and provides financing needed to help expand job prospects and improve housing, utilities, and community infrastructure in rural America. The Department also works to promote sustainable agricultural production to protect the long-term availability of food. USDA programs safeguard and protect America's food supply by reducing the incidence of food-borne hazards from farm to table. USDA also improves nutrition and health through food assistance and nutrition education. USDA supports agricultural and economic development in developing countries through research and technical assistance to combat chronic hunger and achieve global food security. Finally, USDA manages and protects America's public and private lands by working cooperatively with other levels of government and the private sector to preserve and conserve the Nation's natural resources through restored forests, improved watersheds, and healthy private working lands.

The 2014 Budget provides $22.6 billion in discretionary funding to support this important mission, roughly equal to the 2012 enacted level. While investments are made in renewable energy, rural development, and key research areas, the Budget makes tough choices to meet the current discretionary caps. Deficit reduction savings are achieved by eliminating direct farm payments, decreasing crop insurance subsidies, and better targeting conservation funding.

Supports Evidence-Based Decision-Making

Encourages Job Creation in Rural Communities. The Budget proposes $55 million for a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas. The program will be designed to utilize evidence on what works best to create jobs and foster growth. This new program will award funding to grantees that agree to be tracked against performance targets and will improve upon the agency's current grant allocation and evaluation process. In addition, funding is also requested for food hubs that are designed to strengthen the link between rural producers and regional food systems.

Evaluates Business Technical Assistance. In 2014, USDA, along with the Department of Commerce and the Small Business Administration, will continue to participate in an interagency group designed to evaluate the impact of Federal business technical assistance programs. USDA will look at the Rural Business-Cooperative Service business programs with the goal of developing a standard methodology for measuring the impact of technical assistance programs across the Federal Government.

Strengthens Targeting of State Forestry Resource Grants and Public Land Restoration Funds. The Budget strengthens resource management on non-Federal lands by incorporating better data on grantee accomplishments and natural resource outcomes to help guide future Federal investment in State forestry grants. This approach advances the recent shift toward cross-program and competitive-based grant allocations already underway by institutionalizing better data collection and rewarding innovative projects that increase natural resource outcomes, including benefits to water quality from improved forest stewardship and innovative uses of urban forestry in emerging green infrastructure approaches. It also supports Integrated Resource Restoration pilots on Federal land that improve agency efficiency and forest restoration outcomes by enabling cross-disciplinary planning and execution.

Establishes a Chief Evaluation Officer. To support evidence-based policy-making, the Budget provides support for the establishment of a Chief Evaluation Officer within USDA to work closely with program offices and agencies to develop and implement evaluation agendas and priorities set by policy officials.

Fosters Innovation and Job Growth

Promotes Development of Rural Renewable Energy. The Budget proposes $4 billion in loans to rural electric cooperatives and utilities that will support the transition to clean-energy generation. Specifically, this funding will be targeted to decrease America's reliance on fossil fuels and promote renewable and clean energy at electric generation, transmission, and distribution sites in rural communities. In addition, the Budget proposes a program level of $238 million for the Rural Energy for America Program to assist agricultural producers and rural small businesses in developing renewable energy systems, energy efficiency improvements, and renewable energy development.

Spurs American Innovation by Advancing Priority Research. USDA research has played a key role in spurring innovation and advancing technology that has allowed American agriculture to experience increases in efficiency, sustainability, and profitability. At the same time, the Administration recognizes that continued fiscal constraint requires trade-offs to focus resources on the most important priorities. Therefore, the Budget proposes $383 million—a $119 million increase above the 2012 enacted level—for competitive research grants made through the Agriculture and Food Research Initiative. The Budget also increases in-house research in select areas such as crop protection, sustainable agriculture, climate change, childhood obesity, and food safety by $148 million; which includes a reallocation of $125 million from lower priority projects. The Budget also continues funding for the Census of Agriculture. The Budget provides $155 million for design and construction of a new Athens, Georgia poultry lab, the highest USDA laboratory construction priority. The Southeast Poultry Research Laboratory, which it will replace, is the Department's only laboratory specially designed to conduct research on highly infectious diseases of poultry.

Conserves Landscapes. For the first time ever, the Budget proposes mandatory funding for Land and Water Conservation Fund (LWCF) programs in the Departments of the Interior and Agriculture. These funds will assist in conserving lands for national parks, refuges, and forests, including collaborative projects for Interior and the U.S. Forest Service to jointly and strategically conserve the most critical landscapes while improving management efficiency. They will also support the President's America's Great Outdoors Initiative to promote job creation and economic growth by strengthening the Nation's natural infrastructure for outdoor recreation.

Prevents Hunger and Supports Healthy Eating

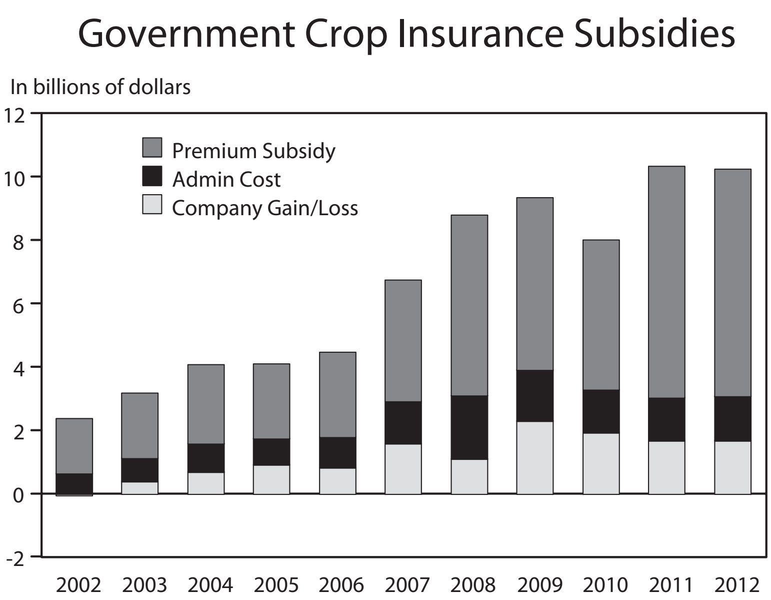
Prevents Hunger. At a time of continued need, the Administration strongly supports the Supplemental Nutrition Assistance Program (SNAP) and the Child Nutrition Programs, which help families improve their nutrition and reduce hunger. SNAP is the cornerstone of the Nation's nutrition assistance safety net, touching the lives of more than 47 million people. The Budget provides $7.6 billion for discretionary nutrition programs, including $7.1 billion to support the 8.9 million individuals expected to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which is critical to the health of pregnant women, new mothers, infants, and young children. The Budget also provides resources for program integrity and reproposes the continuation of certain temporary SNAP benefits.

Supports Healthy Eating. The Budget supports the implementation of the Healthy, Hunger-Free Kids Act of 2010 with $35 million in school equipment grants to aid in the provision of healthy meals and continued support for other school-based resources.

Makes Tough Choices and Targets Reductions

Reduces Direct Housing Loans in Favor of Guarantees. The Budget proposes a significant reduction for the direct single family housing loan program, providing a $360 million loan level for 2014 compared to the $900 million 2012 enacted level. A lower direct loan level is sustainable, and is expected to increase demand on the guarantee loans to the point where USDA obligates the full $24 billion proposed for 2014. This funding favors providing single family housing assistance primarily through loan guarantees. Interest rates are at their lowest level in decades, which allows the Government to support loans through the private credit market with a robust guaranteed single family housing loan level of $24 billion. In addition, improvements and innovations in the banking industry and the pervasiveness of lending through the Internet have reduced significantly the "pockets of need" for credit that once existed in rural America. Relying more on the private banking industry to provide this service, with a guarantee from the Federal Government, is a more cost-efficient way to deliver housing assistance.

Reduces Water and Wastewater Grants. Consistent loan performance and low interest rates have made USDA's rural water and wastewater direct loans less expensive to administer and allows the Budget to propose $1.2 billion in loan level from the $794 million level enacted in 2012. Higher loan levels at lower interest rates means that less grant funding is needed to fund each facility. Therefore, grants are funded at $304 million compared to $433 million in 2012. The combined grant-loan nature of the program ensures that rural communities will continue to receive an overall increase in program level assistance of $278 million in 2014 for their water and wastewater facility needs.



Source: USDA Risk Management Agency.

Reforms Farm Programs. The farm sector continues to be one of the strongest sectors of the U.S. economy, with net farm income expected to increase 13.6 percent to $128.2 billion in 2013, which would be the highest inflation-adjusted amount since 1973. With the value of both crop and livestock production at all-time highs, income support payments based upon historical levels of production can no longer be justified. The Budget, therefore, proposes to eliminate so-called "direct payments," while providing mandatory disaster assistance to producers to protect them from losses. The Budget also proposes to reduce subsidies for crop insurance and to better target conservation programs. As the chart indicates, crop insurance subsidies have risen dramatically in recent years. In total, these proposals will reduce the deficit by $37.8 billion over 10 years.

Improves the Way Federal Dollars are Spent

Protects Communities and Ecosystems from Wildfire Damage. The Budget continues the long-standing practice of fully funding the 10-year average cost of wildland fire suppression operations. It provides an increase of $74 million from the 2012 enacted level for new air tankers and continues to support a modernized aerial retardant delivery capability. In addition, the Budget supports efforts to improve landscape health and wildfire resilience and expand cooperative efforts through the Collaborative Forest Land Restoration program, and proposes a new program to improve public-private partnerships in fire-prone areas to address fire-related risks to municipal watersheds and other public service utilities.

Continues Interagency Collaboration to Improve Water Quality. The United States has made great strides in improving water quality; however, "non-point" source pollution remains a significant economic, environmental, and public health challenge that requires policy attention and thoughtful new approaches. Over the past year, USDA, the Environmental Protection Agency, and State water quality agencies collaborated to select over 150 priority watersheds, where voluntary conservation programs could be targeted to aid in reducing water impairments from non-point source pollution. The Budget builds upon this collaboration by having agencies work with other key Federal partners, agricultural producer organizations, conservation districts, States, Tribes, non-governmental organizations, and other local leaders to implement a monitoring framework and begin collecting baseline performance data to demonstrate that this focused and coordinated approach can achieve significant improvements in water quality.

economic statistics, including gross domestic product, are monitored and used by fiscal and monetary policymakers and businesses in the United States and throughout the world. The Budget includes funding for the last year of the three-year research and testing phase for the 2020 Decennial Census and a BEA initiative that would provide new measures of foreign direct investment and service exports.

Supports Evidence-Based Decision-Making and Achieves Efficiencies

Enhances Evaluation of Technical Assistance Programs. In 2014, Commerce, along with the Small Business Administration and the Department of Agriculture, will continue to participate in an interagency group designed to evaluate the impact of Federal business technical assistance programs. Commerce will look at programs such as ITA's Foreign Commercial Service, with the goal of developing a standard methodology for measuring the impact of this type of technical assistance program across the Federal Government. Also, in response to a Presidential Memorandum on Accelerating Technology Transfer and Commercialization, NIST is improving and expanding technology transfer metrics and goals to measure the extent that NIST research and development is contributing to the competitiveness of U.S. industry.

Realizes Savings and Efficiencies. The Budget achieves savings of approximately $30 million in 2014 weather satellite development costs, with the potential for more savings over the life-cycle of these programs through reductions to overhead and savings in program content. Additionally, the Administration is taking specific actions to strengthen management of weather satellites, including enhancing satellite systems engineering expertise at NOAA and increasing oversight of these programs. Also, the Budget supports the Administration's Government-wide efforts to consolidate funding for several science, technology, engineering, and mathematics (STEM) programs into the Department of Education and the National Science Foundation, in order to support robust and visible initiatives in K-12 instruction, undergraduate education, and other educational programming.

- Saves over $200 million from 2010 levels through administrative efficiencies and reduced spending in travel, printing, supplies, and advisory services.

The Department of the Interior's (DOI's) mission is to protect America's natural resources and cultural heritage; manage development of energy and mineral resources on Federal lands and waters; provide scientific and other information about those resources; and honor its trust responsibilities and special commitments to American Indians, Alaska Natives, and Insular areas. In support of this mission, the Budget provides $11.7 billion for DOI, a four percent increase over the 2012 enacted level. The Budget represents an unprecedented commitment to America's natural heritage by proposing mandatory funds for Land and Water Conservation Fund (LWCF) programs. This funding will provide the stability needed for agencies and States to make strategic, long-term investments in our natural infrastructure and outdoor economy to support jobs, preserve natural and cultural resources, bolster outdoor recreation opportunities, and protect wildlife. The Budget also includes legislative proposals that will save taxpayers more than $3 billion over the next 10 years, including reforms to fees, royalties, and other payments related to oil, gas, coal, and other mineral development on Federal lands and waters.

Promotes Economic Growth by Investing in Our Natural and Energy Resources

Creates Jobs Through Conservation and Recreation. The America's Great Outdoors (AGO) initiative supports Federal, State, local, and tribal conservation efforts, while reconnecting Americans, particularly young people, to the outdoors. Investments for AGO programs support conservation and outdoor recreation activities nationwide that create and maintain millions of jobs, generate hundreds of millions of dollars in tax revenue, and spur billions in total national economic activity. For the first time ever, the Budget proposes mandatory funding for LWCF programs in the Departments of the Interior and Agriculture, including $200 million in mandatory funds out of $600 million overall for LWCF programs in 2014. Starting in 2015, the Budget proposes $900 million annually in mandatory funding, which is equal to the amount of oil and gas receipts deposited in the LWCF each year. In 2014, $356 million is proposed to conserve lands in or near national parks, refuges, forests, and other public lands, including $169 million in collaborative LWCF funds for DOI and the U.S. Forest Service to jointly and strategically conserve the most critical landscapes. The Budget also proposes $15 million in LWCF funding to revive the Urban Parks Recreation and Recovery Program, which can help revitalize urban parks and increase access to trails, green space, and other recreational areas in the most underserved urban communities. Other AGO programs include grant programs that assist States, Tribes, local governments, landowners, and private groups (such as sportsmen) in preserving wildlife habitat, wetlands, historic battlefields, regional parks, and the countless other sites that form the mosaic of our cultural and natural legacy. They also include funds for operating national parks, refuges, and public lands, which are critical for conserving natural and cultural resources, protecting wildlife, and drawing recreational tourists from across the United States and the world.

Protects and Restores Water Resources and Infrastructure. The Budget invests in the safety, reliability, efficiency, and ecological sustainability of our water infrastructure, to ensure the continued delivery of water and power to millions of customers and serve as a foundation for a healthy economy, especially in the arid West. The Budget continues investments in the protection and restoration of fragile aquatic ecosystems, such as California's Bay-Delta and the San Joaquin River, to ensure that such environmental treasures are available for future generations. These investments are made possible by making difficult choices elsewhere, finding savings and consolidations, and reaping the benefits of smart choices made in previous years. Examples

Strengthens the Economy Through Environmental Investments

Promotes Economic Growth with Funding for Brownfields. Brownfields are lightly contaminated sites, many in economically hard-hit areas, where the presence or potential presence of contamination may keep these sites from being used productively. The Budget leverages funding from across the Federal Government, as well as State, local, and private investment in order to promote job creation and economic growth in these communities through initiatives such as the Urban Waters Federal Partnership, the Partnership for Sustainable Communities, and Strong Cities, Strong Communities. In order to support these initiatives and communities around the Nation while recognizing fiscal constraints, the Budget increases funding for technical assistance, but slightly reduces competitive grant funds.

Continues to Fund the Great Lakes Restoration Initiative. The Budget proposes to maintain funding for the Great Lakes Restoration Initiative at $300 million, which will allow for continued ecosystem restoration efforts while exercising fiscal restraint. This EPA-led interagency effort to restore the Great Lakes focuses on priority environmental issues such as cleaning up contaminated sediments and toxics, reducing non-point source pollution, mitigating habitat degradation and loss, and addressing invasive species.

Supports Restoration of the Chesapeake Bay. Funding for Chesapeake Bay restoration is increased by $16 million to support Bay watershed States as they implement their plans to reduce nutrient and sediment pollution in an unprecedented effort to restore this economically important ecosystem. EPA and Federal partners will continue to coordinate with States, municipalities, and industry to restore the integrity of this national treasure.

Supports State and Tribal Environmental Programs. The Budget proposes $1.1 billion for grants to support State and tribal implementation of delegated environmental programs. The support includes $257 million in State grant funding for air programs, an increase of $22 million to assist States in addressing additional responsibilities associated with greenhouse gas reduction efforts and other air pollutants, and $259 million in State water pollution control grants, a $20 million increase, including $15 million to improve nutrient management. The Budget also proposes to increase funding for the Tribal General Assistance Program (Tribal GAP) by $5 million. Tribal GAP funding builds tribal capacity and assists Tribes in leveraging other EPA and Federal funding to contribute to a higher level of environmental and health protection.

Enhances Interagency Efforts to Improve Water Quality. The United States has made great strides in improving water quality; however non-point source pollution remains a significant economic, environmental, and public health challenge that requires policy attention and thoughtful new approaches. Key Federal partners, along with agricultural producer organizations, conservation districts, States, Tribes, non-governmental organizations, and other local leaders will continue to work together to identify areas where a focused and coordinated approach can achieve decreases in water pollution. The Budget builds upon the collaborative process already underway among Federal partners to demonstrate substantial improvements in water quality from conservation programs by coordinating efforts between the Department of Agriculture (USDA) and EPA programs, such as EPA's Nonpoint Source Grants and Water Pollution Control Grants and USDA's Farm Bill conservation programs. This coordination will allow for more effective, targeted investments at the Federal and State level during a time of constrained budgets, and will ensure continued improvements in water quality.

Leverages Cost Effective Tools. Through the Urban Waters Federal partnership, Federal agencies, including EPA, are working together to help communities restore waterways and realize the economic, environmental, and social benefits of clean water. In many cities, stormwater has become a growing challenge to protecting and the Budget Control Act's cap adjustment. SBA's Disaster Loans Program provides low-interest disaster loans to homeowners, renters, and businesses of all sizes whose property is damaged or destroyed in a disaster.

Fosters Entrepreneurship and Expands Opportunities for Small Business Growth

Invests in Small Business Leadership Program. The Budget includes $40 million for Emerging Leaders, an entrepreneurial education initiative that SBA initially launched in 2008 to educate existing small businesses with the potential to grow their business. The revamped program will become a public-private partnership, funded with SBA and private matching dollars, to support a small business leadership model built on the best practices of other working private sector and non-profit models.

Invests in Entrepreneurship Training for America's Transitioning Veterans. The Budget provides $7 million to support SBA's Boots to Business initiative, which will build upon SBA's successful pilot programs that provide veterans transitioning to civilian life with the training and tools they need to start their own businesses. The Boots to Business initiative will reach veterans of all military branches nationwide by offering informational videos, 90-minute introduction to entrepreneurship sessions, a two-day entrepreneurship classroom course, and an eight-week online entrepreneurship course as part of the Department of Defense's enhanced Transition Assistance Program.

Supports Entrepreneurship Counseling and Regional Economic Development. The Budget includes $210 million for SBA's non-credit technical assistance programs, including $104 million for Small Business Development Centers and $20 million in technical assistance for microloan programs, to help businesses get started. The Budget also includes $5 million each for SBA's growth accelerators program and Regional Innovation Clusters program, which help connect small businesses with universities, venture capitalists, and regional industry leaders to leverage a region's unique assets to turn entrepreneurial ideas into sustainable high-growth small businesses.

Provides Small Businesses with Increased Federal Contracting and Exporting Resources. The Budget provides $4 million for SBA to hire 32 new Procurement Center Representatives, who will be strategically embedded across the Federal Government to increase the small business share of Federal procurement awards through such actions as reserving procurements for competition among small business firms and providing small business sources to Federal buying agents. In addition, the Budget provides $2 million to support the work of the President's Export Promotion Cabinet, helping small businesses to expand their exporting capabilities and thereby increase their revenue.

Provides a One-Stop Shop for Federal Business Assistance Resources. The Budget provides $6 million for SBA to fund its contribution to BusinessUSA, an interagency Administrative initiative to streamline and integrate customer service and program information across Federal programs that support small businesses and exporters. BusinessUSA will provide a one-stop shop for businesses looking for assistance from the Federal Government or looking to do business with the Federal Government, rather than making businesses search for and solicit a number of separate websites and points of contact. This consolidation of resources enables entrepreneurs and small businesses to find and use Government services more efficiently.

Supports Evidence-based Decision Making and Increases Oversight

Enhances Evaluation of Technical Assistance Programs. SBA, along with the Departments of Commerce and Agriculture, will continue to participate in an interagency group designed to evaluate the impact of Federal business technical assistance programs. SBA will evaluate its programs, such as Small Business

Development Centers, with the goal of developing a standard methodology for measuring the impact of these types of technical assistance programs across the Federal Government. The Budget provides $3 million to support evidence-based and evaluation activities at SBA.

Enhances Oversight Activities of Taxpayer Dollars. The Budget provides $20 million for SBA's Office of the Inspector General, a $3 million increase over the 2012 enacted level. This funding will support the Inspector General's efforts to detect and prevent waste, fraud, and abuse across SBA's programs, including the Business and Disaster Loans Programs.

CUTS, CONSOLIDATIONS, AND SAVINGS

Whether the Budget is in surplus or deficit, wasting taxpayer dollars on programs that are outdated, ineffective, or duplicative is wrong. Given the current fiscal environment, it is critical that we redouble our efforts to scour the Budget for waste and make tough decisions about reducing funding for or ending programs that are laudable, but not essential. This exercise is difficult but necessary, and it builds on efforts the Administration has undertaken since the President first took office.

The Administration has already made significant progress in cutting waste in areas across the Government. We have successfully targeted a series of programs for elimination, reduction, or consolidation. For example, at the Department of Defense, we eliminated the F-22 fighter aircraft that were no longer needed as part of the new defense strategy developed by our military leadership, and the Expeditionary Fighting Vehicle, which was performing poorly. These and other program terminations at the Pentagon will save over $20 billion. At the Department of Agriculture (USDA), we closed or consolidated 260 USDA field offices, saving $58 million. At the Department of Health and Human Services, we ended three duplicative health programs, saving taxpayers over $380 million.

As part of the President's Campaign to Cut Waste, we have cut unnecessary travel and conference spending by billions of dollars, and overall administrative spending in areas such as printing, fleet management, and advisory service contracts by billions more. In aggregate, agencies have targeted $8.8 billion in annual administrative savings by the end of 2013 as detailed in this section. The Administration has already announced significant progress made toward this goal and will provide periodic updates on savings achieved during the year. We are selling off excess Federal real estate. We are also leveraging the buying power of the Federal Government to save money on the purchase of commodity goods such as office supplies and shipping services.

The President has also engaged the Federal workforce and the public in cutting waste through his SAVE Award program, tapping the knowledge and expertise of frontline employees. Over the last three years, 66 SAVE Award ideas have been included in the President's Budget, ranging from ending the mailing of the Federal Register to Government offices to automatically powering off computers at the Department of Labor.

In each of the President's first three Budgets, he identified, on average, more than 150 terminations, reductions, and savings proposals, totaling nearly $25 billion each year. In last year's Budget, the Administration detailed 210 cuts, consolidations, and savings proposals, totaling more than $24 billion in 2013. This year, the Budget includes a total of 215 cuts, consolidations, and savings proposals, which are projected to save more than $25 billion in 2014, and $539 billion through 2023.

Discretionary and mandatory cuts, consolidations, and savings proposals are detailed on the following tables, as well as savings activities agencies are undertaking that require no further action by the Congress, many of which were suggested through the President's SAVE Award. Savings from program integrity proposals, totaling $98 billion through 2023, are detailed in the Budget Process chapter of the Analytical Perspectives volume.

As these tables show, the Budget includes a robust package of proposals that modify Medicare provider payments totaling $306 billion over the next 10 years. These include a number of measures detailed in Table S–9 (see Summary Tables section of this volume), including a proposal to align Medicare drug payment policies with Medicaid rebate policies for low-income beneficiaries, allowing Medicare to benefit from lower drug prices. This change alone will save $123 billion over the next 10 years. The Budget takes other critical steps to save money, such as closing the loophole in current law that allows people to collect both full disability benefits and unemployment benefits that cover the same period of time. Shutting this loophole will save $1 billion over 10 years. The single biggest consolidation proposed this year is in the area of science, technology, engineering, and mathematics (STEM) education, where the Administration is proposing a bold restructuring of STEM education programs—consolidating 90 programs and realigning ongoing STEM education activities to improve the delivery, impact, and visibility of these efforts.

DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS

(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
Cuts			
Agricultural Marketing Service - Microbiological Data Program, Department of Agriculture[1]	5	....	–5
Agricultural Marketing Service - Pesticide Recordkeeping Program, Department of Agriculture[1]	2	....	–2
Alaska Conveyance Program, Department of the Interior	29	17	–12
Area Health Education Centers, Department of Health and Human Services	27	....	–27
Assistance for Europe, Eurasia, and Central Asia, Department of State and Other International Programs	627	497	–130
Beach Grants, Environmental Protection Agency	10	....	–10
Brownfields Projects, Environmental Protection Agency	95	85	–10
Bureau of Indian Affairs Construction, Department of the Interior	124	107	–17
Bureau of Indian Affairs Housing Improvement Program, Department of the Interior[1]	13	....	–13
Bureau of Labor Statistics' Green Jobs Program, Department of Labor	8	....	–8
Bureau of Labor Statistics' Mass Layoff Statistics Program, Department of Labor[1]	2	....	–2
C–130 Avionics Modernization, Department of Defense	208	....	–208
C–27 Joint Cargo Aircraft, Department of Defense	480	....	–480
Capacity Building (Section 4 and Rural Housing), Department of Housing and Urban Development	40	20	–20
Centers for Disease Control and Prevention Direct Healthcare Screenings, Department of Health and Human Services	257	225	–32
Chemical Risk Management Fibers Program, Environmental Protection Agency	2	....	–2
Children's Hospital Graduate Medical Education Payment Program, Department of Health and Human Services	265	88	–177
Christopher Columbus Fellowship Foundation	....	....	....
Clean Automotive Technologies, Environmental Protection Agency	16	....	–16
Clean Water and Drinking Water State Revolving Funds, Environmental Protection Agency	2,384	1,912	–472
CMRR Facility, Department of Energy	200	35	–165
Community Services Block Grant, Department of Health and Human Services	679	350	–329
Computer and Information Science and Engineering Research Programs, National Science Foundation:			
Interface Between Computer Science and Economics and Social Sciences	7	....	–7
Network Science and Engineering	3	....	–3
Social-Computational Systems	7	....	–7
Virtual Organizations	5	....	–5
Cruiser Modernization Program, Department of Defense	573	11	–562
Cyber-Enabled Discovery and Innovation Program, National Science Foundation	29	....	–29
Diesel Emissions Reduction Grant Program, Environmental Protection Agency	30	6	–24
Drawdown of Military End Strength, Department of Defense	....	–1,384	–1,384
Economic Impact Grants, Department of Agriculture[1]	6	....	–6
Education Research Centers and Agricultural Research, Department of Health and Human Services:			
Agricultural, Forestry, and Fishing Program[1]	26	....	–26
Education Research Centers[1]	29	....	–29
Electric Guaranteed Underwriting Loan Program, Department of Agriculture[1]	1	....	–1
Elimination of Overlapping Programs, Department of Labor:			
Veterans Workforce Investment Program[1]	15	....	–15
Women in Apprenticeship in Non-Traditional Occupations[1]	1	....	–1
Environmental Education, Environmental Protection Agency	10	....	–10
Farm Service Agency Discretionary Conservation Programs, Department of Agriculture[1]	5	....	–5
Federal Flight Deck Officer Program, Department of Homeland Security	25	....	–25
Fissile Materials Disposition, Department of Energy	685	503	–182
Fossil Energy Research and Development, Department of Energy	534	421	–113
Geographic Programs, Environmental Protection Agency	30	17	–13
Global Hawk Unmanned Aerial Vehicle, Department of Defense	324	....	–324
Grants for Abstinence-Only Programs, Department of Health and Human Services	5	....	–5
Grants-in-Aid for Airports, Department of Transportation[1]	3,350	2,900	–450
Harry S. Truman Scholarship Foundation	1	....	–1
Health Care Services Grant Program, Department of Agriculture[1]	3	....	–3
Health Careers Opportunity Program, Department of Health and Human Services	15	....	–15
High Energy Cost Grants, Department of Agriculture[1]	10	....	–10

DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
High Intensity Drug Trafficking Areas, Office of National Drug Control Policy	239	193	–46
High Mobility Multipurpose Wheeled Vehicle Modernized Expanded Capacity Vehicle Recapitalization, Department of Defense	4	....	–4
HOME Investment Partnerships Program, Department of Housing and Urban Development	1,000	950	–50
Hospital Preparedness Program, Department of Health and Human Services	380	255	–125
Housing for Persons with Disabilities, Department of Housing and Urban Development	165	126	–39
Hypersonics, National Aeronautics and Space Administration[1]	25	4	–21
Impact Aid - Payments for Federal Property, Department of Education[1]	1,291	1,224	–67
International Forestry, Department of Agriculture[1]	8	4	–4
Investigator-Initiated Research Grants, Department of Health and Human Services	43	29	–14
Joint Air-to-Ground Missile Program, Department of Defense	235	21	–214
Joint High Speed Vessel, Department of Defense	372	3	–369
Light Attack and Armed Reconnaissance Aircraft, Department of Defense	115	....	–115
Low Income Home Energy Assistance Program, Department of Health and Human Services	3,472	3,020	–452
Low-Priority Studies and Construction, Corps of Engineers[1]	1,819	1,440	–379
Mathematics and Physical Sciences Research Programs, National Science Foundation:			
Cerro Chajnator Atacama Telescope Design and Development	2	....	–2
Cultural Heritage Science	4	....	–4
Grid Computing	2	....	–2
International Materials Institutes[1]	2	....	–2
Mathematical Physics	2	....	–2
Solar Energy Initiative (SOLAR)	2	....	–2
University Radio Observatories	8	6	–2
Mine Safety and Health Administration State Grants Program, Department of Labor	8	....	–8
Nanoscale Science and Engineering Centers, National Science Foundation	31	12	–19
National Drug Intelligence Center, Department of Justice[1]	20	....	–20
National Heritage Areas, Department of the Interior[1]	17	9	–8
National Pre-Disaster Mitigation Fund, Department of Homeland Security	36	....	–36
National Undersea Research Program, Department of Commerce[1]	4	....	–4
National Wildlife Refuge Fund, Department of the Interior[1]	14	....	–14
Office of Assistant Secretary Grant Programs, Department of Health and Human Services	89	67	–22
Office of the Special Trustee for American Indians, Department of the Interior	152	140	–12
Patient-Centered Health Research, Department of Health and Human Services[1]	17	....	–17
Pest and Disease Programs, Department of Agriculture[1]	817	798	–19
Precision Tracking and Space System, Department of Defense	81	....	–81
Presidio Trust	12	....	–12
Preventive Health and Health Services Block Grant, Department of Health and Human Services[1]	80	....	–80
PRIME Technical Assistance, Small Business Administration[1]	4	....	–4
Promoting Greener Economies, Environmental Protection Agency	3	....	–3
Public Broadcasting Grants, Department of Agriculture[1]	3	....	–3
Public Outreach Programs, National Science Foundation:			
Communicating Science Broadly[1]	2	....	–2
Connecting Researchers with Public Audiences[1]	4	....	–4
REACH, Department of Health and Human Services	14	....	–14
Rehabilitation Act Programs, Department of Education[1]	36	....	–36
Research, Education, and Extension Grants, Department of Agriculture:			
Animal Health (Sec. 1433)[1]	4	....	–4
Capacity Building: Non-Land Grant Colleges[1]	4	....	–4
Competitive Grants for Policy Research[1]	4	....	–4
Critical Agricultural Materials[1]	1	....	–1
Farm Business Management and Benchmarking[1]	1	....	–1
Food Animal Residue Avoid Database[1]	1	....	–1
Forest Products Research[1]	1	....	–1
Methyl Bromide Transition Program[1]	2	....	–2

DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued

(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
Potato Breeding Research (Competitive)[1]	1	....	–1
Rangeland Restoration[1]	1	....	–1
Rural Health and Safety[1]	2	....	–2
Sungrants[1]	2	....	–2
Supplemental and Alternative Crops[1]	1	....	–1
Water Quality[1]	5	....	–5
Youth Organizations[1]	1	....	–1
Rural Access to Emergency Devices, Department of Health and Human Services[1]	1	....	–1
Rural Community Facilities, Department of Health and Human Services[1]	5	....	–5
Rural Hospital Flexibility Grant Programs, Department of Health and Human Services	41	26	–15
Rural Multifamily Housing Preservation Grants, Department of Agriculture[1]	4	....	–4
Rural Single Family Housing Grant Programs, Department of Agriculture	60	35	–25
Sea-Based X-Band Radar, Department of Defense	177	45	–132
Second Line of Defense, Department of Energy[1]	262	140	–122
Sensors and Sensing Systems, Engineering Research Programs, National Science Foundation[1]	5	2	–3
Single Family Housing Direct Loans, Department of Agriculture[1]	43	10	–33
Standard Missile–3 Block IIB, Department of Defense	13	....	–13
State and Volunteer Fire Assistance Grants, Department of Agriculture[1]	99	81	–18
State Criminal Alien Assistance Program, Department of Justice	240	....	–240
State Indoor Radon Grant Program, Environmental Protection Agency	8	....	–8
Streamline Federal Air Marshals Service, Department of Homeland Security	966	827	–139
Sunwise, Environmental Protection Agency	1	....	–1
Superfund Remedial, Environmental Protection Agency	565	539	–26
Superfund Support to Other Federal Agencies, Environmental Protection Agency	6	....	–6
T-AGOS Ocean Surveillance Ship, Department of Defense	10	....	–10
Transfer Exit Lane Staffing Responsibilities to Airports, Department of Homeland Security	88	....	–88
Valles Caldera, Department of Agriculture[1]	3	....	–3
Water and Wastewater and Community Facilities Loan Guarantees, Department of Agriculture[1]	6	....	–6
Water and Wastewater Grants and Loans, Department of Agriculture	504	304	–200
Watershed Rehabilitation Program, Department of Agriculture[1]	15	....	–15
Wildland Fire Program/Hazardous Fuels Reduction, Department of the Interior	183	96	–87
Total, Discretionary Cuts	**25,172**	**16,216**	**–8,956**
Consolidations			
Central Utah Project, Department of the Interior	29	4	–25
Community Economic Development Program, Department of Health and Human Services	30	....	–30
Data Centers Closures, Department of Defense	....	–575	–575
Elementary and Secondary Education Act, Department of Education	....	....	....
Family Self-Sufficiency, Department of Housing and Urban Development	75	75	....
Food Aid Reform, Multi-Agency:	1,766	1,766	....
U.S. Agency for International Development	*300*	*1,741*	*1,441*
Department of Agriculture	*1,466*	....	*–1,466*
Maritime Administration, Department of Transportation	....	*25*	*25*
Forest Service Integrated Resource Restoration, Department of Agriculture	805	757	–48
Higher Education Programs, Department of Education	....	....	....
International Trade Administration Business Units, Department of Commerce	....	–8	–8
NASA Education, National Aeronautics and Space Administration	....	....	....
Rural Business & Cooperative Grants, Department of Agriculture	....	....	....
Science, Technology, Engineering, and Mathematics (STEM) Consolidation, Multi-Agency:	....	....	....
Eliminated and Reorganized Programs Total - 90 Programs:			
Eliminated Programs and Redirected Funding - 78 Programs:			
Department of Agriculture - 6 Programs	*[11]*		
Department of Commerce - 6 Programs	*[13]*		
Department of Defense - 6 Programs	*[49]*		

DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
Department of Energy - 8 Programs	[11]		
Department of Health and Human Services - 10 Programs	[28]		
Department of Homeland Security - 1 Program	[1]		
Environmental Protection Agency - 2 Programs	[16]		
National Aeronautics and Space Administration - 38 Programs	[48]		
Nuclear Regulatory Commission - 1 Program	[0]		
Reorganized Programs Within the Agency - 12 Programs:			
National Science Foundation - 11 Programs	[118]		
National Aeronautics and Space Administration - 1 Program	[2]		
Self-Help and Assisted Homeownership Opportunity Program, Department of Housing and Urban Development	14	10	–4
State and Local Grants Reform, Department of Homeland Security	....	....	....
United States Visitor and Immigrant Status Indicator Technology, Department of Homeland Security	....	....	....
Total, Discretionary Consolidations	**2,719**	**2,029**	**–690**
Savings			
Agency-Wide Efficiency Savings, Department of Justice	....	–237	–237
B–83 Reserve Status, Department of Energy	....	–3	–3
Increased Flexibility for the U.S. Mint in Coinage, Department of the Treasury	....	....	....
Internal Revenue Service Business Systems Modernization, Department of the Treasury	330	301	–29
Joint Polar Satellite System Savings, Department of Commerce	924	886	–38
Law Enforcement-Wide Administrative Efficiencies, Department of Justice	....	–93	–93
Pit Disassembly and Conversion Savings, Department of Energy	26	....	–26
Senate Campaign Finance Reports Electronic Submission, Federal Election Commission	....	....	....
Streamline Farm Service Agency Operations, Department of Agriculture	1,199	1,176	–23
Technology Infrastructure Modernization, Environmental Protection Agency	186	179	–7
W 78/88 Life Extension Program, Department of Energy	....	–72	–72
Total, Discretionary Savings	**2,665**	**2,137**	**–528**
Total, Discretionary Cuts, Consolidations, and Savings	**30,556**	**20,382**	**–10,174**

[1] This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the respective agency's Congressional Justification submission.

MANDATORY CUTS AND SAVINGS

(Outlays and receipts in millions of dollars)

	2014	2015	2016	2017	2018	2014–2018	2014–2023
Cuts							
Coal Tax Preferences, Department of Energy:							
Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels[1]	–33	–34	–36	–39	–40	–182	–409
Expensing of Exploration and Development Costs[1]	–25	–43	–45	–47	–49	–209	–432
Percent Depletion for Hard Mineral Fossil Fuels[1]	–113	–193	–196	–198	–201	–901	–1,982
Royalty Taxation[1]	–14	–31	–37	–42	–45	–169	–432
Eliminate Direct Payments, Department of Agriculture	....	–3,300	–3,300	–3,300	–3,300	–13,200	–29,700
Conservation Reserve Program, Department of Agriculture	15	15	–200	–220	–315	–705	–2,915
Conservation Stewardship Program, Department of Agriculture	–5	–50	–90	–130	–170	–445	–1,964
Crop Insurance Program, Department of Agriculture	–513	–1,005	–1,238	–1,244	–1,256	–5,256	–11,716
Geothermal Payments to Counties, Department of the Interior[2]	–4	–4	–5	–5	–5	–23	–48
Oil and Gas Company Tax Preferences, Department of Energy:							
Increase Geological and Geophysical Amortization Period for Independent Producers to Seven Years[1]	–60	–220	–333	–304	–221	–1,138	–1,363
Repeal Credit for Oil and Gas Produced from Marginal Wells[1]	....	....	....	....	....	....	....
Repeal Deduction for Tertiary Injectants[1]	–8	–12	–12	–11	–11	–54	–107
Repeal Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies[1]	–1,119	–1,926	–1,951	–1,944	–1,884	–8,824	–17,447
Repeal Enhanced Oil Recovery Credit[1]	....	....	....	....	....	....	....
Repeal Exception to Passive Loss Limitations for Working Interests in Oil and Natural Gas Properties[1]	–7	–10	–9	–8	–8	–42	–74
Repeal Expensing of Intangible Drilling Costs[1]	–1,663	–2,460	–2,125	–1,639	–1,099	–8,986	–10,993
Repeal Percentage Depletion for Oil and Natural Gas Wells[1]	–1,039	–1,044	–1,042	–1,041	–1,045	–5,211	–10,723
Offset Disability Benefits for Period of Concurrent Unemployment Insurance Receipt	–100	–100	–100	–100	–100	–500	–1,000
Ultradeep Oil and Gas Research and Development Program, Department of Energy[2]	–20	–20	–10	....	....	–50	–50
Payments to Guarantee Agencies - Federal Family Education Loan Program	–3,657	....	....	....	....	–3,657	–3,657
Unrestricted Abandoned Mine Lands Payments, Department of the Interior[2]	–32	–33	–27	–31	–40	–163	–327
Total, Mandatory Cuts	**–8,397**	**–10,470**	**–10,756**	**–10,303**	**–9,789**	**–49,715**	**–95,339**
Savings							
FECA Reform, Department of Labor	–9	–10	–19	–29	–39	–106	–462
Federal Employee Health Benefits Program Reforms, Office of Personnel Management	....	–422	–665	–725	–794	–2,606	–8,367
Health Care (Medicaid Proposals), Department of Health and Human Services	–301	–1,051	–1,401	–1,397	–1,316	–5,466	–16,914
Health Care (Pharmaceuticals), Department of Health and Human Services[3]	–740	–870	–1,000	–1,150	–1,330	–5,090	–14,280
Medicare Provider Payment Modifications, Department of Health and Human Services[3, 4]	–5,630	–13,460	–17,560	–22,000	–26,810	–85,460	–306,230
Total, Mandatory Savings	**–6,680**	**–15,813**	**–20,645**	**–25,301**	**–30,289**	**–98,728**	**–346,253**
Total, Mandatory Cuts and Savings	**–15,077**	**–26,283**	**–31,401**	**–35,604**	**–40,078**	**–148,443**	**–441,592**

[1] This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the Governmental Receipts chapter of the Analytical Perspectives volume.

[2] This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the respective agency's Congressional Justification submission.

[3] Medicare savings estimates do not include interactions.

[4] In addition to the savings reported on this table, the Budget includes an additional $67.8 billion in 10-year savings for Medicare Structural Reforms, as detailed on table S-9.

The SAVE Award logo denotes a proposal that was suggested by a Federal employee through the SAVE Award program.

ADMINISTRATIVE SAVINGS
(In millions of dollars)

	2013 Savings Target
Department of Agriculture	–196
Department of Commerce	–184
Department of Defense	–4,731
Department of Education	–11
Department of Energy	–223
Department of Health and Human Services	–881
Department of Homeland Security	–866
Department of Housing and Urban Development	–12
Department of the Interior	–205
Department of Justice	–160
Department of Labor	–61
Department of State	–182
Agency for International Development	–15
Department of Transportation	–156
Department of the Treasury	–241
Department of Veterans Affairs	–175
Corps of Engineers -- Civil Works	–77
Environmental Protection Agency	–72
General Services Administration	–56
National Aeronautics and Space Administration	–202
National Science Foundation	–19
Office of Personnel Management	–4
Small Business Administration	–3
Social Security Administration	–81
Total	**–8,812**

S–9. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals 2014–2018	Totals 2014–2023
Extend Centers for Medicare and Medicaid Services (CMS) quality measurement	....	10	30	30	30	....	....	....	....	....	....	100	100
Total, Medicaid and other	....	–302	–1,398	–2,694	–2,875	–3,020	–3,315	–3,585	–3,841	–4,099	–8,011	–10,289	–33,140
Provide administrative resources for implementation	....	100	250	50	....	....	....	....	....	....	....	400	400
Total, HHS health proposals	....	–6,182	–15,128	–20,744	–28,595	–33,740	–38,715	–47,625	–56,211	–66,339	–79,411	–104,389	–392,690
Office of Personnel Management:													
Modernize the Federal Employees Health Benefits Program (FEHBP):													
Streamline FEHBP pharmacy benefit contracting	....	....	–74	–140	–157	–167	–180	–195	–211	–227	–247	–538	–1,598
Offer an FEHBP Self+One option and domestic partner benefits	....	....	–345	–504	–519	–548	–581	–617	–653	–684	–721	–1,916	–5,172
Expand FEHBP plan types	....	....	–4	–11	–15	–18	–24	–31	–41	–51	–69	–48	–264
Adjust FEHBP premiums for wellness	....	....	3	–11	–34	–60	–101	–154	–230	–316	–430	–102	–1,333
Total, modernize FEHBP	....	....	–420	–666	–725	–793	–886	–997	–1,135	–1,278	–1,467	–2,604	–8,367
Total, health savings	....	–6,182	–15,548	–21,410	–29,320	–34,533	–39,601	–48,622	–57,346	–67,617	–80,878	–106,993	–401,057
Other Mandatory Savings:													
Agriculture:													
Streamline conservation programs	....	–37	127	–10	–50	–193	–238	–273	–298	–358	–383	–163	–1,713
Reduce subsidies for crop insurance companies and farmer premiums	....	–513	–1,005	–1,238	–1,244	–1,256	–1,274	–1,280	–1,294	–1,302	–1,310	–5,256	–11,716
Eliminate direct payments	....	....	–3,300	–3,300	–3,300	–3,300	–3,300	–3,300	–3,300	–3,300	–3,300	–13,200	–29,700
Provide assistance for dairy and livestock producers	....	400	400	400	400	400	400	400	400	400	400	2,000	4,000
Provide assistance for specialty crops, bioenergy and beginning farmers	....	235	235	235	235	235	20	20	20	20	20	1,175	1,275
Total, Agriculture	....	85	–3,543	–3,913	–3,959	–4,114	–4,392	–4,433	–4,472	–4,540	–4,573	–15,444	–37,854
Health and Human Services:													
Provide dedicated, mandatory funding for Health Care Fraud and Abuse Control Program (HCFAC) program integrity:													
Administrative costs	303	329	672	706	725	745	765	786	807	829	852	3,177	7,216
Benefit savings	–450	–496	–546	–599	–628	–659	–690	–722	–755	–789	–824	–2,928	–6,708
Subtotal, provide dedicated, mandatory funding for HCFAC program integrity	–147	–167	126	107	97	86	75	64	52	40	28	249	508
Annual reduction to discretionary spending limits (non-add)	....	....	*–311*	*–311*	*–311*	*–311*	*–311*	*–311*	*–311*	*–311*	*–311*	*–1,244*	*–2,799*

S–9. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals 2014–2018	Totals 2014–2023
Additional Mandatory and Receipt Proposals:													
Early Childhood Investments:													
Support preschool for all	....	130	1,235	3,110	5,456	7,360	8,773	9,787	10,560	10,275	9,356	17,291	66,042
Extend and expand home visiting	....	....	150	250	625	900	1,150	1,450	1,900	2,075	2,225	1,925	10,725
Total, early childhood investments	....	130	1,385	3,360	6,081	8,260	9,923	11,237	12,460	12,350	11,581	19,216	76,767
Increase tobacco taxes and index for inflation [2]	....	–7,725	–9,844	–9,264	–8,718	–8,205	–7,723	–7,268	–6,842	–6,440	–6,062	–43,756	–78,091
Infrastructure and Jobs Investments:													
Invest in rail transportation through reauthorization	....	333	1,419	1,759	2,678	3,409	3,032	2,977	2,565	1,804	790	9,598	20,766
Reserve additional resources for surface transportation reauthorization	....	....	399	2,879	6,855	10,865	15,045	19,343	15,795	7,679	4,112	20,998	82,972
Create infrastructure bank	....	22	116	350	630	919	1,218	1,403	1,465	1,441	1,271	2,037	8,835
Provide funding for Project Rebuild	....	50	4,650	7,100	3,200	....	....	....	....	....	....	15,000	15,000
Create a Pathways Back to Work fund	625	10,750	1,125	....	....	....	....	....	....	....	....	11,875	11,875
Recognize Educational Success, Professional Excellence, and Collaborative Teaching (RESPECT)	100	2,650	1,750	500	....	....	....	....	....	....	....	4,900	4,900
Provide for teacher stabilization	625	11,875	....	....	....	....	....	....	....	....	....	11,875	11,875
Establish Veterans Job Corps	....	50	237	237	238	238	....	....	....	....	....	1,000	1,000
Enact Reemployment NOW	200	3,000	800	....	....	....	....	....	....	....	....	3,800	3,800
Support first responders	....	2,450	2,200	350	....	....	....	....	....	....	....	5,000	5,000
Total, infrastructure and jobs investments	1,550	31,180	12,696	13,175	13,601	15,431	19,295	23,723	19,825	10,924	6,173	86,083	166,023
Savings in OCO reserved for infrastructure and jobs investments (non-add)	*–968*	*–4,027*	*–38,088*	*–59,134*	*–65,606*	*–69,395*	*–41,232*	....	....	....	....	*–236,250*	*–277,482*
Other Mandatory Initiatives and Savings:													
Agriculture:													
Enact biobased labeling fee	....	–1	....	....	....	....	....	....	....	....	....	–1	–1
Reauthorize Secure Rural Schools	....	214	242	154	94	58	12	....	....	....	....	762	774
Enact Animal Plant and Health Inspection Service (APHIS) fee	....	–20	–27	–27	–28	–29	–30	–31	–32	–33	–34	–131	–291
Enact Natural Resources Conservation Service (NRCS) fee	....	–22	–22	–22	–22	–22	–22	–22	–22	–22	–22	–110	–220
Enact Grain Inspection, Packers, and Stockyards Administration (GIPSA) fee	....	–27	–27	–28	–28	–28	–29	–29	–29	–30	–30	–138	–285
Enact Food Safety and Inspection Service (FSIS) fee	....	–4	–4	–4	–5	–5	–5	–5	–5	–5	–5	–22	–47
Restore temporary Supplemental Nutrition Assistance Program (SNAP) benefit increase	....	2,223	41	....	....	....	....	....	....	....	....	2,264	2,264
Reauthorize stewardship contracting permanently	....	–12	....	1	1	1	1	2	2	2	1	–9	–1

S–9. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals 2014–2018	Totals 2014–2023
Outyear mandatory effects of discretionary changes to the Conservation Stewardship Program	....	....	–10	–13	–13	–13	–13	–13	–13	–13	–13	–49	–114
Total, Agriculture	....	2,351	193	61	–1	–38	–86	–98	–99	–101	–103	2,566	2,079
Commerce:													
Develop a national network of manufacturing innovation institutes	....	38	112	180	186	156	122	102	74	30	....	672	1,000
Education:													
Reform student loan interest rates	8,489	11,954	8,772	4,686	1,394	–1,387	–4,118	–6,678	–8,683	–9,912	–10,915	25,419	–14,887
Expand Pay-As-You-Earn to all borrowers	463	3,460	400	381	332	350	239	221	238	163	191	4,923	5,975
Reform and expand Perkins loan program	....	–673	–2,012	–1,863	–1,693	–1,540	–1,453	–1,402	–1,324	–1,195	–1,124	–7,781	–14,279
Adjust guaranty agency loan rehabilitation compensation	....	–3,657	....	....	....	....	....	....	....	....	....	–3,657	–3,657
Provide mandatory appropriation to sustain recent Pell Grant increases	....	....	866	3,589	4,035	2,948	2,494	869	905	1,113	1,116	11,438	17,935
Overhaul TEACH Grants and replace with Presidential Teaching Fellows	....	5	126	176	181	176	164	28	–28	–43	–46	664	739
Establish the Community College to Career Fund	....	....	134	533	933	1,134	800	400	67	....	....	2,733	4,000
Total, Education	8,952	11,089	8,286	7,502	5,182	1,681	–1,874	–6,562	–8,825	–9,874	–10,778	33,739	–4,174
Energy:													
Repeal ultra-deepwater oil and gas research and development program	....	–20	–20	–10	....	....	....	....	....	....	....	–50	–50
Reauthorize special assessment from domestic nuclear utilities [1]	....	–200	–204	–209	–213	–218	–223	–228	–233	–238	–243	–1,044	–2,209
Establish Energy Security Trust Fund	....	60	140	180	200	200	200	200	200	200	200	780	1,780
Enact nuclear waste management program	....	....	....	....	90	170	390	520	720	–1,334	740	260	1,296
Provide HomeStar rebates for energy efficient home retrofits	....	300	1,800	2,100	1,020	600	180	....	....	....	....	5,820	6,000
Total, Energy	....	140	1,716	2,061	1,097	752	547	492	687	–1,372	697	5,766	6,817
Health and Human Services:													
Reauthorize Family Connection Grants	....	....	11	14	14	4	1	1	....	....	....	43	45
Expand child care access	....	406	683	735	745	749	750	750	750	750	750	3,318	7,068
Make TANF supplemental grant funding permanent and reduce the annual amount available in the TANF contingency fund	....	....	....	....	....	....	....	....	....	....	....	....	....

S–9. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals 2014–2018	Totals 2014–2023
Extend SSI time limits for qualified refugees	....	46	53	....	....	....	....	....	....	....	....	99	99
Medicaid effects	....	11	13	....	....	....	....	....	....	....	....	24	24
SNAP effects	....	–8	–9	....	....	....	....	....	....	....	....	–17	–17
Conform treatment of State and local government earned income tax credit (EITC) and child tax credit (CTC) for SSI [17]	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, Social Security Administration (SSA)	....	74	92	90	....	....	....	....	....	....	....	256	256
Other Independent Agencies:													
Postal Service:													
Enact Postal Service financial relief and reform:													
PAYGO effects	582	2,894	–903	–3,057	–3,185	–3,185	–3,185	–3,185	–3,185	–3,185	–3,185	–7,436	–23,361
Non-scoreable effects	972	1,822	5,117	8,675	2,835	2,835	2,835	2,835	2,835	2,835	2,835	21,284	35,459
Railroad Retirement Board (RRB):													
Allow the electronic certification of certain RRB benefits	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, other independent agencies	1,554	4,716	4,214	5,618	–350	–350	–350	–350	–350	–350	–350	13,848	12,098
Multi-Agency:													
Provide the Secretary of the Treasury authority to access and disclose prisoner data to prevent and identify improper payments:													
Labor effects	....	–5	–10	–10	–10	–10	–10	–10	–11	–11	–12	–45	–99
Treasury effects [1]	....	–24	–35	–36	–37	–38	–39	–40	–41	–42	–43	–170	–375
SSA effects	....	15	....	....	....	....	....	....	....	....	....	15	15
Total, Provide the Secretary of the Treasury authority to access and disclose prisoner data to prevent and identify improper payments	....	–14	–45	–46	–47	–48	–49	–50	–52	–53	–55	–200	–459
Increase TRICARE Prime enrollment fee, impose Standard/Extra annual enrollment fee, and deductible/catastrophic cap adjustments (mandatory effects in Coast Guard, Public Health Service and National Oceanic and Atmospheric Administration)	....	–5	–13	–19	–25	–30	–32	–35	–37	–40	–43	–92	–279
Enact Spectrum License User Fee and allow the FCC to auction predominantly domestic satellite services	–50	–225	–325	–425	–550	–550	–550	–550	–550	–550	–550	–2,075	–4,825

Table S–11. Funding Levels for Appropriated ("Discretionary") Programs by Agency

(Budget authority in billions of dollars)

	Actuals			Requests		Outyears									Totals	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
Base Discretionary Funding by Agency:[1,2]																
Agriculture	27.0	23.2	23.7	23.0	21.5	23.1	23.6	24.1	24.6	25.2	25.8	26.3	27.0	27.7	117.0	248.9
Commerce	13.9	5.6	7.7	8.0	8.6	9.1	9.4	9.9	10.9	12.0	18.2	10.4	10.2	10.4	47.8	109.1
Census Bureau	*7.2*	*–0.7*	*0.9*	*0.9*	*1.0*	*1.3*	*1.5*	*1.7*	*2.5*	*3.5*	*9.5*	*1.5*	*1.1*	*1.1*	*8.0*	*24.6*
Defense[3]	530.1	528.3	530.4	525.4	526.6	540.8	551.4	560.0	568.6	577.1	586.7	596.3	605.9	615.5	2,747.4	5,728.9
Education	64.3	68.3	67.4	69.8	71.2	71.9	72.8	73.9	75.1	76.3	77.4	78.6	80.0	81.5	365.0	758.7
Energy	26.5	25.7	26.4	27.2	28.4	28.3	28.9	29.5	30.1	30.8	31.5	32.2	33.0	33.8	145.2	306.5
National Nuclear Security Administration[3]	*9.9*	*10.5*	*11.0*	*11.5*	*11.7*	*11.0*	*11.2*	*11.4*	*11.7*	*11.9*	*12.2*	*12.4*	*12.8*	*13.1*	*56.9*	*119.3*
Health & Human Services (HHS)[4]	84.4	78.5	78.3	71.7	78.3	83.9	85.5	87.4	89.3	91.3	93.3	95.3	97.7	100.2	424.3	902.2
Homeland Security	39.8	41.9	39.9	39.5	39.0	39.7	40.4	41.2	42.0	42.8	43.8	44.7	45.8	47.0	202.3	426.4
Housing and Urban Development	42.8	37.1	36.3	34.5	33.1	33.9	34.4	35.0	35.8	36.5	37.2	37.9	38.8	39.6	172.2	362.2
Interior	12.1	11.7	11.3	11.4	11.7	12.1	12.4	12.6	12.9	13.2	13.5	13.8	14.2	14.5	61.8	131.0
Justice	27.6	26.9	26.9	17.9	16.3	28.8	29.3	29.9	30.6	31.3	32.0	32.7	33.5	34.4	135.0	298.8
Labor	13.5	12.5	13.2	12.0	12.1	12.3	11.6	11.9	12.1	12.3	12.6	12.8	13.1	13.4	60.0	124.3
State and Other International Programs	49.0	48.5	41.6	46.5	48.1	49.4	50.3	51.4	52.6	53.7	54.9	56.0	57.5	58.9	251.8	532.8
Transportation	20.2	15.4	16.4	16.5	16.3	17.2	17.5	17.9	18.3	18.7	19.1	19.5	20.0	20.5	87.2	185.1
Treasury	13.4	13.4	13.1	12.5	12.9	14.2	14.7	15.3	15.8	16.4	17.0	17.5	18.1	18.7	72.9	160.5
Veterans Affairs	53.1	56.4	58.7	61.0	63.5	64.9	66.1	67.5	69.0	70.5	72.1	73.6	75.5	77.5	330.9	700.1
Corps of Engineers	5.5	4.9	5.1	4.7	4.7	5.0	5.0	5.2	5.3	5.4	5.5	5.6	5.8	5.9	25.2	53.4
Environmental Protection Agency	10.3	8.7	8.5	8.3	8.2	8.2	8.2	8.2	7.7	7.9	8.0	8.2	8.4	8.5	40.4	81.4
General Services Administration	0.4	–1.0	–0.8	–0.8	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.3	2.8
National Aeronautics & Space Administration	18.7	18.4	17.8	17.7	17.7	18.2	18.5	18.9	19.4	19.8	20.2	20.7	21.2	21.7	92.7	196.3
National Science Foundation	6.9	6.8	7.0	7.4	7.6	7.8	8.0	8.2	8.3	8.5	8.7	8.9	9.1	9.4	39.9	84.5
Small Business Administration	0.8	0.7	0.9	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	4.2	8.9
Social Security Administration (SSA)[4]	8.9	8.6	9.0	9.0	9.1	9.0	9.2	9.4	9.6	9.8	10.0	10.3	10.5	10.8	46.4	97.8
Corporation for National & Community Service	1.2	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	5.6	11.8
Other Agencies	19.5	18.8	18.8	18.9	19.4	19.5	19.9	20.3	20.8	21.2	21.7	22.2	22.7	23.3	100.0	211.1
Required savings[5]	....	....	....	–2.6	....	–15.6	–14.6	–19.0	–23.2	–27.4	–37.9	–34.1	–40.7	–47.0	–72.4	–259.5
Subtotal, Base Discretionary Funding	**1,090.0**	**1,060.6**	**1,058.8**	**1,041.6**	**1,056.5**	**1,083.9**	**1,104.9**	**1,120.9**	**1,137.8**	**1,155.8**	**1,173.8**	**1,191.8**	**1,209.7**	**1,228.7**	**5,504.1**	**11,463.9**

Table S–11. Funding Levels for Appropriated ("Discretionary") Programs by Agency—Continued

(Budget authority in billions of dollars)

	Actuals		Requests		Outyears										Totals	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
Discretionary Cap Adjustments and Other Funding (not included above):[6]																
Overseas Contingency Operations	**162.6**	**159.4**	**126.5**	**96.7**	**92.3**	**37.3**	**37.3**	**37.3**	**37.3**	**37.3**	**37.3**	**37.3**	**.........**	**.........**	**241.4**	**353.3**
Defense[7]	162.3	158.8	115.1	88.5	88.5	....	....	....	....	....	....	....	....	....	88.5	88.5
Homeland Security	0.2	0.3	0.3	....	....	....	....	....	....	....	....	....	....	....	....	....
Justice	0.1	0.1	....	....	....	....	....	....	....	....	....	....	....	....	....	....
State and Other International Programs	....	0.3	11.2	8.2	3.8	....	....	....	....	....	....	....	....	....	3.8	3.8
Overseas Contingency Operations Outyears[8]	....	....	....	....	....	37.3	37.3	37.3	37.3	37.3	37.3	37.3	....	....	149.1	261.0
Disaster Relief	**.........**	**.........**	**10.5**	**11.0**	**5.8**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**5.8**	**5.8**
Homeland Security	....	....	6.4	10.9	5.6	....	....	....	....	....	....	....	....	....	5.6	5.6
Transportation	....	....	1.7	....	....	....	....	....	....	....	....	....	....	....	....	....
Corps of Engineers	....	....	1.7	....	....	....	....	....	....	....	....	....	....	....	....	....
Small Business Administration	....	....	....	0.2	0.2	....	....	....	....	....	....	....	....	....	0.2	0.2
Other Agencies	....	....	0.7	....	....	....	....	....	....	....	....	....	....	....	....	....
Program Integrity	**0.5**	**0.5**	**0.5**	**0.5**	**0.4**	**0.8**	**1.1**	**1.4**	**1.7**	**1.7**	**1.7**	**1.8**	**1.8**	**1.9**	**5.3**	**14.1**
Treasury	....	....	....	....	0.4	0.7	1.0	1.3	1.7	1.6	1.7	1.7	1.8	1.8	5.2	13.8
HHS, Labor, and SSA	0.5	0.5	0.5	0.5	*	*	*	*	*	*	*	*	*	*	....	....
Other Emergency/Supplemental Funding[9]	**9.6**	**–1.3**	*****	**40.6**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**	**.........**
Agriculture	0.6	....	....	0.2	....	....	....	....	....	....	....	....	....	....	....	....
Commerce	–0.5	....	....	0.3	....	....	....	....	....	....	....	....	....	....	....	....
Defense	–1.9	....	....	*	....	....	....	....	....	....	....	....	....	....	....	....
Energy	–1.5	....	....	–0.5	....	....	....	....	....	....	....	....	....	....	....	....
Health and Human Services	0.2	–1.3	....	0.3	....	....	....	....	....	....	....	....	....	....	....	....
Homeland Security	5.5	....	*	6.7	....	....	....	....	....	....	....	....	....	....	....	....
Housing and Urban Development	0.1	....	....	16.0	....	....	....	....	....	....	....	....	....	....	....	....
Interior	*	....	....	0.8	....	....	....	....	....	....	....	....	....	....	....	....
State and Other International Programs	6.1	....	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Transportation	*	....	....	13.1	....	....	....	....	....	....	....	....	....	....	....	....
Corps of Engineers	0.2	....	....	1.9	....	....	....	....	....	....	....	....	....	....	....	....

Table S–11. Funding Levels for Appropriated ("Discretionary") Programs by Agency—Continued

(Budget authority in billions of dollars)

	Actuals		Requests		Outyears										Totals	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
Environmental Protection Agency	*	....	....	0.6	....	....	....	....	....	....	....	....	....	....	....	....
Small Business Administration	1.0	....	....	0.8	....	....	....	....	....	....	....	....	....	....	....	....
Other Agencies	–0.1	....	....	0.3	....	....	....	....	....	....	....	....	....	....	....	....
Grand Total, Discretionary Funding	**1,262.7**	**1,219.2**	**1,196.2**	**1,190.4**	**1,155.0**	**1,122.0**	**1,143.2**	**1,159.5**	**1,176.8**	**1,194.8**	**1,212.8**	**1,230.8**	**1,211.5**	**1,230.6**	**5,756.6**	**11,837.1**

Memorandum:

2014 Base Defense Category Request by agency:

Defense	*526.6*
Energy (including NNSA)	*17.8*
Justice (FBI)	*4.9*
Homeland Security	*1.6*
Other	*1.0*
Total, Base Defense Category	*552.0*

* $50 million or less.

[1] Amounts in the actuals years of 2010 through 2012 exclude changes in mandatory programs enacted in appropriations bills since those amounts have been rebased as mandatory, whereas amounts in 2013 and 2014 are net of these proposals.

[2] The 2014 Budget proposes changes to the current law caps in the BBEDCA, as amended, for the reclassification of certain Transportation programs and further reductions as part of the Administration's policy to achieve additional deficit reduction.

[3] The Department of Defense (DOD) levels in 2015–2023 include funding that will be allocated, in annual increments, to the National Nuclear Security Administration (NNSA). Current estimates by which DOD's budget authority will decrease and NNSA's will increase are, in millions of dollars: 2015: $1,196; 2016: $1,444; 2017: $1,602; 2018: $1,665; 2019: $1,702; 2014–2023: $14,816. DOD and NNSA continue to review aspects of NNSA's outyear requirements and this will affect outyear allocations made by DOD to NNSA.

[4] Funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for administrative expenses incurred by the Social Security Administration that support the Medicare program are included in the Health and Human Services total and not in the Social Security Administration total.

[5] The 2014 Budget includes allowances, similar to the Function 920 allowances used in Budget Resolutions, to represent amounts to be allocated among the respective agencies to reach the proposed defense and non-defense caps for 2015 and beyond. These levels are determined for illustrative purposes but do not reflect specific policy decisions. 2013 also includes an allowance amount to bridge from the 2013 request level to 2013 caps, as enacted in ATRA.

[6] Where applicable, amounts in 2012 through 2023 are existing or proposed cap adjustments designated pursuant to Section 251(b)(2) of the BBEDCA, as amended. Amounts in 2010 and 2011 are not so designated but are shown for comparability purposes.

[7] Because final decisions about the pace of the drawdown in Afghanistan have not yet been made, the Budget includes a placeholder for DOD's 2014 Overseas Contingency Operations (OCO) funding, equivalent to the amount provided in the 2013 Budget. The Administration will submit a Budget amendment to Congress updating the DOD OCO request after a determination has been made on required force levels in Afghanistan.

[8] The Budget includes placeholder amounts of $37.3 billion per year for Government-wide OCO funding from 2015 to 2021. These amounts reflect the Administration's proposal to cap total OCO budget authority from 2013 to 2021 at $450 billion but do not reflect any specific decisions or assumptions about OCO funding in any particular year.

[9] Amounts in 2010–2012 are not designated as Emergency funding pursuant to Section 251(b)(2)(A) of the BBEDCA, as amended, as they include congressionally-designated emergencies, rescissions of funding provided in the American Recovery and Reinvestment Act of 2009 (P.L. 111–5), and other supplemental funding.

Table S–12. Economic Assumptions[1]

(Calendar years)

	2011 Actual	Projections											
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Domestic Product (GDP):													
Nominal level, billions of dollars	15,076	15,705	16,384	17,235	18,181	19,192	20,247	21,275	22,247	23,219	24,216	25,252	26,331
Percent change, nominal GDP, year/year	4.0	4.2	4.3	5.2	5.5	5.6	5.5	5.1	4.6	4.4	4.3	4.3	4.3
Real GDP, percent change, year/year	1.8	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3	2.3
Real GDP, percent change, Q4/Q4	2.0	2.0	2.6	3.4	3.6	3.6	3.5	2.9	2.4	2.4	2.3	2.3	2.3
GDP chained price index, percent change, year/year	2.1	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Consumer Price Index, [2] percent change, year/year	3.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Interest rates, percent: [3]													
91-day Treasury bills [4]	0.1	0.1	0.1	0.2	0.4	1.2	2.3	3.2	3.6	3.7	3.7	3.7	3.7
10-year Treasury notes	2.8	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0	5.0
Unemployment rate, civilian, percent [3]	8.9	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4	5.4

Note: A more detailed table of economic assumptions is in Chapter 2, "Economic Assumptions and Interactions with the Budget," in the *Analytical Perspectives* volume of the Budget, Table 2–1.

[1] Based on information available as of mid-November 2012.

[2] Seasonally adjusted CPI for all urban consumers.

[3] Annual average.

[4] Average rate, secondary market (bank discount basis).

FISCAL YEAR 2014

ANALYTICAL PERSPECTIVES

BUDGET OF THE U.S. GOVERNMENT

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1. INTRODUCTION

The *Analytical Perspectives* volume presents analyses that highlight specific subject areas or provide other significant data that place the Budget in context and assist the public, policymakers, the media, and researchers in better understanding the budget's effects on the Nation. This volume complements the main Budget volume, which presents the President's budget policies and priorities by agency, and the Budget Appendix volume, which provides appropriations language, schedules for budget expenditure accounts, and schedules for selected receipt accounts.

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

As in previous years, several large supplemental tables are available at *http://www.budget.gov/budget/Analytical_Perspectives* and on the Budget CD-ROM. A list of these items is in the Table of Contents.

OVERVIEW OF THE CHAPTERS

Economic and Budget Analyses

Economic Assumptions and Interactions Between the Economy and the Budget. This chapter reviews recent economic developments; presents the Administration's assessment of the economic situation and outlook, including the effects of macroeconomic policies; compares the economic assumptions on which the Budget is based with the assumptions for last year's Budget and those of other forecasters; illustrates how different economic paths would produce different budget results even if current law remained unchanged; and provides sensitivity estimates for the effects on the Budget of changes in specified economic assumptions. It also provides estimates of the cyclical and structural components of the budget deficit. Past errors in economic projections are reviewed.

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

Long-Term Budget Outlook. This chapter assesses the long-term budget outlook and the sustainability of current budget policy by focusing on 75-year projections of the Federal budget and showing how alternative long-term budget assumptions would produce different results. The chapter presents information on the size of the fiscal gap, and the budgetary effects of growing health costs.

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

Performance and Management

Social Indicators. This chapter presents a selection of statistics that offer a numerical picture of the United States. Included are economic, demographic, socioeconomic and health statistics. There are also indicators of safety and security, and environment and energy.

Delivering a High-Performance Government. This chapter describes this Administration's approach to performance management—the Federal Government's use of performance goals, measurement, regular data-driven reviews, and information dissemination to improve outcomes that matter to the American people and deliver returns on the taxpayer's investment. It explains why this approach was chosen, progress made, and future plans. It also discusses implementation of the GPRA Modernization Act.

Program Evaluation and Data Analytics. This chapter underscores this Administration's commitment to using taxpayer dollars effectively and efficiently. It highlights the role of performance measurement and program evaluation, discusses several of the Administration's efforts to use evidence and evaluation in decision-making and program design, and highlights the Administration's commitment to use more and better empirical evidence.

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

Improving the Federal Workforce. Strengthening the Federal workforce is essential to building a high-performing Government. This chapter presents summary data on Federal employment and compensation; examines the challenges posed by an aging Federal workforce; presents opportunities for strengthening the personnel system to achieve critical agency missions; and discusses progress in improving employee performance and human capital management.

Budget Concepts and Budget Process

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

Coverage of the Budget. This chapter describes those activities that are included in budget receipts and outlays (and are therefore classified as "budgetary"), as distinguished from those activities that are not included in the budget (and are therefore classified as "non-budgetary"). The chapter also defines the terms "on-budget" and "off-budget."

Budget Process. This chapter discusses proposals to improve budgeting and fiscal sustainability within individual programs as well as across Government, describes the system of scoring mandatory and revenue legislation for purposes of the Statutory Pay-As-You-Go Act of 2010, and presents proposals to revise the budget baseline and improve budget presentation.

Federal Receipts

Governmental Receipts. This chapter presents information on estimates of governmental receipts, which consist of taxes and other compulsory collections. It includes detailed descriptions of tax legislation enacted in the last year and the receipts proposals in the Budget.

Offsetting Collections and Offsetting Receipts. This chapter presents information on collections that offset outlays, including collections from transactions with the public and intragovernmental transactions. In addition, this chapter presents information on "user fees," charges associated with market-oriented activities and regulatory fees. The user fee information includes a description of each of the user fee proposals in the Budget.

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

Special Topics

Aid to State and Local Governments. This chapter presents crosscutting information on Federal grants to State and local governments, including highlights of Administration proposals, a table displaying budget authority and outlays for all grant programs, and information on historical trends and data. An appendix to this chapter includes State-by-State spending estimates of major grant programs.

Strengthening Federal Statistics. This chapter discusses 2014 Budget proposals for the Government's principal statistical programs.

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

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

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

Credit and Insurance. This chapter provides crosscutting analyses of the roles, risks, and performance of Federal credit and insurance programs and Government-sponsored enterprises (GSEs). The general portion of the chapter covers the categories of Federal credit (housing, education, small business and farming, energy and infrastructure, and international) and insurance programs (deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism-related risks). It also offers occasional discussions of special issues. This year, the chapter includes discussion of issues relating to "fair value" cost estimates for Federal credit programs. Two detailed tables, "Table 22–11, Direct Loan Transactions of the Federal Government" and "Table 22–12, Guaranteed Loan Transactions of the Federal Government," are available at the Internet address cited above and on the Budget CD-ROM.

Homeland Security Funding Analysis. This chapter discusses homeland security funding and provides information on homeland security program requirements, performance, and priorities. Additional detailed information is available at the Internet address cited above and on the Budget CD-ROM.

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

California Bay-Delta Federal Budget Crosscut. This chapter presents information on Federal funding for the environmental restoration of California's Bay-Delta, one of the Administration's priority ecosystems. Additional detailed tables on Bay-Delta funding and project descriptions are available at the Internet address cited above and on the Budget CD-ROM.

Technical Budget Analyses

Current Services Estimates. This chapter presents estimates of what receipts, outlays, and the deficit would be if current policies remained in effect, using modified versions of baseline rules in the Balanced Budget Emergency Deficit Control Act (BBEDCA), as amended by the Budget Control Act of 2011. A detailed table, "Table

26–13, Current Services Budget Authority and Outlays by Function, Category, and Program" is available at the Internet address cited above and on the Budget CD-ROM.

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

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

Comparison of Actual to Estimated Totals. This chapter compares the actual receipts, outlays, and deficit for 2012 with the estimates for that year published in the 2012 Budget. It also includes a historical comparison of the differences between receipts, outlays, and the deficit as originally proposed with final outcomes.

Budget and Financial Reporting. This chapter summarizes information about the Government's financial performance that is provided by three complementary sources—the Budget, the financial statements, and the integrated macroeconomic accounts.

The following materials are available at the Internet address cited above and on the Budget CD-ROM:

Detailed Functional Table

Detailed Functional Table. Table 31–1, "Budget Authority and Outlays by Function, Category, and Program," displays budget authority and outlays for major Federal program categories, organized by budget function (such as health care, transportation, or national defense), category, and program.

Federal Programs by Agency and Account

Federal Programs by Agency and Account. Table 32–1, "Federal Programs by Agency and Account," displays budget authority and outlays for each account, organized by agency, bureau, fund type, and account.

ECONOMIC AND BUDGET ANALYSES

2. ECONOMIC ASSUMPTIONS AND INTERACTIONS WITH THE BUDGET

This chapter presents the economic forecast on which the 2014 Budget projections are based.[1] When the President took office in January 2009, the economy was in the midst of an historic economic crisis. The first order of business for the new Administration was to arrest the rapid decline in economic activity that threatened to plunge the country into a second Great Depression. The President and the Congress took unprecedented actions to restore demand, stabilize financial markets, and put people back to work. These steps included passage of the American Recovery and Reinvestment Act (ARRA), signed by the President just 28 days after taking office. They also included the Financial Stability Plan, announced in February 2009, which encompassed wide-ranging measures to strengthen the banking system, increase consumer and business lending, and stem foreclosures and support the housing market. These and a host of other actions walked the economy back from the brink. The economy bottomed out in June 2009 and gradually started to recover in late 2009.[2] Further measures to aid the recovery were taken in December 2010, such as cutting payroll taxes and extending unemployment insurance. Over the past 14 quarters, through the fourth quarter of 2012, real Gross Domestic Product (GDP) has grown at an average annual rate of 2.1 percent, and since February 2010, 6.4 million jobs have been added in the private sector. Meanwhile, the unemployment rate has fallen from its October 2009 peak of 10.0 percent to 7.7 percent (as of February 2013).

At the start of this year, the American Taxpayer Relief Act of 2012 (ATRA) prevented income tax increases on the vast majority of taxpayers in 2013 and provided greater certainty for the years ahead. With this legislation, the recovery is projected to gain momentum in 2013 and to strengthen further in 2014. However, even with healthy economic growth, unemployment is expected to be higher than is consistent with full employment for several more years. The Administration is projecting unemployment to continue to decline over the next five years, stabilizing at 5.4 percent by 2018.

This chapter contains several sections:

- The first section of this chapter reviews recent economic performance.
- The second section discusses the Administration's economic projections.
- The third section compares the Administration's to other forecasts and to the Administration's projection in last year's Budget.
- The fourth section describes how changes in economic variables result in changes in receipts, outlays, and the deficit.
- The fifth section presents information on forecast errors for growth, inflation, and interest rates and how these forecast errors compare to those in forecasts made by the Congressional Budget Office (CBO) and the private-sector Blue Chip Consensus forecast.
- The sixth section presents alternatives to the current Administration forecast—based on both more optimistic and less optimistic assumptions with respect to real economic growth and unemployment—and describes the resulting effects on the deficit.
- The seventh section shows a probabilistic range of budget outcomes based on past errors in projecting the deficit.
- The last section discusses the relationship between structural and cyclical deficits, showing how much of the actual deficit is related to the economic cycle (e.g., the recent recession) and how much would persist even if the economy were at full employment.

Recent Economic Performance

The accumulated stresses from a contracting housing market and the resulting strains on financial markets brought the 2001-2007 expansion to an end in December 2007. In its early stages, the 2008-2009 recession was relatively mild, but financial conditions worsened sharply in the fall of 2008, and from that point forward the recession became much more severe. Before it ended, real GDP had fallen further and the downturn had lasted longer than any previous post-World War II recession. Looking ahead, the likely strength of the recovery is one of the key issues for the forecast, and the aftermath of the housing and financial crises has an important bearing on the expected strength of the recovery.

Housing Markets Begin to Show Strength.—The housing market has shown clear signs of recovery, after its collapse in 2007 and 2008 which was a major cause of the financial crisis and recession. In 2006-2007, housing prices peaked, and from 2007 through 2008, housing prices fell sharply according to all available measures.[3]

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

[2] The dating of U.S. business cycles is done by the National Bureau of Economic Research, a private institution that has supported economic research on business cycles and other topics for many decades.

[3] There are several measures of national housing prices. Two respected measures that attempt to correct for variations in housing quality are the S&P/Case-Shiller Home Price Index and the Federal Housing Finance Agency (FHFA) Purchase-Only House Price Index. The Case-Shiller index peaked in 2006, while the FHFA index peaked in 2007.

During the downturn, as house prices fell, investment in housing plummeted, reducing the annualized rate of real GDP growth by an average of 1 percentage point per quarter. Housing prices started to rise again in 2012, with a modest gain of 4 percent over the year. Residential investment began to increase steadily in the second quarter of 2011, and rose by more than 14 percent during 2012.

In April 2009, housing starts fell to an annual rate of just 478,000 units, the lowest level ever recorded for this series, which dates from 1959. Housing starts rose modestly over the next two years, but increased 37 percent to over 950,000 units over the 12 months through December 2012. Typically, at least 1.5 million starts a year are needed to accommodate the needs of an expanding population and to replace older units, indicating potential for a substantial housing rebound. Although a large overhang of vacant homes must be reduced before a robust housing recovery can become firmly established, there are indications that this is gradually happening with reduced vacancies and fewer foreclosures. The Administration forecast assumes a continued recovery in housing activity that adds moderately to real GDP growth over the forecast horizon.

The Risk of an International Slowdown.—While the U.S. economy has returned to moderate growth, worldwide recovery is uneven. Europe continues to confront financial uncertainty stemming from the troubled financial condition of several countries in the Euro zone. After the Euro was established as the common currency for 17 European countries in 1999, interest rates in those countries moved close together as their inflation rates tended to converge. However, recent events have led markets to reassess the long-run solvency of some of the countries using the Euro, and the result has been a striking divergence in the interest rates charged on sovereign debt of the various countries. High interest rates on their debt make it difficult for the most threatened of these countries to address the pressing fiscal issues that have put some countries' long-run solvency at risk.

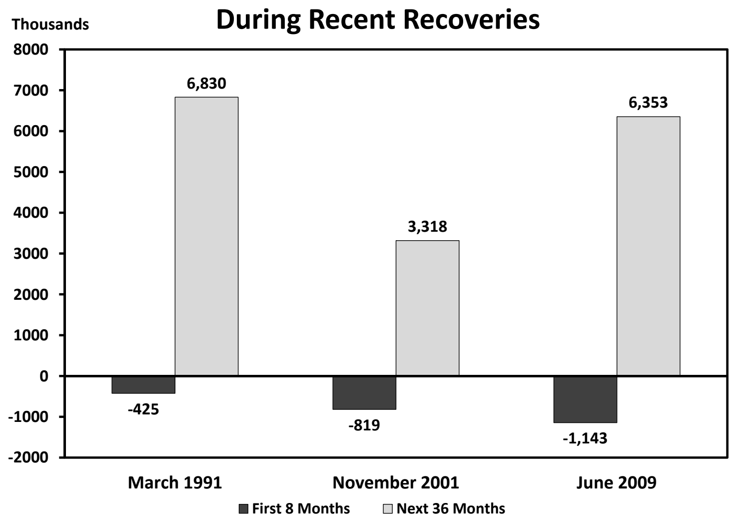
At the beginning of 2012, many private forecasters were expecting the recovery to accelerate over the course of the year. Instead, 2012 saw subpar growth due to unexpected headwinds. A persistent source of sluggishness has been the sovereign debt crisis in Europe, which has curbed global equity markets and will likely continue to weigh on confidence and the global recovery going forward. The European Union and European Central Bank have acted to confront these issues, and the affected governments have attempted to cut their budget deficits. Despite these actions, however, the European recovery remains at risk because of on-going structural adjustments and because the necessary austerity measures taken to address the fiscal crisis have in some cases limited demand and wages, resulting in social unrest. Several European countries have had slowing or negative growth in recent quarters, and there also has been a slowdown in growth in many emerging market economies.

Deleveraging has Slowed Consumption Growth.— Between the third quarter of 2007 and the first quarter of 2009, the real net worth of American households declined by $16 trillion (24 percent) – the equivalent of more than one year's GDP. A precipitous decline in the stock market, along with falling house prices over this period, were the main reasons for the drop in household wealth. Since then, real household wealth, including financial assets, has risen substantially to near its previous peak, although total net worth remains below the prior peak level because housing prices have only recently started to recover.[4]

Americans reacted to this massive loss of wealth by saving more. The personal saving rate had been declining since the 1980s, and it reached a low point of 1.3 percent in the third quarter of 2005. It remained low, averaging only 2.2 percent through the end of 2007, but since then, as wealth has declined, the saving rate has increased to an average of 4.4 percent over the past three years. A sudden

[4] Real wealth is computed by deflating household net worth from the Flow-of-Funds Accounts by the Chained Price Index for Personal Consumption Expenditures. Data are available through 2012:Q3.

Chart 2-1. Private Job Gains and Losses During Recent Recoveries



increase in the desire to save implies a corresponding reduction in consumer demand, and a fall-off in consumption had a negative effect on the economy during the recession of 2008 and early 2009. During that period, real consumer spending fell at an annual rate of 2.3 percent. Since then, real consumer spending has recovered and now exceeds its previous peak level, although it has increased only 1.9 percent over the past four quarters. Continued growth in consumption is essential to a healthy recovery, and, as income also grows, increased consumption is compatible with a higher but stable saving rate.

Rebound in Business Investment.—Business fixed investment fell sharply during the 2008-2009 contraction. It rose rapidly in 2010 through 2012, but even after the substantial increases in business spending for structures, equipment and software over the past 10 quarters, real investment remains well below its pre-recession levels implying room for further growth. The cost of capital is low and American corporations at the end of 2012 held substantial levels of cash reserves, which could provide funding for future investments as the economy continues to recover. The main constraint on business investment

Table 2–1. ECONOMIC ASSUMPTIONS[1]

(Calendar years; dollar amounts in billions)

	Actual	Projections											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Domestic Product (GDP):													
Levels, dollar amounts in billions:													
Current dollars	15,076	15,705	16,384	17,235	18,181	19,192	20,247	21,275	22,247	23,219	24,216	25,253	26,331
Real, chained (2005) dollars	13,299	13,600	13,907	14,358	14,864	15,399	15,943	16,441	16,873	17,283	17,692	18,104	18,526
Chained price index (2005 = 100), annual average	113.4	115.5	117.8	120.1	122.4	124.7	127.0	129.4	131.9	134.4	136.9	139.5	142.2
Percent change, fourth quarter over fourth quarter:													
Current dollars	4.0	4.1	4.5	5.4	5.6	5.6	5.5	4.9	4.4	4.4	4.3	4.3	4.3
Real, chained (2005) dollars	2.0	2.0	2.6	3.4	3.6	3.6	3.5	2.9	2.4	2.4	2.3	2.3	2.3
Chained price index (2005 = 100)	2.0	2.1	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Percent change, year over year:													
Current dollars	4.0	4.2	4.3	5.2	5.5	5.6	5.5	5.1	4.6	4.4	4.3	4.3	4.3
Real, chained (2005) dollars	1.8	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3	2.3
Chained price index (2005 = 100)	2.1	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Incomes, billions of current dollars:													
Domestic Corporate Profits	1,388	1,511	1,566	1,743	1,833	1,939	1,950	1,855	1,742	1,658	1,504	1,422	1,328
Employee Compensation	8,295	8,591	8,903	9,353	9,891	10,460	11,070	11,671	12,253	12,841	13,456	14,065	14,708
Wages and salaries	6,661	6,902	7,182	7,549	7,970	8,438	8,945	9,435	9,911	10,387	10,879	11,364	11,885
Other taxable income[2]	3,252	3,387	3,519	3,643	3,828	4,032	4,300	4,585	4,832	5,054	5,257	5,455	5,666
Consumer Price Index (all urban):[3]													
Level (1982–84 = 100), annual average	224.9	229.6	234.5	239.7	244.9	250.3	255.8	261.5	267.2	273.1	279.1	285.2	291.5
Percent change, fourth quarter over fourth quarter	3.3	1.9	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Percent change, year over year	3.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Unemployment rate, civilian, percent:													
Fourth quarter level	8.7	7.9	7.5	7.0	6.5	6.0	5.6	5.4	5.4	5.4	5.4	5.4	5.4
Annual average	8.9	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4	5.4
Federal pay raises, January, percent:													
Military[4]	1.4	1.6	1.7	1.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Civilian[5]	0.0	0.0	0.5	1.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Interest rates, percent:													
91-day Treasury bills[6]	0.1	0.1	0.1	0.2	0.4	1.3	2.3	3.2	3.6	3.7	3.7	3.7	3.7
10-year Treasury notes	2.8	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0	5.0

N/A = Not Available

[1] Based on information available as of mid-November 2012.

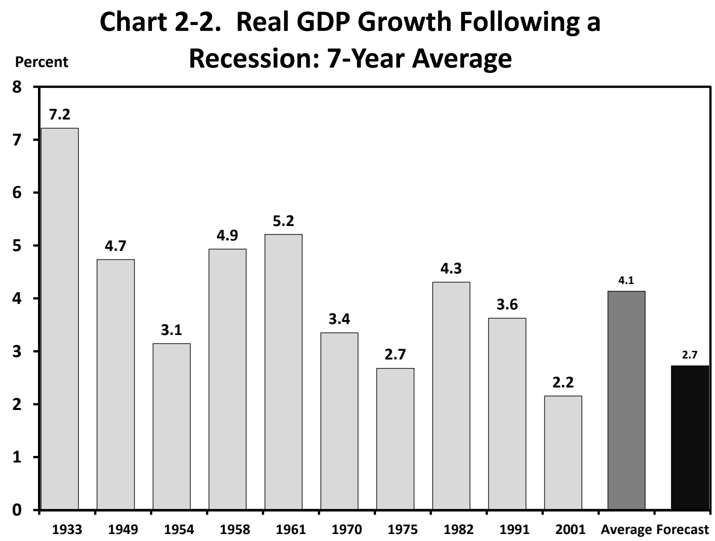
[2] Rent, interest, dividend, and proprietors' income components of personal income.

[3] Seasonally adjusted CPI for all urban consumers.

[4] Percentages apply to basic pay only; percentages to be proposed for years after 2014 have not yet been determined.

[5] Overall average increase, including locality pay adjustments. Percentages to be proposed for years after 2014 have not yet been determined.

[6] Average rate, secondary market (bank discount basis).



is poor sales expectations, which have been dampened by the slow pace of recovery. However, if consumption picks up, businesses are in a good position to expand investment. Nevertheless, the pace of future growth could prove to be uneven, as investment tends to be volatile.

Steady Progress in the Labor Market.—The unemployment rate peaked in 2009. It has declined since then, but it remains well above its historical average of under 6 percent, and the rate of long-term unemployment (those out of work for more than 6 months) remains high. The high rate of unemployment has had devastating effects on American families, and the recovery will not be real for most Americans until the job market strengthens further. Historically, when the economy grows, so does employment, and there are signs that this pattern is repeating itself in the current recovery, albeit slowly. Private employment has grown for 36 straight months, although at a relatively modest rate. The positive job growth has far exceeded the job gains in the recovery following the 2001 recession, and is only slightly less than equivalent in comparison to the 1990s expansion (see Chart 2-1).

Economic Projections

The economic projections underlying the 2014 Budget estimates are summarized in Table 2–1. The assumptions are based on information available as of mid-November 2012. This section discusses the Administration's projections, and the next section compares these projections with those of the Federal Reserve's Open Market Committee (FOMC), the CBO, and the Blue Chip Consensus of private forecasters.

Real GDP.—The Administration projects the economic recovery that began in mid-2009 will continue with real GDP growing at an average annual rate of 2.9 percent over the next 10 years. At the beginning of 2013, the enactment of the American Taxpayer Relief Act removed much of the uncertainty about tax changes that existed when the Administration finalized its economic assumptions in November. However, the projected growth rate in November was based on policy assumptions that were similar to ATRA in regard to tax extensions. The middle class tax cuts were made permanent, tax rates on regular income were raised for the wealthiest taxpayers; and rates were also raised on dividends and capital gains (relative to 2012 tax law). The temporary two percentage point payroll tax cut of 2011-12 expired. The effective increase in the payroll tax rate is expected to produce some fiscal drag during 2013, and as a result the Administration projects 2.6 percent GDP growth over the four quarters of the year, accelerating to 3.4 percent growth in 2014 when increased private demand is expected to play a larger role in supporting continued recovery. This economic forecast, as always, is based on the assumption that the Administration's budget proposals are enacted in full, including a proposal for infrastructure spending to boost the economy and lay a foundation for long-term growth, and that the sequester that took effect on March 1st of this year is avoided and the harmful, across-the-board cuts are reversed. The economy is expected to continue to grow at a pace of about 3.5 percent over the following three years. Real GDP growth is projected to return to its "potential" growth rate of 2.4 percent by 2019, and to grow at a steady 2.3 percent rate for the remaining four years of the forecast. The slight drop off in the last few years is due to demographic factors that lower the labor force participation rate as the baby boom generation retires.

As shown in Chart 2-2, the Administration's projections for real GDP growth over the first seven years of the expected recovery imply an average growth rate below the average for historical recoveries. Recent recoveries have been somewhat weaker than average, but the last two expansions were preceded by mild recessions with relatively little pent-up demand when conditions improved. Because of the depth of the recent recession, there is much more room for a rebound in spending and production than was true either in 1991 or 2001. On the other hand, lingering effects from the credit crisis and other special factors have limited the pace of the recovery until now.

BOX 2–1. SUPPLY-SIDE ANALYSIS OF LONG-TERM GROWTH

The growth rate of the economy over the long run is determined by the growth of its supply-side components, demographics, and technological change. The growth rate that characterizes the long-run trend in real U.S. GDP—or potential GDP—plays an important role in guiding the Administration's long-run forecast. Through 2020, potential real GDP is projected to grow at a 2.4 percent annual rate, before slowing to 2.3 percent during the three years 2021–23, reflecting the increasing size of the retiring baby-boom cohorts.

Table 2-2 shows the Administration's forecast for the contribution of each supply-side factor to the growth in potential real GDP: the working-age population, the rate of labor force participation, the employed share of the labor force, the ratio of nonfarm business employment to household employment, the length of the workweek, labor productivity, and the ratio of real GDP to nonfarm output. Each column in Table 2-2 shows the average annual growth rate for each factor over a specific period of time. The first column shows the long-run average growth rates between the business-cycle peak of 1953 and the business-cycle peak of 2007, with business-cycle peaks chosen as end points to remove the substantial fluctuations within cycles so as to reveal long-run trends. The second column shows average growth rates between the fourth quarter of 2007 and the third quarter of 2012, a period that includes the 2007–09 recession and the recovery so far. The third column shows the Administration's projection for the entire 11-year forecast period, from the third quarter of 2012 to the fourth quarter of 2023. And the fourth column shows average projected growth rates between the fourth quarter of 2020 and the fourth quarter of 2023, that is, the last three years of the forecast interval when the economy is assumed to settle into steady-state growth.

Summing the growth rates of these components, real GDP is projected to rise at an average 2.8 percent a year over the projection period (line 8, column 3), somewhat faster than the 2.4 percent annual growth rate for potential real GDP (line 9, column 3). Actual GDP can and is expected to grow faster than potential GDP primarily because of the projected rise in the employment rate (line 3, column 3) as millions of currently unemployed workers find jobs. Real potential GDP (line 9, columns 3 and 4) is projected to grow more slowly than the long-term historical growth rate of 3.2 percent a year (line 9, column 1). The projected slowdown in real potential GDP growth primarily reflects the lower projected growth rate of the working-age population and the retirement of the baby-boom cohort.

Table 2–2. COMPONENTS OF ACTUAL AND POTENTIAL REAL GDP GROWTH, 1952–2023

	Component	Average Annual Growth rate [a]			
		History, peak-to-peak	Recent history, since peak	Forecast	Out-year forecast
		1953:Q2 to 2007:Q4 [b]	2007:Q4 to 2012:Q3	2012:Q3 to 2023:Q4	2020:Q4 to 2023:Q4
1	Civilian noninstitutional population aged 16+	1.4	1.2	1.0	1.0
2	Labor force participation rate	0.2	–0.8	–0.1	–0.4
3	Employed share of the labor force	–0.0	–0.7	0.3	0.0
4	Ratio of nonfarm business employment to household employment	0.0	–0.7	–0.0	0.0
5	Average weekly hours (nonfarm business)	–0.3	–0.0	–0.1	–0.1
6	Output per hour (productivity, nonfarm business)	2.1	1.6	2.2	2.2
7	Ratio of real GDP to nonfarm business output	–0.2	0.0	–0.3	–0.4
8	Sum: Actual real GDP	3.2	0.5	2.8	2.3
9	Memo: Potential real GDP	3.2	2.0	2.4	2.3

[a] All contributions are in percentage points at an annual rate, forecast finalized in mid-November 2012.
[b] 1953:Q2 and 2007:Q4 are business-cycle peaks.

Note: Population, labor force, and household employment have been adjusted for discontinuities in the population series. Nonfarm business employment, workweek, and productivity come from the Labor Productivity and Costs database maintained by the Bureau of Labor Statistics.

Source: Bureau of Labor Statistics, Current Population Survey, Labor Productivity and Costs; Bureau of Economic Analysis, National Income and Product Accounts; Department of the Treasury; Office of Management and Budget; CEA calculations.

The U.S. economy has enormous room for growth, although there are factors that could continue to limit that growth in the years ahead. On the positive side, the unemployment rate has fallen since the recession trough and further progress is expected in 2013-14, particularly if the President's Budget proposals are adopted. The Federal Reserve's recent directive states that a "highly accommodative stance of monetary policy will remain appropriate for a considerable time." However, financial markets here and in Europe have been troubled by weak economic growth and the sustainability of fiscal policy in some European countries. The drag from a European slowdown could hold back the U.S. economy.

Long-Term Growth.—The Administration's forecast does not attempt to project cyclical developments beyond the next few years. The long-run projection for real economic growth and unemployment assumes that they will maintain trend values in the years following the return to full employment. Real GDP, reflecting the slower growth in productivity outside the nonfarm business sector, grows at a rate of 2.3 percent in the final years of the projection. That is markedly slower than the average growth rate of real GDP since 1947 of 3.2 percent per year. In the 21st Century, real GDP growth in the United States is likely to be permanently slower than it was in earlier eras because of a slowdown in labor force growth initially due to the retirement of the post-World War II baby boom generation, and later due to a decline in the growth of the working-age population.

Box 2-1 describes the components of long-term growth rates and how they relate to the Administration's forecast in more detail.

Unemployment.—In February 2013, the overall unemployment rate was 7.7 percent. In line with the increased growth in the economy projected after 2013, the unemployment rate is expected to ease to 5.4 percent by 2018 and to remain at that level during the period of trend growth during the last few years of the forecast.

Inflation.—The Consumer Price Index for all urban consumers (CPI-U) rose by 1.7 percent for the 12 months ending in December 2012. Over the previous 12 months it had risen by 3.0 percent. The decrease in inflation in 2012 was due almost entirely to sharp movements in food and energy prices. The "core" CPI, excluding both food and energy, was up 1.9 percent through the 12 months ending in December, little changed from the 2.2 percent during 2011.

Weak demand continues to hold down prices for many goods and services, and continued high unemployment is expected to result in a relatively low inflation rate. As the economy recovers and the unemployment rate declines, the rate of inflation should remain near the Federal Reserve's target of around 2 percent per year. With the recovery path assumed in the Administration forecast, the risk of outright deflation appears minimal. The Administration assumes that the rate of change in the CPI will average 2.2 percent and that the GDP price index will increase at a 1.9 percent annual rate in the long run.

Interest Rates.—Interest rates on Treasury securities fell sharply in late 2008, as both short-term and long-term rates declined to their lowest levels in decades. Since then Treasury rates have fluctuated, but they have not returned to the levels before the financial crisis, and at the end of 2012 long-term rates were especially low. In the first week of January, the yield on 10-year Treasuries was just 1.9 percent. Investors have sought the security of Treasury debt during the heightened financial uncertainty of the last few years, which has kept yields low. At the short end of the yield curve, the Federal Reserve is holding short-term rates near zero as it seeks to foster economic growth and lower unemployment. The Federal Reserve's policy of purchasing long-term Treasury securities may also be helping to hold down long-term rates. In the Administration projections, interest rates are expected to rise, but only gradually as financial concerns are alleviated and the economy recovers from recession. The 91-day Treasury bill rate is projected to remain near zero into 2015 consistent with the Federal Reserve's announced intentions, and then to rise to 3.7 percent by 2017. The 10-year rate begins to rise in 2013 and reaches 5.0 percent by 2021. After adjusting for inflation, the projected real interest rates are close to their historical averages.

Income Shares.—The share of labor compensation in GDP was extremely low by historical standards in 2012. It is expected to remain low for the next few years falling to a low point of 54.3 percent of GDP in 2013-2014. As the economy grows faster in the middle years of the forecast period, and as employment increases as a result, compensation is projected to rise, reaching 55.9 percent of GDP in 2023. In the expansion that ended in 2007, labor compensation tended to lag behind the growth in productivity, and that has also been true for the surge in productivity growth in 2009-2010. The share of taxable wages, which is strongly affected by changes in health insurance costs, is expected to rise from 43.8 percent of GDP in 2013 to 45.1 percent in 2023. The share of domestic corporate profits is expected to decline from 12.4 percent of GDP in 2012 to 8.2 percent in 2023, which is close to its historical average.

Comparison with Other Forecasts

Table 2–3 compares the economic assumptions for the 2014 Budget with projections by CBO, the Blue Chip Consensus — an average of about 50 private-sector economic forecasts — and, for some variables, the Federal Reserve Open Market Committee. These other forecasts differ from the Administration's projections, but the forecast differences are relatively small compared with the margin of error in all economic forecasts. Like the Administration, the other forecasts project that real GDP will continue to grow as the economy returns to a normal level of unemployment. The forecasts also agree that inflation will be low while outright deflation is avoided, and that interest rates will eventually rise to more normal levels.

There are some conceptual differences between the Administration forecast and the other economic forecasts. The Administration forecast assumes that the President's Budget proposals will be enacted, and passage of those proposals will boost growth. The 50 or so private forecasters in the Blue Chip Consensus make differing policy assumptions, and some may not assume that the sequester will be successfully replaced with balanced deficit reduction or that the Congress will enact other polices the Administration has proposed to boost growth. CBO is required to assume that current law will continue in making its projections. As a result, their February projections assumed that the sequester would take place, as well as other fiscal tightening actions that would lower growth in 2013. Specifically, CBO stated that its 1.4 percent projection for real GDP growth this year could be as much

Table 2–3. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Nominal GDP:												
2014 Budget	15,705	16,384	17,235	18,181	19,192	20,247	21,275	22,247	23,219	24,216	25,253	26,331
CBO	15,692	16,149	16,863	17,913	19,087	20,224	21,178	22,129	23,099	24,093	25,117	26,180
Blue Chip	15,682	16,239	16,993	17,888	18,793	19,725	20,684	21,667	22,676	23,730	24,835	26,002
Real GDP (year-over-year):												
2014 Budget	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3	2.3
CBO	2.3	1.4	2.6	4.1	4.4	3.8	2.6	2.4	2.3	2.2	2.2	2.2
Blue Chip	2.2	1.8	2.7	3.1	2.9	2.8	2.7	2.6	2.5	2.5	2.5	2.5
Real GDP (fourth-quarter-over-fourth-quarter):												
2014 Budget	2.0	2.6	3.4	3.6	3.6	3.5	2.9	2.4	2.4	2.3	2.3	2.3
CBO	1.9	1.4	3.4	4.4	4.3	3.2	2.5	2.4	2.2	2.2	2.2	2.2
Blue Chip	1.6	2.3	2.8	3.2	2.8	2.8	2.6	2.6	2.5	2.5	2.5	2.5
Federal Reserve Central Tendency		2.3 - 2.8	2.9 - 3.4	2.9 - 3.7								
GDP Price Index:[1]												
2014 Budget	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
CBO	1.8	1.5	1.8	2.0	2.1	2.1	2.1	2.0	2.1	2.0	2.0	2.0
Blue Chip	1.8	1.7	1.9	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (CPI-U):[1]												
2014 Budget	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
CBO	2.1	1.6	1.9	2.1	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3
Blue Chip	2.1	1.8	2.1	2.3	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.3
Unemployment Rate:[2]												
2014 Budget	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4	5.4
CBO	8.1	7.9	7.8	7.1	6.3	5.6	5.5	5.5	5.4	5.4	5.3	5.3
Blue Chip	8.1	7.7	7.3	6.7	6.3	6.0	5.7	5.6	5.6	5.6	5.6	5.6
Federal Reserve Central Tendency[3]		7.3 - 7.5	6.7 - 7.0	6.0 - 6.5								
Interest Rates:[2]												
91-Day Treasury Bills (discount basis):												
2014 Budget	0.1	0.1	0.2	0.4	1.3	2.3	3.2	3.6	3.7	3.7	3.7	3.7
CBO	0.1	0.1	0.2	0.2	1.5	3.4	4.0	4.0	4.0	4.0	4.0	4.0
Blue Chip	0.1	0.1	0.2	0.9	2.1	3.0	3.3	3.5	3.6	3.6	3.6	3.6
10-Year Treasury Notes:												
2014 Budget	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0	5.0
CBO	1.8	2.1	2.7	3.5	4.3	5.0	5.2	5.2	5.2	5.2	5.2	5.2
Blue Chip	1.8	2.1	2.7	3.4	4.1	4.5	4.7	4.7	4.7	4.7	4.7	4.7

N/A = Not Available

Sources:Administration;CBO, The Budget and Economic Outlook: Fiscal Years 2013 to 2023; March 2013 Blue Chip Economic Indicators, Aspen Publishers, Inc.; Federal Reserve Open Market Committee, March 20, 2013.

[1] Year-over-year percent change.

[2] Annual averages, percent.

[3] Average of 4th quarter values.

as 1-1/2 percentage points higher if the sequester, payroll tax increase, and other actions were not taken.

The Administration projections were completed in mid-November. The five-month lag between that date and the Budget release is due in part because the budget process requires lead time to complete the estimates for agency programs that are incorporated in the Budget. Forecasts made at different dates will differ if economic news between the two dates alters the economic outlook. The Blue Chip Consensus for 2013-2023 in this table was the latest available, from early March. The FOMC members' central tendency of their forecasts are from March 2013. The CBO forecast is from its February 2013 report.

Real GDP Growth.— In 2013, the Administration expects more growth than the other forecasters, mainly because the forecast assumes that all of the Budget proposals will be enacted. Other forecasters make different assumptions. In 2014, the Administration expects growth to increase, while most other forecasters also look for an increase but to a lesser degree.

The Administration projects that real GDP will eventually recover much of the loss from the 2008-2009 recession.

This implies a few years of higher-than-normal growth as real GDP makes up the lost ground. The Blue Chip average shows only a very limited recovery in this sense. In the Blue Chip projections, real GDP growth exceeds its long-run average only briefly in the 11-year forecast period, and much of the loss of real GDP experienced during the recession is permanent. CBO anticipates a stronger recovery than Blue Chip that would return real GDP to nearly the same level as in the Administration forecast. In the long run, the real growth rates projected by the forecasters are similar, ranging between 2.3 and 2.5 percent.

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

Unemployment, Inflation, and Interest Rates.—The Administration forecasts unemployment falling steadily over the next few years to a level of 5.4 percent. The Blue Chip and CBO also show a decline in unemployment, but at a slower rate. By the end of the forecast, CBO and the Administration have about the same level of unemployment, while the Blue Chip has it declining to only 6.0 percent. The Administration's unemployment projection is within the range of the Federal Reserve forecast. Nevertheless, the CBO projection of unemployment is higher than the Administration in 2013-2015, reflecting the different policy assumptions underlying the two forecasts. Over time the Administration projects a return to the average unemployment rate that prevailed in the 1990s and 2000s.

The Administration, CBO, and the Blue Chip Consensus anticipate a subdued rate of inflation over the next two years. In the medium term, inflation is projected to return to a rate of around two percent per year, which is consistent with the Federal Reserve's long-run policy goal for inflation. All forecasts all have interest rates increasing substantially in the long run to similar levels. However, the path of interest rate adjustment differs substantially, with the Blue Chip showing a rise in rates that begins before the other forecasters.

Changes in Economic Assumptions.—The 2014 Budget forecast reflects economic developments over the past year, but some of the forecast values are similar to those of the 2013 Budget, especially in the long run (see Table 2–4). The previous Budget anticipated more rapid growth in 2013-2017 than the current Budget, and assumed a slightly higher rate of potential GDP growth in the long run. The projection for the long-term unemployment rate has remained unchanged, but the forecast starts from a lower level, reflecting the sharper-than-expected decline in 2012. Projected interest rates are lower in the medium term, reflecting the additional actions by the Federal Reserve to keep rates low for an extended

Table 2–4. COMPARISON OF ECONOMIC ASSUMPTIONS IN THE 2013 AND 2014 BUDGETS

(Calendar years; dollar amounts in billions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nominal GDP:											
2013 Budget Assumptions[1]	15,779	16,522	17,397	18,448	19,533	20,651	21,689	22,666	23,659	24,688	25,760
2014 Budget Assumptions	15,705	16,384	17,235	18,181	19,192	20,247	21,275	22,247	23,219	24,216	25,253
Real GDP (2005 dollars):											
2013 Budget Assumptions[1]	13,687	14,097	14,606	15,211	15,821	16,431	16,952	17,403	17,844	18,290	18,748
2014 Budget Assumptions	13,600	13,907	14,358	14,864	15,399	15,943	16,441	16,873	17,283	17,692	18,104
Real GDP (percent change):[2]											
2013 Budget Assumptions	2.7	3.0	3.6	4.1	4.0	3.9	3.2	2.7	2.5	2.5	2.5
2014 Budget Assumptions	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3
GDP Price Index (percent change):[2]											
2013 Budget Assumptions	1.7	1.7	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
2014 Budget Assumptions	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Consumer Price Index (all-urban; percent change):[2]											
2013 Budget Assumptions	2.2	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1
2014 Budget Assumptions	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Civilian Unemployment Rate (percent):[3]											
2013 Budget Assumptions	8.9	8.6	8.1	7.3	6.5	5.8	5.5	5.4	5.4	5.4	5.4
2014 Budget Assumptions	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4
91-day Treasury bill rate (percent):[3]											
2013 Budget Assumptions	0.1	0.2	1.4	2.7	3.9	4.1	4.1	4.1	4.1	4.1	4.1
2014 Budget Assumptions	0.1	0.1	0.2	0.4	1.3	2.3	3.2	3.6	3.7	3.7	3.7
10-year Treasury note rate (percent):[3]											
2013 Budget Assumptions	2.8	3.5	3.9	4.4	4.7	5.0	5.1	5.1	5.1	5.3	5.3
2014 Budget Assumptions	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0

[1] Adjusted for July 2012 NIPA revisions.
[2] Calendar year over calendar year.
[3] Calendar year average.

period, and they are slightly lower in the long term as well. As in last year's projections, inflation is also projected to return to its long-run average consistent with Federal Reserve policy, now estimated at 0.1 percentage point higher than last year at 2.2 percent for the CPI-U and 1.9 percent for the GDP price index.

Sensitivity of the Budget to Economic Assumptions

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

This sensitivity complicates budget planning because differences in economic assumptions lead to changes in the budget projections. Economic forecasting inherently entails uncertainty. It is therefore useful to examine the implications of possible changes in economic assumptions. Many of the budgetary effects of such changes are fairly predictable, and a set of general principles or "rules of thumb" embodying these relationships can aid in estimating how

Table 2–5. SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(Fiscal years; in billions of dollars)

Budget effect	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total of Effects, 2013–2023
Real Growth and Employment												
Budgetary effects of 1 percent lower real GDP growth:												
(1) For calendar year 2013 only, with real GDP recovery in 2014–15:												
Receipts	–16.2	–24.5	–11.2	–1.1	0.4	0.4	0.4	0.4	0.3	0.4	0.3	–50.5
Outlays	4.0	9.4	4.7	0.8	1.2	2.0	2.4	2.6	2.7	2.8	2.9	35.6
Increase in deficit (+)	20.2	33.9	15.9	1.9	0.8	1.6	2.0	2.3	2.4	2.5	2.6	86.1
(2) For calendar year 2013 only, with no subsequent recovery:												
Receipts	–16.2	–32.9	–37.8	–40.4	–43.4	–46.2	–49.1	–51.9	–55.0	–58.0	–61.3	–492.3
Outlays	4.0	11.4	13.0	15.3	19.3	24.5	29.5	33.7	37.8	42.1	46.6	277.2
Increase in deficit (+)	20.2	44.3	50.8	55.7	62.7	70.7	78.6	85.7	92.8	100.1	107.9	769.5
(3) Sustained during 2013 - 2023, with no change in unemployment:												
Receipts	–16.4	–50.6	–93.9	–143.4	–200.4	–262.1	–330.1	–402.1	–480.2	–564.0	–654.4	–3,197.6
Outlays	–0.3	–0.7	–0.9	0.1	4.9	14.8	28.0	41.7	57.1	75.6	97.0	317.2
Increase in deficit (+)	16.1	49.9	93.0	143.6	205.2	276.9	358.2	443.8	537.3	639.6	751.4	3,514.9
Inflation and Interest Rates												
Budgetary effects of 1 percentage point higher rate of:												
(4) Inflation and interest rates during calendar year 2013 only:												
Receipts	21.3	41.5	41.6	41.1	44.5	47.8	50.9	53.9	57.1	60.3	63.4	523.4
Outlays	22.1	39.5	32.0	32.7	32.0	31.9	30.5	30.4	29.0	29.8	29.5	339.4
Decrease in deficit (–)	0.8	–2.0	–9.7	–8.4	–12.5	–15.9	–20.5	–23.4	–28.0	–30.5	–33.9	–184.0
(5) Inflation and interest rates, sustained during 2013 - 2023:												
Receipts	21.3	63.7	111.0	165.2	229.6	296.7	369.2	448.3	540.3	638.6	741.0	3,624.8
Outlays	19.8	68.0	111.8	155.3	196.2	236.2	278.4	321.4	363.8	411.8	454.4	2,617.1
Decrease in deficit (–)	–1.5	4.3	0.8	–9.9	–33.4	–60.5	–90.8	–126.8	–176.5	–226.8	–286.6	–1,007.6
(6) Interest rates only, sustained during 2013 - 2023:												
Receipts	5.0	13.8	19.2	24.9	32.5	36.6	39.3	42.7	50.1	57.2	60.6	381.8
Outlays	11.0	41.5	64.5	83.3	101.3	119.1	135.2	151.0	164.0	177.3	188.9	1,237.2
Increase in deficit (+)	5.9	27.7	45.3	58.5	68.8	82.6	95.9	108.3	114.0	120.2	128.3	855.4
(7) Inflation only, sustained during 2013 - 2023:												
Receipts	16.2	49.7	91.3	139.7	196.2	259.0	328.5	403.8	488.0	578.8	677.4	3,228.5
Outlays	8.8	26.8	48.0	73.3	97.2	120.9	149.0	178.8	211.2	249.7	285.3	1,449.0
Decrease in deficit (–)	–7.4	–22.9	–43.4	–66.4	–99.0	–138.1	–179.5	–224.9	–276.9	–329.1	–392.0	–1,779.5
Interest Cost of Higher Federal Borrowing												
(8) Outlay effect of $100 billion increase in borrowing in 2013	0.1	0.2	0.3	0.9	2.0	3.2	4.0	4.4	4.6	4.8	5.0	29.5

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

changes in the economic assumptions would alter outlays, receipts, and the surplus or deficit. These rules of thumb should be understood as suggesting orders of magnitude; they do not account for potential secondary effects.

The rules of thumb show how the changes in economic variables affect Administration estimates for receipts and outlays, holding other factors constant. They are not a prediction of how receipts or outlays would actually turn out if the economic changes actually materialized. The rules of thumb are based on a fixed budget policy that is not always a good predictor of what might actually happen to the budget should the economic outlook change substantially. For example, unexpected downturns in real economic growth, and attendant job losses, usually give rise to legislative actions to stimulate the economy with additional countercyclical policies. Also, the rules of thumb do not reflect certain "technical" changes that often accompany the economic changes. For example, changes in capital gains realizations often accompany changes in the economic outlook. On the spending side of the budget, the rules of thumb do not capture changes in deposit insurance outlays, even though bank failures are generally associated with weak economic growth and rising unemployment.

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

Changes in real GDP growth or inflation have a much greater cumulative effect on the budget if they are sustained for several years than if they last for only one year. However, even temporary changes can have lasting effects if they permanently raise the level of the tax base or the level of Government spending. Moreover, temporary economic changes that affect the deficit or surplus change the level of the debt, affecting future interest payments. Highlights of the budgetary effects of these rules of thumb are shown in Table 2-5.

For real growth and employment:

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

For inflation and interest rates:

- The fourth block shows the effect of a one percentage point higher rate of inflation and one percentage point higher nominal interest rates maintained for the first year only. In subsequent years, the price level and nominal GDP would both be one percentage point higher than in the base case, but interest rates and future inflation rates are assumed to return to their base case levels. Receipts increase by somewhat more than outlays. This is partly due to the fact that outlays for annually appropriated spending are assumed to remain constant when projected inflation changes. Despite the apparent implication of these estimates, inflation cannot be relied upon to lower the budget deficit, mainly because policy-makers have traditionally prevented inflation from permanently eroding the real value of spending.
- In the fifth block, the rate of inflation and the level of nominal interest rates are higher by one percentage point in all years. As a result, the price level and nominal GDP rise by a cumulatively growing percentage above their base levels. In this case, again the effect on receipts is more than the effect on outlays. As in the previous case, these results assume that annually appropriated spending remains fixed under the discretionary spending limits. Over the time period covered by the budget, leaving the discretionary limits unchanged would significantly erode the real value of this category of spending.
- The effects of a one percentage point increase in interest rates alone are shown in the sixth block. The out-

Table 2–6. FORECAST ERRORS, JANUARY 1982–PRESENT

	Admin.	CBO	Blue Chip
REAL GDP ERRORS			
2-Year Average Annual Real GDP Growth	Admin.	CBO	Blue Chip
Mean Error	0.1	–0.1	–0.2
Mean Absolute Error	1.2	1.1	1.1
Root Mean Square Error	1.6	1.4	1.5
6-Year Average Annual Real GDP Growth			
Mean Error	0.2	–0.1	–0.1
Mean Absolute Error	0.9	0.8	0.8
Root Mean Square Error	1.1	1.1	1.1
INFLATION ERRORS			
2-Year Average Annual Change in the GDP Price Index	Admin.	CBO	Blue Chip
Mean Error	0.2	0.2	0.4
Mean Absolute Error	0.7	0.7	0.7
Root Mean Square Error	0.8	0.9	0.9
6-Year Average Annual Change in the GDP Price Index			
Mean Error	0.3	0.4	0.7
Mean Absolute Error	0.7	0.8	0.9
Root Mean Square Error	0.8	0.9	1.1
INTEREST RATE ERRORS			
2-Year Average 91-Day Treasury Bill Rate	Admin.	CBO	Blue Chip
Mean Error	0.3	0.4	0.6
Mean Absolute Error	1.0	0.9	1.0
Root Mean Square Error	1.3	1.1	1.3
6-Year Average 91-Day Treasury Bill Rate			
Mean Error	0.4	0.9	1.1
Mean Absolute Error	1.0	1.1	1.2
Root Mean Square Error	1.2	1.3	1.4

lay effect mainly reflects higher interest costs for Federal debt. The receipts portion of this rule-of-thumb is due to the Federal Reserve's deposit of earnings on its securities portfolio and the effect of interest rate changes on both individuals' income (and taxes) and financial corporations' profits (and taxes).

- The seventh block shows that a sustained one percentage point increase in CPI and GDP price index inflation decreases cumulative deficits substantially, due in part to the assumed erosion in the real value of appropriated spending. Note that the separate effects of higher inflation and higher interest rates shown in the sixth and seventh blocks do not sum to the effects for simultaneous changes in both shown in the fifth block. This is because the gains in budget receipts due to higher inflation result in higher debt service savings when interest rates are also assumed to be higher in the fifth block than when interest rates are assumed to be unchanged in the seventh block.
- The last entry in the table shows rules of thumb for the added interest cost associated with changes in the budget deficit, holding interest rates and other economic assumptions constant.

The effects of changes in economic assumptions in the opposite direction are approximately symmetric to those shown in the table. The impact of a one percentage point lower rate of inflation or higher real growth would have about the same magnitude as the effects shown in the table, but with the opposite sign.

Forecast Errors for Growth, Inflation, and Interest Rates

As can be seen in Table 2-5, the single most important variable that affects the accuracy of the budget projections is the forecast of the growth rate of real GDP. The rate of inflation and the level of interest rates also have substantial effects on the accuracy of projections. Table 2-6 shows errors in short- and long-term projections in past Administration forecasts, and compares these errors to those of CBO and the Blue Chip Consensus of private forecasts for real GDP, inflation and short-term interest rates.[5]

[5] Two-year errors for real GDP and the GDP price index are the average annual errors in percentage points for year-over-year growth rates for the current year and budget year. For interest rates, the error is based on the average error for the level of the 91-day Treasury bill rate for the two-year and six-year period. Administration forecasts are from the budgets released starting in February 1982 (1983 Budget) and through February 2010 (2011 Budget), so that the last year included in the projections is 2011. The six-year forecasts are constructed similarly, but the last forecast used is from February 2006 (2007 Budget). CBO forecasts are from "The Budget and Economic Outlook" publications in January each year, and the Blue Chip forecasts are from their January projections.

Table 2–7. BUDGET EFFECTS OF ALTERNATIVE SCENARIOS
(Fiscal years; in billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Alternative Budget Deficit Projections:											
Administration Economic Assumptions	973	744	576	528	487	475	498	503	501	519	439
Percent of GDP	6.0%	4.4%	3.2%	2.8%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	1.7%
Alternative Scenario 1	992	787	640	624	633	663	711	732	742	768	696
Percent of GDP	6.2%	4.7%	3.6%	3.4%	3.3%	3.3%	3.3%	3.3%	3.2%	3.2%	2.8%
Alternative Scenario 2	978	744	567	523	504	501	506	481	443	424	304
Percent of GDP	6.1%	4.4%	3.2%	2.8%	2.5%	2.4%	2.3%	2.1%	1.8%	1.7%	1.1%

Over both a two-year and six-year horizon, the average annual real GDP growth rate was very slightly overestimated by the Administration and slightly underestimated by the CBO and Blue Chip in the forecasts made since 1982. Overall, the differences between the three forecasters were minor. The mean absolute error in the annual average growth rate was about 1.5 percentage point per year for all forecasters for two-year projections, and was about one-third smaller for all three for the six-year projections. The greater accuracy in the six-year projections could reflect a tendency of real GDP to revert at least partly to trend, though the overall evidence on whether GDP growth is mean reverting is mixed. Another way to interpret the result is that it is hard to predict GDP around turning points in the business cycle, but somewhat easier to project the six-year growth rate based on assumptions about the labor force, productivity, and other factors that affect GDP.

Inflation, as measured by the GDP price index, was overestimated by all forecasters (with Blue Chip having the largest errors) for both the two-year and six-year projections, with larger errors for the six-year projections. This reflects the gradual disinflation over the 1980s and early 1990s, which was greater than most forecasters expected. Average errors for all three sets of forecasts since 1994 were close to zero (not shown).

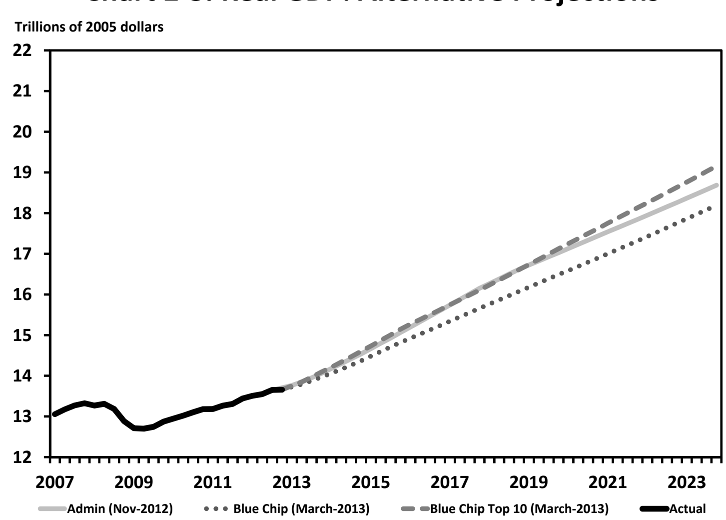
The interest rate on the 91-day Treasury bill was also overestimated by all three forecasters, with errors larger for the six-year time horizon. Again this reflects the secular decline in interest rates over the past 30 years, reflecting lower inflation for most of the period, as well as a decline in real interest rates since 2000 resulting from weakness in the economy and Federal Reserve policy. The errors were somewhat less for the Administration than for CBO and the Blue Chip forecasts.

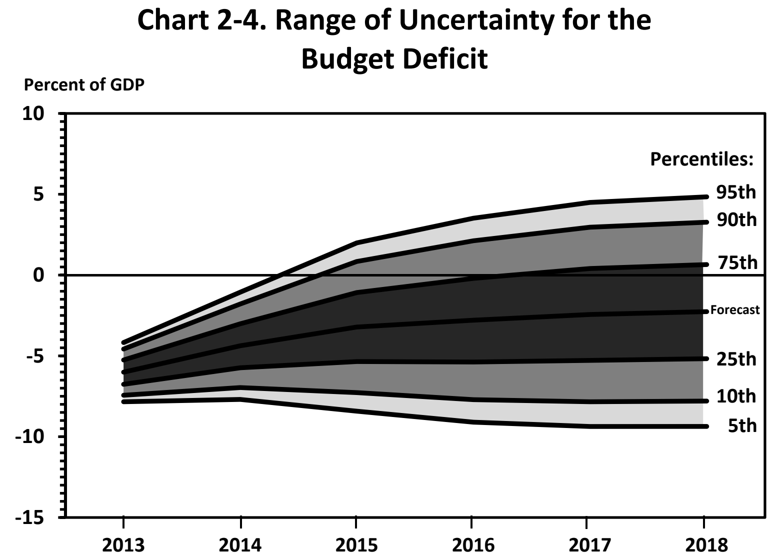
Alternative Scenarios

The rules of thumb described above can be used in combination to show the effect on the budget of alternative economic scenarios. Considering explicit alternative scenarios can also be useful in gauging some of the risks to the current budget projections. For example, the strength of the recovery over the next few years remains highly uncertain. Those possibilities are explored in the two alternative scenarios presented in this section and shown in Chart 2-3.

The first alternative scenario assumes that real GDP growth and unemployment beginning in 2012:Q4 follow the projections in the March 2013 Blue Chip forecast through the end of 2023, which includes their semi-annual long-run extension of the Blue Chip forecast. In this

Chart 2-3. Real GDP: Alternative Projections





case, after 2012, the level of GDP remains lower than the Administration's forecast throughout the projection period. This alternative includes a smaller real recovery from the loss of output during the 2008-2009 recession. Growth returns to normal, but without a substantial catch-up to make up for previous output losses.

The second alternative is the average of the highest 10 real GDP projections of the Blue Chip forecasters, also based on the March forecasts. This forecast is close to the Administration's forecast through 2017 with the high-10 Blue Chip growth exceeding the Administration's in the out years.

Table 2-7 shows the budget effects of these alternative scenarios compared with the Administration's economic forecast. Under the first alternative, budget deficits are significantly higher in each year compared to the Administration's forecast. In the second alternative, the deficit is close to the Administration's projection in the near term, but results in a lower deficit in the long run and cumulatively over 10 years.

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

Uncertainty and the Deficit Projections

The accuracy of budget projections depends not only on the accuracy of economic projections, but also on technical factors and the differences between proposed policy and enacted legislation. Chapter 29 provides detailed information on these factors for the budget year projections (Table 29-6), and also shows how the deficit projections compared to actual outcomes, on average, over a five-year window using historical data from 1982 to 2012 (Table 29-7). The error measures can be used to show a probabilistic range of uncertainty of what the range of deficit outcomes may be over the next five years relative to the Administration's deficit projection. Chart 2-4 shows this cone of uncertainty, which is constructed under the assumption that future forecast errors would be governed by the normal distribution with a mean of zero and standard error equal to the root mean squared error, as a percent of GDP, of past forecasts. The deficit is projected to be 2.3 percent of GDP in 2018, but has a 90 percent chance of being within a range of a surplus of 4.8 percent of GDP and a deficit of 9.4 percent of GDP.

Structural and Cyclical Deficits

As shown above, the budget deficit is highly sensitive to the business cycle. When the economy is operating below its potential and the unemployment rate exceeds the level consistent with price stability, receipts are lower, outlays are higher, and the deficit is larger than it would be otherwise. These features serve as "automatic stabilizers" for the economy by restraining output when the economy threatens to overheat and cushioning economic downturns. They also make it hard to judge the overall stance of fiscal policy simply by looking at the unadjusted budget deficit.

An alternative measure of the budget deficit is called the structural deficit. This measure provides a more useful perspective on the stance of fiscal policy than does the unadjusted unified budget deficit. The portion of the deficit traceable to the automatic effects of the business cycle is called the cyclical component. The remaining portion of the deficit is called the structural deficit. The structural deficit is a better gauge of the underlying stance of fiscal policy than the unadjusted unified deficit because it removes most of the effects of the business cycle. So, for example, the structural deficit would include fiscal policy changes such as the 2009 Recovery Act, but not the automatic changes in unemployment insurance or reduction in tax receipts that would have occurred without the Act.

Estimates of the structural deficit, shown in Table 2-8, are based on the historical relationship between changes in the unemployment rate and real GDP growth, as well as relationships of unemployment and real GDP growth with receipts and outlays. These estimated relationships

Table 2–8. THE STRUCTURAL BALANCE
(Fiscal years; in billions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unadjusted surplus (–) or deficit	161	459	1,413	1,293	1,300	1,087	973	744	576	528	487	475	498	503	501	519	439
Cyclical component	–107	–41	311	437	451	454	522	482	404	291	169	64	10	–3	2	–1	0
Structural surplus (–) or deficit	268	499	1,102	857	849	633	450	262	172	237	318	411	488	506	499	520	439
(Fiscal years; percent of Gross Domestic Product)																	
Unadjusted surplus (–) or deficit	1.2%	3.2%	10.1%	9.0%	8.7%	7.0%	6.0%	4.4%	3.2%	2.8%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	1.7%
Cyclical component	–0.8%	–0.3%	2.2%	3.0%	3.0%	2.9%	3.2%	2.8%	2.3%	1.5%	0.8%	0.3%	0.0%	–0.0%	0.0%	–0.0%	0.0%
Structural surplus (–) or deficit	1.9%	3.5%	7.9%	6.0%	5.7%	4.1%	2.8%	1.5%	1.0%	1.3%	1.6%	2.0%	2.2%	2.2%	2.1%	2.1%	1.7%

NOTE: The NAIRU is assumed to be 5.4%.

take account of the major cyclical changes in the economy and their effects on the budget, but they do not reflect all the possible cyclical effects on the budget, because economists have not been able to identify the cyclical factor in some of these other effects. For example, the sharp decline in the stock market in 2008 pulled down capital gains-related receipts and increased the deficit in 2009 and beyond. Some of this decline is cyclical in nature, but economists have not identified the cyclical component of the stock market with any precision, and for that reason, all of the stock market's contribution to receipts is counted in the structural deficit.

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

There are also lags in the collection of tax revenue that can delay the impact of cyclical effects beyond the year in which they occur. The result is that even after the unemployment rate has fallen, receipts may remain cyclically depressed for some time until these lagged effects have dissipated. The recent recession has added substantially to the estimated cyclical component of the deficit, but for all the reasons stated above, the cyclical component is probably understated. As the economy recovers, the cyclical deficit is projected to decline. After unemployment reaches 5.4 percent, the level assumed to be consistent with stable inflation, the estimated cyclical component vanishes, leaving only the structural deficit, although some lagged cyclical effects would arguably still be present.

Despite these limitations, the distinction between cyclical and structural deficits is helpful in understanding the path of fiscal policy. The large increase in the deficit in 2009 and 2010 is due to a combination of both components of the deficit. There is a large increase in the cyclical component because of the rise in unemployment. That is what would be expected considering the severity of the recent recession. Finally, there is a large increase in the structural deficit because of the policy measures taken to combat the recession. This reflects the Government's decision to make active use of fiscal policy to lessen the severity of the recession and to hasten economic recovery. Between 2014 and 2018, the cyclical component of the deficit is projected to decline sharply as the economy recovers at an above-trend rate of GDP growth. The structural deficit shrinks during 2012–2014, reflecting the measures of fiscal constraint that have been enacted combined with the Administration's policy proposals.

PERFORMANCE AND MANAGEMENT

6. SOCIAL INDICATORS

The social indicators presented in this chapter illustrate in broad terms how the Nation is faring in selected areas in which the Federal Government has significant responsibilities. Indicators are drawn from six selected domains: economic, demographic and civic, socioeconomic, health, security and safety, and environment and energy. The indicators shown in the tables in this chapter were chosen in consultation with statistical and data experts from across the Federal Government. These indicators are only a subset of the vast array of available data on conditions in the United States. In choosing indicators for these tables, priority was given to measures that are broadly relevant to Americans and consistently available over an extended period. Such indicators provide a current snapshot while also making it easier to draw comparisons and establish trends.

The measures in these tables are influenced to varying degrees by many Government policies and programs, as well as by external factors beyond the Government's control. They do not measure the outcomes of Government policies because they do not show the direct results of Government activities. However, they do provide a quantitative picture of the progress (or lack of progress) toward some of the ultimate ends that Government policy is intended to promote, and the baseline on which future policies are set. Subsequent chapters in the Performance and Management section of this volume discuss approaches toward assessing the impacts of Government programs and improving the quality of Government.

The President has made it clear that policy decisions should be based upon evidence—evidence that identifies the Nation's greatest needs and challenges and evidence about which strategies are working to overcome those challenges. The social indicators in this chapter provide useful information both for prioritizing budgetary and policymaking resources and for evaluating how well existing approaches are working.

Economic: The 2008-2009 economic downturn produced the worst labor market in more than a generation. The employment-population ratio dropped sharply from its pre-recession level, and real GDP per person also declined. The economy is steadily recovering, with the unemployment rate declining to 7.9 percent in January 2012 from a high of 10 percent in October 2009, and real GDP per person roughly regaining its level prior to the recession. However, the employment-population ratio remains low by historical standards, while the continuing effects of the recession are reflected in high rates of marginally attached and underemployed workers.

Over the entire period from 1960 to 2012, the primary pattern has been one of economic growth and rising living standards. Real GDP per person has approximately tripled as technological progress and the accumulation of human and physical capital have increased the Nation's productive capacity. The stock of physical capital including consumer durable goods like cars and appliances amounted to $51 trillion in 2011, more than four times the size of the capital stock in 1960, after accounting for inflation.

But national saving, a key determinant of future prosperity because it supports capital accumulation, fell from 6.1 percent in 2000 to 2.9 percent in 2005 as Federal budget surpluses turned to deficits, and fell even further in the recession that followed, turning negative in 2010. Meanwhile, the labor force participation rate, also critical for growth, has declined for more than a decade, reflecting the beginning of a trend in which the baby boomer generation retires.

The United States continues to be a leader in innovation. Patents by U.S. inventors have increased three-fold since 1960. National Research and Development (R&D) spending has hovered between 2.3 percent and 2.8 percent of GDP for the past 50 years.

Demographic and Civic: The U.S. population has steadily increased from 1970, where it numbered 204 million, to 314 million in 2012. The foreign born population has increased rapidly since 1970, quadrupling from about 10 million in 1970 to over 40 million in 2011. The U.S. population is getting older, due in part to the aging of the baby boomers and to improvements in medical technology. From 1970 to 2011, the percent of the population over age 65 increased from 9.8 to 13.3, and the percent over age 85 more than doubled.

The composition of American households and families has evolved considerably over time. The percent of Americans who have ever married continued to decline as it has over the last five decades. Average family sizes have also fallen over this period, a pattern that is typical among developed countries. After increasing for over three decades, births to unmarried women age 15-17 and the fraction of single parent households reached a turning point in 1995. From 1995 to 2010, the number of births per 1,000 unmarried women age 15-17 fell from 30.1 to 16.8, a level below that of 1970. Meanwhile, the fraction of single parent households stopped increasing in 1995, stabilizing at a little over 9 percent.

Charitable giving among Americans, measured by the average charitable contribution per itemized tax return, has generally increased over the past 50 years.[1] However, the effects of the 2008-2009 recession are evident in the sharp drop in charitable giving from 2005 to 2010. More Americans are volunteering. In 1990, 20 percent of Americans volunteered at least once; in 2011, 27 percent volunteered. The political participation of Americans, measured by the voting rate in Presidential elections, declined from about 63 percent in 1964 to 57 percent in 1972. It fell further in the 1996 and 2000 elections, reaching a low of only 50 percent in 1996. However, the Presidential voting rate rebounded in the 2004 and 2008 elections, averaging almost 58 percent.

Socioeconomic:

Education is a critical component of the Nation's economic growth and competitiveness, while also benefiting society in areas such as health, crime, and civic engagement. Between 1960 and 1980, the percentage of 25-34 year olds who have graduated from high school increased from 58 percent to 84 percent, a gain of 13 percentage points per decade. Progress has slowed since then with only a four percentage point gain over the past 30 years. But the percentage of 25-34 year olds who have graduated from college continues to rise, from only 11 percent in 1960 to over 31 percent in 2011. Measures of math and reading achievement show little if any improvement in mathematics and reading for American 17-year olds over the period from 1970 to 2010. The percentage of graduate degrees in science and engineering fell by half in the period between 1960 to 1980, from 22 percent to 11 percent, and was only 12 percent in 2011.

While national prosperity has grown considerably over the past 50 years, these gains have not been shared equally. Real disposable income per capita roughly tripled since 1960, and more than doubled since 1970. But real income for the median household increased only 22 percent from 1970 to 2000, and has declined by 9 percent since 2000. The income share of the top 1 percent of taxpayers, approximately 9 percent in 1980, rose to 21 percent in 2005 before dipping slightly in 2010. In contrast, the income share of the bottom 50 percent of taxpayers declined from 18 percent in 1980 to 12 percent in 2010. The poverty rate, after falling rapidly in the 1960s due to a strong economy and large expansions in Social Security, has since remained relatively steady despite the advances in real disposable income per capita. From 2005 to 2011, the poverty rate, the percentage of food-insecure households, and the percentage of Americans receiving benefits from the Supplemental Nutrition Assistance Program (formerly known as the Food Stamp Program), increased as Americans struggled with the economic downturn.

After slowly increasing from 1960 to 2005, homeownership rates dropped somewhat following the 2008 housing crisis, but remain close to the historical average. The share of families with children and severe housing cost burdens, however, more than doubled from 8 percent in 1980 to 18 percent in 2011.

Health:

America has by far the most expensive health care system in the world, yet much higher rates of uninsured than other countries with comparable wealth. National health expenditures as a share of GDP have increased from about 5 percent in 1960 to almost 18 percent in 2011. This increase in health care spending has corresponded with improvements in medical technology that have improved health, but the rate of spending increase in the United States is far greater than that in other Organization for Economic Cooperation and Development (OECD) countries which have experienced comparable health improvements. Despite high health care costs, over 21 percent of adults and 9 percent of children were without health insurance in 2011. In 2010 the President signed the Affordable Care Act into law. The Affordable Care Act is expected to reduce the number of uninsured by about 27 million by 2022.[2]

Some key indicators of national health have improved since 1960. Life expectancy at birth increased by nine years over the last five decades, from 69.7 in 1960 to 78.7 in 2011. Infant mortality fell from 26 to approximately 6 per 1,000 live births, with a precipitous decline occurring in the 1970s.

Improvement in health behaviors among Americans has been mixed. While the percent of adults who smoke cigarettes in 2011 was less than half of that in 1970, rates of obesity have soared. In 1980, 15 percent of adults and 6 percent of children were obese; in 2010, 35 percent of adults and 17 percent of children were obese. Adult obesity continued to rise even as the share of adults engaging in regular physical activity increased from 15 percent in 2000 to 21 percent in 2011.

Security and Safety:

The last three decades have witnessed a remarkable decline in crime. From 1980 to 2011, the property crime rate dropped by 72 percent while the murder rate was cut by over half. Road transportation has also become safer. Safety belt use increased by 15 percentage points from 2000 to 2012, and the annual number of highway fatalities fell by 38 percent from 1970 to 2011 despite the increase in the population.

Environment and Energy:

The Nation's future well-being and prosperity depend on stewardship of our natural resources, the environment, and on our ability to bring about a clean energy economy. Substantial progress has been made on air quality in the United States, with the concentration of particulate matter falling 28 percent from 2000 to 2010. Moving forward, the greatest environmental challenge is reducing

[1] This measure includes charitable giving only among those who claim itemized deductions. It is therefore influenced by changes in tax laws and in the characteristics of those who itemize.

[2] Congressional Budget Office. 2013. "The Budget and Economic Outlook: Fiscal Years 2013 to 2023." Washington, DC: Congressional Budget Office.

greenhouse gas emissions. The President announced a target reduction of 17 percent in greenhouse gas emissions between 2005 and 2020, with an ultimate reduction of 83 percent between 2005 and 2050. From 2005 to 2010, gross greenhouse gas emissions fell by 5.3 percent. Gross greenhouse gas emissions per capita and per unit of GDP have fallen by 9.5 and 8.6 percent, respectively. However, annual mean CO_2 concentration, a global measure of climate change, has increased roughly between three- and five-fold since 1960.

While technological advances and a shift in production patterns mean that Americans now use about half as much energy per real dollar of GDP as they did 50 years ago, rising income levels mean that per capita consumption has remained roughly constant over the last 40 years. The percent of U.S. electricity production that is from renewable sources has grown since 2005, but remains only 12.7 percent.

Table 6–1. SOCIAL INDICATORS

	Calendar Years	1960	1970	1980	1990	1995	2000	2005	2010	2011	2012
	Economic										
	General Economic Conditions										
1	Real GDP per person (2005 dollars)[1]	15,648	20,802	25,618	32,085	34,082	39,718	42,646	42,169	42,620	43,352
2	Real GDP per person change, 5-year annual average	0.7	2.3	2.6	2.3	1.2	3.1	1.4	–0.2	–0.3	N/A
3	Consumer Price Index[2]	15.1	19.3	38.5	59.9	68.2	76.6	86.8	96.9	100.0	N/A
4	Private goods producing (%)	N/A	N/A	N/A	39.7	37.2	33.7	32.1	29.5	30.8	N/A
5	Private services producing (%)	N/A	N/A	N/A	60.3	62.8	66.3	67.9	70.5	69.2	N/A
	Jobs and Unemployment										
6	Labor force participation rate (%)	59.4	60.4	63.8	66.5	66.6	67.1	66.0	64.7	64.1	63.7
7	Employment (millions)	65.8	78.7	99.3	118.8	124.9	136.9	141.7	139.1	139.9	142.5
8	Employment-population ratio (%)	56.1	57.4	59.2	62.8	62.9	64.4	62.7	58.5	58.4	58.6
9	Payroll employment change - December to December (millions)	–0.4	–0.5	0.3	0.3	2.2	2.0	2.5	1.0	1.8	1.8
10	Payroll employment change - 5-year annual average (millions)	0.7	2.0	2.7	2.4	1.6	2.9	0.4	–0.8	–0.9	–0.9
11	Civilian unemployment rate (%)	5.5	4.9	7.1	5.6	5.6	4.0	5.1	9.6	8.9	8.1
12	Unemployment plus marginally attached and underemployed (%)	N/A	N/A	N/A	N/A	10.1	7.0	8.9	16.7	15.9	14.7
13	Receiving Social Security disabled-worker benefits (% of population)[3]	0.9	2.0	2.8	2.5	3.3	3.7	4.5	5.5	5.7	5.8
	Infrastructure, Innovation, and Capital Investment										
14	Nonfarm output per hour (average 5 year % change)	1.8	2.1	1.1	1.5	1.5	2.8	3.1	1.8	1.8	N/A
15	Corn for grain production (billion bushels)	3,907	4,152	6,639	7,934	7,400	9,915	11,112	12,447	12,358	10,725
16	Real net stock of fixed assets and consumer durable goods (billions of 2010$)[4]	11,564	16,879	23,258	30,765	34,227	40,281	46,389	50,673	51,117	N/A
17	Population served by secondary wastewater treatment or better (%)[5]	N/A	41.6	56.4	63.7	61.1	71.4	74.3	72.0	N/A	N/A
18	Electricity net generation (kWh per capita)	4,202	7,486	10,076	12,170	12,594	13,475	13,723	13,335	13,177	N/A
19	Patents issued to U.S. residents (per 1,000 population)	42.3	50.6	41.7	56.1	68.2	103.6	88.5	132.5	131.9	N/A
20	Net national saving rate (% of GDP)	10.3	8.1	7.2	3.9	4.7	6.1	2.9	–0.7	–0.6	N/A
21	R&D spending (% of GDP)	2.6	2.5	2.3	2.6	2.5	2.7	2.6	2.8	2.7	N/A
	Demographic and Civic										
	Population										
22	Total population (millions)	N/A	204.0	227.2	249.6	266.3	282.2	295.5	309.3	311.6	313.9
23	Foreign born population (millions)[6]	9.7	9.6	14.1	19.8	N/A	31.1	37.5	40.0	40.4	N/A
24	17 years and younger (%)	N/A	N/A	28.0	25.7	26.1	25.7	24.9	24.0	23.7	23.5
25	65 years and older (%)	N/A	9.8	11.3	12.5	12.7	12.4	12.4	13.1	13.3	N/A
26	85 years and older (%)	N/A	0.7	1.0	1.2	1.4	1.5	1.6	1.8	1.8	N/A
	Household Composition										
27	Ever married (% of age 15 and older)[7]	78.0	75.1	74.1	73.8	72.9	71.9	70.9	69.3	69.2	68.8
28	Average family size[8]	3.7	3.6	3.3	3.2	3.2	3.2	3.1	3.2	3.1	3.1
29	Births to unmarried women age 15–17 (per 1,000)	N/A	17.1	20.6	29.6	30.1	23.9	19.4	16.8	N/A	N/A
30	Single parent households (%)	4.4	5.2	7.5	8.3	9.1	8.9	8.9	9.1	9.1	9.3
	Civic Engagement										
31	Average charitable contribution per itemized tax return (2010 dollars)[9]	2,063	2,046	2,361	2,968	3,155	4,188	4,287	3,650	N/A	N/A
32	Voting for President (% of voting age population)[10]	63.4	57.0	55.1	56.4	49.8	52.1	56.7	58.3	N/A	N/A
33	Persons volunteering (% age 16 and older)[11]	N/A	N/A	N/A	20.4	N/A	N/A	28.8	26.3	26.8	N/A

TABLE 6–1. SOCIAL INDICATORS—Continued

	Calendar Years	1960	1970	1980	1990	1995	2000	2005	2010	2011	2012
	Socioeconomic										
	Education										
34	High school graduates (% of age 25–34)[12]	58.1	71.5	84.2	84.1	N/A	83.9	86.4	87.2	87.9	N/A
35	College graduates (% of age 25–34)[13]	11.0	15.5	23.3	22.7	N/A	27.5	29.9	31.1	31.5	N/A
36	Reading achievement score (age 17)[14]	N/A	285	285	290	288	288	283	286	N/A	N/A
37	Math achievement score (age 17)[15]	N/A	304	298	305	306	308	305	306	N/A	N/A
38	Science and engineering graduate degrees (% of total graduate degrees)	22.0	17.2	11.2	14.7	14.2	12.6	12.7	12.1	12.4	N/A
39	Receiving special education services (% of age 3–21 public school students)	N/A	N/A	10.1	11.4	12.4	13.3	13.7	13.0	N/A	N/A
	Income, Savings, and Inequality										
40	Real median income: all households (2011 dollars)	N/A	45,146	46,024	49,950	49,935	54,841	53,371	50,831	50,054	N/A
41	Real disposable income per capita average (2011 dollars)[1, 4]	12,457	17,450	21,716	27,132	28,724	33,272	36,100	37,242	37,463	37,646
42	Adjusted gross income share of top 1% of all taxpayers	N/A	N/A	8.5	14.0	14.6	20.8	21.2	18.9	N/A	N/A
43	Adjusted gross income share of lower 50% of all taxpayers	N/A	N/A	17.7	15.0	14.5	13.0	12.9	11.7	N/A	N/A
44	Personal saving rate (% of disposable personal income)[1]	7.2	9.4	9.8	6.5	5.2	2.9	1.5	5.1	4.2	3.6
45	Poverty rate (%)[16]	22.2	12.6	13.0	13.5	13.8	11.3	12.6	15.1	15.0	N/A
46	Food-insecure households (% of all households)[17]	N/A	N/A	N/A	N/A	11.9	10.5	11.0	14.5	14.9	N/A
47	Supplemental Nutrition Assistance Program (formerly Food Stamps)[18]	N/A	3.3	9.5	8.2	9.9	6.1	8.9	13.5	14.6	14.9
48	Median wealth of households, age 55–64 (in thousands of 2011 dollars)[19,4]	75	N/A	148	170	169	234	299	185	N/A	N/A
	Housing										
49	Homeownership among families with children (%)	61.9	62.9	64.4	64.2	65.0	66.2	66.9	65.1	64.6	N/A
50	Families with children and severe housing cost burden (%)[20]	N/A	N/A	8.0	10.0	12.0	11.0	14.5	17.9	18.3	N/A
51	Families with children and inadequate housing (%)[21]	N/A	N/A	9.0	9.0	7.0	7.0	5.4	5.3	5.5	N/A
	Health										
	Health Status										
52	Life expectancy at birth[22]	69.7	70.8	73.7	75.4	75.8	76.8	77.6	78.7	78.7	N/A
53	Infant mortality (per 1,000 live births)[22]	26.0	20.0	12.6	9.2	7.6	6.9	6.9	6.1	6.1	N/A
54	Low birthweight [<2,500 gms] (% of babies)[22]	7.7	7.9	6.8	7.0	7.3	7.6	8.2	8.1	8.1	N/A
55	Activity limitation (% of age 5–17)[23]	N/A	N/A	N/A	N/A	N/A	7.0	8.0	9.2	9.3	N/A
56	Activity limitation (% of aged 18 and over)[24]	N/A	N/A	N/A	N/A	N/A	27.9	29.1	29.9	29.8	N/A
57	Difficulties with activities of daily living (% of age 65 and over)[25]	N/A	N/A	N/A	N/A	N/A	6.3	6.2	6.8	7.3	N/A
	Health Behavior										
58	Engaged in regular physical activity (% of age 18 and older)[26]	N/A	N/A	N/A	N/A	N/A	15.0	16.6	20.7	21.0	N/A
59	Obesity (% of age 20–74 with BMI 30 or greater)[27]	13.3	14.6	15.1	23.3	N/A	31.1	34.1	35.3	N/A	N/A
60	Obesity (% of age 2–19)[28]	N/A	5.1	5.5	10.0	N/A	13.9	15.4	16.9	N/A	N/A
61	Cigarette smokers (% of age 18 and older)	N/A	39.2	32.7	25.3	24.6	23.1	20.8	19.3	19.0	N/A
62	Excessive alcohol use (% of age 18 and older)[29]	N/A	N/A	N/A	N/A	N/A	8.7	8.9	10.1	9.4	N/A
	Access to Health Care										
63	Total national health expenditures (% of GDP)[30]	5.2	7.2	9.2	12.5	13.9	13.8	16.1	17.9	17.9	17.9
64	Persons without health insurance (% of age 18–64)	N/A	N/A	N/A	N/A	N/A	16.4	19.0	21.8	21.2	N/A
65	Persons without health insurance (% of age 17 and younger)	N/A	N/A	N/A	N/A	N/A	10.7	10.3	9.8	9.4	N/A
66	Children age 19–35 months with recommended vaccinations (%)[31]	N/A	N/A	N/A	N/A	55.1	72.8	76.1	72.7	73.6	N/A
	Security and Safety										
	Crime										
67	Property crimes (per 100,000 households)[32]	N/A	N/A	49,610	34,890	31,547	19,043	15,947	12,542	13,871	N/A
68	Violent crime victimizations (per 100,000 population age 12 or older)[33]	N/A	N/A	4,940	4,410	7,068	3,749	2,842	1,928	2,254	N/A
69	Murder rate (per 100,000 persons)	5.1	7.9	10.2	9.4	8.2	5.5	5.6	4.8	4.7	N/A
	Transportation Safety										
70	Safety belt use (%)	N/A	N/A	N/A	N/A	N/A	71	82	85	84	86
71	Highway fatalities	36,399	52,627	51,091	44,599	41,817	41,945	43,510	32,999	32,367	N/A
	Environment and Energy										
	Air Quality and Greenhouse Gases										
72	Ground level ozone (ppm) based on 247 monitoring sites	N/A	N/A	0.101	0.089	0.090	0.082	0.080	0.073	N/A	N/A
73	Particulate matter 2.5 (ug/m3) based on 646 monitoring sites	N/A	N/A	N/A	N/A	N/A	13.6	13.0	10.0	N/A	N/A

TABLE 6–1. SOCIAL INDICATORS—Continued

	Calendar Years	1960	1970	1980	1990	1995	2000	2005	2010	2011	2012
74	Annual mean atmospheric CO_2 concentration (Mauna Lao, Hawaii; ppm/yr)	0.5	1.1	1.7	1.2	2.0	1.6	2.5	2.4	1.8	N/A
75	Gross greenhouse gas emissions (teragrams CO_2 equivalent)[34]	N/A	N/A	N/A	6,175	N/A	N/A	7,204	6,822	N/A	N/A
76	Net greenhouse gas emissions, including sinks (teragrams CO_2 equivalent)	N/A	N/A	N/A	5,293	N/A	N/A	6,118	5,747	N/A	N/A
77	Gross greenhouse gas emissions per capita (metric tons CO_2 equivalent)	N/A	N/A	N/A	24.7	N/A	N/A	24.3	22.0	N/A	N/A
78	Gross greenhouse gas emissions per 2005$ of GDP (kilograms CO_2 equivalent)	N/A	N/A	N/A	0.769	N/A	N/A	0.570	0.521	N/A	N/A
	Energy										
79	Energy consumption per capita (million Btu)	250	331	344	338	342	350	339	316	312	N/A
80	Energy consumption per 2005$ GDP (thousand Btu per 2005$)	15.9	15.9	13.4	10.5	10.0	8.8	7.9	7.5	7.3	N/A
81	Electricity net generation from renewable sources, all sectors (% of total)	19.7	16.4	12.4	11.8	11.5	9.4	8.8	10.4	12.7	N/A

N/A=Number is not available.

[1] Data for 2012 reflect 2012 Q3.

[2] Adjusted CPI-U. 2011=100.

[3] Gross prevalence rate for persons receiving Social Security disabled-worker benefits among the estimated population insured in the event of disability at end of year. Gross rates do not account for changes in the age and gender composition of the insured population over time.

[4] Data adjusted by OMB to real 2010 dollars for indicator 16, and to 2011 dollars for indicators 41 and 48.

[5] Data correspond to years 1962, 1972, 1982, 1992, 1996, 2000, 2004, 2008.

[6] Data source for 1960 to 2000 is the decennial census; data source for 2006, 2010, and 2011 is the American Community Survey.

[7] For 1960, age 14 and older.

[8] Average size of family households. Family households are those in which there is someone present who is related to the householder by birth, marriage, or adoption.

[9] Charitable giving reported as itemized deductions on Schedule A.

[10] Data correspond to years 1964, 1972, 1980, 1992, 1996, 2000, 2004, 2008.

[11] Refers to those who volunteered at least once during a one-year period, from September of the previous year to September of the year specified. For 1990, refers to 1989 estimate from the CPS Supplement on volunteers.

[12] For 1960, includes those who have completed 4 years of high school or beyond. For 1970 and 1980, includes those who have completed 12 years of school or beyond. For 1990 onward, includes those who have completed a high school diploma or the equivalent.

[13] For 1960 to 1980, includes those who have completed 4 or more years of college. From 1990 onward, includes those who have a bachelor's degree or higher.

[14] Data correspond to years 1971, 1980, 1990, 1994, 1999, 2004, and 2008.

[15] Data correspond to years 1973, 1982, 1990, 1994, 1999, 2004, and 2008.

[16] The poverty rate does not reflect noncash government transfers.

[17] Food-insecure classification is based on reports of three or more conditions that characterize households when they are having difficulty obtaining adequate food, out of a total of 10 such conditions.

[18] 2012 reflects average monthly participation from January through September 2012.

[19] Data values shown are 1962, 1983, 1989, 1995, 2001, 2004, and 2010. For 1962, the data source is the SFCC; for subsequent years, the data source is the SCF.

[20] Expenditures for housing and utilities exceed 50 percent of reported income. Some data interpolated.

[21] Inadequate housing has moderate to severe physical problems, usually poor plumbing or heating or upkeep problems. Some data interpolated.

[22] Data for 2011 are preliminary.

[23] Total activity limitation includes special education and other limitations, including limitations in children's ability to walk, care for themselves, or perform other activities.

[24] Activity limitation among adults aged 18 and over is defined as having a basic action difficulty in one or more of the following: movement, emotional, sensory (seeing or hearing), or cognitive.

[25] Activities of daily living include include bathing or showering, dressing, getting in or out of bed or a chair, using the toilet, and eating.

[26] Participation in leisure-time aerobic and muscle-strengthening activities that meet 2008 Federal physical activity guidelines.

[27] BMI refers to body mass index.

[28] Percentage at or above the sex-and age-specific 95th percentile BMI cutoff points from the 2000 CDC growth charts.

[29] Percent of age 18 and over who had five or more drinks in a day on at least 12 days in the past year.

[30] 2012 values are projected.

[31] Recommended vaccine series changed over time. 1995 and 2000 data correspond with the 4:3:1:3:3 recommended series; 2005 data correspond with the 4:3:1:3:3:1 series; 2010 and 2011 data correspond with the 4:3:1:-:3:1:4 series.

[32] Property crimes, including burglary, motor vehicle theft, and property theft, reported by a sample of households. Includes property crimes both reported and not reported to law enforcement.

[33] Violent crimes include rape, robbery, aggravated assault, and simple assault. Includes crimes both reported and not reported to law enforcement. Due to methodological changes in the enumeration method for NCVS estimates from 1993 to present, use caution when comparing 1980 and 1990 criminal victimization estimates to future years. Estimates from 1995 and beyond include a small number of victimizations, referred to as series victimizations, using a new counting strategy. High-frequency repeat victimizations, or series victimizations, are six or more similar but separate victimizations that occur with such frequency that the victim is unable to recall each individual event or describe each event in detail. Including series victimizations in national estimates can substantially increase the number and rate of violent victimization; however, trends in violence are generally similar regardless of whether series victimizations are included. See Methods for Counting High-Frequency Repeat Victimizations in the National Crime Victimization Survey for further discussion of the new counting strategy and supporting research.

[34] The gross emissions indicator does not include sinks, which are processes (typically naturally occurring) that remove greenhouse gases from the atmosphere. Gross emissions are therefore more indicative of trends in energy consumption and efficiency than are net emissions.

Table 6–2. SOURCES FOR SOCIAL INDICATORS

	Indicator	Source
	Economic	
	General Economic Conditions	
1	Real GDP per person (2005 dollars)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
2	Real GDP per person change, 5-year annual average	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
3	Consumer Price Index	Bureau of Labor Statistics, BLS Consumer Price Index Program. *http://www.bls.gov/cpi/*
4	Private goods producing (%)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
5	Private services producing (%)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
	Jobs and Unemployment	
6	Labor force participation rate (%)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
7	Employment (millions)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
8	Employment-population ratio (%)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
9	Payroll employment change - December to December (millions)	Bureau of Labor Statistics, Current Employment Statistics program. *http://www.bls.gov/ces/*
10	Payroll employment change - 5-year annual average (millions)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
11	Civilian unemployment rate (%)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
12	Unemployment plus marginally attached and underemployed (%)	Bureau of Labor Statistics, Current Population Survey. *http://www.bls.gov/cps*
13	Receiving Social Security disabled-worker benefits (% of population)	Social Security Administration, Office of Research, Evaluation, and Statistics, Annual Statistical Supplement to the Social Security Bulletin, tables 4.C1 5.A4. *http://www.ssa.gov/policy/docs/statcomps/supplement/*
	Infrastructure, Innovation, and Capital Investment	
14	Nonfarm output per hour (average 5 year % change)	Bureau of Labor Statistics, Major Sector Productivity Program. *http://www.bls.gov/lpc/*
15	Corn for grain production (billion bushels)	National Agricultural Statistics Service, Agricultural Estimates Program. *http://www.nass.usda.gov/*
16	Real net stock of fixed assets and consumer durable goods (billions of 2010$)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
17	Population served by secondary wastewater treatment or better (%)	U.S. Environmental Protection Agency, Clean Watersheds Needs Survey. *http://water.epa.gov/scitech/datait/databases/cwns/index.cfm*
18	Electricity net generation (kWh per capita)	U.S. Energy Information Administration, Annual Energy Review Table 8.2a (Col. 16) divided by Table D1 (Col. 1). *http://www.eia.gov/totalenergy/data/annual/index.cfm*
19	Patents issued to U.S. residents (per 1,000 population)	U.S. Patent and Trademark Office, Electronic Information Products Division, Patent Technology Monitoring Team. *http://www.uspto.gov/products/catalog/ptmd/patent_statistics.jsp*
20	Net national saving rate (% of GDP)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
21	R&D spending (% of GDP)	National Science Foundation, National Patterns of R&D Resources. *http://www.nsf.gov/statistics/natlpatterns/*
	Demographic and Civic	
	Population	
22	Total population (millions)	U.S. Census Bureau, Population Division, Vintage 2012 Population Estimates (2012), Vintage 2011 Population Estimates (2010-2011), 2000-2010 Intercensal Estimates (2000-2005), 1990-1999 Intercensal Estimates (1990-1995), 1980-1990 Intercensal Estimates (1980), 1970-1980 Intercensal Estimates (1970).
23	Foreign born population (millions) xx/	U.S. Census Bureau, Population Division, Decennial Census and American Community Survey. *http://www.census.gov/prod/www/abs/decennial/* and *http://www.census.gov/acs*
24	17 years and younger (%)	U.S. Census Bureau, Population Division, Vintage 2012 Population Estimates (2012), Vintage 2011 Population Estimates (2010-2011), 2000-2010 Intercensal Estimates (2000-2005), 1990-1999 Intercensal Estimates (1990-1995), 1980-1990 Intercensal Estimates (1980), 1970-1980 Intercensal Estimates (1970)
25	65 years and older (%)	U.S. Census Bureau, Population Division, Vintage 2012 Population Estimates (2012), Vintage 2011 Population Estimates (2010-2011), 2000-2010 Intercensal Estimates (2000-2005), 1990-1999 Intercensal Estimates (1990-1995), 1980-1990 Intercensal Estimates (1980), 1970-1980 Intercensal Estimates (1970)
26	85 years and older (%)	U.S. Census Bureau, Population Division, Vintage 2012 Population Estimates (2012), Vintage 2011 Population Estimates (2010-2011), 2000-2010 Intercensal Estimates (2000-2005), 1990-1999 Intercensal Estimates (1990-1995), 1980-1990 Intercensal Estimates (1980), 1970-1980 Intercensal Estimates (1970)
	Household Composition	
27	Ever married (% of age 15 and older)	U.S. Census Bureau, Current Population Survey. *http://www.census.gov/hhes/families/*
28	Average family size	U.S. Census Bureau, Current Population Survey. *http://www.census.gov/hhes/families/*
29	Births to unmarried women age 15-17 (per 1,000)	Centers for Disease Control and Prevention, National Vital Statistics Report. *http://www.cdc.gov/nchs/nvss.htm*
30	Single parent households (%)	U.S. Census Bureau, Current Population Survey. *http://www.census.gov/hhes/families/*
	Civic Engagement	
31	Average charitable contribution per itemized tax return (2010 dollars)	U.S. Internal Revenue Service, Statistics of Income - Individual Income Tax Returns (IRS Publication 1304). *http://www.irs.gov/uac/SOI*-Tax-Stats-Individual-Income-Tax-Returns-Publication-1304-(Complete-Report)

TABLE 6–2. SOURCES FOR SOCIAL INDICATORS—Continued

	Indicator	Source
32	Voting for President (% of voting age population)	The Office of the Clerk of the U.S. House of Representatives and the U.S. Census Bureau, Current Population Survey. *http://www.census.gov/cps/*
33	Persons volunteering (% age 16 and older)	U.S. Census Bureau, Current Population Survey. *http://www.census.gov/cps/*
	Socioeconomic	
	Education	
34	High school graduates (% of age 25-34)	U.S. Census Bureau, Decennial Census and American Community Survey. *http://www.census.gov/prod/www/abs/decennial/* and *http://www.census.gov/acs*
35	College graduates (% of age 25-34)	U.S. Census Bureau, American Community Survey. *http://www.census.gov/acs*
36	Reading achievement score (age 17)	National Center for Education Statistics, National Assessment of Educational Progress. *http://nces.ed.gov/nationsreportcard/*
37	Math achievement score (age 17)	National Center for Education Statistics, National Assessment of Educational Progress. *http://nces.ed.gov/nationsreportcard/*
38	Science and engineering graduate degrees (% of total graduate degrees)	National Center for Education Statistics, Integrated Postsecondary Education Data System. *http://nces.ed.gov/ipeds/*
39	Receiving special education services (% of age 3-21 public school students)	National Center for Education Statistics, Digest of Education Statistics, 2012. *http://nces.ed.gov/programs/digest/d12/tables/dt12_046.asp*
	Income, Savings, and Inequality	
40	Real median income: all households (2011 dollars)	U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. *http://www.census.gov/hhes/www/income/data/historical/household/*
41	Real disposable income per capita average (2005 dollars)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
42	Adjusted gross income share of top 1% of all taxpayers	U.S. Internal Revenue Service, Statistics of Income. *http://www.irs.gov/uac/SOI*-Tax-Stats-Individual-Statistical-Tables-by-Tax-Rate-and-Income-Percentile
43	Adjusted gross income share of lower 50% of all taxpayers	U.S. Internal Revenue Service, Statistics of Income. *http://www.irs.gov/uac/SOI*-Tax-Stats-Individual-Statistical-Tables-by-Tax-Rate-and-Income-Percentile
44	Personal saving rate (% of disposable personal income)	Bureau of Economic Analysis, National Economic Accounts Data. *http://www.bea.gov/national/*
45	Poverty rate (%)	U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements. *http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html*
46	Food-insecure households (% of all households)	Economic Research Service, Household Food Security in the United States report series. *http://www.ers.usda.gov/topics/food-nutrition-assistance/food-security-in-the-us/readings.aspx*
47	Supplemental Nutrition Assistance Program (formerly Food Stamps)	Food and Nutrition Service, USDA
48	Median wealth of households, age 55-64 (in thousands of 2010 dollars)	Board of Governors of the Federal Reserve System, Survey of Consumer Finances Chartbook. *http://www.federalreserve.gov/econresdata/scf/scfindex.htm*
	Housing	
49	Homeownership among families with children (%)	U.S. Census Bureau, American Housing Survey. *http://www.census.gov/housing/ahs*
50	Families with children and severe housing cost burden (%)	U.S. Census Bureau, American Housing Survey as tabulated by the Housing and Urban Development's Office of Policy Development and Resesarch. *http://www.census.gov/housing/ahs*
51	Families with children and inadequate housing (%)	U.S. Census Bureau, American Housing Survey as tabulated by the Housing and Urban Development's Office of Policy Development and Resesarch. *http://www.census.gov/housing/ahs*
	Health	
	Health Status	
52	Life expectancy at birth	Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System (mortality), Health, United States, 2012 forthcoming, Table 18. *http://www.cdc.gov/nchs/nvss.htm*
53	Infant mortality (per 1,000 live births)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System (natality), Health, United States, 2012 forthcoming, Table 13. *http://www.cdc.gov/nchs/nvss.htm*
54	Low birthweight [<2,500 gms] (% of babies)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Vital Statistics System (natality), Health, United States, 2012 forthcoming, Table 6. *http://www.cdc.gov/nchs/nvss.htm*
55	Activity limitation (% of age 5-17)	Office of Special Education and Rehabilitative Services. *http://www2.ed.gov/about/offices/list/osers/osep/index.html*
56	Activity limitation (% of age 18 and over)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey. *http://www.cdc.gov/nchs/nhis.htm*
57	Difficulties with activities of daily living (% of age 65 and over)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey (for 2000 and 2005), Health, United States, 2008, Table 58, age-adjusted. *http://www.cdc.gov/nchs/nhis.htm*
	Health Behavior	
58	Engaged in regular physical activity (% of age 18 and older)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey, Health, United States, 2012 forthcoming, Table 67, age adjusted. *http://www.cdc.gov/nchs/nhis.htm*

TABLE 6–2. SOURCES FOR SOCIAL INDICATORS—Continued

	Indicator	Source
59	Obesity (% of age 20-74 with BMI 30 or greater)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health and Nutrition Examination Survey, Health, United States, 2012 forthcoming, Table 68, age adjusted. *http://www.cdc.gov/nchs/nhis.htm*
60	Obesity (% of age 2-19)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health and Nutrition Examination Survey. *http://www.cdc.gov/nchs/nhis.htm*
61	Cigarette smokers (% of age 18 and older)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey, Health, United States, 2012 forthcoming, Table 54, age adjusted. *http://www.cdc.gov/nchs/nhis.htm*
62	Excessive alcohol use (% of age 18 and older)	Centers for Disease Control and Prevention, National Center for Health Statistics, National Health Interview Survey, Health, United States, 2012 forthcoming, Table 62, age adjusted. *http://www.cdc.gov/nchs/nhis.htm*
	Access to Health Care	
63	Total national health expenditures (% of GDP)	Centers for Medicare and Medicaid Services, National Health Expenditures Data. *http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/index.html*
64	Persons without health insurance (% of age 18-64)	U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplement. *http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html*
65	Persons without health insurance (% of age 17 and younger)	U.S. Census Bureau, Current Population Survey Annual Social and Economic Supplement. *http://www.census.gov/hhes/www/poverty/publications/pubs-cps.html*
66	Children age 19-35 months with recommended vaccinations (%)	Centers for Disease Control and Prevention, National Immunization Survey. *http://www.cdc.gov/nchs/nis.htm*
	Security and Safety	
	Crime	
67	Property crimes (per 100,000 households)	Bureau of Justice Statistics, National Crime Victimization Survey. *http://bjs.ojp.usdoj.gov/index.cfm?ty=tp&tid=32*
68	Violent crime victimizations (per 100,000 population age 12 or older)	National Crime Victimization Survey. *http://bjs.ojp.usdoj.gov/index.cfm?ty=tp&tid=32*
69	Murder rate (per 100,000 persons)	Federal Bureau of Investigation, Uniform Crime Reports, Crime in the United States. *http://www.fbi.gov/about-us/cjis/ucr/ucr*
	Transportation Safety	
70	Safety belt use (%)	Bureau of Transportation Statistics, National Transportation Statistics (as compiled from Safety Belt and Helmet Use in 2002 and Traffic Safety Facts). *http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/index.html*
71	Highway fatalities	Bureau of Transportation Statistics, National Transportation Statistics. *http://www.rita.dot.gov/bts/sites/rita.dot.gov.bts/files/publications/national_transportation_statistics/index.html*
	Environment and Energy	
	Air Quality and Greenhouse Gases	
72	Ground level ozone (ppm) based on 247 monitoring sites	U.S. Environmental Protection Agency, Latest Findings on National Air Quality. *http://www.epa.gov/airtrends/reports.html*
73	Particulate matter 2.5 (ug/m3) based on 646 monitoring sites	U.S. Environmental Protection Agency, Latest Findings on National Air Quality. *http://www.epa.gov/airtrends/reports.html*
74	Annual mean atmospheric CO2 concentration (Mauna Lao, Hawaii; ppm/yr)	National Oceanic and Atmospheric Administration. *http://www.esrl.noaa.gov/gmd/ccgg/trends/*#mlo_data
75	Gross greenhouse gas emissions (teragrams CO2 equivalent)	U.S. Environmental Protection Agency, 2010 Inventory of Greenhouse Gases. *http://www.epa.gov/climatechange/ghgemissions/usinventoryreport.html*
76	Net greenhouse gas emissions, including sinks (teragrams CO2 equivalent)	U.S. Environmental Protection Agency, 2010 Inventory of Greenhouse Gases. *http://www.epa.gov/climatechange/ghgemissions/usinventoryreport.html*
77	Gross greenhouse gas emissions per capita (metric tons CO2 equivalent)	U.S. Environmental Protection Agency, 2010 Inventory of Greenhouse Gases. *http://www.epa.gov/climatechange/ghgemissions/usinventoryreport.html*
78	Gross greenhouse gas emissions per 2005$ of GDP (kilograms CO2 equivalent)	U.S. Environmental Protection Agency, 2011 Inventory of Greenhouse Gases. *http://www.epa.gov/climatechange/ghgemissions/usinventoryreport.html*
	Energy	
79	Energy consumption per capita (million BTU)	U.S. Energy Information Administration, Annual Energy Review, Table 1.5, Col. 2. *http://www.eia.gov/totalenergy/data/annual/index.cfm*
80	Energy consumption per 2005$ GDP (thousand BTU per 2005$)	U.S. Energy Information Administration, Annual Energy Review, Table 1.5, Col. 10. *http://www.eia.gov/totalenergy/data/annual/index.cfm*
81	Electricity net generation from renewable sources, all sectors (% of total)	U.S. Energy Information Administration, Annual Energy Review, Table 8.2a. *http://www.eia.gov/totalenergy/data/annual/index.cfm*

9. BENEFIT-COST ANALYSIS

I. INTRODUCTION

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

A crucial tool used by the Federal Government to achieve these objectives is benefit-cost analysis, which provides a systematic accounting of the social benefits and costs of Government policies. Executive Order 13563, issued in January 2011, makes a firm commitment to cost-benefit analysis and to ensuring that the benefits of regulations justify the costs. It states, among other things, that each agency must "use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible." It also states that agencies must "propose or adopt a regulation only upon a reasoned determination that its benefits justify its costs (recognizing that some benefits and costs are difficult to quantify.)"

The assessment of benefits and costs of a government policy is meant to offer a concrete description of the anticipated consequences of the policy. Such an accounting helps policymakers to design programs to be both efficient and effective and to avoid unnecessary or unjustified costs and burdens. That accounting also allows the American people to see the expected consequences of programs and to hold policymakers accountable for their actions. While quantification and monetization of benefits and costs produce significant analytic challenges, serious efforts have been made to meet those challenges. Those efforts are continuing. Executive Order 13563 also states, "each agency may consider (and discuss qualitatively) values that are difficult or impossible to quantify, including equity, human dignity, fairness, and distributive impacts." Importantly, there is a close relationship between open government and benefit-cost analysis. Because analysis is often improved by public comments, public participation and consideration of benefits and costs are tightly connected in practice.

Especially in a difficult economic period, it is important to analyze both benefits and costs and to take steps to eliminate unnecessary burdens, which may have adverse effects on job creation and growth. Executive Order 13563 calls for such steps with its efforts to discipline the flow of new regulations and its requirement of retrospective analysis of existing significant rules. Retrospective analysis has recently become a central part of the regulatory process as agencies identify outdated or redundant regulations and is helping to eliminate billions of dollars in regulatory burdens, in areas including environmental protection, transportation, labor, health care, and agriculture.

II. BENEFIT-COST ANALYSIS OF FEDERAL REGULATIONS

Overview of Benefit-Cost Analysis of Federal Regulation

For over three decades, benefit-cost analysis has played a critical role in the evaluation and design of significant Federal regulatory actions. While there are precursors in earlier administrations, the Reagan Administration was the first to establish a broad commitment to benefit-cost analysis in regulatory decision making through its Executive Order 12291. The Clinton Administration continued that commitment when it updated the principles and processes governing regulatory review in Executive Order 12866, which continues in effect today. Executive Order 12866 requires executive agencies to catalogue and assess the benefits and costs of significant regulatory actions. It also requires agencies (1) to undertake regulatory action only on the basis of a "reasoned determination" that the benefits justify the costs and (2) to choose the regulatory approach that maximizes net social benefits, that is, benefits minus costs (unless the law governing the agency's action requires another approach). Executive Order 13563, issued in January 2011, reaffirms the requirements of Executive Order 12866 and imposes a set of important additional requirements designed to promote sound analysis, to increase flexibility, to promote public participation, to harmonize conflicting and redundant requirements, and to ensure scientific integrity.

Operating under the broad framework established by Executive Orders 13563 and 12866, the Office of Management and Budget requires careful analysis of the benefits and costs of significant rules; identification of the approach that maximizes net benefits; detailed exploration of reasonable alternatives, alongside assessments of their costs and benefits; cost-effectiveness; and attention to unquantifiable benefits and costs as well as to distributive impacts. Central goals are to ensure that regulations will be effective in achieving their purposes and that they do not impose excessive costs. As noted, it is especially important to maximize net benefits, and to avoid unjustified burdens, in a period of economic difficulty. Notably, Executive Order 13563 specifically refers to "job creation," and where feasible, agencies have recently devoted a great deal of attention to the anticipated job impacts (whether positive or negative) of regulations.

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

For example, consider a regulation that sets a standard to reduce air pollution emissions. The agency should attempt to quantify both the benefits and costs of reduced air pollution emissions. It should consider a range of emission reductions to determine the optimal one that maximizes net benefits. Careful benefit-cost analysis enables the agency to determine the optimal standard. It helps to show that some approaches would be insufficient and that others would be excessive.

Quantification and monetization of the relevant variables can present serious analytic challenges. OIRA and other federal agencies have developed a range of strategies for meeting those challenges; many of them are sketched in OMB Circular A–4. Efforts continue to be made to improve current analyses and to disclose and test their underlying assumptions. In some cases, identification of benefits and costs will leave significant uncertainties. But much of the time, an understanding of benefits and costs will rule out some possible courses of action, and will show where, and why, reasonable people might differ. Such an understanding will also help to identify the most effective courses of action and to eliminate unjustified costs and burdens—in the process potentially helping to promote competitiveness, innovation, job creation, and economic growth.

The Benefits and Costs of Federal Regulation in FY 2011

Each year, OMB reports to Congress agencies' estimates of the benefits and costs of major regulations. Table 9–1 presents the benefit and cost estimates for the 234 major non-budgetary rules reviewed by OMB in FY 2011.[1] Of those, agencies monetized both the benefits and costs for 12.

[1] FY 2011 is the most recent period for which such a summary is available. These estimates were reported in OMB, 2012 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities. A detailed description of the assumptions and calculations underlying these estimates is provided in that Report.

Table 9–1. ESTIMATES OF THE TOTAL ANNUAL BENEFITS AND COSTS OF MAJOR RULES REVIEWED BY OMB IN 2011
(In billions of 2001 dollars)

Rule	Agency	Benefits	Costs
Institutional Eligibility under the Higher Education Act of 1965; Student Assistance General Provisions	ED	Not Estimated	0.1
Program Integrity: Gainful Employment Measures	ED	Not Estimated	0.1
Energy Efficiency Standards for Clothes Dryers and Room Air Conditioners	DOE	0.2–0.3	0.1–0.2
Energy Efficiency Standards for Residential Furnaces, Central air conditioners and Heat Pumps	DOE	0.7–1.8	0.5–0.7
Energy Efficiency Standards for Residential Refrigerators, Refrigerator-Freezers, and Freezers	DOE	1.7–3.0	0.8–1.3
Regulations to Implement the Equal Employment Provisions of the Americans with Disabilities Act Amendments Act	EEOC	Not Estimated	0.1–0.2
Administrative Simplification: Adoption of Authoring Organizations for Operating Rules and Adoption of Operating Rules for Eligibility and Claims Status (CMS–0032-IFC)	HHS	0.9–1.1	0.3–0.6
Medical Loss Ratios	HHS	Not Estimated	0.1
SAFE Mortgage Licensing Act: Minimum Licensing Standards and Oversight Responsibilities (FR–5271-F–03)	HUD	Not Estimated	0.1–0.6
Increased Safety Measures for Oil and Gas Operations on the Outer Continental Shelf (OCS)	DOI	Not Estimated	0.1
Migratory Bird Hunting; 2011–12 Migratory Game Bird Hunting Regulations: Early Season	DOI	0.2–0.3	Not Estimated
Migratory Bird Hunting; 2011–12 Migratory Game Bird Hunting Regulations: Late Season	DOI	0.2–0.3	Not Estimated
Improved Fee Disclosure for Pension Plan Participants	DOL	0.8–3.3	0.2–0.4
Statutory Exemption for Provision of Investment Advice	DOL	5.8–15.1	1.6–4.2
Wage Methodology for the Temporary Non-Agricultural Employment H–2B Program	DOL	Not Estimated	Not Estimated
Ejection Mitigation	DOT	1.5–2.4	0.4–1.4
Real-Time System management Information Program	DOT	0.2	0.1
Commercial Medium- and Heavy-Duty On-Highway Vehicles and Work Truck Fuel Effiency Standards	DOT and EPA	2.2–2.6	0.3–0.5
Management of Federal Agency Disbursements	TREAS	0.1	Not Estimated
Regulations Governing Practice Before the Internal Revenue Service	TREAS	Not Estimated	Not Estimated
Cross State Air Pollution Rule (CAIR Replacement Rule)	EPA	20.5–59.7	0.7
Oil Pollution Prevention: Spill Prevention, Control, and Countermeasure Rule Requirements - Amendments for Milk Containers	EPA	0	–0.1
Water Quality Standards (Numeric Nutrient Criteria) for Florida's Lakes and Flowing Waters	EPA	<0.1	0.1–0.2

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

Cost-per-life-saved of Health and Safety Regulation

For regulations intended to reduce mortality risks, another analytic tool that can be used to assess regulations, and to help avoid unjustified burdens cost-effectiveness analysis is. Some agencies develop estimates of the "net cost per life saved" for regulations intended to improve public health and safety. To calculate this figure, the costs of the rule minus any monetized benefits other than mortality reduction are placed in the numerator, and the expected reduction in mortality in terms of total number of lives saved is placed in the denominator. This measure avoids any assignment of monetary values to reductions in mortality risk. It still reflects, however, a concern for economic efficiency, insofar as choosing a regulatory option that reduces a given amount of mortality risk at a lower net cost to society would conserve scarce resources compared to choosing another regulatory option that would reduce the same amount of risk at greater net costs.

Table 9–2 presents the net cost per life saved for recent health and safety rules for which calculation is possible. The net cost per life saved is calculated using 3 percent discount rate and using agencies' best estimates for costs and expected mortality reduction where those were provided by the agency.

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

Table 9–2. ESTIMATES OF THE NET COSTS PER LIFE SAVED OF SELECTED HEALTH AND SAFETY RULES REVIEWED BY OMB IN FISCAL YEARS 2010-2011

(In millions of 2001 dollars)

Rule	Agency	Net Cost per Life Saved	Notes
Cranes and Derricks in Construction	DOL/OSHA	$4.9	The agency estimates that the rule will prevent 22 fatalities and 175 nonfatal injuries annually. Total costs associated with the rule are $150 million annually (using 3% discount rate). The monetized value of the injuries prevented is $11 million and the property damage prevented is valued at $7 million.
Ejection Mitigation	DOT/NHTSA	$0.2	The agency estimates that the rule will prevent 374 equivalent lives (using 3% discount rate).
Pipeline Safety: Distribution Integrity Management	DOT/PHMSA	Negative	Benefits from reduced injuries, reduced property damages, and reduced lost gas exceeds costs.
Positive Train Control	DOT/FRA	$235.1	The agency estimates the present value of fatality reduction benefits is $267 million over 20 years using a VSL of $6 million. The agency also estimates the total non-fatality related benefits over 20 years of $407 million. The total costs associated with the rule are $880 million annually.
Cross State Air Pollution Rule (CAIR Replacement)	EPA/AR	Negative	Morbidity and visibility benefits exceed costs.
Lead; Amendments to the Opt-out and Recordkeeping Provisions in the Renovation, Repair, and Painting Program	EPA/OPPTS	Negative	Morbidity benefits exceed costs.
National Emission Standards for Hazardous Air Pollutants from the Portland Cement Manufacturing Industry and Standards of Performance for Portland Cement Plants	EPA/AR	Negative	Morbidity benefits exceed costs.
National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines (Diesel)	EPA/AR	$0.9 - $2.2	The agency estimates that the rule will prevent 110 to 270 fatalities annually. Total costs associated with the rule are $355 million annually at 3% discount rate. The monetized value of the morbidity benefits is $66 million.
National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines (Existing Stationary Spark Ignition Gas Fired)	EPA/AR	$1.2 - $3.1	The agency estimates that the rule will prevent 56 to 140 fatalities in 2013. Total costs associated with the rule are $244 million annually at 3% discount rate. The monetized value of the morbidity benefits is $36 million.
Review of the National Ambient Air Quality Standards for Sulfur Dioxide	EPA/AR	Negative	Morbidity benefits exceed costs.

III. BENEFIT-COST ANALYSIS OF BUDGETARY PROGRAMS

As noted, Executive Orders 13563 and 12866 require agencies, to the extent permitted by law, to "propose or adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs." OIRA works actively with agencies to promote compliance with this requirement.

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

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

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

The Regulatory Right-to-Know Act requires OMB to report the social costs and benefits of the budget rules. These rules implement Federal budgetary programs as required or authorized by Congress. Budgetary programs primarily cause income transfers, usually from taxpayers to program beneficiaries. In FY 2011, OMB reviewed 30 budgetary rules. Of these, the Department of Health and Human Services promulgated 15 rules, and the Department of Agriculture seven rules.[2] We recognize that markets embed distortions and that the transfers are not lump-sum, thereby creating social benefits or costs by altering prices.

[2] The estimates of budgetary effects were reported in OMB, 2012 Report to Congress on the Benefits and Costs of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities. A detailed description of the assumptions and calculations underlying these estimates is provided in that Report.

IV. IMPROVING BENEFIT-COST ANALYSIS

A Culture of Retrospective Review

Prospective analysis of benefits and costs is an indispensable means of obtaining an understanding of the likely consequences of regulation. But that analysis, even if done carefully and subject to public scrutiny, will rest on assumptions that may change over time. Regulations should be reviewed retrospectively to ensure that they are achieving their intended goals and are not producing excessive costs or unintended adverse effects. Executive Order 13563 expressly recognizes this by requiring agencies to undertake "retrospective analysis" of existing significant rules.

Building on Executive Order 13563, Executive Order 13610, "Identifying and Reducing Regulatory Burdens", issued in May 12, 2012, institutionalizes the regulatory lookback and requires agencies to prioritize lookback "initiatives that will produce significant quantifiable monetary savings or significant quantifiable reductions in paperwork burdens."[3] The Executive Order calls on agencies to "give special consideration to initiatives that would reduce unjustified regulatory burdens or simplify or harmonize regulatory requirements imposed on small businesses." Additionally, agencies are required to focus on "cumulative burdens" and to "give priority to reforms that would make significant progress in reducing those burdens."

Retrospective review is most naturally understood as a way of assessing rules that have been in operation and on the books for a sufficient period to allow careful study. A retrospective analysis can show that a rule that was well-designed at the inception is now excessive, redundant, or producing unintended harm, perhaps as a result of changed circumstances, such as new technologies or new regulations. Retrospective review can also be critical in evaluating the validity of assumptions or methods used in prospective analysis.

[3] See Executive Order 13610, May 10, 2012, available at <*http://www.whitehouse.gov/the-press-office/2012/05/10/executive*-order-identifying-and-reducing-regulatory-burdens>

For example, the EPA has eliminated the obligation for many states to require air pollution vapor recovery systems at local gas stations because duplicative vapor recovery system have been built into modern vehicles. The anticipated annual savings are about $87 million.

Retrospective analysis has long been recommended by those interested in empirical assessment of regulations, including Michael Greenstone, former chief economist at the Council of Economic Advisers: "The single greatest problem with the current system is that most regulations are subject to a cost-benefit analysis only in advance of their implementation. This is the point when the least is known and any analysis must rest on many unverifiable and potentially controversial assumptions."[4] To address this problem, retrospective analysis can help show what works and what does not, and in the process can promote the streamlining or elimination of less effective rules as well as the strengthening or expansion of those rules that are more effective.

Clear Summaries and Tables with Key Information

In order to improve analysis of the potential effects of regulations, and simultaneously to improve accountability, OMB has called for a clear, salient, publicly accessible executive summary of both benefits and costs. The summary should be written in a "plain language" manner designed to be understandable to the public. For all economically significant regulations, Executive Orders 13563 and 12866 require agencies to provide a description of the need for the regulatory action and a clear summary of the analysis of costs and benefits, both qualitative and quantitative. The summary often includes an accounting of benefits and costs of alternative approaches, and where relevant, an analysis of distributional impacts on subpopulations (such as disabled people or those with low income). As noted, some benefits and costs can be quantified and monetized, while some can be described in qualitative terms.

[4] Greenstone, Michael. "Toward a Culture of Persistent Regulatory Experimentation and Evaluation." In New Perspectives on Regulation, David Moss and John Cisternino (Eds.). Cambridge, MA: The Tobin Project, Inc., 2009. P. 113.

Public Participation and Collaboration in the Regulatory Process

Executive Order 13563 states that "regulations shall be based, to the extent feasible and consistent with law, on the open exchange of information and perspectives…." To promote that open exchange, Executive Order 13563 directs agencies to provide the public with timely access to regulatory analyses and supporting documents on *regulations.gov* to ensure a meaningful opportunity for public comment.

The Internet provides an ideal vehicle for making information public and, under Executive Order 13563, the Administration has committed to publish as much as possible online in a format that can be retrieved, downloaded, indexed, and searched by commonly-used web search applications. Importantly, this commitment promotes public accessibility of the analysis of benefits and costs, together with the supporting materials, in order to ensure that the analysis is subject to public scrutiny. That process of scrutiny can help to improve the analysis, thereby refining our understanding of the anticipated effects of regulation.

Agencies now publish a great deal of information relevant to rulemaking and benefit-cost analysis, including underlying data, online and in downloadable, as well as traditional, formats. Executive Order 13563 directs agencies to use *regulations.gov* to make the online record as complete as possible and to take all necessary steps to make relevant material available to the public for comment.[5]

Executive Order 13563 requires that the public should generally receive a comment period of at least 60 days for proposed regulatory actions. Even where statutes necessitate shorter comment periods, agencies can seek public comment and respond in a timely fashion to suggestions about potential improvements in rules and underlying analyses.

[5] Available at: *http://www.whitehouse.gov/omb/assets/inforeg/edocket_final_5–28–2010.pdf*

10. IMPROVING THE FEDERAL WORKFORCE

The United States has overcome great challenges throughout our history because Americans of every generation have stepped forward to aid their Nation through service, both in civilian Government and in the Armed Forces. A high-performing government depends on an engaged, well-prepared, and well-trained workforce with the right set of skills for the missions the government needs to achieve. Today's Federal public servants come from all walks of life and from every corner of America to carry forward that proud American tradition. Eighty-five percent of Federal employees live and work outside of the Washington, D.C. metropolitan area. Many Federal employees have made remarkable contributions to our society; notably, more than 50 current or former federal employees have received Nobel Prizes. Whether defending our homeland, restoring confidence in our financial system and supporting a historic economic recovery effort, providing health care to our veterans, conducting diplomacy abroad, providing relief to Hurricane Sandy victims, or searching for cures to the most vexing diseases, we are fortunate to be able to rely upon a skilled workforce committed to public service.

Today's Federal workforce confronts tight fiscal resources, rapidly changing problems, and new technologies. This chapter discusses trends in Federal employment, composition, and compensation, and presents the Administration's plans for achieving the talented Federal workforce needed to serve the American people effectively and efficiently.

Trends in Federal Workforce Size

The size of the Federal civilian workforce relative to the country's population has declined dramatically over the last several decades, notwithstanding occasional upticks due, for example, to military conflicts and the administration of the Census. In overall terms, today's workforce remains the size it was under President Reagan.

Since the 1950s and 1960s, the U.S. population increased by 77 percent, the private sector workforce increased 137 percent, while the size of the Federal workforce rose just 10 percent, with 92 residents for every Federal worker. Since the 1980s, both the population and private sector workforce has increased 25 percent, but the Federal workforce has not grown at all, and in the 1980s and 1990s there were 119 residents for every Federal worker. Except for employment peaks associated with the decennial census, Federal employment, in absolute terms, increased slightly in the 1980s and then dropped in the 1990s. This overall downward trend began to reverse itself in 2001, following the September 11 attack. Following that tragic event, the Federal workforce expanded to deal with national security and homeland safety issues and to serve our veterans.

Between 2001 and 2010, security agency employment grew, while non-security employment declined. For example, civilians working for the Department of Defense grew by more than 92,000; the Department of Veterans Affairs (VA) grew by 78,000 with much of that increase attributable to medical care to provide for our returning service members; Customs and Border Protection also grew more than 30,000 to keep our citizens safe at home.

By 2012, the ratio of residents to Federal workers had increased to 148. Relative to the private sector, the Federal workforce is less than half the size it was back in the 1950s and 1960s. Table 10-2 shows actual Federal civilian full-time equivalent (FTE) levels in the Executive Branch by agency for 2011 and 2012, with estimates for 2013 and 2014. Estimated employment levels for 2014 result in an estimated 0.3 percent increase compared to prior year estimates. Most of the growth is in VA to continue strengthening medical care for returning service members. Additional increases are expected at the Department of Justice for enhancements in cybersecurity and increased background checks for firearm purchases, and at the Department of Homeland Security to support the strengthening of border protection and to support immigration reform.

Other increases are narrowly focused and frequently supported by congressionally authorized fees, not tax payer dollars. Increased fee receipts support timely commercialization of innovative technologies through faster and higher-quality patent reviews at the Patent and Trade Office of the Department of Commerce, stronger food safety measures at the Food and Drug Administration of the Department of Health and Human Services, and enhancements to create stronger, more stable financial markets consistent with the Wall Street Reform Act. Commitments to activate new Federal prisons already constructed with funding appropriated as early as 2001 and as recently as 2010 result in limited necessary personnel increases at the Department of Justice in 2013 and 2014. And stepping up Internal Revenue Service (Treasury) program integrity efforts to ensure companies and individuals are paying their fair share is an investment that more than pays for itself.

In contrast, the workforce decreased in agencies such as the U.S. Department of Agriculture (USDA), US Environmental Protection Agency (EPA) and the National Aeronautics and Space Administration (NASA), to correspond with decreases in funding. The Forest Service and the Natural Resources Conservation Service at the USDA are finding workforce efficiencies to meet budget reductions; decreases at the EPA reflect strong efforts in workforce restructuring to better manage and reduce personnel costs; and NASA will reduce its workforce in response to budget reductions from changes in human space flight missions, including the retirement of the Space Shuttle.

Beneath many of the agency totals are programs that pursue aggressive actions to reduce and reallocate staff from lower to higher priority programs. Some agencies have imposed hiring freezes, and many are offering early retirement and separation incentives. For example, the General Services Administration offered more than 2,400 employee buyouts and early retirement packages in order to contain costs and provide the opportunity to better match employee skills with job requirements.

Chart 10-1 shows Federal civilian employment (excluding the U.S. Postal Service) as a share of the U.S. resident population from 1958 to 2012. The chart shows overall declines in both security and non-security agencies.

In recent years, the Executive Branch has had great success hiring veterans. In November 2009, President Obama signed Executive Order 13518, establishing the Veterans Employment Initiative. Through this initiative and the strategies used by the Council on Veterans Employment, the Executive Branch continues to benefit from retaining the dedication, leadership, and skills veterans have honed in the fast-paced, dynamic environments of the Army, Marines, Navy, Air Force, and Coast Guard.

In FY 2009, veterans made up 24 percent of the total new hires in the Federal Government. By the end of FY 2012, veterans made up 29 percent of new hires. The total number of veterans employed by the Government also increased. In FY 2009, there were 512,240 veterans in the Federal Government – 26 percent of our workforce. By the end of FY 2012, the number of veterans had grown to 611,784, or 30 percent of the Federal workforce.

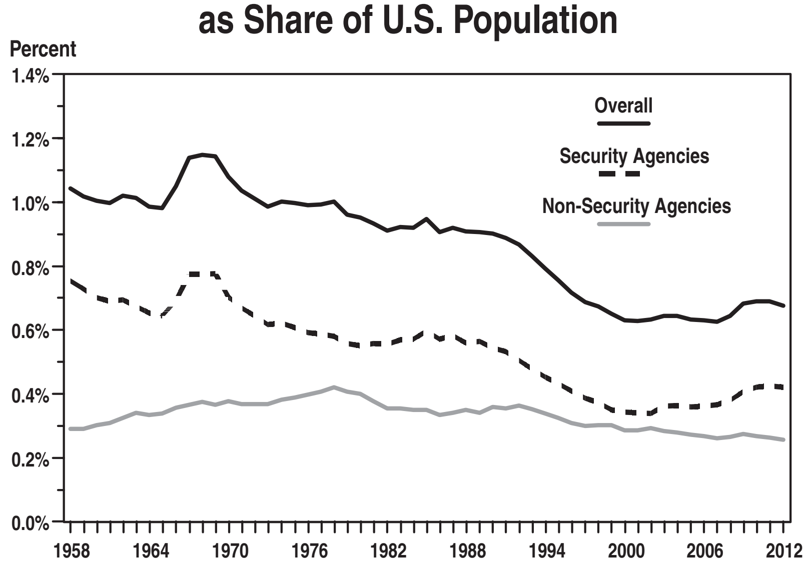
Federal Pay Trends

After more than a decade when the percentage increases in annual Federal pay raises did not keep pace with the percentage increase in private sector pay raises, Congress passed the Federal Employees Pay Comparability Act of 1990 (FEPCA) pegging Federal pay raises, as a default, to changes in the Employment Cost Index (ECI). The law gives the President the authority to propose alternative pay adjustments for both base and locality pay. Presidents have regularly supported alternative pay plans.

Chart 10-2 shows how the Federal pay scale has compared to the ECI since 1976. Prior to FEPCA the Federal pay scale fell sharply relative to the ECI. The Federal pay scale rose relative to the ECI in the early 1990s, but fell relative to ECI during most of the middle and late 1990s. The Federal pay scale rose quite a bit relative to ECI in the 2000s, but has fallen sharply relative to ECI in the last few years.

In late 2010, as one of several steps the Administration took to put the Nation on a sustainable fiscal path, the President proposed and Congress enacted a two-year freeze on across-the-board pay adjustments for civilian Federal employees, saving $60 billion over 10 years. The President also issued a memorandum directing agencies to freeze pay schedules and forgo general pay increases for civilian Federal employees in administratively determined pay systems. Additionally, on his first day in office, the President froze salaries for all senior political appointees at the White House, and in 2010, the President eliminated bonuses for all political appointees across the Administration. The Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) directed agencies to limit individual performance awards for almost all employees starting in fiscal years 2011 and 2012.

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



Source: Office of Personnel Management.
Notes: Security agencies include the Department of Defense, the Department of Homeland Security, the Department of State, and the Department of Veterans Affairs. Non-Security agencies include the remainder of the Executive Branch.

For 2014, the President proposes a one percent pay increase for General Schedule employees, which is below the private sector Employment Cost Index increase of 1.8%. This increase reflects the tight budget constraints we now face while also recognizing the critical role these employees play in our everyday lives. In comparison to the baseline, the 1.0% pay increase saves approximately $18 billion over 10 years and $1 billion in FY 2014 within the BCA caps, which can then be reallocated to programs and services the American people depend on.

The 2014 budget also continues last year's proposal to dedicate an additional 1.2 percent of employees' pay (phased-in at 0.4 percent over three years) toward their pensions. This proposal would require existing employees, or those rehired with five or more years of creditable service, to contribute 1.2 percentage points more to their pensions. During 2012, the Middle Class Tax Relief and Job Creation Act increased employee contributions to Federal defined benefit retirement plans, including the Federal Employees' Retirement System, by 2.3 percentage points, effective for individuals joining the Federal work force after December 31, 2012 who have less than five years of creditable civilian service. Neither this proposal nor the 2012 Act would change the amount of each employee's benefit. This proposal would result in $20 billion in mandatory savings over 10 years.

Composition of the Federal Workforce and Factors Affecting Pay

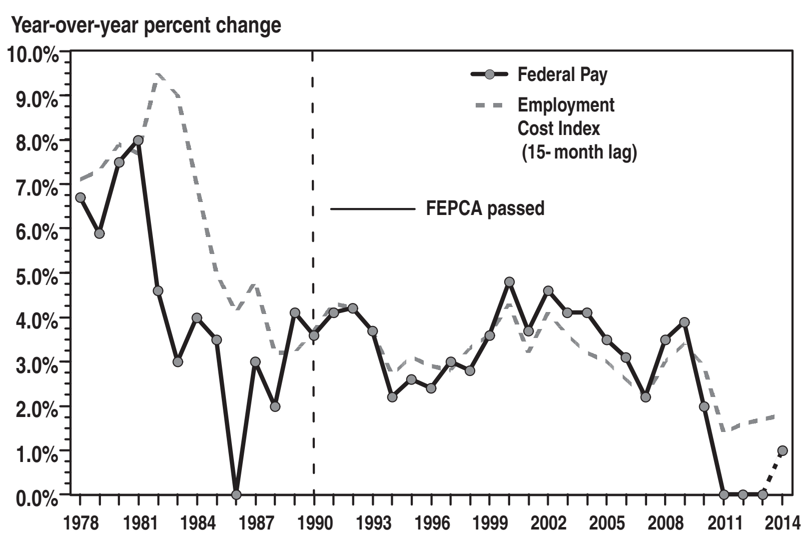
Federal worker compensation receives a great deal of attention, in particular, in how it compares to that of private sector workers. Comparisons of the pay and benefits of Federal employees and private sector employees, for example, should account for factors affecting pay, such as differences in skill levels, complexity of work, scope of responsibility, size of the organization, location, experience level, and exposure to personal danger.

A series of reports done in January 2012 by the Congressional Budget Office (CBO) accounted for some, but not all, of the factors described above. CBO found that Federal pay, on average, was slightly higher (2.0 percent) than comparable private sector pay. However, this study was done before Federal employees began a pay freeze. Overall public sector compensation was, on average, substantially higher, but CBO noted that its findings about comparative compensation relied on far more assumptions and were less definitive than its pay findings. The reports also emphasized that focusing on averages is misleading, because the public/private differentials varies dramatically by education and complexity of job. Compensation for higher educated Federal workers (or those in more complex jobs) is lower than for comparable workers in the private sector, which were not the CBO findings for less educated workers.

Some of the factors affecting compensation are:

Type of occupation. The last half century has seen significant shifts in the composition of the Federal workforce, with related effects on pay. Fifty years ago, most white-collar Federal employees performed clerical tasks, such as posting Census figures in ledgers and retrieving taxpayer records from file rooms. Today their jobs are vastly different, requiring advanced skills to serve a knowledge-based economy. Professionals such as doctors, engineers, scientists, statisticians, and lawyers now make up a large portion of the Federal workforce. More than half (55 percent) of Federal workers work in the nine highest-paying occupation groups as judges, engineers, scientists, nuclear plant inspectors, etc., compared

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



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

Table 10–1. OCCUPATIONS OF FEDERAL AND PRIVATE SECTOR WORKFORCES
(Grouped by Average Private Sector Salary)

Occupational Groups	Percent	
	Federal Workers	Private Sector Workers
Highest Paid Occupations Ranked by Private Sector Salary		
Lawyers and judges	1.8%	0.6%
Engineers	3.9%	1.9%
Scientists and social scientists	4.8%	0.7%
Managers	11.3%	13.3%
Doctors, nurses, psychologists, etc.	7.5%	5.4%
Miscellaneous professionals	15.5%	8.2%
Administrators, accountants, HR personnel	7.0%	2.6%
Inspectors	1.4%	0.3%
Pilots, conductors, and related mechanics	2.0%	0.8%
Total Percentage	**55.0%**	**33.8%**
Medium Paid Occupations Ranked by Private Sector Salary		
Sales including real estate, insurance agents	1.2%	6.4%
Other miscellaneous occupations	3.5%	4.5%
Automobile and other mechanics	1.7%	2.9%
Law enforcement and related occupations	8.9%	0.8%
Office workers	2.3%	6.3%
Social workers	1.4%	0.5%
Total Percentage	**18.9%**	**21.4%**
Lowest Paid Occupations Ranked by Private Sector Salary		
Drivers of trucks and taxis	0.7%	3.3%
Laborers and construction workers	4.3%	9.9%
Clerks	13.7%	11.3%
Manufacturing	2.5%	7.7%
Other miscellaneous service workers	2.6%	6.1%
Janitors and housekeepers	1.5%	2.4%
Cooks, bartenders, bakers, and wait staff	0.9%	4.1%
Total Percentage	**26.1%**	**44.9%**

Source: 2008-2012 Current Population Survey.

Notes: Federal workers exclude the military and Postal Service, but include all other Federal workers in the Executive, Legislative, and Judicial Branches. However, the vast majority of these employees are civil servants in the Executive Branch. Private sector workers exclude the self-employed. Neither category includes state and local government workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work.

to about a third (33 percent) of private sector workers in those same nine highest paying occupation groups. In contrast, 45 percent of private sector workers work in the seven lowest-paying occupation groups as cooks, janitors, service workers, clerks, laborers, manufacturing workers, etc. About 26 percent of Federal workers work in those seven lowest-paying occupation groups. Between 1981 and 2011, the proportion of the Federal workforce in clerical occupations fell from 19.4 percent to 5.1 percent of the workforce, and the proportion of blue-collar workers fell from 22.0 percent to 9.7 percent.

Today, Federal employees must manage highly sensitive tasks that require great skill, experience, and judgment. They need sophisticated management and negotiation skills to effect change, not just across the Federal Government, but also with other levels of government, not-for-profit providers, and for-profit contractors. Using data from the Current Population Survey 2008-2012 of full-time, full-year workers, Table 10-1 breaks all Federal and private sector jobs into 22 occupation groups and shows that the composition of the Federal and private workforce are very different.

Education level. The size and complexity of much Federal work – whether that work is analyzing security and financial risks, forecasting weather, planning bridges to withstand extreme weather events, conducting research to advance human health and energy efficiency, or advancing science to fuel further economic growth – necessitates a highly educated workforce. Chart 10-3 presents the comparative differences in the education level of the Federal civilian and private sector workforce. About 22 percent of Federal workers have a master's degree, professional degree, or doctorate versus only 10 percent in the private sector. Only 19 percent of Federal employees have not attended college, compared to 40 percent of workers in the private sector.

Size of organization and responsibilities. Another important difference between Federal workers and private sector workers is the average size of the organization in which they work. Federal agencies are large and often face challenges of enormous scale, such as distributing benefit payments to over 60 million Social Security and Supplemental Security Income beneficiaries each year, providing medical care to 8.8 million of the Nation's veterans, and managing defense contracts costing billions of dollars. Workers from large firms (those with 1,000 or more employees) are paid about 13 percent more than workers from small firms (those with fewer than 100 employees), even after accounting for occupational type, level of education, and other characteristics. It is reasonable to assume that the size of these organizations and the larger salaries associated with their size is also associated with greater complexity of their work.

Demographic characteristics. Federal workers tend to have demographic characteristics associated with higher pay in the private sector. They are more experienced, older and live in higher cost metropolitan areas. For example, 21 percent of Federal workers are 55 or older – up from 17 percent 10 years ago and significantly more than the 16 percent in the private sector. Chart 10-4 shows the difference in age distribution between Federal and private sector workers.

Challenges

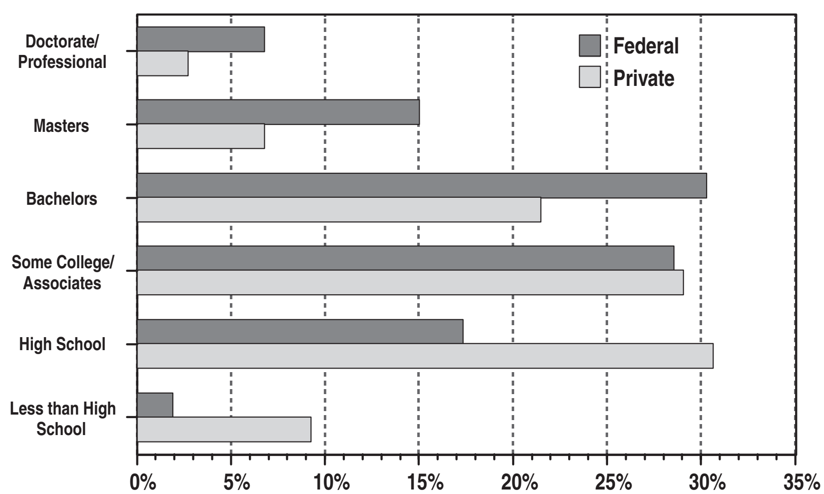
The Federal Government faces specific human capital challenges, including a personnel system that requires further modernization, an aging and retiring workforce, and the need to continuously engage and develop personnel to maximize performance. If the Government loses top talent, experience, and institutional memory through retirements, but cannot recruit, retain, and train highly qualified workers, Government performance suffers. The age distribution and potential for a large number of retiring workers poses a challenge, but it also creates an opportunity to streamline the workforce and to infuse it with new – and in some cases lower-cost – workers excited about Government service and equipped with strong technology skills, problem-solving ability, and fresh perspectives to tackle problems that Government must address.

Outdated Personnel System

In the past sixty years, the private sector has innovated towards more flexible personnel management systems, but the Federal personnel system has not kept up and remains inflexible and outdated. While recent hiring reform efforts are showing significant progress in simplifying hiring, additional reforms are needed to update the pay, classification, and benefits systems. The General Schedule (GS) pay system has been in effect since 1949. Enacted in 1951, aspects of the current benefit and leave laws are out of date and do not always provide adequate flexibility for the increasing responsibilities of family caregivers in our workforce. An alternative, cost-effective system needs to be developed that will allow the Government to compete for and reward top talent, while rewarding performance and encouraging adequate flexibility to caregivers.

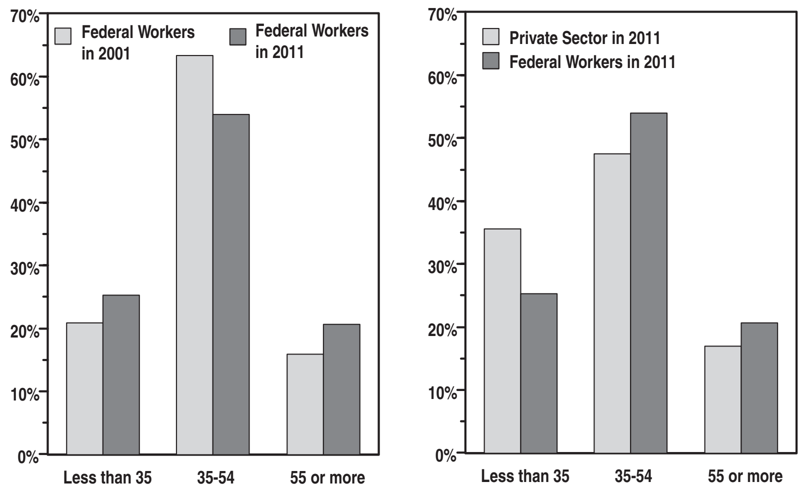
To address issues in the long-term, Federal managers and employees need a modernized personnel system. To that end, the Administration proposed to the Joint Select Committee on Deficit Reduction that the Congress establish a Commission on Federal Public Service Reform

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



Source: 2008-2012 Current Population Survey.
Notes: Federal workers exclude the military and Postal Service, but include all other Federal workers in the Executive, Legislative, and Judicial Branches. However, the vast majority of these employees are civil servants in the Executive Branch. Private sector workers exclude the self-employed. Neither category includes state and local government workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 hours of work.

Chart 10-4. Federal Age Distribution in 2001 and 2011 and Federal vs. Private Age Distribution in 2011



Source: 2002 and 2012 Current Population Survey (covering calendar years 2001 and 2011).
Notes: Federal workers exclude the military and Postal Service, but include all other Federal workers in the Executive Branch. Private sector workers exclude the self-employed. Neither category includes State and local government workers. This analysis is limited to full-time, full-year workers, i.e. those with at least 1,500 annual hours of work.

comprised of Members of Congress, representatives from the President's National Council on Federal Labor-Management Relations, members of the private sector, and academic experts. The purpose of a Congressionally chartered Commission would be to develop recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints, including – but not limited to – compensation, staff development and mobility, and personnel performance and motivation.

Aging Workforce

The Federal workforce of 2012 is older than Federal workforces of past decades and older than the private sector workforce. The number of Federal retirements is on a steady increase, rising from 95,425 in 2009 to 96,133 in 2010 to 98,731 in 2011 and 112,817 in 2012. Increases in retirement are expected to continue. Nearly twenty-two percent of the over 687,000 respondents to the 2012 Federal Employee Viewpoint Survey (EVS) expressed an intent to retire during the next five years. Given these demographics, the Federal Government faces a few immediate challenges: preparing for retirements to maximize knowledge transfer from one generation to the next, succession planning to assure needed leadership and hiring and developing the next generation of the Government workforce to accomplish the varied and challenging missions the Federal Government must deliver.

Developing and Engaging Personnel to Improve Performance

One well-documented challenge in any organization is managing a workforce so it is engaged, innovative, and committed to continuous improvement, while at the same time dealing with poor performers who fail to improve as needed or are ill suited to their current positions. Federal employees are generally positive about the importance of their work and express a high readiness to put in extra effort to accomplish the goals of their agencies. Results from the 2012 Federal Employee Viewpoint Survey (EVS) indicate that nearly 97 percent of respondents answer positively to the statement "When needed I am willing to put in the extra effort to get the job done." However in contrast, Federal employees have repeatedly identified the inability to deal with poor performers as an area of weakness over the past 10 years. In 2012, only 30 percent of employees who participated in the EVS answered positively that "In my work unit, steps are taken to deal with a poor performer who cannot or will not improve." In addition, only 39 percent agreed that "creativity and innovation are rewarded".

Addressing the Challenges

The Administration has made considerable progress improving employee performance and human capital management. Multiple efforts are underway, including: building a workforce with the skills necessary to meet agency missions, developing and using personnel analytics to drive decision making, new programs to infuse talent into agencies, heightened attention to a diverse and inclusive workforce, continued focus on the Senior Executive Service (SES) performance appraisal system, and strengthened labor-management partnerships.

Mission Focused and Data Driven Personnel Management

The Administration is committed to strengthening Federal agencies' capacity to analyze human resources data to address workplace problems, improve productivity, and cut costs. OPM, in conjunction with OMB, is implementing several key initiatives that will lead to better evaluation and management of Federal employees. These efforts include recasting the EVS as a diagnostic tool to improve an organization rather than a snapshot that simply describes it, more agencies conducting data-driven HRStat review sessions, greater alignment between human capital and mission performance, and quarterly updates of key HR performance indicators on Performance.gov.

OPM administers the Government-wide EVS to gather employee perceptions about whether, and to what extent, conditions characterizing successful organizations are present in their agencies. The survey is a valuable management tool that helps agencies identify areas of strength and weakness and informs the implementation of targeted action plans to help improve employee engagement and agency performance. In 2012, for the first time, OPM administered the survey to nearly all civilian Federal employees and received responses from over 687,000 Federal employees. This is the largest number of participants since the survey was first administered in 2002, more than double the number of respondents from any previous EVS survey, making this the most inclusive survey to date. Even more importantly, agencies now have greater ability to drill down to understand employee viewpoints in smaller organizational units; nearly five times the number of office-level components within agencies received office-specific results in 2012 compared to the 1,687 components that received results in 2011. The increased response and reporting granularity enables agencies to identify areas of strength, offering possible models for others, and areas of weakness needing attention. Agencies across Government are using EVS data to develop and implement targeted, mission-driven action plans to address identified challenges.

One area in which the EVS has given us new insight is the impact of telework. The 2012 EVS indicates that teleworkers (82 percent) are more likely than non-teleworkers (79 percent) to know what is expected of them on the job, more likely to feel empowered (52 percent versus 45 percent), and more likely (75 percent compared to 68 percent of non-teleworkers) to be satisfied with their jobs. Finally, employees who telework are more likely to want to stay with their agencies (72 percent compared to 68 percent of non-teleworkers) and to recommend their agencies to others (74 percent compared to 66 percent of non-teleworkers). As documented by OPM's 2012 report on the status of telework, the percentage of eligible Federal employees who participated in routine telework grew to 21 percent as of September 2011, compared to 10 percent during calendar year 2009. However, there is still more work to be done in breaking down barriers to the effective use of telework.

Agencies have also begun testing HRStat (Human Resources Statistics) reviews. HRStat reviews are data driven and focus on agency specific human capital performance; key human resources management metrics that drive agency performance and align with mission accomplishment. Agencies have incorporated a range of management metrics into their HR Stat review, including performance management, succession planning, and strategic workforce planning. The HRStat review is intended to enable quick course correction, if needed, to help ensure progress is being made on key human resources issues.

In addition, Performance.gov provides agencies and the public a window on key human resources data – including Government-wide and agency specific hiring times, applicant and manager satisfaction, employee engagement and retention, and hiring rates from diverse candidate pools.

Closing Critical Skills Gaps

The demands of the workplace necessitate new and agile skill sets in the Federal workforce. OPM's mission is to ensure that the Federal Government recruits, retains, and honors the talent agencies require to serve the American people. In 2011, OPM partnered with the Chief Human Capital Officers (CHCO) Council to take on the challenge of closing skills gaps across the Government. This initiative responds to the President's Cross-Agency Priority Goal to close skills gaps, as well as GAO's designation of human capital as a Government-wide high risk. The Department of Defense joined OPM in chairing an inter-agency workgroup that designed a sustainable strategic workforce planning method to identify and close skills gaps in mission-critical occupations. Based on rigorous data analysis, the workgroup identified the following mission-critical occupations for gap closure: IT-Cybersecurity Specialists, Acquisition Specialists, Economists, Human Resources Specialists, and Auditors. In addition, the workgroup identified STEM (science, technology, engineering, and mathematics) as a sixth functional area covering multiple occupations, which requires sustained strategic attention across Government.

To close skills gaps in these areas, OPM designated sub-goal leaders from agencies whose missions critically depend on these occupations. Together with these sub-goal leaders, OPM is developing and executing strategies to close skills gaps in these occupations. The sub-goal leaders meet quarterly with the OPM Director to apprise him of their progress, including by providing updated metrics that will be reported on *www.performance.gov*.

One of the ways OPM is addressing skills gaps among human resources professionals is through HR University. Developed in 2011 by the CHCO Council, HR University provides an excellent foundation for human resources professionals to receive training to help them become more effective. HR University is a source of centralized training that takes courses and resources Federal agencies have already developed and provides a platform for cross-agency sharing.

HR University uses an HR Professional Framework, which helps HR professionals identify where they are in relation to the roles outlined in the framework. It also helps them think about their desired career path and provides a mechanism for determining how they need to develop to achieve their goals. This mechanism leads to an Individual Development Plan (IDP) designed specifically for the HR professional to create more targeted development plans. HR University also offers a Managers' Corner to help supervisors and managers with their human resources management responsibilities. Finally, HR University is working to obtain accreditation as a full-service university.

HR University has more than 19,000 registered users who have completed more than 12,000 online training courses, with a cost savings of over $41.4 million, realized through the sharing of resources and economies of scale. In addition, HR University ensures that courses meet OPM's high standards by vetting each course through a very rigorous quality review.

In partnership with the CHCO Council, OPM will continue to expand HR University's offerings. This effort may include more partnerships with colleges and universities, development of HR certifications, accreditation of courses, greater use of social media, website enhancements, and more courses on key topics that will close identified skill and competency gaps in the human resources field.

Individual agencies are also identifying and targeting critical skills gaps as a priority. The State Department and US Agency for International Development (USAID) identified overseas vacancies as an agency Priority Goal to help achieve operations and consular efficiency and effectiveness, transparency and accountability; and secure US presence internationally. This initiative aims to modernize and strengthen State/USAID so that they can meet the most pressing development challenges with a high-quality workforce to move towards the larger goals of these organizations.

Recruiting and Developing an Agile Workforce

To maximize effectiveness and potential, the Federal Government must continue to prepare its talent for challenges on the horizon. New cost-effective programs are being implemented to develop current employees, foster collaboration with innovators from the private sector, promote career pathways into Federal service, and enhance institutional knowledge transfer through a phased retirement program. These efforts are essential for developing a nimble, efficient 21st Century workforce that can help ensure agencies achieve their important missions under a tightening fiscal climate.

Leadership Development. In 2011, the President's Management Council (PMC) and the Chief Human Capital Officers (CHCO) Council launched the PMC Interagency Rotation Program to bolster cross-agency exposure for high-potential GS 13-15s. Through 6-month developmental assignments, this program enables emerging Federal leaders to expand their management skills, broaden their organizational experience, and foster networks they can leverage in the future. Now preparing for its fourth cohort, the program has grown from 10 agencies and 28 participants to 15 agencies, 4 interagency councils, and 45 participants, with likely expansion in the upcoming cycle.

Innovation Fellows. The Presidential Innovation Fellows program pairs top innovators from the private sector, non-profits, and academia with top innovators in government to collaborate on solutions to high-impact challenges and deliver significant results in six months. The results of these projects are intended to save taxpayer money, fuel job growth, save lives, and provide tangible benefit to the American people. Each team of innovators is tasked with working on a specific high-impact issue using a focused but agile approach. This unique initiative focuses on tapping into the ingenuity, know-how, and patriotism of Americans from every sectors of our society.

Pathways Programs. Under the Administration's leadership, the Government has taken steps to help students and recent graduates join the Federal service. As part of the Administration's hiring reform efforts, the President issued Executive Order 13566, which created the Pathways programs to create clear paths to Federal service for students and recent graduates. OPM issued final regulations implementing Pathways last year and has been working closely with agencies to help them transition to the new programs. Pathways consists of three streamlined developmental programs: the Internship Program for students; the Recent Graduates Program for people who graduated within the preceding 2 years; and the Presidential Management Fellows (PMF) Program for people who obtained a graduate or professional degree within the preceding two years. Internship and career opportunities for students and recent graduates provide meaningful training and career development opportunities, promote employment opportunities for a new generation of public servants, and help agencies address recruiting challenges and infuse new skills into the Federal workforce.

Provide phased retirement to eligible Federal employees. The Administration proposed and Congress passed a phased retirement law to help facilitate the transfer of valuable knowledge between retiring and non-retiring employees. The phased retirement program will make it easier for the most experienced employees to enter into part-time retirement arrangements, providing expertise while mentoring other employees.

A Diverse and Inclusive Workforce

The American people are best served by a Federal workforce that reflects our rich diversity and encourages collaboration, fairness, and innovation. Under the President's Executive Order 13583, of August 2011, the first Government-wide Diversity and Inclusion Strategic Plan was issued and provides agencies with the shared goals of workforce diversity, workplace inclusion, and sustainability. Since the issuance of the Executive Order, the percentage of people with disabilities who are Federal employees has increased to 11.86 percent, an all-time government high. The percentage of Hispanic (8.2 percent) and Asian American/Pacific Islander (6.1 percent) employees is steadily increasing with all other groups remaining at the same levels, and the diversity of the SES has improved. Moreover, the FY 2012 EVS reflected that 65 percent of Federal employees answered positively when asked if their supervisor or team leader is committed to a workforce that represents all segments of society.

In addition to supporting a diverse and inclusive workforce, the Federal Government has also made progress towards pay equality. Pay differentials by gender, after accounting for education and occupation, tend to be about half as small in the Federal sector as in the private sector. Differentials by race are also smaller in the Federal sector than in the private sector.

Government-wide SES Appraisal Model

Drawing from leading practices in Federal agencies and the private sector, representatives from 29 organizations developed a Government-wide Senior Executive Service (SES) performance appraisal model in 2011. Under this system, agencies can rely upon a more consistent and uniform framework to communicate expectations and evaluate the performance of SES members.

Anchored to a set of clearly-defined competencies (OPM's Executive Core Qualifications) and balancing achievement of results with demonstration of leadership behaviors, this approach enhances clarity, transferability, and equity in performance standards development, feedback delivery, and ratings derivation. Since the introduction of the new SES appraisal model in January 2012, OPM approved implementation in 38 agencies (51% of all SES appraisal systems Government-wide). By FY14, it is anticipated to be 96%.

Strengthening Labor-Management Relations

The Administration continues to fulfill the robust vision laid out in Executive Order 13522, Creating Labor-Management Forums to Improve Delivery of Government Services. This Executive Order created a national Council, which meets regularly to coordinate Government-wide efforts, and nearly 1000 forums around government where agency management and union representatives work collaboratively to improve service delivery to the public.

In recent Council meetings representatives from both management and labor have presented on their successful efforts to improve productivity at naval shipyards, in VA appeals, and in Securities Exchange Commission (SEC) enforcement activities. For example, at the Nuclear Regulatory Commission (NRC), they are moving approximately 1400 workers and managers to a new building management involved workers and their unions in the design process. Important points for employees were included in the designs right from the start such as – access to natural light, noise levels, and workstation layouts. These are factors that deeply affect both productivity and morale. By engaging early, the NRC could approach business decisions with a problem-solving attitude.

In another case, there was enormous productivity increases at the Naval Sea Systems Command, NAVSEA. These are the employees who build, buy and maintain the Navy's ships and submarines and their combat systems. NAVSEA leadership asked their unions and workers, through their labor-management forum, to put forward ideas to save an hour of time out of each workday. Workers identified the most wasteful part of their day: waiting in line to get the tools and parts they needed for their projects. Management and labor devised with a solution – a kit, prepared in advance and handed to you on arrival. In the kit, workers receive the tools needed and the exact number of nuts, bolts, and parts for any project that day. With this and other changes, NAVSEA projects to save one hour per day for about 8,000 mechanics and engineers across four shipyards – which translates into enormous savings. It has also helped reduce overtime hours, further increasing cost savings. A next challenge in the labor management partnership is to spread these successes to other agencies and locations around government.

Goals-Engagement-Accountability-Results (GEAR)

Over the years, there have been numerous attempts to reform and improve employee performance management in the Federal sector, with the ultimate goal of improving the performance of the organizations in which the employees work. Drawing from practices in the Federal sector and private sector, representatives from various Federal agencies, labor unions, and management organizations from the National Council on Federal Labor-Management Relations and the CHCO Council developed recommendations to strengthen the existing system of employee performance management. These recommendations are known as the GEAR framework. They are based on the idea that successful organizations must have clear, aligned goals, engaged employees and supervisors, and accountability for every employee at every level.

Five agencies are currently implementing the GEAR framework: OPM, the Department of Energy, the Department of Housing and Urban Development, and components of the Department of Veterans Affairs and the U.S. Coast Guard. The CHCO Council is currently reviewing the progress of GEAR and lessons learned in these agencies and identifying other leading practices across the Federal sector and private sector with the goal of broader application of the GEAR framework across the Federal Government. The ultimate goal is to ensure that Federal employees are engaged and enabled to deliver and improve Government services.

Table 10–2. FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH
(Civilian employment as measured by full-time equivalents (FTE) in thousands, excluding the Postal Service)

Agency	Actual		Estimate		Change: 2013 to 2014	
	2011	2012	2013 CR	2014	FTE	Percent
Cabinet agencies:						
Agriculture	95.9	91.7	92.4	90.7	-1.7	-1.8%
Commerce	41.3	39.9	42.6	43.0	0.4	0.9%
Defense	771.3	765.2	777.2	765.0	-12.2	-1.6%
Education	4.4	4.3	4.2	4.3	0.1	2.4%
Energy	16.1	15.7	15.7	15.9	0.2	1.3%
Health and Human Services	68.8	69.3	71.3	72.6	1.3	1.8%
Homeland Security	179.5	184.0	190.1	191.0	0.9	0.5%
Housing and Urban Development	9.5	9.3	9.3	9.2	-0.1	-1.1%
Interior	70.5	70.0	69.7	69.8	0.1	0.1%
Justice	116.3	115.1	115.7	117.7	2.0	1.7%
Labor	16.9	17.2	17.4	17.5	0.1	0.6%
State	32.4	33.0	33.1	33.2	0.1	0.3%
Transportation	57.4	56.9	57.3	57.6	0.3	0.5%
Treasury	110.7	106.3	107.1	112.7	5.6	5.2%
Veterans Affairs	295.7	301.4	311.1	319.3	8.2	2.6%
Other agencies—excluding Postal Service:						
Broadcasting Board of Governors	1.9	1.9	1.9	2.0	0.1	5.3%
Corps of Engineers—Civil Works	23.7	23.1	22.7	22.7	0.0	0.0%
Environmental Protection Agency	17.3	17.0	17.0	16.9	-0.1	-0.6%
Equal Employment Opportunity Comm	2.5	2.3	2.2	2.3	0.1	4.5%
Federal Deposit Insurance Corporation	8.3	8.1	8.0	7.6	-0.4	-5.0%
General Services Administration	12.7	12.5	12.8	12.5	-0.3	-2.3%
International Assistance Programs	5.2	5.6	5.6	5.8	0.2	3.6%
National Aeronautics and Space Admin	18.6	18.1	18.2	17.9	-0.3	-1.6%
National Archives and Records Administration	3.3	3.2	3.2	3.2	0.0	0.0%
National Labor Relations Board	1.7	1.6	1.7	1.7	0.0	0.0%
National Science Foundation	1.4	1.4	1.4	1.5	0.1	7.1%
Nuclear Regulatory Commission	4.0	3.8	4.0	3.9	-0.1	-2.5%
Office of Personnel Management	5.4	5.3	5.5	5.7	0.2	3.6%
Railroad Retirement Board	1.0	0.9	0.9	0.9	0.0	0.0%
Securities and Exchange Commission	3.8	3.8	4.2	4.8	0.6	14.3%
Small Business Administration	3.4	3.4	3.4	3.5	0.1	2.9%
Smithsonian Institution	5.2	5.0	5.2	5.3	0.1	1.9%
Social Security Administration	67.6	64.7	65.1	65.3	0.2	0.3%
Tennessee Valley Authority	12.4	12.8	13.6	13.3	-0.3	-2.2%
All other small agencies	16.3	16.9	18.0	18.6	0.6	3.3%
Total, Executive Branch civilian employment *	**2,102.4**	**2,090.7**	**2,128.8**	**2,134.9**	**6.1**	**0.3%**

* Totals may not add due to rounding.

BUDGET CONCEPTS AND BUDGET PROCESS

11. BUDGET CONCEPTS

The budget system of the United States Government provides the means for the President and the Congress to decide how much money to spend, what to spend it on, and how to raise the money they have decided to spend. Through the budget system, they determine the allocation of resources among the agencies of the Federal Government and between the Federal Government and the private sector. The budget system focuses primarily on dollars, but it also allocates other resources, such as Federal employment. The decisions made in the budget process affect the Nation as a whole, State and local governments, and individual Americans. Many budget decisions have worldwide significance. The Congress and the President enact budget decisions into law. The budget system ensures that these laws are carried out.

This chapter provides an overview of the budget system and explains some of the more important budget concepts. It includes summary dollar amounts to illustrate major concepts. Other chapters of the budget documents discuss these amounts and more detailed amounts in greater depth.

The following section discusses the budget process, covering formulation of the President's Budget, action by the Congress, and execution of enacted budget laws. The next section provides information on budget coverage, including a discussion of on-budget and off-budget amounts, functional classification, presentation of budget data, types of funds, and full-cost budgeting. Subsequent sections discuss the concepts of receipts and collections, budget authority, and outlays. These sections are followed by discussions of Federal credit; surpluses, deficits, and means of financing; Federal employment; and the basis for the budget figures. A glossary of budget terms appears at the end of the chapter.

Various laws, enacted to carry out requirements of the Constitution, govern the budget system. The chapter refers to the principal ones by title throughout the text and gives complete citations in the section just preceding the glossary.

THE BUDGET PROCESS

The budget process has three main phases, each of which is related to the others:

1. Formulation of the President's Budget;
2. Action by the Congress; and
3. Execution of enacted budget laws.

Formulation of the President's Budget

The Budget of the United States Government consists of several volumes that set forth the President's fiscal policy goals and priorities for the allocation of resources by the Government. The primary focus of the Budget is on the budget year—the next fiscal year for which the Congress needs to make appropriations, in this case 2014. (Fiscal year 2014 will begin on October 1, 2013, and end on September 30, 2014.) The Budget also covers the nine years following the budget year in order to reflect the effect of budget decisions over the longer term. It includes the funding levels provided for the current year, in this case 2013, which allows the reader to compare the President's Budget proposals with the most recently enacted levels. The Budget also includes data on the most recently completed fiscal year, in this case 2012, so that the reader can compare budget estimates to actual accounting data.

In a normal year, the President begins the process of formulating the budget by establishing general budget and fiscal policy guidelines, usually by the spring of each year, at least nine months before the President transmits the budget to the Congress and at least 18 months before the fiscal year begins. (See the "Budget Calendar" later in this chapter.) Based on these guidelines, the Office of Management and Budget (OMB) works with the Federal agencies to establish specific policy directions and planning levels, both for the budget year and for at least the following four years, and in this case, the following nine years, to guide the preparation of their budget requests. Since the Budget Control Act of 2011 (BCA) has set statutory limits on discretionary budget authority, as discussed below, the President's budget proposes funding levels for discretionary programs consistent with those limits.

During the formulation of the budget, the President, the Director of OMB, and other officials in the Executive Office of the President continually exchange information, proposals, and evaluations bearing on policy decisions with the Secretaries of the departments and the heads of the other Government agencies. Decisions reflected in previously enacted budgets, including the one for the fiscal year in progress, reactions to the last proposed budget (which the Congress is considering at the same time the process of preparing the forthcoming budget begins), and evaluations of program performance all influence decisions concerning the forthcoming budget, as do projections of the economic outlook, prepared jointly by the Council of Economic Advisers, OMB, and the Treasury Department.

In early fall, agencies submit their budget requests to OMB, where analysts review them and identify issues that OMB officials need to discuss with the agencies. OMB and the agencies resolve many issues themselves.

Others require the involvement of White House policy officials and the President. This decision-making process is usually completed by late December. At that time, the final stage of developing detailed budget data and the preparation of the budget documents begins.

The decision-makers must consider the effects of economic and technical assumptions on the budget estimates. Interest rates, economic growth, the rate of inflation, the unemployment rate, and the number of people eligible for various benefit programs, among other factors, affect Government spending and receipts. Small changes in these assumptions can alter budget estimates by many billions of dollars. (Chapter 2, "Economic Assumptions and Interactions with the Budget," provides more information on this subject.)

Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the allocation of resources among the agencies and functions of the Federal Government, and the total outlays and receipts that are appropriate in light of current and prospective economic conditions.

The law governing the President's budget requires its transmittal to the Congress on or after the first Monday in January but not later than the first Monday in February of each year for the following fiscal year, which begins on October 1. The budget is routinely sent to the Congress on the first Monday in February, giving the Congress eight months to act on the budget before the fiscal year begins.

Congressional Action[1]

The Congress considers the President's budget proposals and approves, modifies, or disapproves them. It can change funding levels, eliminate programs, or add programs not requested by the President. It can add or eliminate taxes and other sources of receipts or make other changes that affect the amount of receipts collected.

The Congress does not enact a budget as such. Through the process of adopting a planning document called a budget resolution (described below), the Congress agrees on targets for total spending and receipts, the size of the deficit or surplus, and the debt limit. The budget resolution provides the framework within which individual congressional committees prepare appropriations bills and other spending and receipts legislation. The Congress provides spending authority—funding—for specified purposes in appropriations acts each year. It also enacts changes each year in other laws that affect spending and receipts. Both appropriations acts and these other laws are discussed in the following paragraphs.

In making appropriations, the Congress does not vote on the level of outlays (spending) directly, but rather on budget authority, or funding, which is the authority provided by law to incur financial obligations that will result in outlays. In a separate process, prior to making appropriations, the Congress usually enacts legislation that authorizes an agency to carry out particular programs, authorizes the appropriations of funds to carry out those programs, and, in some cases, limits the amount that can be appropriated for the programs. Some authorizing legislation expires after one year, some expires after a specified number of years, and some is permanent. The Congress may enact appropriations for a program even though there is no specific authorization for it or its authorization has expired.

The Congress begins its work on its budget resolution shortly after it receives the President's budget. Under the procedures established by the Congressional Budget Act of 1974, the Congress decides on budget targets before commencing action on individual appropriations. The Act requires each standing committee of the House and Senate to recommend budget levels and report legislative plans concerning matters within the committee's jurisdiction to the Budget Committee in each body. The House and Senate Budget Committees then each design and report, and each body then considers, a concurrent resolution on the budget—a congressional budget plan, or budget resolution. The budget resolution sets targets for total receipts and for budget authority and outlays, both in total and by functional category (see "Functional Classification" later in this chapter). It also sets targets for the budget deficit or surplus and for Federal debt subject to statutory limit.

The congressional timetable calls for the House and Senate to resolve differences between their respective versions of the congressional budget resolution and adopt a single budget resolution by April 15 of each year.

In the report on the budget resolution, the Budget Committees allocate the total on-budget budget authority and outlays set forth in the resolution to the Appropriations Committees and the other committees that have jurisdiction over spending. (See "Coverage of the Budget," later in this chapter, for more information on on-budget and off-budget amounts.) Now that the BCA has set statutory limits on discretionary budget authority, as discussed below, the budget resolution allocation to the Appropriations Committees will equal those limits. Once the Congress resolves differences between the House and Senate and agrees on a budget resolution, the Appropriations Committees are required to divide their allocations of budget authority and outlays among their subcommittees. The Congress is not allowed to consider appropriations bills (so-called "discretionary" spending) that would breach or further breach an Appropriations subcommittee's target. The Congress is not allowed to consider legislation that would cause the overall spending target for any such committee to be breached or further breached. The Budget Committees' reports may discuss assumptions about the level of funding for major programs. While these assumptions do not bind the other committees and subcommittees, they may influence their decisions.

The budget resolution may also contain "reconciliation directives" (discussed below) to the committees responsible for tax laws and for mandatory spending—programs not controlled by annual appropriation acts—in order to

[1] For a fuller discussion of the congressional budget process, see Bill Heniff Jr., Introduction to the Federal Budget Process (Congressional Research Service Report 98–721), and Robert Keith and Allen Schick, Manual on the Federal Budget Process (Congressional Research Service Report 98–720, archived).

conform the level of receipts and this type of spending to the targets in the budget resolution.

Since the concurrent resolution on the budget is not a law, it does not require the President's approval. However, the Congress considers the President's views in preparing budget resolutions, because legislation developed to meet congressional budget allocations does require the President's approval. In some years, the President and the joint leadership of Congress have formally agreed on plans to reduce the deficit or balance the budget. These agreements were then reflected in the budget resolution and legislation passed for those years.

Once the Congress approves the budget resolution, it turns its attention to enacting appropriations bills and authorizing legislation. Appropriations bills are initiated in the House. They provide the budgetary resources for the majority of Federal programs, but only a minority of Federal spending. The Appropriations Committee in each body has jurisdiction over annual appropriations. These committees are divided into subcommittees that hold hearings and review detailed budget justification materials prepared by the Executive Branch agencies within the subcommittee's jurisdiction. After a bill has been drafted by a subcommittee, the full committee and the whole House, in turn, must approve the bill, sometimes with amendments to the original version. The House then forwards the bill to the Senate, where a similar review follows. If the Senate disagrees with the House on particular matters in the bill, which is often the case, the two bodies form a conference committee (consisting of some Members of each body) to resolve the differences. The conference committee revises the bill and returns it to both bodies for approval. When the revised bill is agreed to, first in the House and then in the Senate, the Congress sends it to the President for approval or veto.

Since 1977, when the start of the fiscal year was established as October 1, there have been only three fiscal years (1989, 1995, and 1997) for which the Congress agreed to and enacted every regular appropriations bill by that date. When one or more appropriations bills has not been agreed to by this date, Congress usually enacts a joint resolution called a "continuing resolution," (CR) which is an interim or stop-gap appropriations bill that provides authority for the affected agencies to continue operations at some specified level until a specific date or until the regular appropriations are enacted. Occasionally, a CR has funded a portion or all of the Government for the entire year.

The Congress must present these CRs to the President for approval or veto. In some cases, Presidents have rejected CRs because they contained unacceptable provisions. Left without funds, Government agencies were required by law to shut down operations—with exceptions for some limited activities—until the Congress passed a CR the President would approve. Shutdowns have lasted for periods of a day to several weeks.

The Congress also provides budget authority in laws other than appropriations acts. In fact, while annual appropriations acts fund the majority of Federal programs, they account for only about a third of the total spending in a typical year. Authorizing legislation controls the rest of the spending, which is commonly called "mandatory spending." A distinctive feature of these authorizing laws is that they provide agencies with the authority or requirement to spend money without first requiring the Appropriations Committees to enact funding. This category of spending includes interest the Government pays on the public debt and the spending of several major programs, such as Social Security, Medicare, Medicaid, unemployment insurance, and Federal employee retirement. This chapter discusses the control of budget authority and outlays in greater detail under "Budget Authority and Other Budgetary Resources, Obligations, and Outlays."

Almost all taxes and most other receipts also result from authorizing laws. Article I, Section 7, of the Constitution provides that all bills for raising revenue shall originate in the House of Representatives. In the House, the Ways and Means Committee initiates tax bills; in the Senate, the Finance Committee has jurisdiction over tax laws.

The budget resolution often includes reconciliation directives, which require authorizing committees to change laws that affect receipts or mandatory spending. It directs each designated committee to report amendments to the laws under the committee's jurisdiction that would achieve changes in the levels of receipts or reductions in mandatory spending controlled by those laws. These directives specify the dollar amount of changes that each designated committee is expected to achieve, but do not

BUDGET CALENDAR

The following timetable highlights the scheduled dates for significant budget events during a normal budget year:

Between the 1st Monday in January and the 1st Monday in February	President transmits the budget
Six weeks later	Congressional committees report budget estimates to Budget Committees
April 15	Action to be completed on congressional budget resolution
May 15	House consideration of annual appropriations bills may begin even if the budget resolution has not been agreed to.
June 10	House Appropriations Committee to report the last of its annual appropriations bills.
June 15	Action to be completed on "reconciliation bill" by the Congress.
June 30	Action on appropriations to be completed by House
July 15	President transmits Mid-Session Review of the Budget
October 1	Fiscal year begins

specify which laws are to be changed or the changes to be made. However, the Budget Committees' reports on the budget resolution frequently discuss assumptions about how the laws would be changed. Like other assumptions in the report, they do not bind the committees of jurisdiction but may influence their decisions. A reconciliation instruction may also specify the total amount by which the statutory limit on the public debt is to be changed.

The committees subject to reconciliation directives draft the implementing legislation. Such legislation may, for example, change the tax code, revise benefit formulas or eligibility requirements for benefit programs, or authorize Government agencies to charge fees to cover some of their costs. Reconciliation bills are typically omnibus legislation, combining the legislation submitted by each reconciled committee in a single act.

Such a large and complicated bill would be difficult to enact under normal legislative procedures because it usually involves changes to tax rates or to popular social programs, generally to reduce projected deficits. The Senate considers such omnibus reconciliation acts under expedited procedures that limit total debate on the bill. To offset the procedural advantage gained by expedited procedures, the Senate places significant restrictions on the substantive content of the reconciliation measure itself, as well as on amendments to the measure. Any material in the bill that is extraneous or that contains changes to the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance programs is not in order under the Senate's expedited reconciliation procedures. Nongermane amendments are also prohibited. In addition, the Senate does not allow reconciliation bills as a whole to increase projected deficits or reduce projected surpluses. This Senate prohibition complements the Statutory Pay-As-You-Go Act of 2010, discussed below. The House does not allow reconciliation bills to increase mandatory spending in net, but does allow such bills to increase deficits by reducing revenues. See "Budget Enforcement" below for a description of the House special order that permits the Budget Committee Chairman to certify that the costs of certain types of legislation are zero.

Reconciliation acts, together with appropriations acts for the year, are usually used to implement broad agreements between the President and the Congress on those occasions where the two branches have negotiated a comprehensive budget plan. Reconciliation acts have sometimes included other matters, such as laws providing the means for enforcing these agreements, as described under "Budget Enforcement."

Budget Enforcement

The Statutory Pay-As-You-Go Act of 2010 and the BCA significantly amended laws pertaining to the budget process, including the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA). The Statutory Pay-As-You-Go Act of 2010, enacted on February 12, 2010, reestablished a statutory procedure to enforce a rule of deficit neutrality on new revenue and mandatory spending legislation. The BCA, enacted on August 2, 2011, reinstated limits ("caps") on the amount of discretionary budget authority that can be provided through the annual appropriations process. Similar enforcement mechanisms were established by the Budget Enforcement Act of 1990, which also amended the BBEDCA, and were extended in 1993 and 1997, but expired at the end of FY 2002. The BCA also created a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period.

The BBEDCA, as amended, divides spending into two types—discretionary spending and direct or mandatory spending. Discretionary spending is controlled through annual appropriations acts. Funding for salaries and other operating expenses of government agencies, for example, is generally discretionary because it is usually provided by appropriations acts. Direct spending is more commonly called mandatory spending. Mandatory spending is controlled by permanent laws. Medicare and Medicaid payments, unemployment insurance benefits, and farm price supports are examples of mandatory spending, because permanent laws authorize payments for those purposes. Receipts are included under the same statutory rules that apply to mandatory spending because permanent laws generally control receipts.

Discretionary cap enforcement. The BBEDCA, as amended, specifies spending limits ("caps") on discretionary budget authority for 2012 through 2021. The caps were divided between security and nonsecurity categories for 2012 and 2013, with a single cap for all discretionary spending established for 2014 through 2021. The security category includes discretionary budget authority for the Departments of Defense, Homeland Security, and Veterans Affairs, the National Nuclear Security Administration, the Intelligence Community Management account, and all budget accounts in the international affairs budget function (budget function 150). The nonsecurity category includes all discretionary budget authority not included in the security category. For 2013 through 2021, the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, a bill that reduced the deficit by at least $1.2 trillion resulted in revised security and nonsecurity categories. The "revised security category" (or defense category) includes discretionary budget authority in the defense budget function 050, which primarily consists of the Department of Defense. The "revised nonsecurity category" (or non-defense category) includes all discretionary budget authority not included in the defense budget function 050. Passage of ATRA in January of 2013 restored the caps for fiscal year 2013 to the security and nonsecurity split, and reduced the levels previously provided in law by $4 billion in 2013 (split equally between the security and nonsecurity categories) and $8 billion in 2014 (split equally between the revised security and nonsecurity, or defense and nondefense categories).

The BBEDCA, as amended, includes general requirements for OMB to adjust the caps for changes in concepts and definitions; appropriations designated by Congress and the President as emergency requirements; and appropriations designated by Congress and the President for Overseas Contingency Operations/Global War on Terrorism. The BBEDCA, as amended, also specifies adjustments, which are capped at certain amounts, for appropriations for continuing disability reviews and redeterminations by the Social Security Administration; the health care fraud and abuse control program at the Department of Health and Human Services; and appropriations designated by Congress as being for disaster relief.

The BBEDCA, as amended, requires OMB to provide cost estimates of each appropriations act in a report to Congress within 7 days after enactment of such act and to publish three sequestration reports—a "preview" report when the President submits the budget; an "update" report in August, and a "final" report within 15 days after the end of a session of Congress.

The preview report discusses the status of discretionary sequestration, based on current law. This report also explains the adjustments that are required by law to the discretionary caps and publishes the revised caps. The update and final reports revise the preview report estimates to reflect the effects of newly enacted discretionary laws. In addition, the update report must contain a preview estimate of the adjustment for disaster funding for the upcoming fiscal year.

If OMB's final sequestration report for a given fiscal year indicates that the amount of discretionary budget authority provided in appropriations acts for that year exceeds the statutory limit on budget authority for that category in that year, the President must issue a sequestration order canceling budgetary resources in nonexempt accounts within that category by the amount necessary to eliminate the breach. If a continuing resolution is in effect when OMB issues its final sequester report, calculations will be based on the annualized amount provided by that continuing resolution. Under sequestration, each nonexempt account within a category is reduced by a dollar amount calculated by multiplying the enacted level of sequestrable budgetary resources in that account by the uniform percentage necessary to eliminate a breach within that category. The BBEDCA, as amended, specifies special rules for reducing some programs and exempts some programs from sequestration entirely. For example, the BBEDCA, as amended, limits the reduction for certain health and medical care accounts to 2 percent. During the 1990s, the threat of sequestration proved sufficient to ensure compliance with the discretionary spending limits. In that respect, discretionary sequestration can be viewed first as an incentive for compliance and second as a remedy for noncompliance. This is also true for mandatory sequestration under PAYGO, discussed below.

From the end of a session of Congress through the following June 30th, a within-session discretionary sequestration is imposed if appropriations for the current year cause a cap to be breached. If a breach occurs in the last quarter of a fiscal year (i.e., July 1 through September 30), instead of causing a sequestration, the breach would cause the applicable spending limit for the following fiscal year to be reduced by the amount of the breach. These requirements ensure that supplemental appropriations enacted during the fiscal year are subject to the budget enforcement provisions.

Direct spending enforcement. The Statutory Pay-As-You-Go Act of 2010 requires that new legislation changing governmental receipts or mandatory spending or collections must be enacted on a "pay-as-you-go" (PAYGO) basis; that is, that the cumulative effects of such legislation not increase projected on-budget deficits. Unlike the budget enforcement mechanism for discretionary programs, PAYGO is a permanent requirement, and it does not impose a cap on spending or a floor on revenues. Instead, PAYGO requires that legislation reducing revenues must be fully offset by cuts in mandatory programs or by revenue increases, and that any bills increasing mandatory expenditures must be fully offset by revenue increases or cuts in mandatory programs. This requirement also is enforced by a sequestration process, separate from that described above in reference to the BCA, which requires automatic across-the-board cuts in selected mandatory programs in the event that legislation taken as a whole does not meet the PAYGO standard established by the law. The PAYGO law establishes special scorecards and scorekeeping rules.

The budgetary effects of revenue and direct spending provisions, including both costs and savings, are recorded by OMB on two PAYGO scorecards in which costs or savings are averaged over rolling five-year and 10-year periods. The budgetary effects of PAYGO measures may be directed in legislation by reference to statements inserted into the Congressional Record by the chairmen of the House and Senate Budget Committees. These statements reflect the estimates of the Budget Committees, which are usually informed by cost estimates prepared by the Congressional Budget Office. If this procedure is not followed, then the budgetary effects of the legislation are determined by OMB.

Within 14 business days after a congressional session ends, OMB issues an annual PAYGO report and determines whether a violation of the PAYGO requirement has occurred. If either scorecard shows net costs in the budget year column, the President is required to issue a sequestration order implementing across-the-board cuts to nonexempt mandatory programs by an amount sufficient to offset the net costs on the PAYGO scorecard.

The Statutory Pay-As-You-Go Act of 2010 exempted the costs of certain legislation from the PAYGO scorecard, as long as that legislation was enacted by December 31, 2011. Extension of the middle-class provisions of the 2001 and 2003 tax cuts, as amended in 2009, did not have to be offset. In addition, extension through 2014 of relief from the scheduled deep reduction in Medicare physician reimbursement rates was also exempt from PAYGO, but only up to the reimbursement rates in effect in 2009. In four bills between June 2010 and December of 2011, the Congress enacted temporary relief to the Sustainable Growth Rate (SGR) provision of Medicare at payment rates 2.2 percent above those defined in the Statutory Pay-As-You-Go Act of 2010, so those incremental costs appeared on the PAYGO scorecards. Congress chose to offset the entire costs of the relief, even though such offsets were not required. Because the December 31, 2011 deadline for enacting legislation extending these policies has passed, current law provides for any further extensions to be subject to the PAYGO rules.

In addition, if Congress designates a provision of mandatory spending or receipts legislation as an emergency requirement, the effect of the provision is not scored as PAYGO.

The PAYGO rules also apply to the outlays resulting from outyear changes in mandatory programs made in appropriations acts and to all revenue changes made in appropriations acts. However, outyear changes to mandatory programs that have zero net outlay effects over the sum of the current year and the next five fiscal years are not considered PAYGO.

The PAYGO rules do not apply to increases in mandatory spending or decreases in receipts that result automatically under existing law. For example, mandatory spending for benefit programs, such as unemployment insurance, rises when the population of eligible beneficiaries rises, and many benefit payments are automatically increased for inflation under existing laws. Additional information on the Statutory Pay-As-You-Go Act of 2010 can be found on OMB's website at:www.whitehouse.gov/omb/paygo_description.

The Senate imposes points of order against consideration of tax or mandatory spending legislation that would violate the PAYGO principle, although the time periods covered by the Senate's rule and the treatment of previously enacted costs or savings may differ in some respects from the requirements of the Statutory Pay-As-You-Go Act of 2010.

The House, in contrast, imposes points of order on legislation increasing mandatory spending in net, whether or not those costs are offset by revenue increases, but the House rule does not constrain the size of tax cuts or require them to be offset. On January 3, 2013, the House agreed to a special order that permits the Budget Committee Chairman to certify that the costs of certain types of legislation are zero when introducing pay-as-you-go estimates into the Congressional Record:

- Repeal of the Affordable Care Act.
- Extension of EGTRRA and JGTRRA.
- Extension of AMT relief and estate tax repeal.
- Creation of a 20 percent deduction in income to small businesses.
- Enactment of legislation implementing trade agreements.

Joint Committee reductions. The failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by at least $1.2 trillion triggered automatic reductions to budgetary resources in fiscal years 2013 through 2021. In fiscal year 2013, these reductions were first scheduled to occur on January 2, 2013. The American Taxpayer Relief Act of 2012 postponed the date on which the reductions must be ordered until March 1, 2013. On that date, the President was required by law to issue the order to reduce budgetary resources for fiscal year 2013 as specified in the BBEDCA.[2]

The 2014 Budget includes balanced and responsible deficit reduction proposals that, in total, exceed the $1.2 trillion deficit reduction target. The President will work with the Congress to enact deficit reduction sufficient to replace and repeal the Joint Committee reductions required by the BCA in fiscal years 2013 through 2021.

OMB is required to calculate the amount of the deficit reduction required for each of fiscal years 2013 through 2021. The automatic spending reduction process entails the following steps:

- The statutory discretionary spending limits for 2013 through 2021 are revised by redefining the security and nonsecurity categories, as outlined in the discretionary cap enforcement section above.[3]
- The $1.2 trillion savings target is to be reduced by 18 percent to account for debt service. The remainder is spread in equal amounts across the nine years, 2013 through 2021. Then, for fiscal year 2013, that amount was reduced by $24 billion.
- The total amount of spending reductions required for each year is divided equally between the defense and nondefense functions.
- The annual amounts of spending reductions required each year for each type of spending is to be divided proportionally between discretionary and direct spending programs, using the discretionary BA limit and the most recent baseline estimate of non-exempt mandatory outlays as the base.
- The reduction each year for mandatory programs is to be achieved by a sequestration of non-exempt mandatory spending. The sequestration order for fiscal year 2013 was released on March 1, 2013, as described above. The sequestration order for each of the fiscal years 2014 through 2021 is required to be issued with the release of the President's Budget. The reductions required for 2014 are discussed in the OMB Sequestration Preview Report for FY 2014, which is available on the OMB website. The sequestration of budgetary resources goes into effect on the first day (October 1) of those fiscal years.

The reduction for discretionary programs for 2013, achieved by a sequestration of non-exempt discretionary spending, became effective March 1, 2013, as described above. For fiscal years 2014 through 2021, the reduction

[2] OMB's calculations of the percentage and dollar amount of the required reduction for each non-exempt budget account and an explanation of the calculations can be found in the OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013.

[3] Although the 2013 caps reflect the original security and nonsecurity categories for discretionary enforcement, the 2013 sequestration was calculated using, and applied to, the defense and non-defense categories pursuant to the American Taxpayer Relief Act.

of discretionary spending is to be taken by reducing the discretionary cap year by year. This reduction will be included as an adjustment to the discretionary spending limits in the sequestration preview report for fiscal year 2014 and subsequent years.

Budget Execution

Government agencies may not spend or obligate more than the Congress has appropriated, and they may use funds only for purposes specified in law. The Antideficiency Act prohibits them from spending or obligating the Government to spend in advance of an appropriation, unless specific authority to do so has been provided in law. Additionally, the Act requires the President to apportion the budgetary resources available for most executive branch agencies. The President has delegated this authority to OMB. Some apportionments are by time periods (usually by quarter of the fiscal year), some are by projects or activities, and others are by a combination of both. Agencies may request OMB to reapportion funds during the year to accommodate changing circumstances. This system helps to ensure that funds do not run out before the end of the fiscal year.

During the budget execution phase, the Government sometimes finds that it needs more funding than the Congress has appropriated for the fiscal year because of unanticipated circumstances. For example, more might be needed to respond to a severe natural disaster. Under such circumstances, the Congress may enact a supplemental appropriation.

On the other hand, the President may propose to reduce a previously enacted appropriation. The President may propose to either "cancel" or "rescind" the amount. If the President initiates the withholding of funds while the Congress considers his request, the amounts are apportioned as "deferred" or "withheld pending rescission" on the OMB-approved apportionment form. Agencies are instructed not to withhold funds without the prior approval of OMB. When OMB approves a withholding, the Impoundment Control Act requires that the President transmit a "special message" to the Congress. The historical reason for the special message is to inform the Congress that the President has unilaterally withheld funds that were enacted in regular appropriations acts. The notification allows the Congress to consider the proposed rescission in a timely way. The last time the President initiated the withholding of funds was in fiscal year 2000.

COVERAGE OF THE BUDGET

Federal Government and Budget Totals

The budget documents provide information on all Federal agencies and programs. However, because the laws governing Social Security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) and the Postal Service Fund require that the receipts and outlays for those activities be excluded from the budget totals and from the calculation of the deficit or surplus, the budget presents on-budget and off-budget totals. The off-budget totals include the Federal transactions excluded by law from the budget totals. The on-budget and off-budget amounts are added together to derive the totals for the Federal Government. These are sometimes referred to as the unified or consolidated budget totals.

It is not always obvious whether a transaction or activity should be included in the budget. Where there is a question, OMB normally follows the recommendation of the 1967 President's Commission on Budget Concepts to be comprehensive of the full range of Federal agencies, programs, and activities. In recent years, for example, the budget has included the transactions of the Affordable Housing Program funds, the Universal Service Fund, the Public Company Accounting Oversight Board, the Securities Investor Protection Corporation, Guaranty Agencies Reserves, the National Railroad Retirement Investment Trust, the United Mine Workers Combined Benefits Fund, the Federal Financial Institutions Examination Council, Electric Reliability Organizations (EROs) established pursuant to the Energy Policy Act of 2005, and the Corporation for Travel Promotion.

In contrast, the budget excludes tribal trust funds that are owned by Indian tribes and held and managed by the Government in a fiduciary capacity on the tribes' behalf. These funds are not owned by the Government, the Government is not the source of their capital, and the Government's control is limited to the exercise of fiduciary duties. Similarly, the transactions of Government-sponsored enterprises, such as the FHLBs, are not in-

Table 11–1. TOTALS FOR THE BUDGET AND THE FEDERAL GOVERNMENT
(In billions of dollars)

	2012 Actual	Estimate	
		2013	2014
Budget authority			
Unified	3,576	3,767	3,796
On-budget	3,065	3,122	3,072
Off-budget	512	645	724
Receipts:			
Unified	2,450	2,712	3,034
On-budget	1,881	2,039	2,294
Off-budget	570	673	739
Outlays:			
Unified	3,537	3,685	3,778
On-budget	3,030	3,045	3,063
Off-budget	508	640	715
Surplus / Deficit (–):			
Unified	–1,087	–973	–744
On-budget	–1,149	–1,006	–768
Off-budget	62	33	24

cluded in the on-budget or off-budget totals. Federal laws established these enterprises for public policy purposes, but they are privately owned and operated corporations. Nevertheless, because of their public charters, the budget discusses them and reports summary financial data in the budget Appendix and in some detailed tables.

The budget also excludes the revenues from copyright royalties and spending for subsequent payments to copyright holders where (1) the law allows copyright owners and users to voluntarily set the rate paid for the use of protected material, and (2) the amount paid by users of copyrighted material to copyright owners is related to the frequency or quantity of the material used. The budget excludes license royalties collected and paid out by the Copyright Office for the retransmission of network broadcasts via cable collected under 17 U.S.C. 111 because these revenues meet both of these conditions. The budget will continue to include the royalties collected and paid out for license fees for digital audio recording technology under 17 U.S.C. 1004, since the amount of license fees paid is unrelated to usage of the material.

The Appendix includes a presentation for the Board of Governors of the Federal Reserve System for information only. The amounts are not included in either the on-budget or off-budget totals because of the independent status of the System within the Government. However, the Federal Reserve System transfers its net earnings to the Treasury, and the budget records them as receipts.

Chapter 12 of this volume, "Coverage of the Budget," provides more information on this subject.

Functional Classification

The functional classification is used to array budget authority, outlays, and other budget data according to the major purpose served—such as agriculture, transportation, income security, and national defense. There are 20 major functions, 17 of which are concerned with broad areas of national need and are further divided into subfunctions. For example, the Agriculture function comprises the subfunctions Farm Income Stabilization and Agricultural Research and Services. The functional array meets the Congressional Budget Act requirement for a presentation in the budget by national needs and agency missions and programs. The remaining three functions—Net Interest, Undistributed Offsetting Receipts, and Allowances—are also further divided into subfunctions but these functions are included to ensure full coverage of the Federal budget.

The following criteria are used in establishing functional categories and assigning activities to them:

- A function encompasses activities with similar purposes, emphasizing what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, the clientele or geographic area served (except in the cases of functions 450 for Community and Regional Development, 570 for Medicare, 650 for Social Security, and 700 for Veterans Benefits and Services), or the Federal agency conducting the activity (except in the case of subfunction 051 in the National Defense function, which is used only for defense activities under the Department of Defense—Military).
- A function must be of continuing national importance, and the amounts attributable to it must be significant.
- Each basic unit being classified (generally the appropriation or fund account) usually is classified according to its primary purpose and assigned to only one subfunction. However, some large accounts that serve more than one major purpose are subdivided into two or more functions or subfunctions.

Detailed functional tables, which provide information on Government activities by function and subfunction, are available online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM.
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Agencies, Accounts, Programs, Projects, and Activities

Various summary tables in the Analytical Perspectives volume of the Budget provide information on budget authority, outlays, and offsetting collections and receipts arrayed by Federal agency. A table that lists budget authority and outlays by budget account within each agency and the totals for each agency of budget authority, outlays, and receipts that offset the agency spending totals is available online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM. The Appendix provides budgetary, financial, and descriptive information about programs, projects, and activities by account within each agency.

Types of Funds

Agency activities are financed through Federal funds and trust funds.

Federal funds comprise several types of funds. Receipt accounts of the ***general fund***, which is the greater part of the budget, record receipts not earmarked by law for a specific purpose, such as income tax receipts. The general fund also includes the proceeds of general borrowing. General fund appropriations accounts record general fund expenditures. General fund appropriations draw from general fund receipts and borrowing collectively and, therefore, are not specifically linked to receipt accounts. ***Special funds*** consist of receipt accounts for Federal fund receipts that laws have designated for specific purposes and the associated appropriation accounts for the expenditure of those receipts.

Public enterprise funds are revolving funds used for programs authorized by law to conduct a cycle of business-type operations, primarily with the public, in which outlays generate collections.

Intragovernmental funds are revolving funds that conduct business-type operations primarily within and between Government agencies. The collections and the outlays of revolving funds are recorded in the same budget account.

Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (such as the Highway Trust Fund) or for carrying out the stipulations of a trust where the Government itself is the beneficiary (such as any of several trust funds for gifts and donations for specific purposes). ***Trust revolving funds*** are trust funds credited with collections earmarked by law to carry out a cycle of business-type operations.

The Federal budget meaning of the term "trust," as applied to trust fund accounts, differs significantly from its private-sector usage. In the private sector, the beneficiary of a trust usually owns the trust's assets, which are managed by a trustee who must follow the stipulations of the trust. In contrast, the Federal Government owns the assets of most Federal trust funds, and it can raise or lower future trust fund collections and payments, or change the purposes for which the collections are used, by changing existing laws. There is no substantive difference between a trust fund and a special fund or between a trust revolving fund and a public enterprise revolving fund.

However, in some instances, the Government does act as a true trustee of assets that are owned or held for the benefit of others. For example, it maintains accounts on behalf of individual Federal employees in the Thrift Savings Fund, investing them as directed by the individual employee. The Government accounts for such funds in ***deposit funds***, which are not included in the budget. (Chapter 27 of this volume, "Trust Funds and Federal Funds," provides more information on this subject.)

Budgeting for Full Costs

A budget is a financial plan for allocating resources—deciding how much the Federal Government should spend in total, program by program, and for the parts of each program and deciding how to finance the spending. The budgetary system provides a process for proposing policies, making decisions, implementing them, and reporting the results. The budget needs to measure costs accurately so that decision makers can compare the cost of a program with its benefits, the cost of one program with another, and the cost of one method of reaching a specified goal with another. These costs need to be fully included in the budget up front, when the spending decision is made, so that executive and congressional decision makers have the information and the incentive to take the total costs into account when setting priorities.

The budget includes all types of spending, including both current operating expenditures and capital investment, and to the extent possible, both are measured on the basis of full cost. Questions are often raised about the measure of capital investment. The present budget provides policymakers the necessary information regarding investment spending. It records investment on a cash basis, and it requires the Congress to provide budget authority before an agency can obligate the Government to make a cash outlay. By these means, it causes the total cost of capital investment to be compared up front in a rough and ready way with the total expected future net benefits. Since the budget measures only cost, the benefits with which these costs are compared, based on policy makers' judgment, must be presented in supplementary materials. Such a comparison of total costs with benefits is consistent with the formal method of cost-benefit analysis of capital projects in government, in which the full cost of a capital asset as the cash is paid out is compared with the full stream of future benefits (all in terms of present values). (Chapter 20 of this volume, "Federal Investment," provides more information on capital investment.)

RECEIPTS, OFFSETTING COLLECTIONS, AND OFFSETTING RECEIPTS

In General

The budget records amounts collected by Government agencies two different ways. Depending on the nature of the activity generating the collection and the law that established the collection, they are recorded as either:

- ***Governmental receipts***, which are compared in total to outlays (net of offsetting collections and offsetting receipts) in calculating the surplus or deficit; or
- ***Offsetting collections*** or ***offsetting receipts***, which are deducted from gross outlays to calculate net outlay figures.

Governmental Receipts

Governmental receipts are collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. Sometimes they are called receipts, Federal receipts, or Federal revenues. They consist mostly of individual and corporation income taxes and social insurance taxes, but also include excise taxes, compulsory user charges, regulatory fees, customs duties, court fines, certain license fees, and deposits of earnings by the Federal Reserve System. Total receipts for the Federal Government include both on-budget and off-budget receipts (see Table 11–1, "Totals for the Budget and the Federal Government," which appears earlier in this chapter.) Chapter 14 of this volume, "Governmental Receipts," provides more information on governmental receipts.

Offsetting Collections and Offsetting Receipts

Offsetting collections and offsetting receipts are recorded as offsets to (deductions from) spending, not as additions on the receipt side of the budget. These amounts are recorded as offsets to outlays so that the budget totals represent governmental rather than market activity and reflect the Government's net transactions with the public. They are recorded in one of two ways, based on interpretation of laws and longstanding budget concepts and practice. They are offsetting collections when the collections are authorized by law to be credited to expenditure accounts and are generally available for expenditure without further legislation. Otherwise, they are deposited in receipt accounts and called offsetting receipts.

Offsetting collections and offsetting receipts result from any of the following types of transactions:

- ***Business-like transactions or market-oriented activities with the public***—these include voluntary collections from the public in exchange for goods or services, such as the proceeds from the sale of postage stamps, the fees charged for admittance to recreation areas, and the proceeds from the sale of Government-owned land; and reimbursements for damages, such as recoveries by the Hazardous Substance Superfund. The budget records these amounts as *offsetting collections from non-Federal sources* (for offsetting collections) or as *proprietary receipts* (for offsetting receipts.
- ***Intragovernmental transactions***—collections from other Federal Government accounts. The budget records collections by one Government account from another as *offsetting collections from Federal sources* (for offsetting collections) or as *intragovernmental receipts* (for offsetting receipts). For example, the General Services Administration rents office space to other Government agencies and records their rental payments as offsetting collections from Federal sources in the Federal Buildings Fund. These transactions are exactly offsetting and do not affect the surplus or deficit. However, they are an important accounting mechanism for allocating costs to the programs and activities that cause the Government to incur the costs.
- ***Voluntary gifts and donations***—gifts and donations of money to the Government, which are treated as offsets to budget authority and outlays.
- ***Offsetting governmental transactions***—collections from the public that are governmental in nature and should conceptually be treated like Federal revenues and compared in total to outlays (e.g., tax receipts, regulatory fees, compulsory user charges, custom duties, license fees) but required by law or longstanding practice to be misclassified as offsetting. The budget records amounts from non-Federal sources that are governmental in nature as *offsetting governmental collections* (for offsetting collections) or as *offsetting governmental receipts* (for offsetting receipts).

Offsetting Collections

Some laws authorize agencies to credit collections directly to the account from which they will be spent and, usually, to spend the collections for the purpose of the account without further action by the Congress. Most revolving funds operate with such authority. For example, a permanent law authorizes the Postal Service to use collections from the sale of stamps to finance its operations without a requirement for annual appropriations. The budget records these collections in the Postal Service Fund (a revolving fund) and records budget authority in an amount equal to the collections. In addition to revolving funds, some agencies are authorized to charge fees to defray a portion of costs for a program that are otherwise financed by appropriations from the general fund and usually to spend the collections without further action by the Congress. In such cases, the budget records the offsetting collections and resulting budget authority in the program's general fund expenditure account. Similarly, intragovernmental collections authorized by some laws may be recorded as offsetting collections and budget authority in revolving funds or in general fund expenditure accounts.

Sometimes appropriations acts or provisions in other laws limit the obligations that can be financed by offsetting collections. In those cases, the budget records budget authority in the amount available to incur obligations, not in the amount of the collections.

Offsetting collections credited to expenditure accounts automatically offset the outlays at the expenditure account level. Where accounts have offsetting collections, the budget shows the budget authority and outlays of the account both gross (before deducting offsetting collections) and net (after deducting offsetting collections). Totals for the agency, subfunction, and overall budget are net of offsetting collections.

Offsetting Receipts

Collections that are offset against gross outlays but are not authorized to be credited to expenditure accounts are credited to receipt accounts and are called offsetting receipts. Offsetting receipts are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. In most cases, they offset budget authority and outlays at the agency and subfunction levels.

Proprietary receipts from a few sources, however, are not offset against any specific agency or function and are classified as undistributed offsetting receipts. They are deducted from the Government-wide totals for budget authority and outlays. For example, the collections of rents and royalties from outer continental shelf lands are undistributed because the amounts are large and for the most part are not related to the spending of the agency that administers the transactions and the subfunction that records the administrative expenses.

Similarly, two kinds of intragovernmental transactions—agencies' payments as employers into Federal employee retirement trust funds and interest received by trust funds—are classified as undistributed offsetting receipts. They appear instead as special deductions in computing total budget authority and outlays for the Government rather than as offsets at the agency level. This special treatment is necessary because the amounts are so large they would distort measures of the agency's activities if they were attributed to the agency.

User Charges

User charges are fees assessed on individuals or organizations for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or customs duties). Policy regarding user charges is established in OMB Circular A–25, "User Charges." The term encompasses proceeds from the sale or use of Government goods and services, including the sale of natural resources (such as timber, oil, and minerals) and proceeds from asset sales (such as property, plant, and equipment). User charges are not necessarily dedicated to the activity they finance and may be credited to the general fund of the Treasury.

The term "user charge" does not refer to a separate budget category for collections. User charges are classified in the budget as receipts, offsetting receipts, or offsetting collections according to the principles explained previously.

See Chapter 15, "Offsetting Collections and Offsetting Receipts," for more information on the classification of user charges.

BUDGET AUTHORITY, OBLIGATIONS, AND OUTLAYS

Budget authority, obligations, and outlays are the primary benchmarks and measures of the budget control system. The Congress enacts laws that provide agencies with spending authority in the form of budget authority. Before agencies can use these resources—obligate this budget authority—OMB must approve their spending plans. After the plans are approved, agencies can enter into binding agreements to purchase items or services or to make grants or other payments. These agreements are recorded as obligations of the United States and deducted from the amount of budgetary resources available to the agency. When payments are made, the obligations are liquidated and outlays recorded. These concepts are discussed more fully below.

Budget Authority and Other Budgetary Resources

Budget authority is the authority provided in law to enter into legal obligations that will result in immediate or future outlays of the Government. In other words, it is the amount of money that agencies are allowed to commit to be spent in current or future years. Government officials may obligate the Government to make outlays only to the extent they have been granted budget authority.

The budget records new budget authority as a dollar amount in the year when it first becomes available for obligation. When permitted by law, unobligated balances of budget authority may be carried over and used in the next year. The budget does not record these balances as budget authority again. They do, however, constitute a budgetary resource that is available for obligation. In some cases, a provision of law (such as a limitation on obligations or a benefit formula) precludes the obligation of funds that would otherwise be available for obligation. In such cases, the budget records budget authority equal to the amount of obligations that can be incurred. A major exception to this rule is for the highway and mass transit programs financed by the Highway Trust Fund, where budget authority is measured as the amount of contract authority (described later in this chapter) provided in authorizing statutes, even though the obligation limitations enacted in annual appropriations acts restrict the amount of contract authority that can be obligated.

In deciding the amount of budget authority to request for a program, project, or activity, agency officials estimate the total amount of obligations they will need to incur to achieve desired goals and subtract the unobligated balances available for these purposes. The amount of budget authority requested is influenced by the nature of the programs, projects, or activities being financed. For current operating expenditures, the amount requested usually covers the needs for the fiscal year. For major procurement programs and construction projects, agencies generally must request sufficient budget authority in the first year to fully fund an economically useful segment of a procurement or project, even though it may be obligated over several years. This full funding policy is intended to ensure that the decision-makers take into account all costs and benefits fully at the time decisions are made to provide resources. It also avoids sinking money into a procurement or project without being certain if or when future funding will be available to complete the procurement or project.

Budget authority takes several forms:

- ***Appropriations***, provided in annual appropriations acts or authorizing laws, permit agencies to incur obligations and make payment;
- ***Borrowing authority***, usually provided in permanent laws, permits agencies to incur obligations but requires them to borrow funds, usually from the general fund of the Treasury, to make payment;
- ***Contract authority***, usually provided in permanent law, permits agencies to incur obligations in advance of a separate appropriation of the cash for payment

or in anticipation of the collection of receipts that can be used for payment; and

- ***Spending authority from offsetting collections***, usually provided in permanent law, permits agencies to credit offsetting collections to an expenditure account, incur obligations, and make payment using the offsetting collections.

Because offsetting collections and offsetting receipts are deducted from gross budget authority, they are referred to as negative budget authority for some purposes, such as Congressional Budget Act provisions that pertain to budget authority.

Authorizing statutes usually determine the form of budget authority for a program. The authorizing statute may authorize a particular type of budget authority to be provided in annual appropriations acts, or it may provide one of the forms of budget authority directly, without the need for further appropriations.

An appropriation may make funds available from the general fund, special funds, or trust funds, or authorize the spending of offsetting collections credited to expenditure accounts, including revolving funds. Borrowing authority is usually authorized for business-like activities where the activity being financed is expected to produce income over time with which to repay the borrowing with interest. The use of contract authority is traditionally limited to transportation programs.

New budget authority for most Federal programs is normally provided in annual appropriations acts. However, new budget authority is also made available through permanent appropriations under existing laws and does not require current action by the Congress. Much of the permanent budget authority is for trust funds, interest on the public debt, and the authority to spend offsetting collections credited to appropriation or fund accounts. For most trust funds, the budget authority is appropriated automatically under existing law from the available balance of the fund and equals the estimated annual obligations of the funds. For interest on the public debt, budget authority is provided automatically under a permanent appropriation enacted in 1847 and equals interest outlays.

Annual appropriations acts generally make budget authority available for obligation only during the fiscal year to which the act applies. However, they frequently allow budget authority for a particular purpose to remain available for obligation for a longer period or indefinitely (that is, until expended or until the program objectives have been attained). Typically, budget authority for current operations is made available for only one year, and budget authority for construction and some research projects is available for a specified number of years or indefinitely. Most budget authority provided in authorizing statutes, such as for most trust funds, is available indefinitely. If budget authority is initially provided for a limited period of availability, an extension of availability would require enactment of another law (see "Reappropriation" later in this chapter).

Budget authority that is available for more than one year and not obligated in the year it becomes available is carried forward for obligation in a following year. In some cases, an account may carry forward unobligated budget authority from more than one prior year. The sum of such amounts constitutes the account's ***unobligated balance***. Most of these balances had been provided for specific uses such as the multi-year construction of a major project and so are not available for new programs. A small part may never be obligated or spent, primarily amounts provided for contingencies that do not occur or reserves that never have to be used.

Amounts of budget authority that have been obligated but not yet paid constitute the account's ***unpaid obligations***. For example, in the case of salaries and wages, one to three weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payments may occur over a period of several years after the obligation is made. Unpaid obligations (which are made up of accounts payable and undelivered orders) net of the accounts receivable and unfilled customers' orders are defined by law as the ***obligated balances***. Obligated balances of budget authority at the end of the year are carried forward until the obligations are paid or the balances are canceled. (A general law provides that the obligated balances of budget authority that was made available for a definite period is automatically cancelled five years after the end of the period.) Due to such flows, a change in the amount of budget authority available in any one year may change the level of obligations and outlays for several years to come. Conversely, a change in the amount of obligations incurred from one year to the next does not necessarily result from an equal change in the amount of budget authority available for that year and will not necessarily result in an equal change in the level of outlays in that year.

The Congress usually makes budget authority available on the first day of the fiscal year for which the appropriations act is passed. Occasionally, the appropriations language specifies a different timing. The language may provide an ***advance appropriation***—budget authority that does not become available until one year or more beyond the fiscal year for which the appropriations act is passed. ***Forward funding*** is budget authority that is made available for obligation beginning in the last quarter of the fiscal year (beginning on July 1) for the financing of ongoing grant programs during the next fiscal year. This kind of funding is used mostly for education programs, so that obligations for education grants can be made prior to the beginning of the next school year. For certain benefit programs funded by annual appropriations, the appropriation provides for ***advance funding***—budget authority that is to be charged to the appropriation in the succeeding year, but which authorizes obligations to be incurred in the last quarter of the current fiscal year if necessary to meet benefit payments in excess of the specific amount appropriated for the year. When such authority is used, an adjustment is made to increase the budget authority for the fiscal year in which it is used and to reduce the budget authority of the succeeding fiscal year.

Provisions of law that extend into a new fiscal year the availability of unobligated amounts that have expired or would otherwise expire are called reappropriations. Reappropriations of expired balances that are newly available for obligation in the current or budget year count as new budget authority in the fiscal year in which the balances become newly available. For example, if a 2013 appropriations act extends the availability of unobligated budget authority that expired at the end of 2012, new budget authority would be recorded for 2013. This scorekeeping is used because a reappropriation has exactly the same effect as allowing the earlier appropriation to expire at the end of 2012 and enacting a new appropriation for 2013.

For purposes of the BBEDCA and the Statutory Pay-As-You-Go Act of 2010 (discussed earlier under "Budget Enforcement"), the budget classifies budget authority as ***discretionary*** or ***mandatory***. This classification indicates whether an appropriations act or authorizing legislation controls the amount of budget authority that is available. Generally, budget authority is discretionary if provided in an annual appropriations act and mandatory if provided in authorizing legislation. However, the budget authority provided in annual appropriations acts for certain specifically identified programs is also classified as mandatory by OMB and the congressional scorekeepers. This is because the authorizing legislation for these programs entitles beneficiaries—persons, households, or other levels of government—to receive payment, or otherwise legally obligates the Government to make payment and thereby effectively determines the amount of budget authority required, even though the payments are funded by a subsequent appropriation.

Sometimes, budget authority is characterized as current or permanent. Current authority requires the Congress to act on the request for new budget authority for the year involved. Permanent authority becomes available pursuant to standing provisions of law without appropriations action by the Congress for the year involved. Generally, budget authority is current if an annual appropriations act provides it and permanent if authorizing legislation provides it. By and large, the current/permanent distinction has been replaced by the discretionary/mandatory distinction, which is similar but not identical. Outlays are also classified as discretionary or mandatory according to the classification of the budget authority from which they flow (see "Outlays" later in this chapter).

The amount of budget authority recorded in the budget depends on whether the law provides a specific amount or employs a variable factor that determines the amount. It is considered ***definite*** if the law specifies a dollar amount (which may be stated as an upper limit, for example, "shall not exceed …"). It is considered ***indefinite*** if, instead of specifying an amount, the law permits the amount to be determined by subsequent circumstances. For example, indefinite budget authority is provided for interest on the public debt, payment of claims and judgments awarded by the courts against the United States, and many entitlement programs. Many of the laws that authorize collections to be credited to revolving, special, and trust funds make all of the collections available for expenditure for the authorized purposes of the fund, and such authority is considered to be indefinite budget authority because the amount of collections is not known in advance of their collection.

Obligations

Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations to make payments (see earlier discussion under "Budget Execution"). Agencies must record obligations when they enter into binding agreements that will result in immediate or future outlays. Such obligations include the current liabilities for salaries, wages, and interest; and contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land. For Federal credit programs, obligations are recorded in an amount equal to the estimated subsidy cost of direct loans and loan guarantees (see "Federal Credit" later in this chapter).

Outlays

Outlays are the measure of Government spending. They are payments that liquidate obligations (other than most exchanges of financial instruments, of which the repayment of debt is the prime example). The budget records outlays when obligations are paid, in the amount that is paid.

Agency, function and subfunction, and Government-wide outlay totals are stated net of offsetting collections and offsetting receipts for most budget presentations. (Offsetting receipts from a few sources do not offset any specific function, subfunction, or agency, as explained previously, but only offset Government-wide totals.) Outlay totals for accounts with offsetting collections are stated both gross and net of the offsetting collections credited to the account. However, the outlay totals for special and trust funds with offsetting receipts are not stated net of the offsetting receipts; like other offsetting receipts, these offset the agency, function, and subfunction totals but do not offset account-level outlays.

The Government usually makes outlays in the form of cash (currency, checks, or electronic fund transfers). However, in some cases agencies pay obligations without disbursing cash, and the budget nevertheless records outlays for the equivalent method. For example, the budget records outlays for the full amount of Federal employees' salaries, even though the cash disbursed to employees is net of Federal and State income taxes withheld, retirement contributions, life and health insurance premiums, and other deductions. (The budget also records receipts for the amounts withheld from Federal employee paychecks for Federal income taxes and other payments to the Government.) When debt instruments (bonds, debentures, notes, or monetary credits) are used in place of cash to pay obligations, the budget records outlays financed by an increase in agency debt. For example, the budget records the acquisition of physical assets through certain types of lease-purchase arrangements as though a cash disbursement were made for an outright purchase. The transaction creates a Government debt, and the cash lease payments are treated as repayments of principal and interest.

The budget records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when the cash is paid. A small portion of Treasury debt consists of inflation-indexed securities, which feature monthly adjustments to principal for inflation and semiannual payments of interest on the inflation-adjusted principal. As with fixed-rate securities, the budget records interest outlays as the interest accrues. The monthly adjustment to principal is recorded, simultaneously, as an increase in debt outstanding and an outlay of interest.

Most Treasury debt securities held by trust funds and other Government accounts are in the Government account series. The budget normally states the interest on these securities on a cash basis. When a Government account is invested in Federal debt securities, the purchase price is usually close or identical to the par (face) value of the security. The budget generally records the investment at par value and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par, if any.

For Federal credit programs, outlays are equal to the subsidy cost of direct loans and loan guarantees and are recorded as the underlying loans are disbursed (see “Federal Credit” later in this chapter).

The budget records refunds of receipts that result from overpayments by the public (such as income taxes withheld in excess of tax liabilities) as reductions of receipts, rather than as outlays. However, the budget records payments to taxpayers for refundable tax credits (such as earned income tax credits) that exceed the taxpayer’s tax liability as outlays. Similarly, when the Government makes overpayments that are later returned to the Government, those refunds to the Government are recorded as offsetting collections or offsetting receipts, not as governmental receipts.

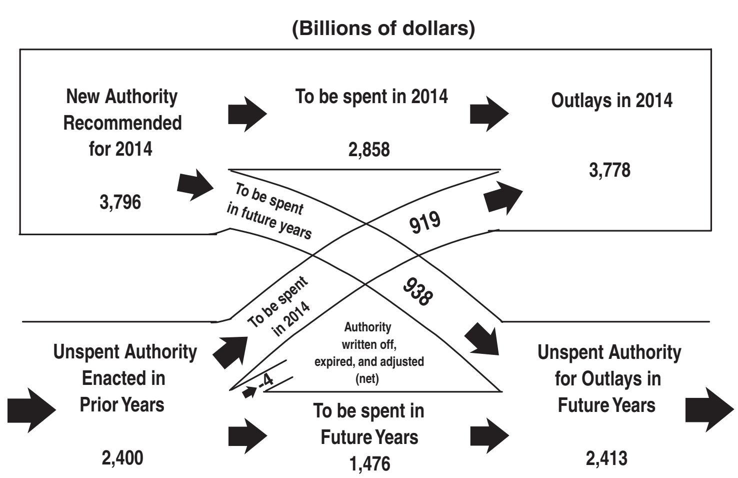
Not all of the new budget authority for 2014 will be obligated or spent in 2014. Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided for prior years. The ratio of a given year’s outlays resulting from budget authority enacted in that or a prior year to the original amount of that budget authority is referred to as the spendout rate for that year.

As shown in the accompanying chart, \$2,858 billion of outlays in 2014 (76 percent of the outlay total) will be made from that year’s \$3,796 billion total of proposed new budget authority (a first-year spendout rate of 75 percent). Thus, the remaining \$919 billion of outlays in 2014 (24 percent of the outlay total) will be made from budget authority enacted in previous years. At the same time, \$938 billion of the new budget authority proposed for 2014 (25 percent of the total amount proposed) will not lead to outlays until future years.

As described earlier, the budget classifies budget authority and outlays as discretionary or mandatory. This classification of outlays measures the extent to which actual spending is controlled through the annual appropriations process. About 36 percent of total outlays in 2012 (\$1,285 billion) are discretionary and the remaining 64 percent (\$2,252 billion in 2012) are mandatory spending and net interest. Such a large portion of total spending is mandatory because authorizing rather than appropriations legislation determines net interest (\$220 billion in 2012) and the spending for a few programs with large amounts of spending each year, such as Social Security (\$768 billion in 2012) and Medicare (\$466 billion in 2012).

The bulk of mandatory outlays flow from budget authority recorded in the same fiscal year. This is not necessarily the case for discretionary budget authority and

Chart 11-1. Relationship of Budget Authority to Outlays for 2014



outlays. For most major construction and procurement projects and long-term contracts, for example, the budget authority covers the entire cost estimated when the projects are initiated even though the work will take place and outlays will be made over a period extending beyond the year for which the budget authority is enacted. Similarly, discretionary budget authority for most education and job training activities is appropriated for school or program years that begin in the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the appropriation.

FEDERAL CREDIT

Some Government programs provide assistance through direct loans or loan guarantees. A ***direct loan*** is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest and includes economically equivalent transactions, such as the sale of Federal assets on credit terms. A ***loan guarantee*** is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The Federal Credit Reform Act of 1990, as amended (FCRA), prescribes the budgetary treatment for Federal credit programs. Under this treatment, the budget records obligations and outlays up front, for the net cost to the Government (subsidy cost), rather than recording the cash flows year by year over the term of the loan. FCRA treatment allows the comparison of direct loans and loan guarantees to each other, and to other methods of delivering assistance, such as grants.

The cost of direct loans and loan guarantees, sometimes called the "subsidy cost," is estimated as the present value of expected payments to and from the public over the term of the loan, discounted using appropriate Treasury interest rates.[4] (Some advocate for fair value treatment of loans and guarantees, which would discount cash flows using market rates. See Chapter 22 of this volume, "Credit and Insurance," for a fuller discussion of this topic.) Similar to most other kinds of programs, agencies can make loans or guarantee loans only if the Congress has appropriated funds sufficient to cover the subsidy costs, or provided a limitation in an appropriations act on the amount of direct loans or loan guarantees that can be made.

The budget records the subsidy cost to the Government arising from direct loans and loan guarantees—the budget authority and outlays—in ***credit program accounts***. When a Federal agency disburses a direct loan or when a non-Federal lender disburses a loan guaranteed by a Federal agency, the program account disburses or outlays an amount equal to the estimated present value cost, or subsidy, to a non-budgetary credit ***financing account***. The financing accounts record the actual transactions with the public. For a few programs, the estimated subsidy cost is negative because the present value of expected Government collections exceeds the present value of expected payments to the public over the term of the loan. In such cases, the financing account pays the estimated subsidy cost to the program's negative subsidy receipt account, where it is recorded as an offsetting receipt. In a few cases, the offsetting receipts of credit accounts are dedicated to a special fund established for the program and are available for appropriation for the program.

The agencies responsible for credit programs must reestimate the subsidy cost of the outstanding portfolio of direct loans and loan guarantees each year. If the estimated cost increases, the program account makes an additional payment to the financing account equal to the change in cost. If the estimated cost decreases, the financing account pays the difference to the program's downward reestimate receipt account, where it is recorded as an offsetting receipt. The FCRA provides permanent indefinite appropriations to pay for upward reestimates.

If the Government modifies the terms of an outstanding direct loan or loan guarantee in a way that increases the cost as the result of a law or the exercise of administrative discretion under existing law, the program account records obligations for the increased cost and outlays the amount to the financing account. As with the original subsidy cost, agencies may incur modification costs only if the Congress has appropriated funds to cover them. A modification may also reduce costs, in which case the amounts are generally returned to the general fund, as the financing account makes a payment to the program's negative subsidy receipt account.

Credit financing accounts record all cash flows arising from direct loan obligations and loan guarantee commitments. Such cashflows include all cashflows to and from the public, including direct loan disbursements and repayments, loan guarantee default payments, fees, and recoveries on defaults. Financing accounts also record intragovernmental transactions, such as the receipt of subsidy cost payments from program accounts, borrowing and repayments of Treasury debt to finance program activities, and interest paid to or received from the Treasury. The cash flows of direct loans and of loan guarantees are recorded in separate financing accounts for programs that provide both types of credit. The budget totals exclude the transactions of the financing accounts because they are not a cost to the Government. However, since financing accounts record all credit cash flows to and from the public, they affect the means of financing a budget surplus or deficit (see "Credit Financing Accounts" in the next section). The budget documents display the transactions of the financing accounts, together with the related program accounts, for information and analytical purposes.

The FCRA grandfathered the budgetary treatment of direct loan obligations and loan guarantee commitments made prior to 1992. The budget records these on a cash basis in ***credit liquidating accounts***, the same as they were recorded before FCRA was enacted. However, this exception ceases to apply if the direct loans or loan guar-

[4] Present value is a standard financial concept that allows for the time-value of money. That is, it accounts for the fact that a given sum of money is worth more today than the same sum would be worth in the future because interest can be earned on money held today.

antees are modified as described above. In that case, the budget records the subsidy cost or savings of the modification, as appropriate, and begins to account for the associated transactions under FCRA treatment for direct loan obligations and loan guarantee commitments made in 1992 or later.

Under the authority provided in various acts, certain activities that do not meet the definition in FCRA of a direct loan or loan guarantee are reflected pursuant to FCRA. For example, the Emergency Economic Stabilization Act of 2008 (EESA) created the Troubled Asset Relief Program (TARP) under the Department of the Treasury, and authorized Treasury to purchase or guarantee troubled assets until October 3, 2010. Under the TARP, Treasury has purchased equity interests in financial institutions. Section 123 of the EESA provides the Administration the authority to treat these equity investments on a FCRA basis, recording outlays for the subsidy as is done for direct loans and loan guarantees. The budget reflects the cost to the Government of TARP direct loans, loan guarantees, and equity investments consistent with the FCRA and Section 123 of EESA, which requires an adjustment to the FCRA discount rate for market risks. Treasury equity purchases under the Small Business Lending Fund are treated pursuant to the FCRA, as provided by the Small Business Jobs Act of 2010. In addition, the 2009 increases to the International Monetary Fund (IMF) quota and New Arrangements to Borrow enacted in the Supplemental Appropriations Act of 2009 are treated on a FCRA basis, with a risk adjustment to the discount rate, as directed in that Act. However, the Administration proposes to restate these IMF increases on a consistent basis with other IMF activity. For more information, see the discussion on United States Subscriptions to the IMF in the next section.

BUDGET DEFICIT OR SURPLUS AND MEANS OF FINANCING

When outlays exceed receipts, the difference is a deficit, which the Government finances primarily by borrowing. When receipts exceed outlays, the difference is a surplus, and the Government automatically uses the surplus primarily to reduce debt. The Government's debt (debt held by the public) is approximately the cumulative amount of borrowing to finance deficits, less repayments from surpluses, over the Nation's history.

Borrowing is not exactly equal to the deficit, and debt repayment is not exactly equal to the surplus, because of the other means of financing such as those discussed in this section. The factors included in the other means of financing can either increase or decrease the Government's borrowing needs (or decrease or increase its ability to repay debt). For example, the change in the Treasury operating cash balance is a factor included in other means of financing. Holding receipts and outlays constant, increases in the cash balance increase the Government's need to borrow or reduce the Government's ability to repay debt, and decreases in the cash balance decrease the need to borrow or increase the ability to repay debt. In some years, the net effect of the other means of financing is minor relative to the borrowing or debt repayment; in other years, such as 2009, the net effect may be significant, as explained later in this chapter.

Borrowing and Debt Repayment

The budget treats borrowing and debt repayment as a means of financing, not as receipts and outlays. If borrowing were defined as receipts and debt repayment as outlays, the budget would always be virtually balanced by definition. This rule applies both to borrowing in the form of Treasury securities and to specialized borrowing in the form of agency securities. The rule reflects the commonsense understanding that lending or borrowing is just an exchange of financial assets of equal value—cash for Treasury securities—and so is fundamentally different from, say, paying taxes.

In 2012, the Government borrowed $1,153 billion from the public, bringing debt held by the public to $11,281 billion. This borrowing financed the $1,087 billion deficit in that year as well as the net cash requirements of the other means of financing, such as changes in cash balances and other accounts discussed below.

In addition to selling debt to the public, the Treasury Department issues debt to Government accounts, primarily trust funds that are required by law to invest in Treasury securities. Issuing and redeeming this debt does not affect the means of financing, because these transactions occur between one Government account and another and thus do not raise or use any cash for the Government as a whole.

(See Chapter 5 of this volume, "Federal Borrowing and Debt," for a fuller discussion of this topic.)

Exercise of Monetary Power

Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage reduces the Government's need to borrow. Unlike the payment of taxes or other receipts, it does not involve a transfer of financial assets from the public. Instead, it arises from the exercise of the Government's power to create money and the public's desire to hold financial assets in the form of coins. Therefore, the budget excludes seigniorage from receipts and treats it as a means of financing other than borrowing from the public. The budget also treats proceeds from the sale of gold as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

Credit Financing Accounts

The budget records the net cash flows of credit programs in credit financing accounts. These accounts include the transactions for direct loan and loan guarantee programs, as well as the equity purchase programs under TARP that are recorded on a credit basis consistent with Section 123 of EESA. Financing accounts also record the 2009 increase in the U.S. quota in the International Monetary Fund that are recorded on a credit basis consistent with the Supplemental Appropriations Act of 2009, and equity purchases under the Small Business Lending Fund consistent with the Small Business Jobs Act of 2010. Credit financing accounts are excluded from the budget because they are not allocations of resources by the Government (see "Federal Credit" earlier in this chapter). However, even though they do not affect the surplus or deficit, they can either increase or decrease the Government's need to borrow. Therefore, they are recorded as a means of financing.

Financing account disbursements to the public increase the requirement for Treasury borrowing in the same way as an increase in budget outlays. Financing account receipts from the public can be used to finance the payment of the Government's obligations and therefore reduce the requirement for Treasury borrowing from the public in the same way as an increase in budget receipts.

Deposit Fund Account Balances

The Treasury uses non-budgetary accounts, called deposit funds, to record cash held temporarily until ownership is determined (for example, earnest money paid by bidders for mineral leases) or cash held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government or amounts held in the Thrift Savings Fund, a defined contribution pension fund held and managed in a fiduciary capacity by the Government). Deposit fund balances may be held in the form of either invested or uninvested balances. To the extent that they are not invested, changes in the balances are available to finance expenditures and are recorded as a means of financing other than borrowing from the public. To the extent that they are invested in Federal debt, changes in the balances are reflected as borrowing from the public (in lieu of borrowing from other parts of the public) and are not reflected as a separate means of financing.

United States Quota Subscriptions to the International Monetary Fund (IMF)

The United States participates in the IMF through a quota subscription. Financial transactions with the IMF are exchanges of monetary assets. When the IMF draws dollars from the U.S. quota, the United States simultaneously receives an equal, offsetting, Special Drawing Right (SDR)-denominated claim in the form of an increase in the U.S. reserve position in the IMF. The U.S. reserve position in the IMF increases when the United States transfers dollars to the IMF and decreases when the United States is repaid and the cash flows return to the Treasury.

The budgetary treatment of appropriations for IMF quotas has changed over time. Prior to 1981, the transactions were not included in the budget because they were viewed as exchanges of cash for a monetary asset (SDRs) of the same value. This was consistent with the scoring of other exchanges of monetary assets, such as deposits of cash in Treasury accounts at commercial banks. As a result of an agreement reached with the Congress in 1980, the budget began to record budget authority for the quotas, but did not record outlays because of the continuing view that the transactions were exchanges of monetary assets of equal value. This scoring convention continued to be applied through 2008. The 2010 Budget proposed to change the scoring back to the pre-1981 practice of showing zero budget authority and outlays for proposed increases in the U.S. quota subscriptions to the IMF.

In 2009, Congress enacted an increase in the Supplemental Appropriations Act of 2009 (Public Law 111–2, Title XIV, International Monetary Programs) and directed that the increase be scored under the requirements of the Federal Credit Reform Act of 1990, with an adjustment to the discount rate for market risk. The 2014 Budget baseline reflects obligations and outlays for the quota and NAB increases provided by the Supplemental Appropriations Act of 2009 under the terms of that Act. The cash transactions between the U.S. Treasury and the IMF are treated as a means of financing (see "Credit Financing Accounts" earlier in this chapter), which do not affect the deficit.

In contrast, for increases to the U.S. quota subscriptions made prior to the Supplemental Appropriations Act of 2009, the 2013 Budget records interest received from the IMF on U.S. deposits as an offsetting receipt in the general fund of the Treasury. Treasury records outlays in the prior year for financial transactions with the IMF to the extent there is an unrealized loss in dollar terms and offsetting receipts to the extent there is an unrealized gain in dollar terms on the value of the interest-bearing portion of the U.S. quota actually held at the IMF in SDRs. Changes in the value of the portion of the U.S. quota held at Treasury rather than in the U.S. reserve position held at the IMF are recorded as a change in obligations. Under the Administration proposal to implement IMF reforms agreed to by the G-20 in 2010, increases to the quota and the NAB provided in the 2009 Supplemental Appropriations Act would be restated to reflect the pre-2009 agreement with Congress on budgetary treatment, and consolidated into existing quota and NAB accounts. The Budget assumes enactment of this proposal in 2013.

Investments of the National Railroad Retirement Investment Trust

Under longstanding rules, the budget has generally treated investments in non-Federal equities and debt securities as a purchase of an asset, recording an obligation and an outlay in an amount equal to the purchase price in the year of the purchase. Since investments in non-Federal equities or debt securities consume cash, fund balances (of funds available for obligation) are normally reduced by the amounts paid for these purchases. However, as previously noted, the purchase of equity securities through TARP is recorded on a credit basis, with an outlay recorded in the amount of the estimated subsidy cost. In addition, the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107–90) requires purchases or sales of non-Federal assets by the National Railroad Retirement Investment Trust (NRRIT) to be treated as a means of financing in the budget, rather than as an outlay.

Earnings on investments by the NRRIT in private assets pose special challenges for budget projections. Over long periods, equities and private bonds are expected to earn a higher return on average than the Treasury rate, but that return is subject to greater uncertainty. Sound budgeting principles require that estimates of future trust fund balances reflect both the average return on investments, and the cost of risk associated with the uncertainty of that return. (The latter is particularly true in cases where individual beneficiaries have not made a voluntary choice to assume additional risk.) Estimating both of these separately is quite difficult. While the gains and losses that these assets have experienced in the past are known, it is quite possible that such premiums will differ in the future. Furthermore, there is no existing procedure for the budget to record separately the cost of risk from such an investment, even if it could be estimated accurately. Economic theory suggests, however, that the difference between the expected return of a risky liquid asset and the Treasury rate is equal to the cost of the asset's additional risk as priced by the market net of administrative and transaction costs. Following through on this insight, the best way to project the rate of return on the Fund's balances is probably to use a Treasury rate. As a result, the Budget treats equivalently NRRIT investments with equal economic value as measured by market prices, avoiding the appearance that the budget would be expected to benefit if the Government bought private sector assets.

The actual and estimated returns to private (debt and equity) securities are recorded in subfunction 909, other investment income. The actual-year returns include interest, dividends, and capital gains and losses on private equities and other securities. The Fund's portfolio of these assets is revalued at market prices at the end of each month to determine capital gains or losses. As a result, the Fund's balance at any given point reflects the current market value of resources available to the Government to finance benefits. Earnings for the remainder of the current year and for future years are estimated using the 10-year Treasury rate and the value of the Fund's portfolio at the end of the actual year. No estimates are made of gains and losses for the remainder of the current year or for subsequent years.

FEDERAL EMPLOYMENT

The budget includes information on civilian and military employment. It also includes information on related personnel compensation and benefits and on staffing requirements at overseas missions. Chapter 10 of this volume, "Improving the Federal Workforce," provides employment levels measured in full-time equivalents (FTE). Agency FTEs are the measure of total hours worked by an agency's Federal employees divided by the total number of one person's compensable work hours in a fiscal year.

BASIS FOR BUDGET FIGURES

Data for the Past Year

The past year column (2012) generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Treasury Department for the most recently completed fiscal year. Occasionally, the budget reports corrections to data reported erroneously to Treasury but not discovered in time to be reflected in Treasury's published data. In addition, in certain cases the Budget has a broader scope and includes financial transactions that are not reported to Treasury (see Chapter 29 of this volume, "Comparison of Actual to Estimated Totals," for a summary of these differences).

Data for the Current Year

The current year column (2013) includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was prepared. In cases where the budget proposes policy changes effective in the current year, the data will also reflect the budgetary effect of those proposed changes.

Data for the Budget Year

The budget year column (2014) includes estimates of transactions and balances based on the amounts of budgetary resources that are estimated to be available, including new budget authority requested under current authorizing legislation, and amounts estimated to result from changes in authorizing legislation and tax laws.

The budget Appendix generally includes the appropriations language for the amounts proposed to be appropriated under current authorizing legislation. In a few cases, this language is transmitted later because the exact requirements are unknown when the budget is transmitted. The Appendix generally does not include appropriations language for the amounts that will be requested under proposed legislation; that language is usually transmitted later, after the legislation is enacted. Some tables in the budget identify the items for later transmittal and the related outlays separately. Estimates of the total requirements for the budget year include both the amounts requested with the transmittal of the budget and the amounts planned for later transmittal.

Data for the Outyears

The budget presents estimates for each of the nine years beyond the budget year (2015 through 2023) in order to reflect the effect of budget decisions on objectives and plans over a longer period.

Allowances

The budget may include lump-sum allowances to cover certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but are not, for various reasons, reflected in the program details. For example, the budget might include an allowance to show the effect on the budget totals of a proposal that would affect many accounts by relatively small amounts, in order to avoid unnecessary detail in the presentations for the individual accounts.

This year's Budget, like last year's, includes an allowance for the costs of possible future natural disasters.

Baseline

The budget baseline is an estimate of the receipts, outlays, and deficits or surpluses that would occur if no changes were made to current laws and policies during the period covered by the budget. The baseline assumes that receipts and mandatory spending, which generally are authorized on a permanent basis, will continue in the future consistent with current law and policy. The baseline assumes that the future funding for most discretionary programs, which generally are funded annually, will equal the most recently enacted appropriation, adjusted for inflation.

Baseline outlays represent the amount of resources that would be used by the Government over the period covered by the budget on the basis of laws currently enacted.

The baseline serves several useful purposes:

- It may warn of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs.
- It may provide a starting point for formulating the President's Budget.
- It may provide a "policy-neutral" benchmark against which the President's Budget and alternative proposals can be compared to assess the magnitude of proposed changes.

A number of significant changes in policies are embedded in the baseline rules specified in the BBEDCA, as amended. For example, certain provisions relating to the child tax credit, earned income tax credit, and American opportunity tax credit that were originally enacted in the American Recovery and Reinvestment Act (ARRA) of 2009 and recently extended for five years are scheduled under current law to expire at the end of 2017. As another example, the BBEDCA baseline rules for discretionary programs would inflate discretionary spending for future years above the statutory caps that limit such spending. Because the expiration of the ARRA tax credit provisions and the inflation of discretionary spending above the statutory caps would create significant differences between the BBEDCA baseline and policies in effect this year, the Administration also issues an adjusted baseline that, unlike the BBEDCA baseline, assumes such changes in policy will not occur. (Chapter 26 of this volume, "Current Services Estimates," provides more information on the baseline, including the differences between the baseline as calculated under the rules of the BBEDCA and the adjusted baseline used in this Budget.)

PRINCIPAL BUDGET LAWS

The following basic laws govern the Federal budget process:

Article 1, section 8, clause 1 of the Constitution, which empowers the Congress to collect taxes.

Article 1, section 9, clause 7 of the Constitution, which requires appropriations in law before money may be spent from the Treasury and the publication of a regular statement of the receipts and expenditures of all public money.

Antideficiency Act (codified in Chapters 13 and 15 of Title 31, United States Code), which prescribes rules and procedures for budget execution.

Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which establishes limits on discretionary spending and provides mechanisms for enforcing discretionary spending limits.

Chapter 11 of Title 31, United States Code, which prescribes procedures for submission of the President's budget and information to be contained in it.

Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344), as amended. This Act comprises the:

- ***Congressional Budget Act of 1974***, as amended, which prescribes the congressional budget process; and
- ***Impoundment Control Act of 1974***, which controls certain aspects of budget execution.
- ***Federal Credit Reform Act of 1990, as amended (2 USC 661–661f),*** which the Budget Enforcement Act of 1990 included as an amendment to the Congressional Budget Act to prescribe the budget treatment for Federal credit programs.

Government Performance and Results Act of 1993 (Public Law 103–62, as amended) which emphasizes managing for results. It requires agencies to prepare strategic plans, annual performance plans, and annual performance reports.

Statutory Pay-As-You-Go Act of 2010, which establishes a budget enforcement mechanism generally requiring that direct spending and revenue legislation enacted into law not increase the deficit.

GLOSSARY OF BUDGET TERMS

Account refers to a separate financial reporting unit used by the Federal government to record budget authority, outlays and income for budgeting or management information purposes as well as for accounting purposes. All budget (and off-budget) accounts are classified as being either expenditure or receipt accounts and by fund group. Budget (and off-budget) transactions fall within either of two fund group: (1) Federal funds and (2) trust funds. (Cf. Federal funds group and trust funds group.)

Accrual method of measuring cost means an accounting method that records cost when the liability is incurred. As applied to Federal employee retirement benefits, accrual costs are recorded when the benefits are earned rather than when they are paid at some time in the future. The accrual method is used in part to provide data that assists in agency policymaking, but not used in presenting the overall budget of the United States Government.

Advance appropriation means appropriations of new budget authority that become available one or more fiscal years beyond the fiscal year for which the appropriation act was passed.

Advance funding means appropriations of budget authority provided in an appropriations act to be used, if necessary, to cover obligations incurred late in the fiscal year for benefit payments in excess of the amount specifically appropriated in the act for that year, where the budget authority is charged to the appropriation for the program for the fiscal year following the fiscal year for which the appropriations act is passed.

Agency means a department or other establishment of the Government.

Allowance means a lump-sum included in the budget to represent certain transactions that are expected to increase or decrease budget authority, outlays, or receipts but that are not, for various reasons, reflected in the program details.

Balances of budget authority means the amounts of budget authority provided in previous years that have not been outlayed.

Baseline means a projection of the estimated receipts, outlays, and deficit or surplus that would result from continuing current law or current policies through the period covered by the budget.

Budget means the Budget of the United States Government, which sets forth the President's comprehensive financial plan for allocating resources and indicates the President's priorities for the Federal Government.

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. (For a description of the several forms of budget authority, see "Budget Authority and Other Budgetary Resources" earlier in this chapter.)

Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) refers to legislation that altered the budget process, primarily by replacing the earlier fixed targets for annual deficits with a Pay-As-You-Go requirement for new tax or mandatory spending legislation and with caps on annual discretionary funding. The Statutory Pay-As-You-Go Act of 2010, which is a standalone piece of legislation that did not directly amend the BBEDCA, reinstated a statutory pay-as-you-go rule for revenues and mandatory spending legislation, and the Budget Control Act of 2011, which did amend BBEDCA, reinstated discretionary caps on budget authority.

Budget Control Act of 2011 refers to legislation that, among other things, amended BBEDCA to reinstate discretionary spending limits on budget authority through 2021 and restored the process for enforcing those spending limits. The legislation also increased the statutory debt ceiling; created a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period. It also provided a process to implement alternative spending reductions in the event that legislation achieving at least $1.2 trillion of deficit reduction was not enacted.

Budget resolution—see concurrent resolution on the budget.

Budget totals mean the totals included in the budget for budget authority, outlays, receipts, and the surplus or deficit. Some presentations in the budget distinguish on-budget totals from off-budget totals. On-budget totals reflect the transactions of all Federal Government entities except those excluded from the budget totals by law. The off-budget totals reflect the transactions of Government entities that are excluded from the on-budget totals by law. Under current law, the off-budget totals include the Social Security trust funds (Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds) and the Postal Service Fund. The budget combines the on- and off-budget totals to derive unified or consolidated totals for Federal activity.

Budgetary resources mean amounts available to incur obligations in a given year. The term comprises new budget authority and unobligated balances of budget authority provided in previous years.

Cap means the legal limits for each fiscal year under the BBEDCA, as amended, on the budget authority and outlays (only if applicable) provided by discretionary appropriations.

Cap adjustment means either an increase or a decrease that is permitted to the statutory cap limits for each fiscal year under the BBEDCA, as amended, on the budget authority and outlays (only if applicable) provided by discretionary appropriations only if certain conditions are met. These conditions may include providing for a base level of funding, a designation of the increase or decrease by the Congress, (and in some circumstances, the President) pursuant to a section of the BBEDCA, or a change in concepts and definitions of funding under the cap. Changes in concepts and definitions require consultation with the Congressional Appropriations and Budget Committees.

Cash equivalent transaction means a transaction in which the Government makes outlays or receives collections in a form other than cash or the cash does not accurately measure the cost of the transaction. (For examples, see the section on "Outlays" earlier in this chapter.)

Collections mean money collected by the Government that the budget records as a governmental receipt, an offsetting collection, or an offsetting receipt.

Concurrent resolution on the budget refers to the concurrent resolution adopted by the Congress to set budgetary targets for appropriations, mandatory spending legislation, and tax legislation. These concurrent resolutions are required by the Congressional Budget Act of 1974, and are generally adopted annually.

Continuing resolution means an appropriations act that provides for the ongoing operation of the Government in the absence of enacted appropriations.

Cost refers to legislation or administrative actions that increase outlays or decrease receipts. (Cf. savings.)

Credit program account means a budget account that receives and obligates appropriations to cover the subsidy cost of a direct loan or loan guarantee and disburses the subsidy cost to a financing account.

Current services estimate—see Baseline.

Debt held by the public means the cumulative amount of money the Federal Government has borrowed from the public and not repaid.

Debt held by the public net of financial assets means the cumulative amount of money the Federal Government has borrowed from the public and not repaid, minus the current value of financial assets such as loan assets, bank deposits, or private-sector securities or equities held by the Government and plus the current value of financial liabilities other than debt.

Debt held by Government accounts means the debt the Treasury Department owes to accounts within the Federal Government. Most of it results from the surpluses of the Social Security and other trust funds, which are required by law to be invested in Federal securities.

Debt limit means the maximum amount of Federal debt that may legally be outstanding at any time. It includes both the debt held by the public and the debt held by Government accounts, but without accounting for offsetting financial assets. When the debt limit is reached, the Government cannot borrow more money until the Congress has enacted a law to increase the limit.

Deficit means the amount by which outlays exceed receipts in a fiscal year. It may refer to the on-budget, off-budget, or unified budget deficit.

Direct loan means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender. The term also includes the sale of a Government asset on credit terms of more than 90 days duration as well as financing arrangements for other transactions that defer payment for more than 90 days. It also includes loans financed by the Federal Financing Bank (FFB) pursuant to agency loan guarantee authority. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default or other guarantee claims or the price support "loans" of the Commodity Credit Corporation. (Cf. loan guarantee.)

Direct spending—see mandatory spending.

Disaster funding means an appropriation for a discretionary account that is enacted that the Congress designates as being for disaster relief. Such amounts are a cap adjustment to the limits on discretionary spending under the BBEDCA, as amended. The total adjustment for this purpose cannot exceed a ceiling for a particular year that is defined as the total of the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) and the unused amount of the prior year's ceiling (excluding the portion of the prior year's ceiling that was itself due to any unused amount from the year before). Disaster relief is defined as activities carried out pursuant to a determination under section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

Discretionary spending means budgetary resources (except those provided to fund mandatory spending programs) provided in appropriations acts. (Cf. mandatory spending.)

Emergency requirement means an amount that the Congress has designated as an emergency requirement. Such amounts are not included in the estimated budgetary effects of PAYGO legislation under the requirements of the Statutory Pay-As-You-Go Act of 2010, if they are mandatory or receipts. Such a discretionary appropriation that is subsequently designated by the President as an emergency requirement results in a cap adjustment to the limits on discretionary spending under the BBEDCA, as amended.

Entitlement refers to a program in which the Federal Government is legally obligated to make payments or provide aid to any person who, or State or local government that, meets the legal criteria for eligibility. Examples include Social Security, Medicare, Medicaid, and Food Stamps.

Federal funds group refers to the moneys collected and spent by the Government through accounts other than those designated as trust funds. Federal funds include general, special, public enterprise, and intragovernmental funds. (Cf. trust funds group.)

Financing account means a non-budgetary account (an account whose transactions are excluded from the budget totals) that records all of the cash flows resulting from post-1991 direct loan obligations or loan guarantee commitments. At least one financing account is associated with each credit program account. For programs that make both direct loans and loan guarantees, there are separate financing accounts for the direct loans and the loan guarantees. (Cf. liquidating account.)

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

Forward funding means appropriations of budget authority that are made for obligation starting in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year.

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

Government sponsored enterprises mean private enterprises that were established and sponsored by the Federal Government for public policy purposes. They are not included in the budget totals because they are private companies, and their securities are not backed by the full faith and credit of the Federal Government. However, the budget presents statements of financial condition for certain Government sponsored enterprises such as the Federal National Mortgage Association. (Cf. off-budget.)

Intragovernmental fund —see Revolving fund.

Liquidating account means a budget account that records all cash flows to and from the Government resulting from pre-1992 direct loan obligations or loan guarantee commitments. (Cf. financing account.)

Loan guarantee means any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender. The term does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (Cf. direct loan.)

Mandatory spending means spending controlled by laws other than appropriations acts (including spending for entitlement programs) and spending for the food stamp program. Although the Statutory Pay-As-You-Go Act of 2010 uses the term direct spending to mean this, mandatory spending is commonly used instead. (Cf. discretionary spending.)

Means of financing refers to borrowing, the change in cash balances, and certain other transactions involved in financing a deficit. The term is also used to refer to the debt repayment, the change in cash balances, and certain other transactions involved in using a surplus. By definition, the means of financing are not treated as receipts or outlays and so are non-budgetary.

Obligated balance means the cumulative amount of budget authority that has been obligated but not yet outlayed. (Cf. unobligated balance.)

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Off-budget refers to transactions of the Federal Government that would be treated as budgetary had the Congress not designated them by statute as "off-budget." Currently, transactions of the Social Security trust fund and the Postal Service fund are the only sets of transactions that are so designated. The term is sometimes used more broadly to refer to the transactions of private enterprises that were established and sponsored by the Government, most especially "Government sponsored enterprises" such as the Federal Home Loan Banks. (Cf. budget totals.)

Offsetting collections mean collections that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further action by the Congress. They result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority. (Cf. receipts and offsetting receipts.)

Offsetting receipts mean collections that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriation acts before they can be spent. Like offsetting collections, they result from business-like transactions or market-oriented activities with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. (Cf. receipts, undistributed offsetting receipts, and offsetting collections.)

On-budget refers to all budgetary transactions other than those designated by statute as off-budget (Cf. budget totals.)

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements, but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

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

Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) means an appropriation for a discretionary account that is enacted that the Congress and, subsequently, the President have so designated on an account by account basis. Such a discretionary appropriation that is designated as OCO/GWOT results in a cap adjustment to the limits on discretionary spending under the BBEDCA, as amended. Funding for these purposes has most recently been associated with the wars in Iraq and Afghanistan.

Pay-as-you-go (PAYGO) refers to requirements of the Statutory Pay-As-You-Go Act of 2010 that result in a sequestration if the estimated combined result of new legislation affecting direct spending or revenue increases the on-budget deficit relative to the baseline, as of the end of a congressional session.

Public enterprise fund —see Revolving fund.

Reappropriation means a provision of law that extends into a new fiscal year the availability of unobligated amounts that have expired or would otherwise expire.

Receipts mean collections that result from the Government's exercise of its sovereign power to tax or otherwise compel payment. They are compared to outlays in calculating a surplus or deficit. (Cf. offsetting collections and offsetting receipts.)

Revolving fund means a fund that conducts continuing cycles of business-like activity, in which the fund charges for the sale of products or services and uses the proceeds to finance its spending, usually without requirement for annual appropriations. There are two types of revolving funds: Public enterprise funds, which conduct business-like operations mainly with the public, and intragovernmental revolving funds, which conduct business-like operations mainly within and between Government agencies. (Cf. special fund and trust fund.)

Savings refers to legislation or administrative actions that decrease outlays or increase receipts. (Cf. cost.)

Scorekeeping means measuring the budget effects of legislation, generally in terms of budget authority, receipts, and outlays, for purposes of measuring adherence to the Budget or to budget targets established by the Congress, as through agreement to a Budget Resolution.

Sequestration means the cancellation of budgetary resources. The Statutory Pay-As-You-Go Act of 2010 requires such cancellations if revenue or direct spending legislation is enacted that, in total, increases projected deficits or reduces projected surpluses relative to the baseline. The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, requires such cancellations if discretionary appropriations exceed the statutory limits on discretionary spending.

Special fund means a Federal fund account for receipts or offsetting receipts earmarked for specific purposes and the expenditure of these receipts. (Cf. revolving fund and trust fund.)

Statutory Pay-As-You-Go Act of 2010 refers to legislation that reinstated a statutory pay-as-you-go requirement for new tax or mandatory spending legislation. The law is a standalone piece of legislation that cross-references the BBEDCA, as amended, but does not directly amend that legislation. This is a permanent law and does not expire.

Subsidy means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

Surplus means the amount by which receipts exceed outlays in a fiscal year. It may refer to the on-budget, off-budget, or unified budget surplus.

Supplemental appropriation means an appropriation enacted subsequent to a regular annual appropriations act, when the need for additional funds is too urgent to be postponed until the next regular annual appropriations act.

Trust fund refers to a type of account, designated by law as a trust fund, for receipts or offsetting receipts dedicated to specific purposes and the expenditure of these receipts. Some revolving funds are designated as trust funds, and these are called trust revolving funds. (Cf. special fund and revolving fund.)

Trust funds group refers to the moneys collected and spent by the Government through trust fund accounts. (Cf. Federal funds group.)

Undistributed offsetting receipts mean offsetting receipts that are deducted from the Government-wide totals for budget authority and outlays instead of being offset against a specific agency and function. (Cf. offsetting receipts.)

Unified budget includes receipts from all sources and outlays for all programs of the Federal Government, including both on- and off-budget programs. It is the most comprehensive measure of the Government's annual finances.

Unobligated balance means the cumulative amount of budget authority within a budget account that is not obligated and that remains available for obligation under law.

User charges are charges assessed for the provision of Government services and for the sale or use of Government goods or resources. The payers of the user charge must be limited in the authorizing legislation to those receiving special benefits from, or subject to regulation by, the program or activity beyond the benefits received by the general public or broad segments of the public (such as those who pay income taxes or custom duties).

FEDERAL RECEIPTS

15. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS

I. INTRODUCTION AND BACKGROUND

The Government records money collected in one of two ways. It is either recorded as a governmental receipt and included in the amount reported on the receipts side of the budget or it is recorded as an offsetting collection or offsetting receipt, which reduces (or "offsets") the amount reported on the outlay side of the budget. Governmental receipts are discussed in the previous chapter, "Governmental Receipts." The first section of this chapter broadly discusses offsetting collections and offsetting receipts. The second section discusses user charges, which consist of a subset of offsetting collections and offsetting receipts and a small share of governmental receipts. The third and final section of this chapter describes the Administration's user charge proposals.

As discussed below, offsetting collections and offsetting receipts are cash inflows to a budget account that are used to finance Government activities. The spending associated with these activities is included in total or "gross outlays." For 2012, gross outlays to the public were $4,027 billion,[1] or 25.9 percent of gross domestic product (GDP). Offsetting collections and offsetting receipts from the public are subtracted from gross outlays to the public to yield "net outlays," which is the most common measure of outlays cited and generally referred to as simply "outlays." For 2012, net outlays were $3,537 billion or 22.8 percent of GDP. Government-wide net outlays reflect the Government's net disbursements to the public and are subtracted from governmental receipts to derive the Government's deficit or surplus. For 2012, governmental receipts were $2,450 billion or 15.8 percent of GDP and the deficit was $1,087 billion, or 7.0 percent of GDP.

There are two sources of offsetting receipts and offsetting collections: from the public and from other budget accounts. In 2012, offsetting receipts and offsetting collections from the public were $490 billion, while intragovernmental offsetting receipts and offsetting collections were $1,090 billion. Regardless of how it is recorded (as governmental receipts, offsetting receipts, or offsetting collections), money collected from the public reduces the deficit or increases the surplus. In contrast, intragovernmental collections from other budget accounts exactly offset the payments, with no net impact on the deficit or surplus (see Table 15-1).

When measured by the magnitude of the dollars collected, most offsetting collections and offsetting receipts from the public arise from business-like transactions with the public. Unlike governmental receipts, which are derived from the Government's exercise of its sovereign power, these offsetting collections and offsetting receipts arise primarily from voluntary payments from the public for goods or services provided by the Government. They are classified as offsets to outlays for the cost of producing the goods or services for sale, rather than as governmental receipts on the receipts side of the budget. Treating offsetting collections and offsetting receipts as offsets to outlays produces budget totals for receipts, (net) outlays, and budget authority that reflect the amount of resources allocated by the Government through collective political choice, rather than through the marketplace.[2] These activities include the sale of postage stamps, land, timber, and electricity, and services provided to the public (e.g., admission to national parks); and premiums for health care benefits (e.g., Medicare Parts B and D).

A relatively small portion ($8.6 billion in 2012) of offsetting collections and offsetting receipts from the public is derived from the Government's exercise of its sovereign power. From a conceptual standpoint, these should be classified as governmental receipts. However, they are classified as offsetting rather than governmental receipts either because this classification has been specified in law or because these collections have traditionally been classified as offsets to outlays.[3] Most of the offsetting collections and offsetting receipts in this category derive from fees from Government regulatory services or Government licenses, and include, for example, charges for regulating the nuclear energy industry, bankruptcy filing fees, immigration fees, food inspection fees, passport fees, and patent and trademark fees.

A third source of offsetting collections and offsetting receipts is intragovernmental transfers. Examples of intragovernmental transfers include interest payments to funds that hold Government securities (such as the Social Security trust funds), general fund transfers to civilian

[1] Gross outlays to the public are derived by subtracting intragovernmental outlays from gross outlays. For 2012, gross outlays were $5,117 billion. Intragovernmental outlays are payments from one Government account to another Government account. For 2012, intragovernmental outlays totaled $1,090 billion.

[2] Showing collections from business-type transactions as offsets on the spending side of the budget follows the concept recommended by the *Report of the President's Commission on Budget Concepts* in 1967 and is discussed in Chapter 11 of this volume, "Budget Concepts."

[3] Offsetting governmental receipts, which are a subset of offsetting receipts and were $8.6 billion in 2012, result from the Government's exercise of its sovereign power to tax, but by law are required to be subtracted from outlays rather than added to governmental receipts. Some argue that regulatory or licensing fees should be viewed as payments for a particular service or for the right to engage in a particular type of business. However, these fees are conceptually much more similar to taxes because they are compulsory, and they fund activities that are intended to provide broadly dispersed benefits, such as protecting the health of the public. Reclassifying these fees as governmental receipts could require a change in law, and because of traditional conventions for scoring appropriations bills, would make it impossible for fees that are controlled through annual appropriations acts to be scored as offsets to discretionary spending.

Table 15–1. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC
(In billions of dollars)

	Actual 2012	Estimate 2013	Estimate 2014
Offsetting collections (credited to expenditure accounts):			
User charges:			
Postal Service stamps and other USPS fees (off-budget)	65.4	63.6	64.0
Defense Commissary Agency	6.1	6.1	6.2
Employee contributions for employees and retired employees health benefits funds	13.1	13.4	14.2
Sale of energy:			
Tennessee Valley Authority	44.0	42.2	41.2
Bonneville Power Administration	3.3	4.1	4.2
All other user charges	53.7	63.5	85.0
Subtotal, user charges	185.5	192.9	214.8
Other collections credited to expenditure accounts:			
Commodity Credit Corporation fund	4.9	6.8	6.8
Supplemental Security Income (collections from the States)	3.3	3.3	3.4
Other collections	13.5	10.7	8.8
Subtotal, other collections	21.8	20.9	19.1
Subtotal, offsetting collections	207.3	213.8	233.9
Offsetting receipts (deposited in receipt accounts):			
User charges:			
Medicare premiums	64.7	69.6	72.5
Outer Continental Shelf rents, bonuses, and royalties	6.6	6.8	7.0
All other user charges	26.4	25.6	27.4
Subtotal, user charges deposited in receipt accounts	97.7	102.1	106.9
Other collections deposited in receipt accounts:			
Military assistance program sales	26.3	31.4	33.0
Interest received from credit financing accounts	58.6	64.5	83.5
All other collections deposited in receipt accounts	100.0	93.6	56.5
Subtotal, other collections deposited in receipt accounts	184.9	189.6	173.1
Subtotal, offsetting receipts	282.6	291.7	280.0
Total, offsetting collections and offsetting receipts from the public	**489.9**	**505.5**	**513.9**
Total, offsetting collections and offsetting receipts excluding off-budget	424.3	441.7	449.7
ADDENDUM:			
User charges that are offsetting collections and offsetting receipts [1]	283.2	295.0	321.7
Other offsetting collections and offsetting receipts from the public	206.6	210.4	192.2

[1] Excludes user charges that are classified on the receipts side of the budget. For total user charges, see Table 15–3.

and military retirement pension and health benefits funds, and agency payments to funds for employee health insurance and retirement benefits. Although these intragovernmental collections exactly offset the payments so there is no net effect on the deficit or surplus, it is important to record these transactions in the budget to show how much the Government is allocating to fund various programs. For example, in the case of civilian retirement pensions, Government agencies make accrual payments to the Civil Service Retirement and Disability Fund on behalf of current employees to fund their future retirement benefits; the receipt of these payments to the Fund is shown in a single receipt account. Recording the receipt of these payments is important because it demonstrates the total cost to the Government of providing this future benefit.

The final source of offsetting collections and offsetting receipts is gifts. Gifts are voluntary contributions to the Government to support particular purposes or reduce the amount of Government debt held by the public.

Although both offsetting collections and offsetting receipts are subtracted from gross outlays to derive net outlays, they are treated differently when it comes to accounting for specific programs and agencies. Offsetting collections are usually authorized to be spent for the purposes of an expenditure account and are generally available for use when collected, without further action by the Congress. Therefore, offsetting collections are recorded as offsets to spending within expenditure accounts, so that the account total highlights the net flow of funds.

Like governmental receipts, offsetting receipts are credited to receipt accounts, and any spending of the receipts is recorded in separate expenditure accounts. As a result, the budget separately displays the flow of funds into and out of the Government. Offsetting receipts may or may not be designated for a specific purpose, depending

Table 15–2. OFFSETTING RECEIPTS BY TYPE SUMMARY
(In millions of dollars)

Receipt Type	2012 Actual	Estimate					
		2013	2014	2015	2016	2017	2018
Intragovernmental	731,557	716,079	694,589	749,626	804,961	833,715	851,499
Receipts from Non-Federal Sources:							
Proprietary	273,940	282,658	269,830	263,335	269,359	269,802	275,631
Offsetting Governmental	8,620	8,996	10,127	16,143	21,279	20,988	14,998
Total, receipts from non-Federal sources	282,560	291,654	279,957	279,478	290,638	290,790	290,629
Total Offsetting Receipts	1,014,117	1,007,733	974,546	1,029,104	1,095,599	1,124,505	1,142,128

on the legislation that authorizes their collection. If designated for a particular purpose, the offsetting receipts may, in some cases, be spent without further action by the Congress. When not designated for a particular purpose, offsetting receipts are credited to the general fund, which contains all funds not otherwise allocated and which is used to finance Government spending that is not financed out of dedicated funds. In some cases where the receipts are designated for a particular purpose, offsetting receipts are reported in a particular agency and reduce or offset the outlays reported for that agency. In other cases, the offsetting receipts are "undistributed," which means they reduce total Government outlays, but not the outlays of any particular agency.

Table 15–1 summarizes offsetting collections and offsetting receipts from the public. Note that this table does not include intragovernmental transactions. The amounts shown in the table are not evident in the commonly cited budget measure of (net) outlays. For 2014, the table shows that total offsetting collections and offsetting receipts from the public are estimated to be $513.9 billion or 3.0 percent of GDP. Of these, an estimated $233.9 billion are offsetting collections and an estimated $280.0 billion are offsetting receipts. Table 15–1 also identifies those offsetting collections and offsetting receipts that are considered user charges, as defined and discussed below.

As shown in the table, major offsetting collections from the public include proceeds from Postal Service sales, electrical power sales, loan repayments to the Commodity Credit Corporation for loans made prior to enactment of the Federal Credit Reform Act, and Federal employee payments for health insurance. As also shown in the table, major offsetting receipts from the public include Medicare Part B premiums, proceeds from military assistance program sales, rents and royalties from Outer Continental Shelf oil extraction, and interest income.

Tables 15–2 and 15-5 provide further detail about offsetting receipts, including both offsetting receipts from the public (as summarized in Table 15–1) and intragovernmental transactions. In total, offsetting receipts are estimated to be $974.5 billion in 2014; $694.6 billion are from intragovernmental transactions and $280.0 billion are from the public. The offsetting receipts from the public consist of proprietary receipts ($269.8 billion) and those classified as offsetting receipts by law or long-standing practice ($10.1 billion) (shown as offsetting governmental receipts in the table). Proprietary receipts from the public result from business-like transactions such as the sale of goods or services, or the rental or use of Government land. Offsetting governmental receipts are composed of fees from Government regulatory services or Government licenses that, absent a specification in law or a long-standing practice, would be classified on the receipts side of the budget.

II. USER CHARGES

User charges or user fees[4] refer generally to those monies that the Government receives from the public for market-oriented activities and regulatory activities. In combination with budget concepts, laws that authorize user charges determine whether a user charge is classified as an offsetting collection, an offsetting receipt, or a governmental receipt. Almost all user charges, as defined below, are classified as offsetting collections or offsetting receipts; for 2014, only an estimated 1.5 percent of user charges are classified as governmental receipts. As summarized in Table 15-3, total user charges for 2014 are estimated to be $326.5 billion with $321.7 billion being offsetting collections or offsetting receipts, and accounting for more than half of all offsetting collections and offsetting receipts from the public.

Definition. In this chapter, user charges refer to fees, charges, and assessments levied on individuals or organizations directly benefiting from or subject to regulation by a Government program or activity, where the payers do not represent a broad segment of the public such as those who pay income taxes.

Examples of business-type or market-oriented user charges and regulatory and licensing user charges include those charges listed in Table 15-1 for offsetting collections and offsetting receipts. User charges exclude certain offsetting collections and offsetting receipts from the public, such as repayments received from credit programs, inter-

[4] In this chapter, the term "user charge" is generally used and has the same meaning as the term "user fee." The term "user charge" is the one used in OMB Circular No. A–11, "Preparation, Submission, and Execution of the Budget;" OMB Circular No. A–25, "User Charges;" and Chapter 11 of this volume, "Budget Concepts." In common usage, the terms "user charge" and "user fee" are often used interchangeably; and in A Glossary of Terms Used in the Federal Budget Process, GAO provides the same definition for both terms.

est and dividends, and also exclude payments from one part of the Federal Government to another. In addition, user charges do not include dedicated taxes (such as taxes paid to social insurance programs or excise taxes on gasoline) or customs duties, fines, penalties, or forfeitures.

Alternative definitions. The definition for user charges used in this chapter follows the definition used in OMB Circular No. A–25, "User Charges," which provides policy guidance to Executive Branch agencies on setting the amount for user charges. Alternative definitions may be used for other purposes. Much of the discussion of user charges below – their purpose, when they should be levied, and how the amount should be set – applies to these alternative definitions as well.

The definition of user charges could be narrower than the one used in this chapter by being limited to proceeds from the sale of goods and services, excluding the proceeds from the sale of assets, and by being limited to proceeds that are dedicated to financing the goods and services being provided. This definition is similar to one the House of Representatives uses as a guide for purposes of committee jurisdiction. (See the *Congressional Record,* January 3, 1991, p. H31, item 8.) The definition of user charges could be even narrower by excluding regulatory fees and focusing solely on business-type transactions. Alternatively, the user charge definition could be broader than the one used in this chapter by including beneficiary- or liability-based excise taxes.[5]

What is the purpose of user charges? User charges are intended to improve the efficiency and equity of financing certain Government activities. Charging users for activities that benefit a relatively limited number of people and charging for regulatory activities reduces the burden on the general taxpayer.

User charges that are set to cover the costs of production of goods and services can result in more efficient resource allocation within the economy. When buyers are charged the cost of providing goods and services, they make better cost-benefit calculations regarding the size of their purchase, which in turn signals to the Government how much of the goods or services it should provide. Prices in private, competitive markets serve the same purposes. User charges for goods and services that do not have special social or distributional benefits may also improve equity or fairness by requiring those who benefit from an activity to pay for it and by not requiring those who do not benefit from an activity to pay for it.

When should the Government impose a charge? Discussions of whether to finance spending with a tax or a fee often focus on whether the benefits of the activity accrue to the public in general or to a limited group of people. In general, if the benefits of spending accrue broadly to the public or have special social or distributional benefits, then the program should be financed by taxes paid by the public. In contrast, if the benefits accrue to a limited number of private individuals or organizations and do not have special social or distributional benefits, then the program should be financed by charges paid by the private beneficiaries. For Federal programs where the benefits are entirely public or entirely private, applying this principle can be relatively easy. For example, the benefits from national defense accrue to the public in general, and according to this principle should be (and are) financed by taxes. In contrast, the benefits of electricity sold by the Tennessee Valley Authority accrue primarily to those using the electricity, and should be (and are) financed by user charges.

In many cases, however, an activity has benefits that accrue to both public and private groups, and it may be difficult to identify how much of the benefits accrue to each. Because of this, it can be difficult to know how much of the program should be financed by taxes and how much by fees. For example, the benefits from recreation areas are mixed. Fees for visitors to these areas are appropriate because the visitors benefit directly from their visit, but the public in general also benefits because these areas protect the Nation's natural and historic heritage now and for posterity. For this reason, visitor recreation fees do not generally cover the full cost to the Government of maintaining the recreation property. Where a fee may be appropriate to finance all or part of an activity, the extent to which a fee can be easily administered must be con-

[5] Beneficiary- and liability-based taxes are terms taken from the Congressional Budget Office, *The Growth of Federal User Charges,* August 1993, and updated in October 1995. Gasoline taxes are an example of beneficiary-based taxes. An example of a liability-based tax is the excise tax that formerly helped fund the hazardous substance superfund in the Environmental Protection Agency. This tax was paid by industry groups to finance environmental cleanup activities related to the industry activity but not necessarily caused by the payer of the fee.

Table 15–3. GROSS OUTLAYS TO THE PUBLIC, USER CHARGES AND OTHER OFFSETS FROM THE PUBLIC, AND NET OUTLAYS TO THE PUBLIC

(In billions of dollars)

	Actual 2012	Estimate 2013	Estimate 2014
Gross outlays to the public	4,027.0	4,190.4	4,291.7
Offsetting collections and offsetting receipts from the public:			
User charges [1]	283.2	295.0	321.7
Other	206.6	210.4	192.2
Subtotal, offsetting collections and offsetting receipts from the public	489.9	505.5	513.9
Net outlays to the public	3,537.1	3,684.9	3,777.8

[1] $4.1 billion of the total user charges for 2012 were classified as governmental receipts, and the remainder were classified as offsetting collections and offsetting receipts. $4.3 billion and $4.8 billion of the total user charges for 2013 and 2014 are classified as governmental receipts, respectively.

sidered. For example, if fees are charged for entering or using Government-owned land then there must be clear points of entry onto the land and attendants patrolling and monitoring the land's use.

What amount should be charged? When the Government is acting in its capacity as sovereign and where user charges are appropriate, such as for some regulatory activities, current policy supports setting fees equal to the full cost to the Government, including both direct and indirect costs. When the Government is not acting in its capacity as sovereign and engages in a purely business-type transaction (such as leasing or selling goods, services, or resources), market price is generally the basis for establishing the fee.[6] If the Government is engaged in a purely business-type transaction and economic resources are allocated efficiently, then this market price should be equal to or greater than the Government's full cost of production.

Classification of user charges in the budget. As shown in the note to Table 15-3, most user charges are classified as offsets to outlays on the spending side of the budget, but a few are classified on the receipts side of the budget. An estimated $4.8 billion in 2014 of user charges are classified on the receipts side and are included in the governmental receipts totals described in the previous chapter, "Governmental Receipts." They are classified as receipts because they are regulatory charges collected by the Federal Government by the exercise of its sovereign powers. Examples include filing fees in the United States courts and agricultural quarantine inspection fees.

The remaining user charges, an estimated $321.7 billion in 2014, are classified as offsetting collections and offsetting receipts on the spending side of the budget. As discussed above in the context of all offsetting collections and offsetting receipts, some of these user charges are collected by the Federal Government by the exercise of its sovereign powers and conceptually should appear on the receipts side of the budget, but they are required by law or a long-standing practice to be classified on the spending side.

[6] Policies for setting user charges are promulgated in OMB Circular No. A–25: "User Charges" (July 8, 1993).

III. USER CHARGE PROPOSALS

As shown in Table 15–1, an estimated $214.8 billion of user charges for 2014 will be credited directly to expenditure accounts and will generally be available for expenditure when they are collected, without further action by the Congress. An estimated $106.9 billion of user charges for 2014 will be deposited in offsetting receipt accounts and will be available to be spent only according to the legislation that established the charges.

As shown in Table 15-4, the Administration is proposing new or increased user charges that would, in the aggregate, increase collections by an estimated $3.2 billion in 2014 and an average of $16.9 billion per year from 2015–23. These estimates reflect only the amounts to be collected; they do not include related spending. Each proposal is classified as either discretionary or mandatory, as those terms are defined in the Balanced Budget and Emergency Deficit Control Act of 1985 as amended. "Discretionary" refers to user charges controlled through annual appropriations acts and generally under the jurisdiction of the appropriations committees in the Congress. "Mandatory" refers to user charges controlled by permanent laws and under the jurisdiction of the authorizing committees. These and other terms are discussed further in this volume in Chapter 11, "Budget Concepts."

A. Discretionary User Charge Proposals

1. Offsetting collections

Department of Agriculture

Forest Service: Grazing administrative processing fee. The Budget proposes, beginning on March 1, 2014, and in each subsequent year through February 28, 2018, to recover some of the costs of issuing grazing permits and leases on Forest Service lands. The Forest Service would charge a fee of $1 per head month for cattle and its equivalent for other livestock, which would be collected along with current grazing fees. The fee would allow the Forest Service to more expeditiously address pending applications for grazing permit renewals and perform other necessary grazing activities.

Department of Defense (DoD)

TRICARE pharmacy benefit co-payments increase. The Budget includes a proposal that would repeal sections 712 and 716 of the National Defense Authorization Act (NDAA) 2013 and provide alternative pharmacy fees. To encourage the use of less expensive mail order pharmacies and military treatment facility pharmacies, the Budget includes a proposal to increase the fixed fee prescription drug co-payments for active duty families and all retirees regardless of the age of the beneficiary. The increased fees from active duty military families and retirees under age 65 and their families would yield discretionary savings in the Defense Health Program of $127 million in 2014 and $4.1 billion over the 10-year budget horizon. The increased fees from the retirees under age 65 and their families would reduce accrual costs by $528 million in 2014 and $10.2 billion over the 10-year budget horizon; these costs are classified as discretionary and result in reduced contributions to the Medicare Eligible Retiree Health Care Fund (MERHCF). In addition, the increased fees from retirees and their families would yield $4.6 billion in mandatory savings in the MERHCF over the 10-year budget horizon and $0.1 billion in mandatory savings for Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

TRICARE Prime enrollment fee increase, Standard/Extra annual enrollment fee, and deductible/catastrophic *cap adjustments.* The Budget includes a proposal (1) to phase in increases in Prime enrollment fees, slight increases in deductibles, and adjustments to the catastrophic cap, and (2) to impose new annual fees on Standard and Extra enrollees. The Prime fee increases would be phased in over four years and based on the amount of beneficiary retired pay. The new annual Standard/Extra fees would be phased in over five years, but not based on retired pay. The fee adjustments would apply only to retirees under age 65 and their family members and together with the deductible increases and cap adjustments would generate savings in the Defense Health Program of $170 million in 2014 and $9.4 billion over the 10-year budget horizon. The catastrophic cap adjustments include indexing the cap and excluding all enrollment fees from the cap. In addition, the increased fees would yield $0.3 billion in mandatory savings over the 10-year budget horizon for Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

Department of Health and Human Services

FDA: Reinspection fee for medical products. FDA conducts post-market inspections of manufacturers of human drugs, biologics, animal drugs, and medical devices to assess their compliance with Good Manufacturing Practice and other regulatory requirements. The Budget includes a proposal to enable FDA to assess fees for follow-up reinspections that are required when violations are found during initial inspections.

FDA: Food facilities registration, inspection, and import fees. The Budget includes a proposed fee to finance activities that support the safety and security of America's food supply and help meet the requirements of the FDA Food Safety Modernization Act.

FDA: International courier fees. The volume of imports, predominantly medical products, being brought into the United States by international couriers is growing substantially. To ensure the safety of these FDA-regulated products through increased surveillance efforts, the Budget includes a new charge to international couriers.

FDA: Cosmetic facility registration fees. FDA promotes the safety of cosmetics and other health and beauty products. The Budget includes a new facility registration fee for cosmetic and other health and beauty product facilities that will improve FDA's capacity to promote greater safety and understanding of these products.

FDA: Food contact substances notification fee. Food contact substances include components of food packaging and food processing equipment that come in contact with food. This new fee will allow FDA to promote greater safety and understanding of the products that come into contact with food when used.

Health Resources and Services Administration: 340B Pharmacy Affairs fee. To improve the administration and oversight of the 340B Drug Discount Program, the Budget includes a new charge to those entities participating in the program.

Substance Abuse and Mental Health Services Administration: Data request and publication request fee. This new fee to perform special data analysis and material publication services will allow SAMHSA to provide these services for entities that are not current grantees.

Office of the National Coordinator for Health Information Technology Standards and Certification Fee. This new fee will support ONC's administration of its certification program for health information technology (health IT), including costs related to health information technology standards, testing and certification, and improving the efficiency of certification programs. In order to qualify for the Medicare and Medicaid and Electronic Health Record (EHR) Incentive Programs, health care providers must use certified EHR technology. An efficient, but rigorous, certification process ensures that health IT will be certified in a timely manner and gives providers assurance that certified health IT has met certification criteria and associated standards.

Department of Homeland Security

Transportation Security Administration (TSA): Aviation passenger security fee increase. Since its establishment in 2001, under the Aviation and Transportation Security Act, the aviation passenger security fee has been limited to $2.50 per passenger enplanement with a maximum fee of $5.00 per one-way trip. This fee covers less than 30 percent of TSA's aviation security costs, including overhead and the Federal Air Marshal Service, which have risen over the years while the fee has remained the same. The Budget proposes to replace the current "per-enplanement" fee structure with a "per one-way trip" fee structure so that passengers pay the fee only one time when traveling to their destination. It also removes the current statutory fee limit and replaces it with a statutory fee minimum of $5.00 in 2014, with annual incremental increases of 50 cents from 2015 to 2019, resulting in a fee of $7.50 in 2019 and thereafter. The proposed fee would increase collections by an estimated $25.9 billion over 10 years. Of this amount, $7.9 billion will be applied to increase offsets to the discretionary costs of aviation security and the remaining $18 billion will be treated as mandatory savings and deposited in the general fund for deficit reduction.

Customs and Border Protection (CBP): Reimbursements under public-private partnership MOUs at Ports of Entry. The Budget includes a proposal to allow the Commissioner of Customs and Border Protection (CBP) to approve requests from interested parties to reimburse CBP for enhanced inspectional services. Under current law, 19 U.S.C. 58b, CBP is authorized to receive reimbursement only if the Secretary of Homeland Security determines that the volume or value of business cleared through the facility at issue is insufficient to justify the availability of CBP services and if the governor of the State in which the facility is located approves such designation. The proposed legislation would authorize CBP to (1) receive reimbursement from corporations, government agencies, and other interested parties for inspection services in the air, land and sea environments at both the domestic and foreign locations; (2) receive reimbursement at international and landing rights airports that already receive inspection services; and (3) collect reimbursable expenses including salaries, benefits, temporary duty costs, relocation and, as applicable, housing, infrastructure, equipment and training. This would allow CBP to provide services to requesting parties that it could not provide in the absence of reimbursement.

Department of the Interior

Bureau of Land Management (BLM): Public lands oil and gas lease inspection fees. The Budget proposes new inspection fees for oil and gas facilities that are subject to inspection by BLM. The fees would be based on the number of oil and gas wells per facility, providing for costs to be shared equitably across the industry. According to agency data, BLM currently spends more than $40 million on managing the compliance inspection program. Inspection costs include, among other things, the salaries and travel expenses of inspectors. In 2014, the Budget proposes a $10 million increase in funding to strengthen the BLM inspections and enforcement program, with these costs to be offset by higher fees on industry users. In addition, in 2014, the Budget proposes to charge industry users fees to offset $38 million in existing inspection and enforcement program costs, resulting in a $38 million reduction in general fund appropriations for BLM. The proposed fees will generate approximately $48 million in 2014, thereby requiring energy developers on Federal lands to fund the majority of compliance costs incurred by BLM.

BLM: Grazing administrative processing fee. The Budget proposes a three-year pilot project to allow BLM to recover some of the costs of issuing grazing permits and leases on BLM lands. BLM would charge a fee of $1 per Animal Unit Month, which would be collected along with current grazing fees. The fee would allow BLM to address pending applications for grazing permit renewals more expeditiously. BLM would promulgate regulations for the continuation of the grazing administrative fee as a cost recovery fee after the pilot expires.

Department of Justice

Antitrust Division: Increase Hart-Scott-Rodino fees. The Federal Trade Commission and the Department of Justice Antitrust Division are responsible for reviewing corporate mergers to ensure they do not promote anticompetitive practices. Revenue collected from pre-merger filing fees, known as Hart-Scott-Rodino (HSR) fees, are split evenly between the two agencies. The Budget proposes to increase the HSR fees and index them to the annual change in the gross national product. The fee proposal would also create a new merger fee category for mergers valued at over $1 billion. Under the proposal, the fee increase would take effect in 2015, and it is estimated that annual HSR fees would total $300.9 million ($150.4 million for each of Federal Trade Commission and DOJ Antitrust Division), an increase of $96 million per year ($48 million for each of Federal Trade Commission and DOJ Antitrust Division).

Department of Labor

Mine Safety and Health Administration (MSHA): Rock dust analysis fee. MSHA conducts rock dust sampling and analyses to determine whether mines are in compliance with regulations intended to prevent the build-up of combustible dust. The Administration proposes to establish a fee on mine operators to fund these activities.

Employment and Training Administration (ETA): National Agricultural Workers Survey fee. ETA conducts the National Agricultural Workers Survey, which collects information annually about the demographic, employment, and health characteristics of the U.S. crop labor force. The information is obtained directly from farm workers through face-to-face interviews. The Administration proposes to charge non-Federal entities on a case-by-case basis the cost of conducting specifically requested data collection or analysis. For example, State and local governments, educational institutions, or non-profit organizations may pay a fee to fund the addition of a question to the standard survey.

Department of State

Western Hemisphere Travel Initiative surcharge extension. The Administration proposes to extend the authority for the Department of State to collect the Western Hemisphere Travel Initiative surcharge for one year, through September 30, 2014. The surcharge was initially enacted by the Passport Services Enhancement Act of 2005 (P.L. 109–167) to cover the Department's costs of meeting increased demand for passports, which resulted from the implementation of the Western Hemisphere Travel Initiative.

Border Crossing Card fee increase. The Budget includes a proposal to increase certain Border Crossing Card (BCC) fees. The proposal would allow the fee charged for BCC minor applicants to be set administratively rather than statutorily. Administrative fee setting will allow the fee charged BCC applicants to better reflect the associated cost of service, similar to other fees charged for consular services. The proposal would set the BCC fee for minors equal to one half the fee for adults by amending current law, which sets the fee at $13. Annual BCC fee collections are projected to increase by $17 million (from $4 million to $21 million) beginning in 2014 as a result of this change.

Commodity Futures Trading Commission (CFTC)

CFTC fee: The Budget proposes an amendment to the Commodity Exchange Act, effective in 2015, authorizing the CFTC to collect fees from its regulated community equal to the agency's annual appropriation. This will make CFTC funding more consistent with the funding mechanisms in place for other Federal financial regulators.

Federal Trade Commission

Increase Hart-Scott-Rodino fees. See description under Department of Justice.

2. Offsetting receipts

Department of Homeland Security

Customs and Border Protection (CBP): Immigration inspection user fee increase. The Budget includes a proposal to increase the Immigration Inspection User Fee (IUF) by $2. The current fees are $7 for air and commercial vessel passengers and $3 for partially-exempted commercial vessel passengers. IUF is paid by air and sea passengers and is used to recover some of the costs relating to determining admissibility for passengers entering the U.S. Specifically, the fees collected support immigration inspections, personnel, the maintenance and updating of systems to track criminal and illegal aliens in areas with high apprehensions, asylum hearings, and the repair and maintenance of equipment. The additional revenue collected from this increase would fund 974 new CBP officers which will reduce waiting times at air and sea ports of entry. Future budget requests will include an annual increase to these fees to adjust them for inflation.

Customs and Border Protection (CBP): COBRA and Express Consignment Courier Facilities Fees. The Budget includes a proposal to increase COBRA fees (statutorily set under the Consolidated Omnibus Budget Reconciliation Act of 1985) and the Express Consignment Courier Facilities (ECCF) fee created under the Trade Act of 2002. COBRA created a series of user fees for air and sea passengers, commercial trucks, railroad cars, private aircraft and vessels, commercial vessels, dutiable mail packages, broker permits, barges and bulk carriers from Canada and Mexico, cruise vessel passengers, and ferry vessel passengers. This proposal would increase the customs inspection fee by $2 and increase other COBRA fees by a proportional amount. The ECCF fee was created to reimburse CBP for inspection costs related to express consignment and the proposal would increase the fee by $0.36. The additional revenue raised from these fee increases will allow CBP to recover more costs associated with customs related inspections, and reduce waiting times by supporting the hiring of 903 new CBP officers. Future budget requests will include an annual increase to these fees to adjust them for inflation.

Department of Transportation

Pipeline and Hazardous Materials Safety Administration (PHMSA): Hazardous materials special permits and approvals fees. The Administration proposes to collect new fees from companies and individuals involved in the transport of hazardous materials who seek waivers from the Hazardous Materials Regulations. The fees will offset some of the PHMSA's costs associated with the special permit and approvals processes.

B. Mandatory User Charge Proposals

1. Offsetting collections

Department of Agriculture (USDA)

Biobased labeling fee. Biobased products are industrial products (other than food or feed) that are composed, in whole or in part, of biological products, including renewable domestic agricultural materials and forestry materials or an intermediate ingredient or feedstock. In 2011, USDA released a final rule implementing the use of a label for biobased products that producers can use in advertising their products. To ensure the integrity of the label, the Budget requests authority for USDA to: (1) impose civil penalties on companies who misuse the label and (2) assess each producer who applies for the label a $500 fee to fund a program audit. This fee, which will begin to be collected once authorizing legislation is enacted, was broadly supported by potential users who commented on the label's proposed rule, which was issued in May 2010.

Department of Defense

TRICARE pharmacy benefit co-payment increase. As discussed above in the section on discretionary user charge proposals, the Budget includes a proposal that repeals sections 712 and 716 of the NDAA 2013 and encourages the use of less expensive mail order pharmacies and military treatment facility pharmacies by increasing the prescription drug co-payments for active duty families and all retirees regardless of the age of the beneficiary. These fees would yield $4.6 billion in savings in the MERHCF over the 10-year budget horizon and $0.1 billion in mandatory savings for Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

TRICARE-For-Life (TFL) annual enrollment fee. The Budget includes a proposal to charge military retirees age 65 and older and their families a modest annual premium, based on annual retirement pay, for TFL coverage. All current military retirees age 65 and older and their families would be grandfathered from the TFL fees. These annual fees would be phased in over four years and then indexed, and would yield $1.0 billion in mandatory savings in the MERHCF over the 10-year budget horizon. In addition, the proposal would reduce accrual costs by $1.1 billion over 10 years; these costs are classified as discretionary and result in reduced contributions to the MERHCF.

TRICARE Prime enrollment fee increase, Standard/Extra annual enrollment fee and deductible/catastrophic cap adjustments. As discussed above in the section on discretionary user charge proposals, these increased fees would yield $0.3 billion in mandatory savings over the 10-year budget horizon for the Coast Guard, Public Health Service, and National Oceanic and Atmospheric Administration.

Department of Homeland Security

TSA: Aviation passenger security fee increase. As discussed above in the section on discretionary user charge proposals, the budget includes a proposal to increase the aviation passenger security fee by 50 cents per year for five years beginning in 2015. The fee would be $7.50 per one-way trip beginning in 2019 and would generate $18 billion in mandatory collections over the 10-year budget window, which would be deposited in the general fund for deficit reduction.

Department of Labor

Pension Benefit Guaranty Corporation (PBGC): Premium increases. The Deficit Reduction Act of 2005 and the Pension Protection Act of 2006 made significant structural changes to the Nation's pension and pension insurance systems, but did not address fully the long-term financial challenges facing PBGC. Further reforms are needed to address the current $34 billion gap between PBGC's liabilities and assets. The Administration proposes to give the PBGC's Board the authority to adjust the premiums companies pay and to direct PBGC to account for the risk plans pose to PBGC. Better aligning risk with premium levels will encourage high-risk companies to fully fund their employees' promised pension benefits and will improve the solvency of PBGC. To ensure that these reforms are phased in only after challenging economic times have passed, the Budget calls for giving the PBGC Board premium setting authority beginning in 2015.

Department of Transportation

Federal Aviation Administration: Aviation war-risk insurance. The authority of the Department of Transportation (DOT) to provide aviation war risk insurance expires on December 31, 2013. With the goal of building private capacity to manage aviation war risk, the Administration proposes to transform the program into a co-insurance arrangement in which DOT and a private insurer would jointly underwrite a common policy. In the case of a claim, DOT would pay an established fraction of the losses, and the private partner would pay the remainder. The Federal share would be slightly reduced each year as private capacity expands. The proposal would extend the existing program through 2014, during which time DOT would propose changes to its underlying statutory authority and work with the private insurance industry to develop co-insurance policies. The Budget proposes that a co-insurance arrangement would begin to reduce the government's share of any losses, starting in 2015. The proposal would result in collection of an estimated $772 million in insurance premiums through 2018.

2. Offsetting receipts

Department of Agriculture

Food Safety and Inspection Service (FSIS): Performance and other charges. This fee would be charged to those meat processing plants that have sample failures that result in retesting, have recalls, or are linked to an outbreak. This arrangement will offset the Federal Government's costs for resampling and retesting, while encouraging better food safety practice for processing plants. This fee is expected to generate $4 million in 2014.

Grain Inspection, Packers, and Stockyards Administration (GIPSA): Standardization and Licensing Activities. These fees would recover the full cost for the development, review, and maintenance of official U.S. grain standards and also for licensing fees to livestock market agencies, dealers, stockyards, packers, and swine contractors. The fees are expected to generate $27 million in 2014.

Animal and Plant Health Inspection Service (APHIS): Inspection and licensing charges. The Administration proposes to establish charges for: (1) animal welfare inspections for animal research facilities, carriers, and in-transit handlers of animals, (2) licenses for individuals or companies who seek to market a veterinary biologic, and (3) reviews and inspections that may allow APHIS to issue permits that acknowledge that regulated entities are providing sufficient safeguards in the testing of biotechnologically derived products.

Natural Resources Conservation Service (NRCS): User charges. NRCS assists farmers and ranchers in developing and implementing plans to protect, conserve, and enhance natural resources (soil, water, air, plants, and wildlife habitat). The Budget includes a proposal to begin charging for general conservation planning services.

Department of Health and Human Services

Centers for Medicare and Medicaid Services (CMS): Income-related premium increase under Medicare Parts B and D. The Budget contains a proposal to increase income-related premiums under Medicare Parts B and D. Beginning in 2017, this proposal would restructure income-related premiums by increasing the lowest income-related premium 5 percentage points and also increasing other income brackets until the highest tier is capped at 90 percent. The proposal also maintains the income thresholds associated with income-related premiums until 25 percent of beneficiaries under Parts B and D are subject to these premiums. This will help improve the financial stability of the Medicare program by reducing the Federal subsidy of Medicare costs for those beneficiaries who can most afford them.

CMS: Medicare Part B premium surcharge. Medigap policies are private insurance policies that provide supplemental coverage for certain costs not covered by Medicare such as co-pays and deductibles. Medigap policies with low cost-sharing requirements, those that provide nearly first-dollar Medigap coverage, reduce the effectiveness of Medicare cost-sharing provisions intended to promote efficient health care choices. The Budget proposes a Part B premium surcharge on new Medicare beneficiaries beginning in 2017 who purchase Medigap policies with particularly low cost-sharing requirements. The surcharge would be equal to approximately 15 percent of the average Medigap premium or 30 percent of the Part B premium.

CMS: Survey and certification revisit fee. The Budget proposes a fee for revisits of health care facilities in the Survey and Certification program to build greater accountability by creating an incentive for facilities to correct deficiencies and ensure quality of care.

Department of the Interior

Federal oil and gas management reforms. The Budget includes a package of legislative reforms to bolster and backstop administrative actions being taken to reform the management of DOI's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources. Proposed statutory and administrative changes fall into three general categories: (1) advancing royalty reforms, (2) encouraging diligent development of oil and gas leases, and (3) improving revenue collection processes. Royalty reforms include: establishing minimum royalty rates for oil, gas, and similar products; increasing the standard onshore oil and gas royalty rate; piloting a price-based sliding scale royalty rate; and repealing legislatively-mandated royalty relief for "deep gas" wells. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to move leases into production (e.g., a new statutory per-acre fee on nonproducing leases). Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and permanent repeal of DOI's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly $2.5 billion in net revenue to the Treasury over 10 years, of which about $1.7 billion would result from statutory changes. Many States will also benefit from higher Federal revenue sharing payments.

BLM: Reform of Hardrock Mineral Production on Federal Lands. The Administration proposes to institute a leasing process under the Mineral Leasing Act of 1920 for certain minerals (gold, silver, lead, zinc, copper, uranium, and molybdenum) currently covered by the General Mining Law of 1872. After enactment, mining for these metals on Federal lands would be governed by the new leasing process and subject to annual rental payments and a royalty of not less than 5 percent of gross proceeds. Half of the receipts would be distributed to the States in which the leases are located and the remaining half would be retained by the Treasury. Existing mining claims would be exempt from the change to the leasing system, but would be subject to increases in the annual maintenance fees under the General Mining Law of 1872.

BLM: Reauthorize and restructure helium sales program. The Budget includes a legislative proposal to reauthorize BLM's Federal helium program in order to facilitate a gradual exit from the helium market, while ensuring the short-term availability of sufficient helium supplies to meet Government and industry demand. Under current law, once the helium program debt is retired, the authority to collect revenues from the sale of helium and to place them in the helium production fund terminates. The Secretary will be making the final repayment on the helium debt at the beginning of 2014.

BLM: Reauthorize the Federal Land Transaction Facilitation Act (FLTFA). The Budget proposes to reauthorize the FLTFA, which expired in July 2011, and allow lands identified as suitable for disposal in recent land use plans to be sold using the FLTFA authority. The FLTFA sales revenues would continue to be used to fund the acquisition of environmentally sensitive lands and to cover BLM's administrative costs associated with conducting sales.

DOI: Implement U.S.-Mexico Agreement on Transboundary Hydrocarbon Reservoirs. The Budget proposes to authorize the United States to undertake activities to implement the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico (Agreement), signed by representatives of the United States and Mexico on February 20, 2012. Implementing the Agreement would establish a framework for the cooperative exploration and development of hydrocarbon resources that cross the United States-Mexico maritime boundary in the Gulf of Mexico. The proposal would also end the moratorium on development along the boundary in the Western Gap. It would make an area along the U.S.-Mexico boundary in the Gulf of Mexico that is roughly the size of Delaware more accessible for oil and gas exploration and production activities. That area is estimated to contain up to 172 million barrels of oil and 304 billion cubic feet of natural gas. Making these resources accessible is expected to increase receipts from upcoming lease sales in 2014.

Federal Communications Commission (FCC)

Spectrum license fee authority. To promote efficient use of the electromagnetic spectrum, the Administration proposes to provide the FCC with new authority to use other economic mechanisms, such as fees, as a spectrum management tool. The Commission would be authorized to set charges for unauctioned spectrum licenses based on spectrum-management principles. Fees would be phased in over time as part of an ongoing rulemaking process to determine the appropriate application and level for fees.

Auction domestic satellite service spectrum licenses. The FCC would be allowed to assign licenses for certain satellite services that are predominantly domestic through competitive bidding, as had been done before a 2005 court decision called the practice into question on technical grounds. The proposal is expected to raise $50 million from 2013-2023.

Auction or assign via fee 1675-1680 megahertz: The Budget would direct that the Federal Communications Commission either auction or use fee authority to assign spectrum frequencies between 1675-1680 megahertz for wireless broadband use by 2017, subject to sharing arrangements with Federal weather satellites. Currently, the spectrum is being used for radiosondes (weather balloons) and is slated for use by a new weather satellite that is scheduled for launch in 2015. Before 2015, the National Oceanic and Atmospheric Administration (NOAA) plans to alter the radiosondes operations to not interfere with weather satellite transmissions. If this proposal is enacted, NOAA would move the radiosondes to another frequency, allowing the spectrum to be repurposed for commercial use with limited protection zones for the remaining weather satellite downlinks. Without this proposal, these frequencies are unlikely to be auctioned and repurposed to commercial use. The proposal is expected to raise $300 million in receipts and incur $70 million in relocation costs, leaving net savings of $230 million over 10 years.

C. User Charge Proposals that are Governmental Receipts

Department of Energy

Reauthorize special assessment on domestic nuclear facilities. The Administration proposes to reauthorize the special assessment on domestic utilities for deposit into the Uranium Enrichment Decontamination and Decommissioning Fund. Established in 1992, the Fund pays, subject to appropriations, the decontamination and decommissioning costs of the Department of Energy's gaseous diffusion plants in Tennessee, Ohio, and Kentucky. Additional resources, from the proposed special assessment, are required due to higher-than-expected cleanup costs.

Department of the Interior

Migratory bird hunting and conservation stamp fees. Federal Migratory Bird Hunting and Conservation Stamps, commonly known as "Duck Stamps," were originally created in 1934 as the Federal licenses required for hunting migratory waterfowl. Today, ninety-eight percent of the receipts generated from the sale of these stamps ($15 per stamp per year) are used to acquire important migratory bird breeding areas, migration resting places, and wintering areas.[7] The land and water interests located and acquired with the Duck Stamp funds establish or add to existing migratory bird refuges and waterfowl production areas. The price of the Duck Stamp has not increased since 1991; however, the cost of land and water has increased significantly over the past 20 years. The Administration proposes to increase these fees to $25 per stamp per year, effective beginning in 2014.

[7] By law, duck stamp proceeds are available for use without further action by Congress, and, in this way, are similar to offsetting collections.

Department of Transportation

Federal Aviation Administration: Mandatory surcharge for air traffic services. All flights that use controlled air space require a similar level of air traffic services. However, commercial and general aviation can pay very different aviation fees for those same services. To more equitably share the cost of air traffic services across the aviation user community, the Administration proposes to establish a new surcharge for air traffic services of $100 per flight. Military aircraft, public aircraft, piston aircraft, air ambulances, aircraft operating outside of controlled airspace, and Canada-to-Canada flights would be exempt. The surcharge would be effective for flights beginning after September 30, 2013. Assuming the enactment of the fee, total charges collected from aviation users would finance roughly three-fourths of airport investments and air traffic control system costs. To ensure appropriate input from stakeholders on the design of the fee, the proposal would also establish an expert Commission that could recommend to the President a replacement charge, or charges, that would raise no less in revenue than the enacted fee.

Corps of Engineers—Civil Works

Reform inland waterways funding. The Administration proposes legislation to reform the laws governing the Inland Waterways Trust Fund, including an annual per vessel fee to increase the amount paid by commercial navigation users sufficiently to meet their share of the costs of activities financed from this fund. The additional revenue will enable a more robust level of funding for safe, reliable, highly cost-effective, and environmentally sustainable waterways, and contribute to economic growth. In 1986, the Congress provided that commercial traffic on the inland waterways would be responsible for 50 percent of the capital costs of the locks and dams, and other features that make barge transportation possible on the inland waterways. The current excise tax of 20 cents per gallon on diesel fuel used in inland waterways commerce does not produce the revenue needed to cover the required 50 percent of these costs.

Table 15–4. USER CHARGE PROPOSALS IN THE FY 2014 BUDGET [1]

(Estimated collections in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS													
DISCRETIONARY:													
1. Offsetting collections													
Department of Agriculture													
Forest Service Grazing Fee	....	5	5	5	5	5	....	....	....	....	....	25	25
Department of Defense													
TRICARE pharmacy benefit co-payments increase	....	127	260	292	327	402	453	498	542	579	624	1,408	4,104
TRICARE Prime enrollment fee increase, Standard/Extra annual enrollment fee, and deductible/catastrophic cap adjustments	....	170	440	641	848	994	1,079	1,163	1,253	1,351	1,458	3,093	9,396
Department of Justice													
Antitrust Division, Increase Hart-Scott-Rodino Fees	....	....	48	49	51	51	52	54	54	56	57	199	472
Department of Health and Human Services													
Food and Drug Administration (FDA): Reinspection fee for medical products	....	15	15	15	15	15	15	15	15	15	15	75	150
FDA: Food facilities Registration, Inspection, and Import fees	....	225	231	235	240	245	250	255	260	267	274	1,176	2,482
FDA: International courier fees	....	6	6	6	6	6	6	6	6	6	6	30	60
FDA: Cosmetic facility registration fees	....	19	20	20	20	20	20	20	20	20	21	99	200
FDA: Food Contact Substances Notification Fee	....	5	5	5	5	5	5	5	5	5	5	25	50
Health Resources and Services Adminisration: 340B Pharmacy Affairs fee	....	6	6	6	6	6	6	6	6	6	6	30	60
Substance Abuse and Mental Health Services Administration: Data request and publication request fee	....	2	2	2	2	2	2	2	2	2	2	10	20
ONC Standards and Certification User Fee	....	1	15	15	4	1	1	1	1	1	1	36	41
Department of Homeland Security													
Transportation Security Administration (TSA): Aviation passenger security fee increase	....	122	507	606	726	850	979	999	1,020	1,040	1,061	2,811	7,910
Customs and Border Protection (CBP): Inspection services fee	....	25	25	26	26	27	27	27	28	29	29	129	269
Department of the Interior													
Bureau of Land Management (BLM): Public lands oil and gas lease inspection fees	....	48	48	48	48	48	48	48	48	48	48	240	480
BLM: Grazing administrative processing fee	....	7	9	9	....	....	....	....	....	....	....	25	25
Department of Labor													
Mine Safety and Health Administration: Rock dust analysis fee	....	....	2	2	2	2	2	2	2	2	2	8	18
Employment and Training Administration (ETA): National Agricultural Workers Survey fee	....	1	1	1	1	1	1	1	1	1	1	5	10
Department of State													
Western Hemisphere Travel Initiative surcharge extension	....	186	....	....	....	....	....	....	....	....	....	186	186
Border Crossing Card fee increase	....	17	17	17	17	17	17	17	17	17	17	85	170
Federal Trade Commission													
Increase Hart-Scott-Rodino Fees	....	....	48	49	51	51	52	54	54	56	57	199	472
Commodity Futures Trading Commission													
Commodity Futures Trading Commission (CFTC)	....	....	323	329	336	343	351	359	367	376	385	1,331	3,169
2. Offsetting receipts													
Department of Department of Homeland Security													
CBP: COBRA Fee and Express Consignment Courier Facilities Fee Increase	....	194	201	208	215	222	229	236	244	18	....	1,041	1,768
CBP: Immigration Inspection User Fee increase	....	166	183	190	196	203	211	218	226	234	243	938	2,070
Department of Transportation													
PHMSA: Hazardous materials special permits and approvals fees	....	12	12	12	12	13	13	13	14	14	14	61	129
Subtotal, discretionary user charge proposals	....	1,359	2,429	2,788	3,159	3,529	3,819	3,999	4,185	4,143	4,325	13,265	33,736

Table 15–4. USER CHARGE PROPOSALS IN THE FY 2014 BUDGET [1]—Continued

(Estimated collections in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
MANDATORY:													
Offsetting collections													
Department of Agriculture													
Biobased labeling fee	....	1	1	1	1	1	1	1	1	1	1	5	10
Department of Defense													
TRICARE pharmacy benefit co-payment increase [2]	....	4	81	141	220	405	525	637	781	917	1,051	851	4,762
TRICARE-For-Life enrollment fee	....	....	4	21	53	80	109	138	169	201	234	158	1,009
TRICARE Prime enrollment fee increase, Standard/Extra annual enrollment fee, and deductible/catastrophic cap adjustments	....	5	13	19	25	30	32	35	37	40	43	92	279
Department of Homeland Security													
TSA: Aviation passenger security fee increase	....	200	1,139	1,410	1,675	1,950	2,235	2,279	2,324	2,370	2,418	6,374	18,000
Department of Labor													
Pension Benefit Guaranty Corporation: Premium increases	....	....	2,778	2,778	2,778	2,778	2,778	2,778	2,778	2,778	2,778	11,112	25,002
Department of Transportation													
Federal Aviation Administration: Aviation war-risk insurance	....	128	172	173	175	124	....	....	....	....	....	772	772
Offsetting receipts													
Department of Agriculture													
Food Safety and Inspection Service: User charges	....	4	4	4	5	5	5	5	5	5	5	22	47
Grain, Inspection, Packers, and Stockyards Administration: User charges	....	27	27	28	28	28	29	29	29	30	30	138	285
Animal and Plant Health Inspection Service: User charges	....	20	27	27	28	29	30	31	32	33	34	131	291
Natural Resource Conservation Service: User charges	....	22	22	22	22	22	22	22	22	22	22	110	220
Department of Health and Human Services													
Centers for Medicare and Medicaid Services (CMS): Income-related premium increase under Medicare Parts B and D	....	....	....	....	3,000	3,000	4,000	7,000	9,000	11,000	13,000	6,000	50,000
CMS: Medicare Part B premium surcharge	....	....	....	....	70	180	290	410	540	670	750	250	2,910
CMS: Survey and certification revisit fee	....	....	1	5	10	10	15	20	25	25	25	26	136
Department of the Interior													
Federal oil and gas management reforms	....	50	120	125	150	170	185	200	215	225	240	615	1,680
BLM: Reform of hardrock mineral production on Federal lands	....	....	2	4	5	5	6	6	11	17	24	16	80
BLM: Reauthorize and restructure helium sales program	....	152	110	94	64	33	21	6	....	....	....	453	480
BLM: Reauthorize the Federal Land Transaction Facilitation Act (FLTFA) program	....	3	5	8	9	3	....	....	....	....	....	28	28
Implement U.S.-Mexico Agreement on Transboundary Hydrocarbon Reservoirs	....	50	....	....	....	....	....	....	....	....	....	50	50
Federal Communications Commission													
Spectrum license fee authority	50	200	300	425	550	550	550	550	550	550	550	2,025	4,775
Auction domestic satellite service spectrum licenses	....	25	25	....	....	....	....	....	....	....	....	50	50
Auction or assign via fee 1675 –1680 megahertz	....	....	....	....	80	150	....	....	....	....	....	230	230
Subtotal, mandatory user charge proposals	50	891	4,831	5,285	8,948	9,553	10,833	14,147	16,519	18,884	21,205	29,508	111,096
Subtotal, user charge proposals that are offsetting collections and offsetting receipts	50	2,250	7,260	8,073	12,107	13,082	14,652	18,146	20,704	23,027	25,530	42,773	144,832
GOVERNMENTAL RECEIPTS													
Department of Energy													
Reauthorize special assessment on domestic nuclear facilities	....	200	204	209	213	218	223	228	233	238	243	1,044	2,209
Department of the Interior													
Migratory bird hunting and conservation stamp fees	....	14	14	14	14	14	14	14	14	14	14	70	140
Department of Transportation:													
Federal Aviation Administration: Mandatory surcharge for air traffic services	....	605	632	660	690	719	745	766	790	812	836	3,306	7,255

Table 15–4. USER CHARGE PROPOSALS IN THE FY 2014 BUDGET [1]—Continued

(Estimated collections in millions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
Corps of Engineers - Civil Works													
Reform inland waterways funding	....	82	113	113	113	113	113	113	113	113	114	534	1,100
Subtotal, governmental receipts user charge proposals	....	901	963	996	1,030	1,064	1,095	1,121	1,150	1,177	1,207	4,954	10,704
Total, user charge proposals	**50**	**3,151**	**8,223**	**9,069**	**13,137**	**14,146**	**15,747**	**19,267**	**21,854**	**24,204**	**26,737**	**47,727**	**155,536**

[1] A positive sign indicates an increase in collections.

[2] Budgetary effects of the fee increase are displayed, which include savings to the Department of Defense due to changes in behavioral assumptions.

SPECIAL TOPICS

17. AID TO STATE AND LOCAL GOVERNMENTS

State and local governments serve a vital role in providing services to their residents. The Federal Government contributes to that role by aiding State and local governments through grants, loans, and the tax system. This chapter focuses on Federal grants-in-aid in the FY 2014 Budget and provides information on historical grant spending. Information on Federal credit programs may be found in Chapter 22, "Credit and Insurance," in this volume. Chapter 16, "Tax Expenditures," in this volume, includes a display of tax expenditures that particularly aid State and local governments at the end of Tables 16-1 and 16-2.

Federal grants-in-aid are assistance provided to State and local governments, U.S. territories, and American Indian Tribal governments to support government operations or provision of services to the public. Most often grants are awarded as direct cash assistance, but Federal grants-in-aid can also include payments for grants-in-kind—non-monetary aid such as commodities purchased for the National School Lunch Program. Federal revenues shared with State and local governments are also considered grants-in-aid.

Federal grants generally fall into one of two broad categories—categorical grants or block grants—depending on the requirements of the grant program. In addition, grants may be characterized by how the funding is awarded such as by formula, by project, or by matching State and local funds.

Categorical grants have a narrowly defined purpose and may be awarded on a formula basis or as a project grant. An example of a categorical grant is the Special Supplemental Nutrition Program for Women, Infants, and Children, also known as WIC, administered by the Department of Agriculture. The program targets the nutrition needs of lower-income pregnant and postpartum women, infants, and children. Applicants to this program must meet defined categorical, residential, income, and nutrition risk eligibility requirements.

In contrast to categorical grants, block grants provide the recipient with more latitude to define the use of the funding and are awarded on a formula basis specified in law. The Department of Health and Human Services' Temporary Assistance for Needy Families (TANF) program is an example of a block grant. States may use TANF funds in a variety of ways to meet any of four purposes set out in law. Each State also has broad discretion to determine eligibility requirements for TANF benefits. In addition, TANF has a matching requirement known as "maintenance of effort" which specifies a minimum amount that States must spend to assist low-income families in order to receive the full Federal grant.

Project grants can be awarded competitively and are typified by a specified end product or duration. They can include grants for research, training, evaluation, planning, technical assistance, survey work, and construction. The Government Accountability Office describes categorical and project grants as striking "a different balance between the interests of the [F]ederal grant-making agency that funds be used efficiently and effectively to meet [N]ational objectives, and the interests of the recipient to use the funds to meet local priorities and to minimize the administrative burdens associated with accepting the grant."[1]

As recipients of Federal grant funding, State and local governments may provide services directly to beneficiaries or States may act as a pass-through, disbursing grant funding to localities using a formula or a competitive process. This pass-through structure allows States to set priorities and determine the allocation methodology within the rules of the Federal grant guidance.[2]

[1] United States Government Accountability Office. "Grants to State and Local Governments, An Overview of Federal Funding Levels and Selected Challenges." September 2012.

[2] Keegan, Natalie. "Federal Grants-in-Aid Administration: A Primer." Congressional Research Service. October 3, 2012.

STATE AND LOCAL FISCAL OUTLOOK

States experienced the effects of the deep recession in 2008 and 2009 to varying degrees, but all States had to cope with a sharp drop in revenues and a higher demand for services. The Federal Government used the existing grants structure to provide swift fiscal relief to States during the 2008 and 2009 recession when States faced severe and unforeseen economic conditions. It primarily did so through the American Recovery and Reinvestment Act (Recovery Act), Public Law 111-5, enacted in February 2009. The Recovery Act provided enhanced grant funding in the areas of income security, education, transportation, energy, and water, and for Medicaid and other programs. In addition, for many programs, the Recovery Act required increased oversight and reporting for recipients and grant-making agencies. Most of the temporary provisions in the Recovery Act expired in 2010, but some Recovery Act programs were extended in subsequent legislation because economic growth remained slow.

The impact of and recovery from the recession has been uneven across States; broadly speaking, economic conditions at the State level, as evidenced by State fiscal year 2013[3], show signs of improvement over 2012. According

[3] According to the Fall 2012 edition of The Fiscal Survey of States, published by the National Governors Association and the National Association of State Budget Officers, "forty-six states begin their fiscal years in July and end them in June. The exceptions are Alabama and Michigan, with October to September fiscal years; New York, with an April to March fiscal year; and Texas, with a September to August fiscal year" (page vi).

to the Fall 2012 Fiscal Survey of States (FSS), published by the National Governors Association and the National Association of State Budget Officers, for the first time since the recession general fund revenues are expected to be higher than in 2008 and State general fund[4] spending overall is expected to be 2.2 percent higher than in 2012. In addition, more than half of States increased spending for K-12 education and Medicaid in State fiscal year 2013 budgets. However, the FSS also reports that 24 States enacted a 2013 budget with general fund spending still lower than 2008. By State fiscal year 2013, general fund revenues, which are comprised primarily of sales, personal income, and corporate income taxes, are expected to be $12.5 billion greater than in 2008. The FSS survey found that States are also beginning to build up reserves or rainy day funds, which is another sign of financial health. In State fiscal year 2013, reserves are expected to be a combined $61.3 billion or 9 percent of general fund expenditures, although almost half of this will be held by two States: Texas and Alaska. High unemployment has also put a strain on States' budgets. The National unemployment rate peaked at the end of 2009 and remained high throughout 2010 but it has since been declining. As of January 2013, individual States had unemployment rates ranging from 9.8 percent in both California and Rhode Island to 3.3 percent in North Dakota. Over the past 12 months, the unemployment rate fell in 40 States and the District of Columbia, remained unchanged in three States, and rose in seven States.

Fiscal conditions at the city level are not as encouraging. According to the National League of Cities, general fund revenues are projected to decline again in city fiscal year 2012 for the sixth straight year and general fund expenditures are expected to grow only slightly.[5] Variability in tax revenue collections is seen among cities because of differences in local tax structures and reliance. However, the vast majority of cities rely heavily on revenue from property tax collections and have been greatly affected by the steep decline in housing prices.[6] Property tax revenues in 2011 dropped by 3.9 percent compared to 2010 and are projected to decline another 2.1 percent in 2012.[7] Local governments also rely on grants from States to fund services. According to the Bureau of Economic Analysis, grants by States to local governments increased from between 3.1 percent to 6.3 percent in each year between 2003 and 2008. However, in 2009, grants from States essentially remained flat and in 2010 decreased by 0.6 percent. In 2011, grants from States increased by 1.6 percent.[8] The Fiscal Survey of FSS found more States included increases in funding to local governments in their 2013 budgets than in the past several years.[9]

Federal grant spending increased greatly in 2009 and 2010 in response to the recession, as mentioned above, then decreased from those levels in 2011 and 2012 as the bulk of funds from the Recovery Act and its extensions were spent out. Outlays from Federal grants-in-aid increased by $76.7 billion in 2009 to total $538.0 billion, and increased by another $70.4 billion in 2010 to total $608.4 billion. In 2011, outlays from Federal grants-in-aid decreased by $1.6 billion and decreased again in 2012 to $544.6 billion.[10] As a percentage of total Federal outlays, aid to State and local governments was 15.5 percent in 2008, 17.6 percent in 2010, and 15.7 percent in 2012. However, a better measure of the size of these expenditures may be as a percentage of GDP. In 2008, Federal grants to State and local governments were equivalent to 3.2 percent of GDP, compared to 4.2 percent in 2010, and 3.5 in 2012.[11]

[4] "General fund spending represents the primary component of discretionary expenditures of revenue derived from general sources which have not been earmarked for specific items." "Fiscal Survey of States." The National Governors Association and the National Association of State Budget Officers. Fall 2012. p. 1.

[5] Hoene, Christopher W., McFarland, Christina, and Pagano, Michael. "City Fiscal Conditions in 2012." National League of Cities. September 2012.

[6] Ibid. p. 3.

[7] Ibid.

[8] U.S. Department of Commerce, Bureau of Economic Analysis (BEA), National Income and Product Accounts, Table 3.20, State Government Current Receipts and Expenditures. BEA reports annual data on a calendar year basis. Calendar year 2011 is the most recent year for which annual data are available.

[9] "The Fiscal Survey of States." The National Governors Association and the National Association of State Budget Officers. Fall 2012. p. 59.

[10] See Table 12.2 in the *Historical Tables* volume of the *Budget*.

[11] See Table 12.1 in the *Historical Tables* volume of the *Budget*

HIGHLIGHTS OF FEDERAL AID TO STATES AND LOCALITIES

The Budget provides $643.3 billion in outlays for aid to State and local governments in 2014, an increase of $98.7 billion from 2012. The distribution of grant spending in 2014 among functions remains similar to 2012. As shown in Table 17-1, 50.3 percent of this aid is for health programs, with most of the funding going to Medicaid, a program which makes health insurance accessible for low-income Americans. Beyond health programs, 16.8 percent of Federal aid will go to income security programs; 15.0 percent to education, training, and social services; 11.1 percent to transportation; 3.3 percent to community and regional development; and 1.0 percent each to justice and to natural resources and environment.

Highlights of proposals and changes in the Budget are presented below by functional category. Each section begins with the overall spending level for that category followed by a discussion of significant proposals or changes to programs in that category. The funding level for every Federal grant program can be found in Table 17-1, in this section, organized by functional category and by Federal agency. The next section, Historical Perspectives, presents a history of Federal grants-in-aid and includes Table 17-2, which illustrates trends over time. An Appendix to this chapter includes tables of State-by-State obligations of major grant programs.

Natural Resources and Environment

Grant outlays for natural resources and environment programs are estimated to be $6.5 billion in 2014.

The Budget strengthens resource management on non-Federal lands by incorporating better data on grantee accomplishments and natural resource outcomes to help guide future Federal investment in State forestry grants. This approach by the U.S. Forest Service advances the recent shift toward cross-program and competitive-based grant allocations already underway by institutionalizing better data collection and rewarding innovative projects that increase natural resource outcomes, including benefits to water quality from improved forest stewardship and innovative uses of urban forestry in emerging green infrastructure approaches.

The Budget proposes $383 million, a $119 million increase above the 2012 enacted level, for competitive research grants made through the Agriculture and Food Research Initiative (AFRI). AFRI grants address key problems of National, regional, and multi-State importance in sustaining all components of agriculture, including farm efficiency and profitability, ranching, renewable energy, forestry (both urban and agroforestry), aquaculture, rural communities and entrepreneurship, human nutrition, food safety, biotechnology, and conventional breeding.

The America's Great Outdoors (AGO) initiative supports Federal, State, local, and tribal conservation efforts, while reconnecting Americans, particularly young people, to the outdoors. Investments for AGO programs support conservation and outdoor recreation activities nationwide that create millions of jobs, generate hundreds of millions of dollars in tax revenue, and spur billions in total national economic activity. For the first time ever, the Budget proposes mandatory funding for Land and Water Conservation Fund (LWCF) programs in the Departments of the Interior and Agriculture, including $200 million in mandatory funds out of $600 million overall for LWCF programs in 2014. This mandatory funding will provide the stability needed for agencies and States to make strategic, long-term investments to preserve natural and cultural resources, bolster outdoor recreation opportunities, and protect wildlife. Starting in 2015, the Budget proposes $900 million annually in mandatory funding equal to the amount of oil and gas receipts deposited in the LWCF each year. In 2014, $351 million is proposed to conserve lands within national parks, refuges, and forests, including $169 million in collaborative funds for Interior and the U.S. Forest Service to jointly and strategically conserve the most critical landscapes. The Budget also proposes $15 million in LWCF funding to revive the Urban Park Recreation and Recovery Program, which can help revitalize urban parks and increase access to trails, green space, and other recreational areas in the most underserved urban communities. Other AGO programs include operating national parks, refuges, and public lands, which are critical for conserving natural and cultural resources; protecting wildlife; and drawing recreational tourists from across the country and the world. They also include grant programs that assist States, Tribes, local governments, landowners, and private groups (such as sportsmen) in preserving wildlife habitat, wetlands, historic battlefields, regional parks, and the countless other sites that form the mosaic of our cultural and natural legacy.

The Administration proposes $1.1 billion for grants within the Environmental Protection Agency (EPA) to support State and tribal implementation of delegated environmental programs. The support includes $257 million in State grant funding for air programs, an increase of $22 million to assist States in addressing additional responsibilities associated with greenhouse gas reduction efforts, and $259 million in State water pollution control grants, a $25 million increase, including $15 million to improve nutrient management. The Administration also proposes to increase funding for the Tribal General Assistance Program (Tribal GAP) by $5 million. Tribal GAP funding builds Tribal capacity and assists tribes in leveraging other EPA and federal funding to contribute towards a higher level of environmental and health protection.

The Budget includes a combined $1.9 billion for federal capitalization of the State Revolving Funds (SRFs), representing a reduction of $472 million from the 2012 enacted level. The Budget proposes a gradual reduction to focus on communities in most need of assistance, but will still allow the SRFs to finance approximately $6 billion in wastewater and drinking water infrastructure projects annually. The Administration has strongly supported the SRFs, having received and/or requested funding for them totaling approximately $19.8 billion since 2009. Since their inception, the SRFs have been provided over $52.6 billion. Going forward, EPA will work to target SRF assistance to small and underserved communities with limited ability to repay loans. The Administration strongly supports efforts to expand the use of green infrastructure to meet Clean Water Act goals. To further these efforts, the Budget will better target the funding intended for green infrastructure practices, which will help communities improve water quality while creating green space, mitigating flooding, and enhancing air quality.

The Budget also leverages funding from across the Federal government as well as State, local, and private investment in order to promote job creation and economic growth in communities with Brownfields sites through initiatives such as the Partnership for Sustainable Communities and Strong Cities, Strong Communities with the EPA. Brownfields are lightly contaminated sites, many in economically hard-hit areas, where the presence or potential presence of contamination may keep these sites from being used productively. In order to support initiatives to rehabilitate these sites and communities around the country while recognizing fiscal constraints, the Budget increases funding for technical assistance but slightly reduces the competitive grant funds.

Transportation

Grant outlays in support of transportation programs are estimated to be $71.1 billion in 2014.

The Moving Ahead for Progress in the 21st Century Act, enacted in July 2012, reauthorized the Federal Aid Highways grants, Transit Formula Grants, and highway safety grants. The Budget provides $50.1 billion in obligation limitations for those programs, equal to the contract authority levels authorized in the act.

To spur job growth and allow States to initiate sound multi-year investments, the Budget provides an additional $50.0 billion for transportation investments in 2014 with a "fix-it-first" policy focus. Although infrastructure projects take time to get underway, these investments would create hundreds of thousands of jobs in the first few years—and in industries suffering from protracted unemployment. This includes $40.0 billion in "fix-it-first" investments to improve existing infrastructure assets most in need of repair and $10.0 billion to help spur States and local innovation in infrastructure development and leveraging leverage State, local, tribal and private funds. Not only will making these investments now put workers back on the job and support local transportation programs in the near-term, but the return on investment for Federal taxpayers will benefit from historically low interest rates and construction costs. To help these funds flow into communities without delay, key Federal agencies have been directed to find ways to expedite permitting and approvals for infrastructure projects.

The Budget provides $40.0 billion over five years to fund the development of high-speed rail and other passenger rail programs as part of an integrated national transportation strategy. This system will provide 80 percent of Americans with convenient access to a passenger rail system, featuring high-speed service, within 25 years. The proposal also benefits freight rail and significantly restructures Federal support for Amtrak, to increase transparency, accountability, and performance.

In order to ensure the highest safety standards for the U.S. pipeline system, the Budget proposes a Pipeline Safety Reform (PSR) initiative to both enhance and revamp the Department of Transportation's Pipeline Safety program. The Budget maintains the size of the State Pipeline Safety Grant program and institutes several reforms to the Federal program. It funds the second phase of a three-year effort to more than double the number of Federal pipeline safety inspectors. There are currently only 135 inspectors responsible, in collaboration with State partners, for annually inspecting 2.6 million miles of pipeline and ensuring incident investigations following explosions occur promptly. In addition, the Budget modernizes pipeline data collection and analysis, improves Federal investigation of pipeline accidents of all sizes, and expands the public education and outreach program.

In support of the President's call for spending restraint, the Budget lowers funding for the airport grants program to $2.4 billion by eliminating guaranteed funding for large- and medium-hub airports. The Budget focuses Federal grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other outside sources of capital. At the same time, the Budget would allow larger airports to increase non-Federal passenger facility charges, thereby giving larger airports greater flexibility to generate their own revenue.

Community and Regional Development

Grant outlays for community and regional development programs are estimated to be $21.0 billion in 2014.

The Budget provides $3.0 billion for the Community Development Block Grant (CDBG) program and neighborhood stabilization activities within the Department of Housing and Urban Development (HUD), and proposes reforms to better target CDBG investments to address local community development goals. This funding level includes $200 million in new competitive funds to continue mitigating the impacts of the foreclosure crisis. The funding will provide essential new resources to help communities hardest hit by the foreclosure crisis while creating jobs through rehabilitating, repurposing, and demolishing vacant and blighted properties. The Budget also continues to support the $15.0 billion Project Rebuild program, which will leverage private capital to bring the benefits of neighborhood stabilization to national scale.

The Budget provides $950 million for the HOME Investment Partnerships Program, five percent below the 2012 enacted level. At this funding level, HOME will provide grants to State and local governments to supply almost 40,000 additional units of affordable housing for low-income families. This funding reduction is mitigated by the investment of $1 billion in mandatory funding for the Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable housing for extremely-low income families.

As part of the Administration's multiagency partnership between HUD, the Department of Transportation, and the Environmental Protection Agency, the Budget provides $75 million in Integrated Planning and Investment Grants to create incentives for communities to develop and implement comprehensive housing and transportation plans, such as updates to building codes, land use and zoning ordinances, that result in more resilient economic development, reduce energy consumption and greenhouse gas emissions, and increase affordable housing near public transit. This funding would support about 30 additional regional and neighborhood planning and implementation grants to enable communities to align public and private investments in housing, transportation, and infrastructure. These efforts also align with a broader Administration commitment to help communities improve their resilience to extreme weather and other climate change impacts through direct technical assistance, data and tools on projected impacts, and other support.

The Budget requests $55 million for a new economic development grant program administered by the Department of Agriculture designed to target small and emerging private businesses and cooperatives in rural areas. Relying on evidence about what works to create jobs and growth, this new program will award funding to grantees that agree to be tracked against performance targets. The new program will also improve upon the agency's current grant allocation and evaluation process.

The Budget provides $2.4 billion for State and local grant programs within the Department of Homeland Security to hire, equip, and train first responders. To better target these funds, the Budget proposes eliminating duplicative, stand-alone grant programs, consolidating them into the National Preparedness Grant Program. This initiative is designed to build, sustain, and leverage core capabilities as established in the National Preparedness Goal. Using a competitive risk-based model, the National Preparedness Grant Program will apply a comprehensive process that identifies and prioritizes deployable capabilities; puts funding to work more quickly; and requires grantees to regularly report progress in the acquisition and development of these capabilities.

Education, Training, Employment, and Social Services

Grant outlays for education, training, employment, and social service programs are estimated to be $96.5 billion in 2014.

The Administration believes that all children should have access to a high-quality preschool education. A child's early years are the most critical for building the foundation needed for success in life. Research has conclusively shown that supporting children at this stage leads to significant benefits in school and beyond. This is particularly true for low-income children, who often start kindergarten academically behind their peers by many months. Providing high-quality early childhood education to all children will enable them to start school ready to learn and realize their full potential. The Budget outlines a proposal to ensure that four-year-olds across the country have access to high-quality preschool programs, which would be financed through mandatory resources fully paid for elsewhere in the Budget. This proposal consists of a Federal-State partnership to provide all low- and moderate-income four-year-old children with high-quality preschool, while also providing States with incentives to expand these programs to reach additional children from middle class families and to put in place full-day kindergarten policies. To support this effort, the Budget also proposes a $750 million discretionary investment in Preschool Development Grants in 2014. These grants will ensure that States willing to commit to expanding preschool access are able to make the critical investments necessary to serve their four-year-old children in high-quality programs. The preschool initiative is coupled with a companion investment in voluntary home visiting and high-quality care for infants and toddlers within the Department of Health and Human Services (HHS).

The Budget provides $659 million for School Turnaround Grants within the Department of Education to support the Administration's commitment to help turn around America's persistently lowest-performing schools. This includes $125 million for a new competitive grant program to expand the capacity of districts to implement effective and sustainable school reform.

One of the Department of Education's trademark grant programs, Investing in Innovation (i3), uses an evidence-based approach to test new ideas, validate what works, and scale up the most effective approaches. The Budget builds on the success of i3 by providing $215 million, an increase of $66 million above the 2012 enacted level, to support growing the evidence base in high-need areas, including identifying and supporting effective teachers and leaders, improving low-performing schools, and encouraging parent engagement.

Teachers and principals have enormous impacts on students' learning. The Budget continues significant investment to ensure that there is an effective teacher in every classroom through programs such as the Teacher and Leader Innovation Fund and the Effective Teachers and Leaders State Formula Grant Program and its 25 percent set-aside for competitive grants. The Administration also recognizes the need to equip school leaders to implement Elementary and Secondary Education Act (ESEA) reforms by providing nearly $100 million for a competition to develop high-quality, large-scale professional development for current school leaders. The Budget also invests $12.5 billion in mandatory funds to help school districts prevent additional teacher layoffs and hire teachers as the economy continues to recover. In addition, the Budget proposes a $5 billion one-time mandatory investment in the Recognizing Educational Success, Professional Excellence, and Collaborative Teaching (RESPECT) Project, to support States and districts that commit to bold, comprehensive reforms to transform every stage of the teaching profession.

The Budget provides $1.3 billion for 21st Century Community Learning Centers to States and other entities for projects that provide students, particularly those in high-need schools, the additional time, support, and enrichment activities that can improve their achievement. The Budget places a particular focus on programs that support high-quality expanded learning models, which add time to the school day or school year to improve student outcomes.

The Budget sustains the Department of Education's commitment to supporting education for disadvantaged students and students with disabilities, providing $14.5 billion for ESEA Title I Grants and $11.6 billion for Individuals with Disabilities Education Act (IDEA) Grants to States. These investments provide the resources needed by districts to pay teacher salaries and fund other educational interventions for these groups.

Building on the success of Race to the Top (RTT) program in both early education and K-12 education, the Department of Education will shift the focus of RTT in 2014 to promoting comprehensive reforms in postsecondary education. The Budget provides $1 billion to support competitive grants to States that commit to driving comprehensive change in their higher education policies and practices, while doing more to contain their tuition and make it easier for students to afford a college education. This change establishes RTT as a fund that promotes system-wide reform and can shift its focus each year to support the most promising and comprehensive solutions to strengthen public education and improve outcomes from preschool through college.

A large share of the nation's vocational training is delivered at community colleges. The Budget funds an $8 billion Community College to Career Fund jointly administered by the Departments of Labor and Education to support State and community college partnerships with businesses to build the skills of American workers. The Fund will build on the Trade Adjustment Assistance Community College and Career Training Grants, for which 2014 is the final year of funding.

The Administration is committed to doing everything we can to make it easier for people who need help to find a job or build their skills for a better one, and for employers who need to find well-qualified workers. The Administration is exploring opportunities to revisit how the Federal government funds job training and employment services, including the possibility of reorganizing some of the existing training programs that serve overlapping populations. For example, the Budget proposes a universal displaced worker program that will reach up to a million workers a year with a set of core services, combining the best elements of two more narrowly-targeted programs. Any reform must ensure that the needs of particularly vulnerable job-seekers and workers continue to be met and ensure greater accountability and transparency about the performance of federally-supported job training providers and programs.

The Budget also provides $80 million to increase the set-aside for governors in the Workforce Investment Act formula grants from 5 percent to 7.5 percent in order to boost States' capacity to engage in program improvements and reform.

Health

Grant outlays for health related programs are estimated to be $323.6 billion in 2014.

The Budget expands access to HIV/AIDS prevention and treatment activities and supports the goals of the National HIV/AIDS Strategy to reduce HIV incidence; increase access to care and optimizing health outcomes for people living with HIV; and reduce HIV-related health disparities. By providing resources for Affordable Care Act implementation, the Budget will support increased health care coverage for thousands of people living with HIV/AIDS. The Budget increases funding for the Ryan White HIV/AIDS program by $20 million, including an additional $10 million for the AIDS Drug Assistance Program (ADAP) to ensure that individuals living with HIV can access their medications and an additional $10 million for HIV medical clinics to expand access to care and improve systems for connecting individuals to care and retaining them in care over time. The Budget includes an increase of $10 million for CDC HIV/ AIDS prevention activities to expand surveillance activities and improve timeliness of data. The Budget redirects $40 million from less effective activities to support a new $40 million initiative to improve systems that link persons recently diagnosed with HIV to care. The Budget also invests $10 million in building the infrastructure and capacity that State public health departments and community based organizations will need to bill private insurers for infectious disease testing.

The Budget maintains the Community Mental Health Services Block Grant and increases the Substance Abuse Prevention and Treatment Block Grant to support States in an effective transition in the first year of the Affordable Care Act, which will include expanded coverage for mental health and substance abuse treatment services. The Budget also proposes funding within the Block Grants to encourage States to build provider capacity to bill public and private insurance and to promote the adoption of evidence-based programs.

Medicaid is critically important to providing health care coverage to the neediest Americans, and the Administration strongly supports State efforts to expand Medicaid with the increased Federal funding provided in the Affordable Care Act. The Budget seeks to preserve the existing partnership between States and the Federal government while making Medicaid more efficient and sustainable through sensible, targeted, Medicaid reforms. For example, the Budget helps States and the Federal government leverage more efficient reimbursement rates for durable medical equipment based on Medicare rates. The Budget also better aligns Medicaid Disproportionate Share Hospital (DSH) payments with expected levels of uncompensated care by beginning the scheduled reductions in 2015 and basing future State DSH allotments on States' actual DSH allotments as reduced by the ACA. Finally, the Budget would improve rebate and payment policies for Medicaid prescription drugs.

Finally, the Budget invests $15 billion over the next 10 years to extend and expand evidence-based, voluntary home visiting. These investments will be paired with a new initiative in the Department of Education to expand preschool to all low- and moderate-income four year olds.

Income Security

Grant outlays for income security programs are estimated to be $107.9 billion in 2014.

The Budget proposes a $4 billion Reemployment NOW program, which incorporates a number of reforms to help UI claimants and other long-term unemployed individuals get back to work more quickly. The Budget also includes a $12.5 billion Pathways Back to Work Fund to make it easier for workers to remain connected to the workforce and gain new skills for long-term employment. This initiative will support summer- and year-round jobs for low-income youth, subsidized employment opportunities for unemployed and low-income adults, and other promising strategies designed to lead to employment.

The Budget provides $400 million for Choice Neighborhoods to continue to transform neighborhoods of concentrated poverty into opportunity-rich, mixed-income neighborhoods. The Budget will reach 10 to 13 neighborhoods with implementation grants that fund the revitalization of HUD-assisted housing and also engage local governments, nonprofits, and for-profit developers in partnerships to improve economic conditions in surrounding communities. These funds will be targeted to designated Promise Zones—high-poverty communities where the Federal government will work with local leadership to invest and engage more intensely to create jobs, leverage private investment, increase economic activity, and expand educational opportunities.

The Budget requests $20 billion for the Housing Choice Voucher program to help more than 2.2 million low-income families afford decent housing in neighborhoods of their choice. This funding level supports all existing vouchers and provides 10,000 new vouchers targeted to homeless veterans. The Budget also includes $10.3 billion for the Project-Based Rental Assistance program to maintain affordable rental housing for 1.2 million families, and provides $6.6 billion in operating and capital subsidies to preserve affordable public housing for an additional 1.1 million families. A portion of this funding will support implementation of the Rental Assistance Demonstration, which will upgrade over 150,000 public housing and other HUD-assisted units by converting them to long-term Section 8 contracts that can leverage private financing for capital repairs.

The Budget provides $2.4 billion for Homeless Assistance Grants, $480 million above the 2012 enacted level. This funding maintains the approximately 325,000 HUD-funded beds that assist the homeless nationwide and expands rapid re-housing and permanent supportive housing. Backed with new data and emerging best practices across the country, this evidence-based investment will make further progress towards the goals laid out in the Federal Strategic Plan to Prevent and End Homelessness.

The Budget proposes to update the Housing Opportunities for Persons with AIDS (HOPWA) program to better reflect the current case concentration and understanding of HIV/AIDS and ensure that funds are directed in a more equitable and effective manner. This modernization includes a new formula that will distribute HOPWA funds based on the current population of HIV-positive individuals, fair market rents, and poverty rates in order to target funds to areas with the most need. It also makes the program more flexible, giving local communities more options to provide targeted, timely, and cost-effective interventions. The Budget's $330 million investment in HOPWA, in combination with the proposed modernization, will assist local communities in keeping individuals with HIV/AIDS housed, making it easier for them to stay connected to treatment, and therefore improving health outcomes for this vulnerable population.

At a time of continued need, the Administration strongly supports the Supplemental Nutrition Assistance Program (SNAP) and the Child Nutrition Programs, which help families improve their nutrition and reduce hunger. SNAP is the cornerstone of our Nation's nutrition assistance safety net, touching the lives of more than 47 million people. The Budget provides $7.6 billion for discretionary nutrition programs, including $7.1 billion to support the 8.9 million individuals expected to participate in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which is critical to the health of pregnant women, new mothers, infants, and young children. The Budget also provides resources for program integrity and again proposes to continue certain temporary SNAP benefits.

The Budget supports the implementation of the Healthy, Hunger-Free Kids Act of 2010 with $35 million in school equipment grants to aid in the provision of healthy meals and continued support for other school-based resources through the Department of Agriculture.

The Budget provides $3 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families with residential heating and cooling expenses. The Budget targets funds to States with vulnerable households facing high home heating costs. The Budget also provides $50 million for competitive grants to help reduce energy burdens for LIHEAP households that rely on persistently high-cost systems.

Research has shown that effective early childhood programs help children succeed in school and beyond. Increasing Federal investments in high-quality early education is a key part of a broader education agenda that will strengthen the Nation's competiveness and help every child reach his or her potential. The Budget invests $1.4 billion in new Early Head Start-Child Care Partnerships to support States and communities in expanding the availability of high-quality learning opportunities for our youngest children. The Budget also provides an additional $200 million for States to support high-quality child care in 2014 and $7 billion over the next 10 years to maintain the availability of child care subsidies.

The Budget proposes policy changes to modernize the Child Support Enforcement Program, which touches the lives of one-quarter of the Nation's children. These policy changes will encourage non-custodial parents to take greater responsibility for their children while maintaining rigorous enforcement efforts. The Budget supports States in providing access and visitation services that can improve a non-custodial parent's relationship with his or her family and increases support for States that pass child support payments through to families rather than retaining them. The program will continue to evaluate the effectiveness of providing employment services aimed at increasing child support payments from noncustodial parents. In addition, the Budget provides $35 million for States to test strategies to overcome financial deterrents to marriage.

Administration of Justice

Grant outlays for justice programs are estimated to be $6.6 billion in 2014.

The Budget provides $413 million to reinforce efforts to combat and respond to violent crimes against women. These grants play a critical role in helping to create a coordinated community response to this problem. As a result of prior investments in this area, civil and criminal justice systems are more responsive to victims. Crimes of violence committed against women have declined in recent years. Yet, reducing such violence and meeting the needs of the almost 1.3 million women victimized by rape and sexual assault annually, and the nearly seven million victims of intimate partner violence each year, remains a critical priority.

The Budget provides $440 million to support evidence-based community policing in the Nation's local law enforcement agencies. While a portion of this funding will support the Comprehensive School Safety Program and be used to hire school resource officers and mental health professionals and make other investments in school safety, $257 million is provided for the hiring and retention of police officers and sheriffs' deputies across the country, and includes a preference for the hiring of post-9/11 military veterans and school resource officers. Of the total, $35 million is set aside for Tribal Law Enforcement to help ensure the safety and security of tribal residents. The Budget also includes $4 billion in immediate assistance for the retention, rehiring, and hiring of police officers, as requested by the President in the American Jobs Act.

The Budget provides $332 million for the Department's Juvenile Justice Programs and includes evidence-based investments to prevent youth violence, including $25 million to fund the Community-Based Violence Prevention Initiative, which would provide grants to replicate successful community-based interventions to control shootings and other serious gang violence, and $4 million for the National Forum on Youth Violence Prevention, which provides assistance for selected communities across the country to develop and implement youth violence strategies. The Budget also includes $20 million for the Juvenile Justice Realignment Incentive Grants, which, in tandem with the $30 million reserved for Juvenile Accountability Block Grants, will assist States that are pursuing evidence-based, juvenile justice system alignment to foster better outcomes for young people, less costly use of incarceration, and increased public safety. Further, the Budget makes available $23 million for research and pilot projects focused on developing appropriate responses to youth exposed to violence.

The Budget includes $222 million to help State and local governments continue implementing the Administration's proposals for increasing firearms safety and supporting programs that help keep communities safe from mass casualty violence. Included in these initiatives are $150 million for the Comprehensive School Safety Program, $55 million in grants to improve the submission of state criminal and mental health records to the National Instant Criminal Background Check System, $15 million to improve police officer safety, and $2 million to develop better gun safety mechanisms to prevent the use of firearms by unauthorized users.

The Budget provides $119 million for the Second Chance Act Grant programs to reduce re-offending and help ex-offenders return to productive lives, $19 million for Residential Substance Abuse Training in the Nation's prisons and jails to help break the cycle of drug offending, and $10 million to expand Hawaii's HOPE Probation project with "swift and certain" sanctions to other sites.

The Budget also invests in several programs to promote better public safety and help reduce State and local corrections system costs. For example, the Budget invests $44 million in Problem-Solving Grants, which support drug courts, mentally ill offender assistance, and other problem-solving approaches to work with special needs offenders while minimizing costly incarceration. The Justice Reinvestment Initiative, funded at $85 million, works with States to reduce unnecessary incarceration and reinvest the savings in efforts that promote public safety. In coordination with the Department of Education's School Climate Transformation Grants, the Budget also requests $20 million for a Juvenile Justice and Education Collaboration Assistance program to help reduce juvenile arrests (and the "school-to-prison pipeline") while improving school safety. With 2.3 million individuals in U.S. prisons, 1 in 32 American adults under correctional supervision, and 71,000 juveniles held in juvenile facilities, these programs aim to achieve improved public safety using evidence-based strategies and data-driven approaches.

The Budget bolsters the Administration's efforts to ensure that more Federal grant funding flows to evidence-based activities and helps to advance knowledge of what works in State and local criminal justice. To accomplish this objective, the Budget increases set-asides for research, evaluation, and statistics; couples the formula Byrne Justice Assistance Grant and Juvenile Accountability Block Grant programs with competitive incentive grants that provide "bonus" funds to States and localities for better, evidence-based use of formula funds; expands the Pay for Success initiative; adopts a more evidence-based, data-driven use of competitive grant funds; and invests in the expansion of CrimeSolutions.gov, a "what works" clearinghouse for best practices in criminal justice, juvenile justice, and crime victim services.

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Energy						
Discretionary:						
Department of Energy:						
Energy Programs:						
Race to the Top for Energy Efficiency and Grid Modernization	....	....	200	....	....	20
Energy Efficiency and Renewable Energy	128	129	248	3,605	779	246
Total, discretionary	**128**	**129**	**448**	**3,605**	**779**	**266**
Mandatory:						
Tennessee Valley Authority:						
Tennessee Valley Authority Fund	618	550	536	618	550	536
Total, Energy	**746**	**679**	**984**	**4,223**	**1,329**	**802**
Natural Resources and Environment						
Discretionary:						
Department of Agriculture:						
Farm Service Agency:						
Grassroots Source Water Protection Program	4	4	....	4	4	....
Natural Resources Conservation Service:						
Watershed Rehabilitation Program	7	7	....	5	3	....
Watershed and Flood Prevention Operations	116	96	....	23	39	14
Forest Service:						
State and Private Forestry	239	248	172	240	240	217
Management of National Forest Lands for Subsistence Uses	3	3	....	2	3	1
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Operations, Research, and Facilities	159	163	159	96	98	96
Pacific Coastal Salmon Recovery	65	65	50	79	79	86
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Regulation and Technology	67	68	57	48	49	41
Abandoned Mine Reclamation Fund	....	....	....	18	27	27
United States Geological Survey:						
Surveys, Investigations, and Research	7	6	1	7	6	1
United States Fish and Wildlife Service:						
Cooperative Endangered Species Conservation Fund	48	48	56	50	88	82
State Wildlife Grants	61	62	61	65	75	78
Landowner Incentive Program	....	....	....	9	12	5
National Park Service:						
Urban Park and Recreation Fund	....	....	10	....	....	1
National Recreation and Preservation	60	60	52	64	59	58
Land Acquisition and State Assistance	45	45	40	38	36	48
Historic Preservation Fund	56	106	59	89	68	85
Environmental Protection Agency:						
State and Tribal Assistance Grants	3,568	4,190	3,154	5,223	4,489	3,893
Hazardous Substance Superfund	19	19	18	220	198	189
Leaking Underground Storage Tank Trust Fund	91	96	87	129	95	90
Total, discretionary	**4,615**	**5,286**	**3,976**	**6,409**	**5,668**	**5,012**
Mandatory:						
Department of the Interior:						
Bureau of Land Management:						
Miscellaneous Permanent Payment Accounts	44	46	5	47	40	14

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
United States Fish and Wildlife Service:						
Coastal Impact Assistance	....	....	....	8	....	....
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	85	85	85	156	82	99
Abandoned Mine Reclamation Fund	220	210	188	172	118	178
United States Fish and Wildlife Service:						
Federal Aid in Wildlife Restoration	398	571	611	377	467	544
Cooperative Endangered Species Conservation Fund	53	63	90	53	63	65
Coastal Impact Assistance	....	....	....	85	122	130
Sport Fish Restoration	434	462	421	427	460	427
National Park Service:						
Urban Park and Recreation Fund	....	....	5	....	....	....
Land Acquisition and State Assistance	....	....	20	1	4	4
Departmental Offices:						
National Forests Fund, Payment to States	10	8	8	10	8	8
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	24	26	27	24	26	27
States Share from Certain Gulf of Mexico Leases	....	....	3	....	....	3
Corps of Engineers--Civil Works:						
South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund	3	4	4	8	7	5
Total, mandatory	**1,271**	**1,475**	**1,467**	**1,368**	**1,397**	**1,504**
Total, Natural Resources and Environment	**5,886**	**6,761**	**5,443**	**7,777**	**7,065**	**6,516**
Agriculture						
Discretionary:						
Department of Agriculture:						
Departmental Management:						
Departmental Administration	20	....	....	20	....	....
National Institute of Food and Agriculture:						
Extension Activities	405	407	405	427	410	589
Research and Education Activities	324	327	320	132	407	488
Agricultural Marketing Service:						
Payments to States and Possessions	1	1	1	1	1	1
Farm Service Agency:						
State Mediation Grants	4	4	4	4	4	4
Total, discretionary	**754**	**739**	**730**	**584**	**822**	**1,082**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Payments to States and Possessions	55	55	....	47	54	55
Farm Service Agency:						
Commodity Credit Corporation Fund	4	....	....	4	....	....
Total, mandatory	**59**	**55**	**........**	**51**	**54**	**55**
Total, Agriculture	**813**	**794**	**730**	**635**	**876**	**1,137**
Commerce and Housing Credit						
Mandatory:						
Department of Commerce:						
National Oceanic and Atmospheric Administration:						
Promote and Develop Fishery Products and Research Pertaining to American Fisheries	1	132	132	6	–25	–3
National Telecommunications and Information Administration:						
State and Local Implementation Fund	....	125	10	....	13	78

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Department of the Treasury:						
Departmental Offices:						
State Small Business Credit Initiative	....	....	....	172	551	380
Financial Research Fund	168	....	....	42	....	....
Federal Communications Commission:						
Universal Service Fund	1,843	1,996	2,077	1,843	1,996	2,077
Total, mandatory	**2,012**	**2,253**	**2,219**	**2,063**	**2,535**	**2,532**
Total, Commerce and Housing Credit	**2,012**	**2,253**	**2,219**	**2,063**	**2,535**	**2,532**
Transportation						
Discretionary:						
Department of Transportation:						
Office of the Secretary:						
National Infrastructure Investments	480	483	480	207	319	406
Federal Aviation Administration:						
Grants-in-aid for Airports (Airport and Airway Trust Fund)	....	....	....	3,012	3,810	3,525
Grants-in-aid for Airports (Airport and Airway Trust Fund) (non-add obligation limitations) [1]	3,350	3,371	2,900	....	....	....
Federal Highway Administration:						
Emergency Relief Program	1,662	2,022	....	1,026	874	1,048
Highway Infrastructure Investment, Recovery Act	....	....	....	3,028	1,285	277
Highway Infrastructure Programs	....	....	....	186	135	80
Appalachian Development Highway System	....	....	....	16	27	30
Federal-aid Highways	....	....	....	39,032	39,657	40,065
Federal-aid Highways (non-add obligation limitations) [1]	39,144	37,844	38,956	....	....	....
Miscellaneous Appropriations	....	....	....	87	84	69
Miscellaneous Transportation Trust Funds	....	....	....	11	35	36
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants	....	....	....	274	283	311
Motor Carrier Safety Grants (non-add obligation limitations) [1]	307	309	313	....	....	....
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants	....	....	....	490	402	434
Highway Traffic Safety Grants (non-add obligation limitations) [1]	550	554	562	....	....	....
Federal Railroad Administration:						
Emergency Railroad Rehabilitation and Repair	....	....	....	4	5	....
Intercity Passenger Rail Grant Program	....	....	....	8	13	20
Rail Line Relocation and Improvement Program	....	....	....	12	20	20
Capital Assistance for High Speed Rail Corridors and Intercity Passenger Rail Service	....	....	....	508	1,089	2,246
Federal Transit Administration:						
Transit Capital Assistance, Recovery Act	....	....	....	1,039	658	334
Fixed Guideway Infrastructure Investment, Recovery Act	....	....	....	128	90	3
Job Access and Reverse Commute Grants	....	....	....	5	7	7
Washington Metropolitan Area Transit Authority	150	151	150	91	188	232
Formula Grants	....	....	....	171	224	143
Grants for Energy Efficiency and Greenhouse Gas Reductions	....	....	....	11	25	25
Capital Investment Grants	1,886	1,923	1,981	2,443	2,452	2,569
Public Transportation Emergency Relief Program	....	10,894	25	....	1,089	2,731
Discretionary Grants (Transportation Trust Fund, Mass Transit Account)	....	....	....	13	9	9
Transit Formula Grants	....	....	....	8,197	9,252	9,886
Transit Formula Grants (non-add obligation limitations) [1]	9,904	9,712	9,895	....	....	....
Pipeline and Hazardous Materials Safety Administration:						
Pipeline Safety	34	37	56	25	42	47
Trust Fund Share of Pipeline Safety	5	5	5	5	5	5

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Total, discretionary	**4,217**	**15,515**	**2,697**	**60,029**	**62,079**	**64,558**
Total, obligation limitations (non-add) [1]	53,255	51,790	52,626	....	....	....
Mandatory:						
Department of Homeland Security:						
United States Coast Guard:						
Boat Safety	108	116	104	113	141	118
Department of Transportation:						
Immediate Transportation Investments	....	....	50,000	....	....	5,600
Federal Aviation Administration:						
Grants-in-aid for Airports (Airport and Airway Trust Fund) [1]	3,205	3,203	2,748	....	....	....
Federal Highway Administration:						
Federal-aid Highways [1]	38,199	38,695	39,251	602	596	616
Miscellaneous Appropriations	5	63	....	5	63	....
Federal Motor Carrier Safety Administration:						
Motor Carrier Safety Grants [1]	306	310	313	....	....	....
National Highway Traffic Safety Administration:						
Highway Traffic Safety Grants [1]	525	528	536	....	....	....
Federal Railroad Administration:						
Rail Service Improvement Program	....	....	3,660	....	....	225
Federal Transit Administration:						
Transit Formula Grants [1]	9,889	9,778	9,895	....	....	....
Total, mandatory	**52,237**	**52,693**	**106,507**	**720**	**800**	**6,559**
Total, Transportation	**56,454**	**68,208**	**109,204**	**60,749**	**62,879**	**71,117**
Community and Regional Development						
Discretionary:						
Department of Agriculture:						
Rural Utilities Service:						
Distance Learning, Telemedicine, and Broadband Program	37	85	39	587	739	647
Rural Water and Waste Disposal Program Account	456	436	304	836	1,000	782
Rural Housing Service:						
Rural Community Facilities Program Account	43	29	17	84	72	49
Rural Business Cooperative Service:						
Rural Business and Cooperative Grants	....	....	18	....	....	....
Rural Business Program Account	253	75	....	210	206	39
Department of Commerce:						
Economic Development Administration:						
Economic Development Assistance Programs	417	221	282	393	446	360
Department of Homeland Security:						
Federal Emergency Management Agency:						
State and Local Programs	2,282	2,301	2,123	3,857	3,360	3,150
United States Fire Administration and Training	3	3	1	3	3	3
Disaster Relief Fund	7,076	7,080	1,204	6,346	3,132	4,818
National Flood Insurance Fund	....	10	10	....	10	10
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Fund	3,408	19,308	3,128	6,794	6,402	10,066
Community Development Loan Guarantees Program Account	6	6	....	4	8	8
Brownfields Redevelopment	....	....	....	16	12	12
Office of Lead Hazard Control and Healthy Homes:						
Lead Hazard Reduction	120	121	119	148	130	130

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	159	159	159	159	157	164
Indian Guaranteed Loan Program Account	10	7	5	10	7	7
Appalachian Regional Commission	60	62	57	76	73	75
Delta Regional Authority	11	12	11	14	30	15
Denali Commission	16	11	7	37	59	2
Total, discretionary	**14,357**	**29,926**	**7,484**	**19,574**	**15,846**	**20,337**
Mandatory:						
Department of Homeland Security:						
Federal Emergency Management Agency:						
First Responder Stabilization Fund	....	1,000	....	....	....	50
National Flood Insurance Fund	....	173	106	....	173	108
Department of Housing and Urban Development:						
Community Planning and Development:						
Community Development Loan Guarantees Program Account	7	8	....	7	8	....
Neighborhood Stabilization Program	....	15,000	....	677	1,030	379
Department of the Treasury:						
Fiscal Service:						
Gulf Coast Restoration Trust Fund	....	120	120	....	60	180
Total, mandatory	**7**	**16,301**	**226**	**684**	**1,271**	**717**
Total, Community and Regional Development	**14,364**	**46,227**	**7,710**	**20,258**	**17,117**	**21,054**
Education, Training, Employment, and Social Services						
Discretionary:						
Department of Commerce:						
National Telecommunications and Information Administration:						
Public Telecommunications Facilities, Planning and Construction	....	....	....	10	6	....
Information Infrastructure Grants	–2	–1	....	....	....	....
Department of Education:						
Office of Elementary and Secondary Education:						
School Readiness	....	....	750	....	....	38
Indian Student Education	125	126	125	120	112	125
Impact Aid	1,286	1,292	1,219	1,302	1,420	1,299
Supporting Student Success	196	198	1,532	329	358	257
Accelerating Achievement and Ensuring Equity	15,677	15,728	14,839	17,047	17,375	16,518
Education Improvement Programs	4,416	4,436	2,632	4,823	4,543	4,394
State Fiscal Stabilization Fund, Recovery Act	....	....	....	1,583	1,865	1,000
Office of Innovation and Improvement:						
Innovation and Instructional Teams	1,233	1,240	4,977	748	1,380	2,152
Office of English Language Acquisition:						
English Learner Education	689	692	685	684	713	735
Office of Special Education and Rehabilitative Services:						
Special Education	11,730	12,456	11,617	13,335	12,864	12,995
Rehabilitation Services and Disability Research	147	150	118	145	168	132
American Printing House for the Blind	25	25	25	25	30	26
Office of Vocational and Adult Education:						
Career, Technical and Adult Education	1,719	1,720	1,717	1,846	1,747	1,457
Office of Postsecondary Education:						
Higher Education	301	453	451	396	309	386
Office of Federal Student Aid:						
Student Financial Assistance	....	....	....	6	6	....
Institute of Education Sciences	38	53	53	101	44	46

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Hurricane Education Recovery	....	....	....	15	8	....
Department of Health and Human Services:						
Administration for Children and Families:						
Supporting Healthy Families and Adolescent Development	61	62	62	55	63	63
Children and Families Services Programs	9,550	9,698	10,712	9,492	9,437	10,056
Administration for Community Living:						
Aging and Disability Services Programs	1,470	1,480	2,043	1,484	1,474	1,830
Department of the Interior:						
Bureau of Indian Affairs and Bureau of Indian Education:						
Operation of Indian Programs	111	111	111	106	103	106
Department of Labor:						
Employment and Training Administration:						
Training and Employment Services	2,824	2,831	2,924	3,040	2,939	2,662
Community Service Employment for Older Americans	....	....	....	299	11	....
State Unemployment Insurance and Employment Service Operations	87	87	113	64	44	125
States Paid Leave Fund	....	....	5	....	....	....
Unemployment Trust Fund	955	995	995	951	925	953
Corporation for National and Community Service:						
Operating Expenses	496	496	496	363	266	270
Corporation for Public Broadcasting	444	445	445	444	445	445
District of Columbia:						
District of Columbia General and Special Payments:						
Federal Payment for Resident Tuition Support	30	30	35	30	30	35
Federal Payment for School Improvement	60	60	52	60	60	52
Institute of Museum and Library Services:						
Office of Museum and Library Services: Grants and Administration	217	217	210	235	261	258
National Endowment for the Arts:						
National Endowment for the Arts: Grants and Administration	45	46	50	50	46	48
Total, discretionary	**53,930**	**55,126**	**58,993**	**59,188**	**59,052**	**58,463**
Mandatory:						
Department of Education:						
Office of Elementary and Secondary Education:						
Education Jobs Fund	....	....	....	3,484	229	....
School Readiness	....	....	1,300	....	....	130
American Jobs Act	....	12,500	....	....	625	11,875
Office of Innovation and Improvement:						
Innovation and Instructional Teams	....	5,000	....	....	100	2,650
Office of Special Education and Rehabilitative Services:						
Rehabilitation Services and Disability Research	3,121	3,231	3,302	2,917	3,350	3,778
Department of Health and Human Services:						
Administration for Children and Families:						
Supporting Healthy Families and Adolescent Development	476	478	463	413	439	451
Social Services Block Grant	1,785	2,285	1,785	1,715	1,964	2,062
Department of Labor:						
Employment and Training Administration:						
American Jobs Act and Community College to Career Fund	....	16,500	....	....	825	13,750
TAA Community College and Career Training Grant Fund	500	500	500	40	219	832
Universal Displaced Workers Program	....	....	2,202	....	....	2,202
Federal Unemployment Benefits and Allowances	575	575	196	369	335	300
Total, mandatory	**6,457**	**41,069**	**9,748**	**8,938**	**8,086**	**38,030**
Total, Education, Training, Employment, and Social Services	**60,387**	**96,195**	**68,741**	**68,126**	**67,138**	**96,493**

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Health						
Discretionary:						
Department of Agriculture:						
Food Safety and Inspection Service:						
Salaries and Expenses	50	51	52	47	50	52
Department of Health and Human Services:						
Health Resources and Services Administration:						
Health Resources and Services	2,847	2,923	2,871	2,648	2,487	2,503
Centers for Disease Control and Prevention:						
CDC-Wide Activities and Program Support	1,471	2,195	2,271	1,895	746	810
Substance Abuse and Mental Health Services Administration:						
Susbstance Abuse and Mental Health Services Administration	2,823	2,615	2,663	2,741	3,233	3,068
Departmental Management:						
Public Health and Social Services Emergency Fund	380	382	255	395	443	128
Prevention and Wellness Fund, Recovery Act	....	....	....	14	....	....
Department of Labor:						
Occupational Safety and Health Administration:						
Salaries and Expenses	115	116	116	115	116	116
Mine Safety and Health Administration:						
Salaries and Expenses	9	9	1	9	9	1
Total, discretionary	**7,695**	**8,291**	**8,229**	**7,864**	**7,084**	**6,678**
Mandatory:						
Department of Health and Human Services:						
Health Resources and Services Administration:						
Maternal, Infant, and Early Childhood Home Visiting Programs	350	400	400	122	401	318
Centers for Medicare and Medicaid Services:						
Rate Review Grants	....	....	....	22	100	80
Affordable Insurance Exchange Grants	1,655	2,751	1,343	167	1,457	2,061
Grants to States for Medicaid	270,724	269,384	284,052	250,534	266,565	303,634
Children's Health Insurance Fund	8,659	11,083	15,368	9,065	9,897	9,992
State Grants and Demonstrations	528	530	532	477	788	749
Child Enrollment Contingency Fund	....	3	4	....	125	100
Departmental Management:						
Pregnancy Assistance Fund	25	25	25	26	27	21
Total, mandatory	**281,941**	**284,176**	**301,724**	**260,413**	**279,360**	**316,955**
Total, Health	**289,636**	**292,467**	**309,953**	**268,277**	**286,444**	**323,633**
Income Security						
Discretionary:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for Strengthening Markets, Income, and Supply (section 32)	....	–300	–166	....	–300	–166
Food and Nutrition Service:						
Commodity Assistance Program	244	260	272	238	259	271
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	7,018	6,659	7,142	6,837	6,670	7,007
Department of Health and Human Services:						
Administration for Children and Families:						
Low Income Home Energy Assistance	3,472	3,493	3,020	3,817	3,704	2,936
Refugee and Entrant Assistance	504	625	635	633	722	716
Payments to States for the Child Care and Development Block Grant	2,269	2,283	2,469	2,191	2,277	2,433

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Department of Homeland Security:						
Federal Emergency Management Agency:						
Emergency Food and Shelter	120	121	100	90	226	106
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public Housing Operating Fund	3,962	3,986	4,560	4,220	3,923	4,399
Revitalization of Severely Distressed Public Housing (HOPE VI)	....	....	....	129	130	130
Native Hawaiian Housing Block Grant	13	13	13	3	13	16
Tenant Based Rental Assistance	18,264	19,006	19,996	17,952	18,919	19,956
Project-based Rental Assistance	289	260	265	167	260	265
Public Housing Capital Fund	1,875	1,886	1,979	2,631	2,500	2,388
Native American Housing Block Grant	650	654	647	751	650	673
Choice Neighborhoods	120	121	398	....	8	36
Family Self-Sufficiency	....	....	75	....	....	....
Rental Assistance Demonstration	....	....	10	....	....	....
Community Planning and Development:						
Homeless Assistance Grants	703	902	1,123	1,171	810	779
Home Investment Partnership Program	1,000	1,006	945	1,781	1,624	1,392
Housing Opportunities for Persons with AIDS	332	334	332	334	325	316
Rural Housing and Economic Development	....	....	....	11	20	7
Permanent Supportive Housing	....	....	....	10	12	7
Department of Labor:						
Employment and Training Administration:						
Unemployment Trust Fund	3,421	3,421	3,446	2,128	1,591	1,623
Total, discretionary	**44,256**	**44,730**	**47,261**	**45,094**	**44,343**	**45,290**
Mandatory:						
Department of Agriculture:						
Agricultural Marketing Service:						
Funds for Strengthening Markets, Income, and Supply (section 32)	795	1,043	1,052	791	1,071	1,052
Food and Nutrition Service:						
Supplemental Nutrition Assistance Program	6,888	6,956	7,238	6,832	6,949	7,123
Commodity Assistance Program	21	21	21	21	21	21
Child Nutrition Programs	18,284	19,696	20,526	18,287	20,844	20,557
Department of Health and Human Services:						
Administration for Children and Families:						
Payments to States for Child Support Enforcement and Family Support Programs	3,836	4,004	4,075	3,957	3,994	4,045
Contingency Fund	612	612	293	678	876	487
Payments for Foster Care and Permanency	7,006	6,920	7,011	6,846	6,744	6,901
Child Care Entitlement to States	2,917	2,917	3,417	2,828	2,908	3,322
Temporary Assistance for Needy Families	16,739	16,739	17,058	16,136	16,848	17,271
Department of Housing and Urban Development:						
Public and Indian Housing Programs:						
Public Housing Capital Fund	....	....	....	88	....	....
Community Planning and Development:						
Housing Trust Fund	....	....	1,000	....	....	10
Department of Labor:						
Employment and Training Administration:						
Universal Displaced Workers Program	....	....	1,843	....	....	1,843
Unemployment Trust Fund	389	....	....	389	....	....
Department of the Treasury:						
Departmental Offices:						
Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocations	....	....	....	627	....	....

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued

(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
Total, mandatory	**57,487**	**58,908**	**63,534**	**57,480**	**60,255**	**62,632**
Total, Income Security	**101,743**	**103,638**	**110,795**	**102,574**	**104,598**	**107,922**
Social Security						
Mandatory:						
Social Security Administration:						
Federal Disability Insurance Trust Fund	15	19	18	29	19	18
Veterans Benefits and Services						
Discretionary:						
Department of Veterans Affairs:						
Veterans Health Administration:						
Medical Services	852	975	1,066	852	975	1,066
Departmental Administration:						
Grants for Construction of State Extended Care Facilities	85	86	83	201	105	93
Grants for Construction of Veterans Cemeteries	46	46	45	28	33	32
Total, discretionary	**983**	**1,107**	**1,194**	**1,081**	**1,113**	**1,191**
Total, Veterans Benefits and Services	**983**	**1,107**	**1,194**	**1,081**	**1,113**	**1,191**
Administration of Justice						
Discretionary:						
Department of Housing and Urban Development:						
Fair Housing and Equal Opportunity:						
Fair Housing Activities	71	71	71	70	72	79
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	21	21	21	18	20	–1
Office of Justice Programs:						
Research, Evaluation, and Statistics	83	42	73	124	158	101
State and Local Law Enforcement Assistance	1,014	1,038	884	1,560	1,575	1,170
Juvenile Justice Programs	211	208	280	335	342	328
Community Oriented Policing Services	162	163	426	611	655	367
Violence against Women Prevention and Prosecution Programs	388	382	392	396	478	523
Equal Employment Opportunity Commission:						
Salaries and Expenses	30	30	30	30	30	30
Federal Drug Control Programs:						
High-intensity Drug Trafficking Areas Program	219	240	193	217	304	192
State Justice Institute:						
State Justice Institute: Salaries and Expenses	5	5	5	4	7	6
Total, discretionary	2,204	2,200	2,375	3,365	3,641	2,795
Mandatory:						
Department of Justice:						
Legal Activities and U.S. Marshals:						
Assets Forfeiture Fund	839	589	573	524	560	197
Office of Justice Programs:						
Community Oriented Policing Stabilization Fund	....	3,992	....	....	....	2,392
Crime Victims Fund	655	649	750	648	712	920
Department of the Treasury:						
Departmental Offices:						
Treasury Forfeiture Fund	139	961	305	153	464	271
Total, mandatory	**1,633**	**6,191**	**1,628**	**1,325**	**1,736**	**3,780**
Total, Administration of Justice	**3,837**	**8,391**	**4,003**	**4,690**	**5,377**	**6,575**

Table 17–1. FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS—BUDGET AUTHORITY AND OUTLAYS—Continued
(In millions of dollars)

Function, Category, Agency and Program	Budget Authority			Outlays		
	2012 Actual	2013 CR	2014 Estimate	2012 Actual	2013 CR	2014 Estimate
General Government						
Discretionary:						
Department of the Interior:						
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	14	14	....	14	14	....
Insular Affairs:						
Assistance to Territories	60	61	61	54	42	72
Trust Territory of the Pacific Islands	....	....	....	1	....	....
District of Columbia:						
District of Columbia Courts:						
Federal Payment to the District of Columbia Courts	243	234	223	260	211	229
Defender Services in District of Columbia Courts	45	55	50	51	62	59
District of Columbia General and Special Payments:						
Federal Support for Economic Development and Management Reforms in the District	23	23	33	23	23	33
Election Assistance Commission:						
Election Reform Programs	....	....	....	6	5	5
Total, discretionary	**385**	**387**	**367**	**409**	**357**	**398**
Mandatory:						
Department of Agriculture:						
Forest Service:						
Forest Service Permanent Appropriations	365	300	347	383	255	340
Department of Energy:						
Energy Programs:						
Payments to States under Federal Power Act	3	3	3	5	3	3
Department of Homeland Security:						
Customs and Border Protection:						
Refunds, Transfers, and Expenses of Operation, Puerto Rico	107	103	99	121	127	99
Department of the Interior:						
Office of Surface Mining Reclamation and Enforcement:						
Payments to States in Lieu of Coal Fee Receipts	180	44	....	....	339	137
United States Fish and Wildlife Service:						
National Wildlife Refuge Fund	8	8	8	7	6	8
Departmental Offices:						
Mineral Leasing and Associated Payments	2,050	2,017	2,100	2,050	2,017	2,100
National Petroleum Reserve, Alaska	5	3	....	5	3	....
Geothermal Lease Revenues, Payment to Counties	4	4	....	4	4	....
Insular Affairs:						
Assistance to Territories	28	28	28	21	29	36
Payments to the United States Territories, Fiscal Assistance	313	340	315	313	340	315
Department-Wide Programs:						
Payments in Lieu of Taxes	393	401	410	393	401	410
Department of the Treasury:						
Alcohol and Tobacco Tax and Trade Bureau:						
Internal Revenue Collections for Puerto Rico	376	616	433	376	616	433
Total, mandatory	**3,832**	**3,867**	**3,743**	**3,678**	**4,140**	**3,881**
Total, General Government	**4,217**	**4,254**	**4,110**	**4,087**	**4,497**	**4,279**
Total, Grants	**541,093**	**630,993**	**625,104**	**544,569**	**560,987**	**643,269**
Discretionary	**133,524**	**163,436**	**133,754**	**207,202**	**200,784**	**206,070**
Transportation obligation limitations (non-add) [1]	53,255	51,790	52,626	....	....	....
Mandatory	**407,569**	**467,557**	**491,350**	**337,367**	**360,203**	**437,199**

[1] Mandatory contract authority provides budget authority for these programs, but program levels are set by discretionary obligation limitations in appropriations bills and outlays are recorded as discretionary. This table shows the obligation limitations as non-additive items to avoid double counting.

HISTORICAL PERSPECTIVES

The 19th century witnessed national expansion and a growth in Federal aid. With westward development and population growth, Congress recognized a great need for internal improvement projects. Many early grants came in the form of land and were used for canals, waterways, roads and railroads, although, at that time, grants were made to individuals, corporations, and territories since most of the States of the trans-Mississippi west did not enter the Union until after the Civil War.

The rudiments of the present system of State grants-in-aid date back to the Civil War. After the War, key Supreme Court decisions expanded Federal powers under the Necessary and Proper Clause of the Constitution. Congress supported westward expansion with the Pacific Railroad Act of 1862, which enabled the government to charter railroad corporations that constructed a transcontinental railroad. The Morrill Act, passed in 1862, established the land grant colleges and instituted certain federally required standards for States that received the grants, as is characteristic of present-day grant programs.

The Weeks Act of 1911 is an early example of the modern grant-in-aid program model because it contained several mechanisms that became common in future grants, including conditioning the receipt of Federal funds on approval of State plans, requiring matching State funds, and specifying the oversight role of Federal officials.[12] In 1914, Congress passed the Smith-Lever Act, another early grant-in-aid program which distributed millions of dollars in agricultural assistance to States for extension services by the land grant universities.

During the Great Depression, the reach of Federal grants-in-aid expanded to meet income security and other social welfare needs. The Federal Emergency Relief Act of 1933 was the first piece of legislation that specifically provided fiscal relief to States through grants.[13] However, Federal grants did not become a significant portion of Federal Government expenditures until after World War II. During the mid-part of the 20th century, the Eisenhower Administration made great investments in the national infrastructure system through the creation of the Interstate Highway program.

As shown in Table 17-2,[14] Federal grants for transportation were $3.0 billion, or 43 percent of all Federal grants, in 1960 due to the initiation of aid-to-States to build the Interstate Highway System in the late 1950s. Transportation is now the fourth largest grant category and accounted for 11 percent of total grant outlays in 2012.

By 1970 there had been significant increases in grant funding for education, training, employment, and social services. This function was the largest grant category in 1970 and accounted for 27 percent of total grant outlays. In 2012, education, training, employment, and social services constituted 12 percent of total grant outlays. Also, in the early and mid-1970s, major new grants were created for community and regional development (e.g. community development block grants), natural resources and environment (e.g. construction of sewage treatment plants), and general government (e.g. general revenue sharing). In 2012, outlays for community and regional development grants were 3.7 percent of total grant spending. Outlays for natural resources and environment grants were 1.4 percent in the same year, and outlays for grants in the general government category made up less than one percent of total grant outlays.

Since 1980, changes in the relative amounts among functions reflect steady growth of grants for health (primarily Medicaid) and income security. In 1980, grants for health programs composed 17 percent of total grant spending. This amount grew to 32 percent in 1990 and 48 percent in 2010. In 2012, expenditures for health grants were $268.3 billion and 49 percent of total Federal grant spending.

Grants for income security programs accounted for 20 percent of grant funding in 1980, 27 percent in 1990 and 19 percent in 2010. Expenditures for income security grants were $102.6 billion and 19 percent of Federal grant spending in 2012.

Section B of Table 17-2 distributes grants between mandatory and discretionary spending. Programs whose funding is provided directly in authorizing legislation are categorized as mandatory. Funding levels for most mandatory programs can only be changed by changing eligibility criteria or benefit formulas established in law and are usually not limited by the annual appropriations process.[15] Outlays for mandatory grant programs were $337.4 billion in 2012. As shown in Table 17-1, the three largest mandatory grant programs in 2012 were Medicaid, with outlays of $250.5 billion; Temporary Assistance for Needy Families, $16.1 billion; and Child Nutrition Programs, which include the School Breakfast Program, the National School Lunch Program and others, $18.3 billion. In 2014 grants-in-aid with mandatory funding are estimated to have outlays of $437.2 billion, an increase of $99.8 billion from 2012.

Funding levels for discretionary grant programs are determined annually through appropriations acts. Outlays for discretionary grant programs were $207.2 billion in 2012. As shown in Table 17-1, the three largest discretionary programs in 2012 were Federal-aid Highways, $39.0 billion; Tenant Based Rental Assistance, $18.0 billion; and Accelerating Achievement and Ensuring Equity (Education for the Disadvantaged), $17.0 billion. In 2014, grants-in-aid with discretionary funding are estimated to

[12] Canada, Ben. February 19, 2003. *Federal Grants to State and Local Governments: A Brief History*. Congressional Re-search Service, The Library of Congress.

[13] Ibid.

[14] Table 17–2 displays trends in Federal grants to State and local governments since 1960. Section A shows Federal grants by function. Functions with a substantial amount of grant funding are broken out on separate lines. Grants for national defense, energy, social security, and veterans benefits and services functions are combined on the "Other" line.

[15] For more information on these categories, see Chapter 12, "Budget Concepts," in this volume.

have outlays of $206.1 billion, a decrease of $1.1 billion from 2012.

Section C of Table 17–2 divides grants among three major categories: payments for individuals, grants for physical capital, and other grants. Grant outlays for payments for individuals, which are primarily entitlement programs in which the Federal Government and the States share the costs, have grown significantly as a percent of total grants. They increased from about a third of the total in 1960 to slightly less than two-thirds in the mid-1990s, and have remained about that proportion since. These grants are distributed through State or local governments to provide cash or in-kind benefits that constitute income transfers to individuals or families. The major grant in this category is Medicaid. Temporary Assistance for Needy Families, child nutrition programs, and housing assistance are also large grants in this category. Grant spending in the payments for individuals category equaled $387.8 billion in 2012 or 64 percent of total grant spending.

Grants for physical capital assist States and localities with construction and other physical capital activities. The major capital grants are for highways, but there are also grants for airports, mass transit, sewage treatment plant construction, and community development. Grants for physical capital were almost half of total grants in 1960 shortly after grants began for construction of the Interstate Highway System. The relative share of these outlays has declined, as payments for individuals have grown. In 2012, grants for physical capital were $85.2 billion, 16 percent of total grants.

All other grants are captured in the "other" category. These grants were 18 percent of total grants in 2012 and totaled $99.3 billion.

Section D of Table 17-2 shows grants as a percent of Federal outlays, State and local expenditures, and gross domestic product. Grants have increased as a percent of total Federal outlays from 11 percent in 1990 to 18 percent in 2010 and were 15 percent in 2012. Grants as a percent of domestic programs were 16 percent in 2012. Federal grants have increased as a percent of total State and local expenditures since 1990 when they were 19 percent. In 2010, spending for grants was 28 percent of total State and local expenditures and in 2012 it was 24 percent.

Section E shows the relative contribution of physical capital grants in assisting States and localities with gross investment. Federal capital grants are estimated to be 27 percent of State and local gross investment in 2012.

Table 17–2. TRENDS IN FEDERAL GRANTS TO STATE AND LOCAL GOVERNMENTS

(Outlays in billions of dollars)

	Actual									Estimate	
	1960	1970	1980	1990	2000	2005	2010	2011	2012	2013 CR	2014
A. Distribution of grants by function:											
Natural resources and environment	0.1	0.4	5.4	3.7	4.6	5.9	9.1	8.3	7.8	7.1	6.5
Agriculture	0.2	0.6	0.6	1.3	0.7	0.9	0.8	0.9	0.6	0.9	1.1
Transportation	3.0	4.6	13.0	19.2	32.2	43.4	61.0	61.0	60.7	62.9	71.1
Community and regional development	0.1	1.8	6.5	5.0	8.7	20.2	18.8	19.9	20.3	17.1	21.1
Education, training, employment, and social services	0.5	6.4	21.9	21.8	36.7	57.2	97.6	89.1	68.1	67.1	96.5
Health	0.2	3.8	15.8	43.9	124.8	197.8	290.2	292.8	268.3	286.4	323.6
Income security	2.6	5.8	18.5	36.8	68.7	90.9	115.2	113.6	102.6	104.6	107.9
Administration of justice	....	0.0	0.5	0.6	5.3	4.8	5.1	4.9	4.7	5.4	6.6
General government	0.2	0.5	8.6	2.3	2.1	4.4	5.2	7.6	4.1	4.5	4.3
Other	0.0	0.1	0.7	0.8	2.1	2.6	5.4	8.5	7.4	5.0	4.5
Total	**7.0**	**24.1**	**91.4**	**135.3**	**285.9**	**428.0**	**608.4**	**606.8**	**544.6**	**561.0**	**643.3**
B. Distribution of grants by BEA category:											
Discretionary	N/A	10.2	53.3	63.3	116.7	181.7	207.7	189.8	207.2	200.8	206.1
Mandatory	N/A	13.9	38.1	72.0	169.2	246.3	400.7	416.9	337.4	360.2	437.2
Total	**7.0**	**24.1**	**91.4**	**135.3**	**285.9**	**428.0**	**608.4**	**606.8**	**544.6**	**561.0**	**643.3**
C. Composition:											
Current dollars:											
Payments for individuals [1]	2.5	8.7	32.6	77.3	182.6	273.9	384.5	387.8	360.1	382.2	421.3
Physical capital [1]	3.3	7.1	22.6	27.2	48.7	60.8	93.3	96.5	85.2	83.1	92.7
Other grants	1.2	8.3	36.2	30.9	54.6	93.3	130.6	122.4	99.3	95.7	129.3
Total	**7.0**	**24.1**	**91.4**	**135.3**	**285.9**	**428.0**	**608.4**	**606.8**	**544.6**	**561.0**	**643.3**
Percentage of total grants:											
Payments for individuals [1]	35.3%	36.2%	35.7%	57.1%	63.9%	64.0%	63.2%	63.9%	66.1%	68.1%	65.5%
Physical capital [1]	47.3%	29.3%	24.7%	20.1%	17.0%	14.2%	15.3%	15.9%	15.6%	14.8%	14.4%
Other grants	17.4%	34.5%	39.6%	22.8%	19.1%	21.8%	21.5%	20.2%	18.2%	17.1%	20.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Constant (FY 2005) dollars:											
Payments for individuals [1]	13.3	37.3	71.1	107.6	203.2	273.9	344.0	339.6	307.6	320.1	345.3
Physical capital [1]	19.6	31.4	44.9	37.6	56.5	60.8	76.0	76.9	66.4	63.0	68.1
Other grants	12.3	55.0	111.1	53.0	67.0	93.3	112.5	103.2	81.7	76.7	100.3
Total	**45.3**	**123.7**	**227.1**	**198.1**	**326.8**	**428.0**	**532.5**	**519.7**	**455.7**	**459.9**	**513.7**
D. Total grants as a percent of:											
Federal outlays:											
Total	7.6%	12.3%	15.5%	10.8%	16.0%	17.3%	17.6%	16.8%	15.4%	15.2%	17.0%
Domestic programs [2]	18.0%	23.2%	22.2%	17.1%	22.0%	23.5%	23.3%	22.4%	16.2%	16.1%	18.0%
State and local expenditures	14.8%	20.1%	27.4%	18.9%	22.2%	24.5%	28.4%	27.5%	24.5%	N/A	N/A
Gross domestic product	1.4%	2.4%	3.4%	2.4%	2.9%	3.4%	4.2%	4.1%	3.5%	3.5%	3.8%
E. As a share of total State and local gross investments:											
Federal capital grants	24.6%	25.4%	35.4%	21.9%	22.0%	22.0%	27.5%	29.7%	26.8%	25.5%	27.2%
State and local own-source financing	75.4%	74.6%	64.6%	78.1%	78.0%	78.0%	72.5%	70.3%	73.2%	74.5%	72.8%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

N/A: Not available at publishing.

[1] Grants that are both payments for individuals and capital investment are shown under capital investment.

[2] Excludes national defense, international affairs, net interest, and undistributed offsetting receipts.

OTHER INFORMATION ON FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Over the past two years, the Administration has worked with stakeholders to better direct financial assistance to achieve outcomes by reforming administrative procedures to reduce the risk of waste, fraud, and abuse, and lessen the administrative burdens. In February 2013, OMB published a proposal to this effect that would streamline eight previously overlapping sets of guidance into one. The proposal is available for public comment until June 2, 2013 on *regulations.gov* under docket OMB-2013-0001.

Additional information regarding aid to State and local governments can be found elsewhere in this Budget. Major public physical capital investment programs providing Federal grants to State and local governments are identified in Chapter 20, "Federal Investment," in this volume. Summary and detailed data for grants to State and local governments can be found in many sections of a separate volume of the Budget entitled Historical Tables. Section 12 of that document is devoted exclusively to grants to State and local governments. Additional information on grants can be found in Section 6, Composition of Federal Government Outlays; Section 9, Federal Government Outlays for Major Public Physical Capital, Research and Development, and Education and Training; Section 11, Federal Government Payments for Individuals; and Section 15, Total (Federal and State and Local) Government Finances.

In addition, a number of other sources provide State-by-State spending data, information on how to apply for Federal aid, or display information about audits but use a slightly difference concept of grants.

The website *Grants.gov* is a primary source of information for communities wishing to apply for grants and other domestic assistance. *Grants.gov* hosts all open notices of opportunities to apply for Federal grants. The *Catalog of Federal Domestic Assistance* hosted by the General Services Administration contains detailed listings of grant and other assistance programs; discussions of eligibility criteria, application procedures, and estimated obligations; and related information. The *Catalog* is available on the Internet at *www.cfda.gov*.

Current and updated grant receipt information by State and local governments and other non-Federal entities can be found on *USAspending.gov*. This public website also contains contract and loan information and is updated twice per month. Additionally, information about grants provided specifically by the Recovery Act can be found on *Recovery.gov*.

Prior to the creation of *USAspending.gov*, the Bureau of the Census in the Department of Commerce provided data on public finances and has published data on Federal aid to State and local governments in the *Consolidated Federal Funds Report* and the *Federal Aid to States* report. However, the Federal Financial Statistics program was terminated so there are no new reports after 2010.

The Federal Audit Clearinghouse maintains an on-line database *(harvester.census.gov/sac)* that provides access to summary information about audits conducted under OMB Circular A–133, "Audits to States, Local Governments, and Non-Profit Organizations." Information is available for each audited entity, including the amount of Federal money expended by program and whether there were audit findings.

The Bureau of Economic Analysis, also in the Department of Commerce, publishes the monthly *Survey of Current Business*, which provides data on the national income and product accounts (NIPA), a broad statistical concept encompassing the entire economy. These accounts include data on Federal grants to State and local governments. Data using the NIPA concepts appear in this volume in Chapter 28, "National Income and Product Accounts."

APPENDIX: SELECTED GRANT DATA BY STATE

This Appendix displays State-by-State spending for select grant programs to State and local governments with summary information in the first two tables. The programs selected here cover almost 84 percent of total grant spending.

The first summary table, "Summary of Programs by Agency, Bureau, and Program" shows obligations for each program by agency and bureau. The second summary table, "Summary of Grant Programs by State," shows total obligations for each State across all programs.

The individual program tables display obligations for each program on a State-by-State basis, consistent with the estimates in this Budget. Each table reports the following information:

- The Federal agency that administers the program.
- The program title and number as contained in the *Catalog of Federal Domestic Assistance.*
- The Treasury budget account number from which the program is funded.
- Actual 2012 obligations for States, Federal territories, or Indian Tribes in thousands of dollars. Undistributed obligations are generally project funds that are not distributed by formula, or programs for which State-by-State data are not available.
- Obligations in 2013 from previous budgeted authority distributed by State. For discretionary programs, obligations by State in 2013 are determined by calculating the full year rate under the continuing resolution enacted in P.L. 112-175.
- Estimates of 2014 obligations by State, which are based on the 2014 Budget request, unless otherwise noted.
- The percentage share of 2014 estimated program funds distributed to each State.

Table 17–3. SUMMARY OF PROGRAMS BY AGENCY, BUREAU, AND PROGRAM

(Obligations in millions of dollars)

Agency, Bureau, and Program	FY 2012 (actual)	Estimated FY 2013 obligations from: Previous authority	2013 CR or New authority	Total	FY 2014 (estimated)
Department of Agriculture, Food and Nutrition Service:					
School Breakfast Program (10.553)	3,351	....	3,605	3,605	3,843
National School Lunch Program (10.555)	10,427	618	10,846	11,463	11,718
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (10.557)	7,074	364	6,660	7,024	7,128
Child and Adult Care Food Program (10.558)	2,846	....	2,937	2,937	3,052
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Food Stamps) (10.561)	3,958	10	4,561	4,571	4,839
Department of Education, Office of Elementary and Secondary Education:					
Title I College-And-Career-Ready Students (Formerly Title I Grants to Local Educational Agencies) (84.010)	14,516	....	14,539	14,539	14,516
Improving Teacher Quality State Grants (84.367)	2,467	....	2,471	2,471	....
Effective Teachers and Leaders State Grants	....	....	....	....	2,467
Department of Education, Office of Special Education and Rehabilitative Services:					
Vocational Rehabilitation Grants (84.126)	3,122	....	3,231	3,231	3,302
Special Education-Grants to States (84.027)	11,578	....	11,649	11,649	11,578
Department of Health and Human Services, Centers for Medicare and Medicaid Services:					
Children's Health Insurance Program (93.767)	14,982	....	17,406	17,406	19,147
Grants to States for Medicaid (93.778)	270,914	....	269,169	269,169	306,708
Affordable Insurance Exchange Grants (93.525)	1,625	....	2,698	2,698	1,292
Department of Health and Human Services, Administration for Children and Families:					
Temporary Assitance for Needy Families (TANF)-Family Assistance Grants (93.558)	16,721	....	16,739	16,739	17,058
Child Support Enforcement-Federal Share of State and Local Administrative Costs and Incentives (93.563)	4,134	....	4,268	4,268	4,339
Low Income Home Energy Assistance Program (93.568)	3,472	....	3,493	3,493	3,020
Child Care and Development Block Grant (93.575)	2,278	....	2,292	2,292	2,478
Child Care and Development Fund-Mandatory (93.596A)	1,239	....	1,239	1,239	1,253
Child Care and Development Fund-Matching (93.596B)	1,678	....	1,678	1,678	2,164
Head Start (93.600)	7,968	....	8,017	8,017	9,616
Foster Care-Title IV-E (93.658)	4,180	....	4,286	4,286	4,281
Adoption Assistance (93.659)	2,296	....	2,369	2,369	2,463
Social Services Block Grant (93.667)	1,700	....	1,700	1,700	1,700
Department of Health and Human Services, HIV/AIDS Bureau:					
Ryan White HIV/AIDS Treatment Modernization Act-Part B HIV Care Grants (93.917)	1,306	....	1,329	1,329	1,371
Department of Housing and Urban Development, Public and Indian Housing Programs:					
Public Housing Operating Fund (14.850)	3,957	4	3,986	3,990	4,560
Section 8 Housing Choice Vouchers (14.871)	18,316	154	19,006	19,159	19,996
Public Housing Capital Fund (14.872)	1,880	76	1,866	1,942	1,999
Department of Housing and Urban Development, Community Planning and Development:					
Community Development Block Grant (14.218; 14.225; 14.228; 14.862)	3,715	617	9,578	10,195	12,971
Department of Labor, Employment and Training Administration:					
Unemployment Insurance (17.225)	3,159	....	3,165	3,165	3,845
Pathways Back to Work	....	....	10,500	10,500	....
Department of Transportation, Federal Aviation Administration:					
Airport Improvement Program (20.106)	3,304	....	3,184	3,184	2,725
Department of Transportation, Federal Highway Administration:					
Highway Planning and Construction (20.205)	37,633	....	41,287	41,287	41,895
Department of Transportation, Federal Transit Administration:					
Transit Formula Grants Programs (20.507)	9,604	5,470	4,086	9,556	10,125
Environmental Protection Agency, Office of Water:					
Capitalization Grants for Clean Water State Revolving Fund (66.458)	1,682	91	1,366	1,456	1,095
Capitalization Grants for Drinking Water State Revolving Fund (66.468)	1,199	75	843	918	817
Federal Communications Commission:					
Universal Service Fund E-Rate	1,831	1,383	437	1,820	1,882
Total	**480,110**	**8,861**	**496,484**	**505,346**	**541,244**

Table 17–4. SUMMARY OF PROGRAMS BY STATE
(Obligations in millions of dollars)

State or Territory	All programs FY 2012 (actual)	Programs distributed in all years				FY 2014 Percentage of distributed total
		Estimated FY 2013 obligations from:			FY 2014 (estimated)	
		Previous authority	2013 CR or New authority	Total		
Alabama	7,428	111	6,884	6,995	6,917	1.44
Alaska	2,118	37	2,069	2,106	2,074	0.43
Arizona	9,023	162	9,296	9,458	9,264	1.93
Arkansas	5,554	31	5,130	5,161	5,253	1.09
California	55,210	1,077	61,383	62,461	56,895	11.85
Colorado	5,044	56	5,200	5,256	5,020	1.05
Connecticut	5,864	345	5,795	6,140	6,504	1.35
Delaware	1,501	37	1,471	1,508	1,506	0.31
District of Columbia	2,680	219	2,542	2,761	2,852	0.59
Florida	19,949	460	21,201	21,661	21,758	4.53
Georgia	11,990	321	11,921	12,242	11,898	2.48
Hawaii	1,845	34	1,761	1,795	1,779	0.37
Idaho	2,063	28	2,186	2,214	2,208	0.46
Illinois	15,391	296	15,666	15,962	15,272	3.18
Indiana	8,782	96	8,758	8,855	9,258	1.93
Iowa	4,031	41	4,062	4,103	4,081	0.85
Kansas	3,179	45	3,162	3,207	3,144	0.66
Kentucky	7,166	74	7,425	7,499	7,387	1.54
Louisiana	8,599	166	7,902	8,069	7,938	1.65
Maine	2,497	21	2,428	2,450	2,445	0.51
Maryland	7,389	243	7,543	7,785	7,743	1.61
Massachusetts	12,063	267	12,076	12,343	12,072	2.51
Michigan	14,884	204	15,284	15,488	15,141	3.15
Minnesota	7,634	107	7,831	7,938	8,095	1.69
Mississippi	6,091	51	6,036	6,087	5,634	1.17
Missouri	9,354	85	9,302	9,387	9,347	1.95
Montana	1,589	15	1,632	1,647	1,606	0.33
Nebraska	2,195	41	2,171	2,212	2,232	0.47
Nevada	2,467	49	2,546	2,596	2,517	0.52
New Hampshire	1,332	19	1,359	1,378	1,370	0.29
New Jersey	11,700	247	14,022	14,269	13,229	2.76
New Mexico	4,352	56	4,192	4,248	4,464	0.93
New York	45,415	1,443	53,678	55,121	51,765	10.78
North Carolina	13,720	176	14,094	14,270	14,245	2.97
North Dakota	1,432	16	1,081	1,097	1,321	0.28
Ohio	17,860	172	18,998	19,171	19,617	4.09
Oklahoma	5,519	65	5,655	5,720	5,759	1.20
Oregon	5,391	69	6,117	6,186	6,528	1.36
Pennsylvania	19,766	368	19,664	20,032	19,885	4.14
Rhode Island	2,076	50	2,008	2,058	2,034	0.42
South Carolina	5,809	73	6,060	6,134	5,965	1.24
South Dakota	1,204	13	1,138	1,151	1,143	0.24
Tennessee	9,944	100	10,471	10,571	10,960	2.28
Texas	31,843	513	35,629	36,143	35,426	7.38
Utah	2,922	33	2,784	2,817	2,826	0.59
Vermont	1,713	20	1,530	1,550	1,531	0.32
Virginia	7,530	154	7,944	8,099	8,079	1.68
Washington	8,643	128	8,250	8,378	8,632	1.80
West Virginia	3,605	37	3,672	3,709	3,629	0.76
Wisconsin	7,888	93	7,911	8,004	7,652	1.59
Wyoming	711	10	831	840	802	0.17
American Samoa	66	3	81	83	67	0.01
Guam	173	6	195	201	180	0.04
Northern Mariana Islands	69	4	78	82	74	0.02
Puerto Rico	2,959	142	3,793	3,935	3,722	0.78
Freely Associated States	7	....	7	7	7	*
Virgin Islands	171	10	190	200	187	0.04
Indian Tribes	983	7	1,167	1,174	1,045	0.22
Total, programs distributed by State in all years	**458,381**	**8,749**	**483,263**	**492,011**	**479,981**	**100.00**
MEMORANDUM:						
Not distributed by State in all years[1]	21,730	115	13,222	13,337	61,269	N/A
Total, including undistributed	480,110	8,864	496,484	505,348	541,249	N/A

* $500 or less or 0.005 percent or less.

[1] The sum of programs not distributed by State in all years.

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Table 17–5. SCHOOL BREAKFAST PROGRAM (10.553)

(Obligations in thousands of dollars)

State or Territory	FY 2012 Actual	Estimated FY 2013 obligations from:			FY 2014 (estimated)	FY 2014 Percentage of distributed total
		Previous authority	2013 CR or New authority	Total		
Alabama	57,618	....	63,372	63,372	67,549	1.76
Alaska	8,249	....	9,073	9,073	9,671	0.25
Arizona	71,763	....	78,929	78,929	84,131	2.19
Arkansas	41,340	....	45,468	45,468	48,465	1.26
California	385,737	....	424,256	424,256	452,219	11.77
Colorado	34,753	....	38,223	38,223	40,743	1.06
Connecticut	23,354	....	25,686	25,686	27,379	0.71
Delaware	9,105	....	10,014	10,014	10,674	0.28
District of Columbia	8,452	....	9,296	9,296	9,909	0.26
Florida	184,870	....	203,331	203,331	216,733	5.64
Georgia	155,917	....	171,486	171,486	182,789	4.76
Hawaii	10,992	....	12,090	12,090	12,886	0.34
Idaho	16,971	....	18,666	18,666	19,896	0.52
Illinois	110,475	....	121,507	121,507	129,515	3.37
Indiana	64,639	....	71,094	71,094	75,780	1.97
Iowa	20,788	....	22,864	22,864	24,371	0.63
Kansas	25,043	....	27,544	27,544	29,359	0.76
Kentucky	64,683	....	71,142	71,142	75,831	1.97
Louisiana	65,720	....	72,283	72,283	77,047	2.00
Maine	10,459	....	11,503	11,503	12,262	0.32
Maryland	45,475	....	50,016	50,016	53,313	1.39
Massachusetts	39,881	....	43,863	43,863	46,755	1.22
Michigan	94,357	....	103,779	103,779	110,620	2.88
Minnesota	38,541	....	42,390	42,390	45,184	1.18
Mississippi	56,654	....	62,311	62,311	66,418	1.73
Missouri	62,231	....	68,445	68,445	72,957	1.90
Montana	6,709	....	7,379	7,379	7,865	0.20
Nebraska	13,987	....	15,384	15,384	16,398	0.43
Nevada	23,985	....	26,380	26,380	28,119	0.73
New Hampshire	4,755	....	5,230	5,230	5,575	0.15
New Jersey	57,625	....	63,379	63,379	67,557	1.76
New Mexico	37,085	....	40,788	40,788	43,477	1.13
New York	169,785	....	186,739	186,739	199,048	5.18
North Carolina	108,275	....	119,087	119,087	126,936	3.30
North Dakota	4,381	....	4,818	4,818	5,136	0.13
Ohio	100,787	....	110,851	110,851	118,158	3.07
Oklahoma	52,876	....	58,156	58,156	61,989	1.61
Oregon	33,238	....	36,557	36,557	38,967	1.01
Pennsylvania	82,177	....	90,383	90,383	96,340	2.51
Rhode Island	8,701	....	9,570	9,570	10,201	0.27
South Carolina	67,844	....	74,619	74,619	79,537	2.07
South Dakota	6,532	....	7,184	7,184	7,658	0.20
Tennessee	83,546	....	91,889	91,889	97,945	2.55
Texas	468,286	....	515,048	515,048	548,996	14.29
Utah	17,603	....	19,361	19,361	20,637	0.54
Vermont	5,032	....	5,534	5,534	5,899	0.15
Virginia	63,516	....	69,859	69,859	74,463	1.94
Washington	48,455	....	53,294	53,294	56,806	1.48
West Virginia	24,612	....	27,070	27,070	28,854	0.75
Wisconsin	40,702	....	44,766	44,766	47,717	1.24
Wyoming	3,329	....	3,661	3,661	3,903	0.10
American Samoa	....	....	....	....	....	....
Guam	2,338	....	2,571	2,571	2,741	0.07
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	32,367	....	35,599	35,599	37,945	0.99
Freely Associated States	....	....	....	....	....	....
Virgin Islands	1,341	....	1,475	1,475	1,572	0.04
Indian Tribes	....	....	....	....	....	....
Undistributed	72,647	....	....	....	....	....
Total	**3,350,583**	....	**3,605,262**	**3,605,262**	**3,842,895**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–6. NATIONAL SCHOOL LUNCH PROGRAM (10.555)

(Obligations in thousands of dollars)

State or Territory	FY 2012 Actual	Estimated FY 2013 obligations from: Previous authority	2013 CR or New authority	Total	FY 2014 (estimated)	FY 2014 Percentage of distributed total
Alabama	183,351	10,864	190,742	201,606	206,077	1.76
Alaska	30,183	1,788	31,400	33,188	33,924	0.29
Arizona	239,953	14,217	249,625	263,842	269,695	2.30
Arkansas	120,251	7,125	125,098	132,223	135,156	1.15
California	1,357,783	80,449	1,412,515	1,492,964	1,526,080	13.02
Colorado	121,566	7,203	126,466	133,669	136,634	1.17
Connecticut	82,493	4,888	85,818	90,706	92,718	0.79
Delaware	28,301	1,677	29,442	31,119	31,809	0.27
District of Columbia	19,608	1,162	20,398	21,560	22,038	0.19
Florida	630,089	37,333	655,488	692,821	708,189	6.04
Georgia	435,189	25,785	452,731	478,516	489,131	4.17
Hawaii	41,327	2,449	42,993	45,442	46,449	0.40
Idaho	49,653	2,942	51,655	54,597	55,808	0.48
Illinois	390,969	23,165	406,729	429,894	439,430	3.75
Indiana	226,654	13,429	235,790	249,219	254,748	2.17
Iowa	90,108	5,339	93,740	99,079	101,277	0.86
Kansas	93,903	5,564	97,688	103,252	105,542	0.90
Kentucky	168,123	9,961	174,900	184,861	188,962	1.61
Louisiana	191,580	11,351	199,303	210,654	215,326	1.84
Maine	31,552	1,869	32,824	34,693	35,463	0.30
Maryland	138,262	8,192	143,835	152,027	155,400	1.33
Massachusetts	146,793	8,698	152,710	161,408	164,988	1.41
Michigan	282,313	16,727	293,693	310,420	317,306	2.71
Minnesota	138,576	8,211	144,162	152,373	155,753	1.33
Mississippi	151,112	8,953	157,203	166,156	169,842	1.45
Missouri	186,373	11,043	193,886	204,929	209,474	1.79
Montana	24,123	1,429	25,095	26,524	27,113	0.23
Nebraska	60,688	3,596	63,134	66,730	68,210	0.58
Nevada	81,692	4,840	84,985	89,825	91,818	0.78
New Hampshire	21,995	1,303	22,882	24,185	24,721	0.21
New Jersey	217,342	12,878	226,103	238,981	244,282	2.08
New Mexico	85,807	5,084	89,266	94,350	96,443	0.82
New York	600,836	35,600	625,056	660,656	675,310	5.76
North Carolina	333,739	19,774	347,192	366,966	375,106	3.20
North Dakota	16,846	998	17,525	18,523	18,934	0.16
Ohio	325,715	19,299	338,845	358,144	366,087	3.12
Oklahoma	142,228	8,427	147,961	156,388	159,857	1.36
Oregon	99,426	5,891	103,434	109,325	111,750	0.95
Pennsylvania	302,360	17,915	314,548	332,463	339,838	2.90
Rhode Island	27,119	1,607	28,212	29,819	30,480	0.26
South Carolina	171,178	10,142	178,078	188,220	192,396	1.64
South Dakota	25,453	1,508	26,479	27,987	28,608	0.24
Tennessee	227,131	13,458	236,287	249,745	255,284	2.18
Texas	1,241,109	73,536	1,291,138	1,364,674	1,394,945	11.90
Utah	87,531	5,186	91,059	96,245	98,380	0.84
Vermont	13,638	808	14,188	14,996	15,328	0.13
Virginia	204,526	12,118	212,770	224,888	229,877	1.96
Washington	175,315	10,388	182,382	192,770	197,045	1.68
West Virginia	58,896	3,490	61,270	64,760	66,196	0.56
Wisconsin	154,345	9,145	160,567	169,712	173,476	1.48
Wyoming	13,198	782	13,730	14,512	14,834	0.13
American Samoa	....	....	....	....	....	....
Guam	6,844	406	7,120	7,526	7,692	0.07
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	124,364	7,369	129,377	136,746	139,779	1.19
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,851	347	6,087	6,434	6,576	0.06
Indian Tribes	....	....	....	....	....	....
Undistributed	1,471	....	....	....	....	....
Total	**10,426,831**	**617,708**	**10,845,604**	**11,463,312**	**11,717,584**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–7. SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC) (10.557)

(Obligations in thousands of dollars)

State or Territory	FY 2012 Actual	Estimated FY 2013 obligations from: Previous authority	2013 CR or New authority	Total	FY 2014 (estimated)	FY 2014 Percentage of distributed total
Alabama	119,898	6,165	112,883	119,048	120,811	1.69
Alaska	23,328	1,200	21,963	23,163	23,506	0.33
Arizona	129,787	6,674	122,193	128,867	130,775	1.83
Arkansas	72,623	3,734	68,374	72,108	73,176	1.03
California	1,261,722	64,879	1,187,896	1,252,775	1,271,328	17.84
Colorado	78,986	4,062	74,364	78,426	79,587	1.12
Connecticut	48,026	2,470	45,216	47,686	48,392	0.68
Delaware	16,537	850	15,569	16,419	16,663	0.23
District of Columbia	14,919	767	14,046	14,813	15,033	0.21
Florida	376,083	19,338	354,078	373,416	378,946	5.32
Georgia	297,011	15,272	279,632	294,904	299,272	4.20
Hawaii	36,220	1,862	34,101	35,963	36,496	0.51
Idaho	30,480	1,567	28,697	30,264	30,712	0.43
Illinois	231,311	11,894	217,777	229,671	233,072	3.27
Indiana	113,887	5,856	107,223	113,079	114,754	1.61
Iowa	49,354	2,538	46,466	49,004	49,730	0.70
Kansas	52,694	2,710	49,611	52,321	53,095	0.74
Kentucky	106,755	5,489	100,509	105,998	107,568	1.51
Louisiana	126,363	6,498	118,969	125,467	127,325	1.79
Maine	19,116	983	17,997	18,980	19,262	0.27
Maryland	112,025	5,760	105,470	111,230	112,878	1.58
Massachusetts	89,440	4,599	84,207	88,806	90,121	1.26
Michigan	198,697	10,217	187,071	197,288	200,210	2.81
Minnesota	103,325	5,313	97,279	102,592	104,112	1.46
Mississippi	88,193	4,535	83,033	87,568	88,864	1.25
Missouri	104,594	5,378	98,474	103,852	105,390	1.48
Montana	16,714	859	15,736	16,595	16,841	0.24
Nebraska	33,306	1,713	31,357	33,070	33,560	0.47
Nevada	52,374	2,693	49,309	52,002	52,773	0.74
New Hampshire	11,362	584	10,697	11,281	11,449	0.16
New Jersey	150,002	7,713	141,225	148,938	151,144	2.12
New Mexico	44,325	2,279	41,731	44,010	44,662	0.63
New York	466,238	23,974	438,958	462,932	469,788	6.59
North Carolina	205,028	10,543	193,031	203,574	206,589	2.90
North Dakota	11,293	581	10,632	11,213	11,379	0.16
Ohio	189,028	9,720	177,968	187,688	190,467	2.67
Oklahoma	70,301	3,615	66,188	69,803	70,836	0.99
Oregon	81,227	4,177	76,474	80,651	81,845	1.15
Pennsylvania	217,724	11,196	204,985	216,181	219,382	3.08
Rhode Island	20,253	1,041	19,068	20,109	20,407	0.29
South Carolina	101,387	5,213	95,455	100,668	102,159	1.43
South Dakota	18,054	928	16,998	17,926	18,191	0.26
Tennessee	128,405	6,603	120,892	127,495	129,383	1.82
Texas	561,225	28,859	528,387	557,246	565,498	7.93
Utah	47,923	2,464	45,119	47,583	48,288	0.68
Vermont	13,622	700	12,825	13,525	13,726	0.19
Virginia	102,411	5,266	96,419	101,685	103,191	1.45
Washington	154,380	7,938	145,347	153,285	155,555	2.18
West Virginia	38,541	1,982	36,286	38,268	38,834	0.54
Wisconsin	93,033	4,784	87,589	92,373	93,741	1.32
Wyoming	8,773	451	8,260	8,711	8,840	0.12
American Samoa	7,626	392	7,180	7,572	7,684	0.11
Guam	8,864	456	8,345	8,801	8,931	0.13
Northern Mariana Islands	5,658	291	5,327	5,618	5,701	0.08
Puerto Rico	246,978	12,700	232,527	245,227	248,858	3.49
Freely Associated States	....	....	....	....	....	....
Virgin Islands	7,855	404	7,395	7,799	7,915	0.11
Indian Tribes	58,626	3,015	55,196	58,211	59,072	0.83
Undistributed	512	....	....	....	....	....
Total	**7,074,422**	**363,744**	**6,660,004**	**7,023,748**	**7,127,767**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–8. CHILD AND ADULT CARE FOOD PROGRAM (10.558)

(Obligations in thousands of dollars)

State or Territory	FY 2012 Actual	Estimated FY 2013 obligations from: Previous authority	2013 CR or New authority	Total	FY 2014 (estimated)	FY 2014 Percentage of distributed total
Alabama	37,816	....	40,539	40,539	42,123	1.38
Alaska	8,439	....	9,047	9,047	9,400	0.31
Arizona	43,146	....	46,253	46,253	48,061	1.57
Arkansas	47,209	....	50,609	50,609	52,586	1.72
California	280,517	....	300,719	300,719	312,469	10.24
Colorado	22,954	....	24,607	24,607	25,569	0.84
Connecticut	14,972	....	16,050	16,050	16,677	0.55
Delaware	14,581	....	15,631	15,631	16,242	0.53
District of Columbia	7,889	....	8,457	8,457	8,788	0.29
Florida	173,839	....	186,358	186,358	193,640	6.34
Georgia	101,264	....	108,557	108,557	112,798	3.70
Hawaii	6,325	....	6,780	6,780	7,045	0.23
Idaho	6,300	....	6,754	6,754	7,018	0.23
Illinois	128,026	....	137,246	137,246	142,609	4.67
Indiana	46,829	....	50,201	50,201	52,163	1.71
Iowa	28,006	....	30,023	30,023	31,196	1.02
Kansas	33,354	....	35,756	35,756	37,153	1.22
Kentucky	32,875	....	35,243	35,243	36,620	1.20
Louisiana	71,991	....	77,175	77,175	80,191	2.63
Maine	9,813	....	10,520	10,520	10,931	0.36
Maryland	45,856	....	49,158	49,158	51,079	1.67
Massachusetts	57,319	....	61,447	61,447	63,848	2.09
Michigan	61,993	....	66,457	66,457	69,054	2.26
Minnesota	64,236	....	68,862	68,862	71,553	2.34
Mississippi	37,281	....	39,966	39,966	41,527	1.36
Missouri	48,909	....	52,431	52,431	54,480	1.78
Montana	10,397	....	11,146	11,146	11,581	0.38
Nebraska	31,921	....	34,220	34,220	35,557	1.16
Nevada	6,701	....	7,184	7,184	7,464	0.24
New Hampshire	4,170	....	4,470	4,470	4,645	0.15
New Jersey	64,407	....	69,045	69,045	71,743	2.35
New Mexico	32,886	....	35,254	35,254	36,632	1.20
New York	208,117	....	223,105	223,105	231,823	7.60
North Carolina	82,424	....	88,360	88,360	91,812	3.01
North Dakota	10,596	....	11,359	11,359	11,803	0.39
Ohio	88,894	....	95,296	95,296	99,019	3.24
Oklahoma	55,005	....	58,966	58,966	61,270	2.01
Oregon	31,162	....	33,406	33,406	34,712	1.14
Pennsylvania	92,879	....	99,568	99,568	103,458	3.39
Rhode Island	7,590	....	8,137	8,137	8,455	0.28
South Carolina	27,613	....	29,602	29,602	30,758	1.01
South Dakota	9,014	....	9,663	9,663	10,041	0.33
Tennessee	57,169	....	61,286	61,286	63,681	2.09
Texas	280,487	....	300,686	300,686	312,436	10.24
Utah	26,029	....	27,903	27,903	28,994	0.95
Vermont	4,959	....	5,316	5,316	5,524	0.18
Virginia	44,647	....	47,862	47,862	49,733	1.63
Washington	41,716	....	44,720	44,720	46,468	1.52
West Virginia	15,390	....	16,498	16,498	17,143	0.56
Wisconsin	40,276	....	43,177	43,177	44,864	1.47
Wyoming	5,455	....	5,848	5,848	6,076	0.20
American Samoa	....	....	....	....	....	....
Guam	366	....	392	392	408	0.01
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	27,083	....	29,033	29,033	30,168	0.99
Freely Associated States	....	....	....	....	....	....
Virgin Islands	977	....	1,047	1,047	1,088	0.04
Indian Tribes	....	....	....	....	....	....
Undistributed	106,335	....	....	....	....	....
Total	**2,846,404**	....	**2,937,395**	**2,937,395**	**3,052,176**	[1] **100.00**

[1] Excludes undistributed obligations.

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Table 17–9. STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (FOOD STAMPS) (10.561)

(Obligations in thousands of dollars)

State or Territory	FY 2012 Actual	Estimated FY 2013 obligations from: Previous authority	2013 CR or New authority	Total	FY 2014 (estimated)	FY 2014 Percentage of distributed total
Alabama	41,390	120	52,596	52,716	55,808	1.15
Alaska	12,999	38	16,518	16,556	17,527	0.36
Arizona	56,933	164	72,347	72,511	76,765	1.59
Arkansas	30,177	87	38,347	38,434	40,689	0.84
California	771,730	2,229	980,667	982,896	1,040,560	21.50
Colorado	45,405	131	57,698	57,829	61,222	1.27
Connecticut	34,288	99	43,571	43,670	46,232	0.96
Delaware	12,654	37	16,080	16,117	17,062	0.35
District of Columbia	12,513	36	15,901	15,937	16,872	0.35
Florida	90,696	262	115,251	115,513	122,290	2.53
Georgia	80,134	231	101,829	102,060	108,048	2.23
Hawaii	13,839	40	17,586	17,626	18,660	0.39
Idaho	9,966	29	12,664	12,693	13,438	0.28
Illinois	109,653	317	139,340	139,657	147,850	3.06
Indiana	44,738	129	56,850	56,979	60,322	1.25
Iowa	23,801	69	30,245	30,314	32,092	0.66
Kansas	23,000	66	29,227	29,293	31,012	0.64
Kentucky	46,494	134	59,082	59,216	62,690	1.30
Louisiana	64,896	187	82,466	82,653	87,502	1.81
Maine	12,962	37	16,471	16,508	17,477	0.36
Maryland	52,017	150	66,100	66,250	70,137	1.45
Massachusetts	51,375	148	65,284	65,432	69,271	1.43
Michigan	152,213	440	193,423	193,863	205,236	4.24
Minnesota	57,022	165	72,460	72,625	76,885	1.59
Mississippi	25,937	75	32,959	33,034	34,972	0.72
Missouri	48,075	139	61,091	61,230	64,822	1.34
Montana	10,380	30	13,190	13,220	13,996	0.29
Nebraska	14,584	42	18,532	18,574	19,664	0.41
Nevada	18,584	54	23,615	23,669	25,058	0.52
New Hampshire	8,140	24	10,344	10,368	10,976	0.23
New Jersey	128,909	372	163,810	164,182	173,814	3.59
New Mexico	33,219	96	42,213	42,309	44,791	0.93
New York	376,324	1,087	478,209	479,296	507,415	10.49
North Carolina	83,174	240	105,692	105,932	112,147	2.32
North Dakota	8,180	24	10,395	10,419	11,029	0.23
Ohio	92,681	268	117,773	118,041	124,966	2.58
Oklahoma	47,635	138	60,532	60,670	64,228	1.33
Oregon	75,480	218	95,915	96,133	101,773	2.10
Pennsylvania	175,283	506	222,739	223,245	236,342	4.88
Rhode Island	9,428	27	11,981	12,008	12,712	0.26
South Carolina	20,527	59	26,084	26,143	27,678	0.57
South Dakota	5,970	17	7,586	7,603	8,050	0.17
Tennessee	53,006	153	67,357	67,510	71,470	1.48
Texas	224,281	648	285,002	285,650	302,409	6.25
Utah	24,015	69	30,517	30,586	32,381	0.67
Vermont	9,908	29	12,590	12,619	13,359	0.28
Virginia	93,540	270	118,865	119,135	126,124	2.61
Washington	74,440	215	94,594	94,809	100,371	2.07
West Virginia	16,711	48	21,235	21,283	22,532	0.47
Wisconsin	48,117	139	61,144	61,283	64,878	1.34
Wyoming	5,212	15	6,623	6,638	7,028	0.15
American Samoa	....	....	....	....	....	....
Guam	1,295	4	1,646	1,650	1,746	0.04
Northern Mariana Islands	....	....	....	....	....	....
Puerto Rico	....	....	....	....	....	....
Freely Associated States	....	....	....	....	....	....
Virgin Islands	5,131	15	6,520	6,535	6,918	0.14
Indian Tribes	....	....	....	....	....	....
Undistributed	368,749	....	....	....	....	....
Total	**3,957,810**	**10,366**	**4,560,756**	**4,571,122**	**4,839,296**	[1] **100.00**

[1] Excludes undistributed obligations.

18. STRENGTHENING FEDERAL STATISTICS

Federal statistical programs produce key information to illuminate public and private decisions on a range of topics, including the economy, the population, the environment, agriculture, crime, education, energy, health, science, and transportation. The share of budget resources spent on supporting Federal statistics is relatively modest—about 0.04 percent of GDP in non-decennial census years and roughly double that in decennial census years—but that funding is leveraged to inform crucial decisions in a wide variety of spheres. The ability of governments, businesses, and the general public to make appropriate decisions about budgets, employment, investments, taxes, and a host of other important matters depends critically on the ready and equitable availability of objective, relevant, accurate, and timely Federal statistics.

The Federal statistical community is attentive to opportunities to improve these measures of our Nation's performance, which is critical to fostering long-term global competitiveness. For example, during 2012, Federal statistical agencies:

- initiated data collection for the 2012 Economic Census from over 29 million business establishments covering 84 percent of economic activity in the Gross Domestic Product *(Census Bureau)*;
- released reports updating information about how U.S. students compared to their counterparts in other nations in terms of math, reading, and science skills *(National Center for Education Statistics)*;
- released new measures of household expenditures on health care classified by disease that facilitate the assessment of benefits and costs of treatment and provide a better understanding of factors driving growth in health care spending *(Bureau of Economic Analysis)*;
- developed statistical techniques and processes to improve the accuracy and coverage of the Census of Agriculture *(National Agricultural Statistics Service)*;
- provided timely information and analysis on the impacts of one of the most severe and extensive U.S. droughts in 25 years in order to assess its potential effects on food prices and consumers, farms, and the crop and livestock sectors *(Economic Research Service)*;
- reviewed and strengthened methods used to prevent disclosure of taxpayer information in tabulated data disseminated over the Internet in order to preserve taxpayer confidentiality *(Statistics of Income Division, IRS)*;
- published, on an experimental basis, a new aggregation structure that includes Producer Price Indexes (PPI) for intermediate and final demand that measure inflation for U.S. services as well as goods, thereby greatly expanding PPI coverage of the United States economy *(Bureau of Labor Statistics)*;
- improved public access to 1.4 million data points of annual time-series data summarizing energy production, consumption, prices, and expenditures back to 1960 *(Energy Information Administration)*;
- expanded use of administrative records for statistical purposes by entering into two new agreements to link administrative data to survey data in other agencies, thus avoiding investments in more costly surveys *(Office of Research, Evaluation, and Statistics, SSA)*;
- provided current national and State-specific (for the largest States) data to track health insurance coverage, including coverage under both traditional and consumer-directed insurance arrangements *(National Center for Health Statistics)*;
- launched a new tool providing a direct and user-friendly way to work with 19 years of data about victims of crime *(Bureau of Justice Statistics)*;
- provided Commodity Flow Survey respondents, for the first time, with the option to report electronically via the Internet, resulting in reduced costs and overall improvement of data quality *(Bureau of Transportation Statistics)*;
- improved the timeliness, quality and efficiency of its Scientists and Engineers Statistical Data System by increasing the sample size of the National Survey of College Graduates for young graduates, thereby improving understanding of the transition to employment of science and engineering graduates *(National Center for Science and Engineering Statistics)*; and
- significantly increased the data quality of the American Community Survey by expanding its sample size to 3.5 million households *(Census Bureau)*.

For Federal statistical programs to be useful to their wide range of users, the underlying data systems must be credible. To foster this credibility, Federal statistical programs seek to adhere to high-quality standards and to maintain integrity, transparency, and efficiency in the production of data. As the collectors and providers of these basic statistics, the responsible agencies act as data stewards—balancing public information demands and decision-makers' needs for information with legal and ethical obligations to minimize reporting burden, respect respondents' privacy, and protect the confidentiality of the data provided to the Government. The Administration remains committed to unlocking the power of Government data to improve the quality of information available to the American people while maximizing the cost-effective use of resources for the collection of Federal statistics within a constrained fiscal environment. This chapter presents highlights of principal statistical agencies' 2014 budget proposals.

Highlights of 2014 Program Budget Proposals

The programs that provide essential statistical information for use by governments, businesses, researchers, and the public are carried out by agencies spread across every department and several independent agencies. Excluding cyclical funding for the decennial census, approximately 40 percent of the total budget for these programs provides resources for 13 agencies or units that have statistical activities as their principal mission (see Table 18–1). The remaining funding supports work in approximately 90 agencies or units that carry out statistical activities in conjunction with other missions such as providing services, conducting research, or implementing regulations. More comprehensive budget and program information about the Federal statistical system, including its core programs, will be available in OMB's annual report, *Statistical Programs of the United States Government, Fiscal Year 2014*, when it is published later this year. The following highlights the Administration's proposals for the programs of the principal Federal statistical agencies, giving particular attention to new initiatives and to other program changes, including terminations or reductions.

Bureau of Economic Analysis (BEA), Department of Commerce: Funding is requested to provide support for ongoing BEA programs and to better capture and measure the impacts of foreign direct investment (FDI) in the U.S. economy. BEA will improve overall coverage and measurement of FDI by implementing a new survey that will identify and quantify new investment in the U.S. by foreign investors. In addition, BEA plans to: (1) continue to implement a critical modernization of the Bureau's information technology system that will lead to an increase in operational efficiency and security of BEA's statistical production and analysis and (2) continue to develop new measures of Gross Domestic Product (GDP) by industry on a quarterly basis to provide real-time information on the health and stability of sectors within the U.S. economy. BEA will replace its "Advance" GDP by industry measures, which are currently available only on an annual basis, with the new quarterly measures of GDP by industry.

Bureau of Justice Statistics (BJS), Department of Justice: Funding is requested to provide support for ongoing BJS programs and to: (1) improve BJS' criminal victimization statistics derived from the National Crime Victimization Survey with special emphasis on exploring the feasibility of generating sub-national estimates and enhancing data on the crimes of rape and sexual assault; (2) continue exploration of the use of administrative records data in police and correctional agencies to provide new statistics in these areas, including recidivism information, arrests, and offenses known to the police; (3) expand the surveys of inmates of prisons and jails to inform the process of re-entry; (4) improve the availability of justice statistics for Indian country; and (5) continue to support the enhancement of criminal justice statistics available through State statistical analysis centers.

Bureau of Labor Statistics (BLS), Department of Labor: Funding is requested to provide support for ongoing BLS programs and to: (1) add an annual supplement to the Current Population Survey to capture data on contingent work and alternative work arrangements in even years, and on other topics in odd years; and (2) modify the Consumer Expenditure Survey to support the Census Bureau in its development of a supplemental statistical poverty measure. In order to preserve funding for core statistical programs, the funding request also includes four reductions that would produce savings: (1) eliminate the Green Jobs initiative; (2) eliminate the Mass Layoff Statistics program; (3) eliminate the International Labor Comparisons program; and (4) consolidate BLS IT help desk services.

Bureau of Transportation Statistics (BTS), Department of Transportation: Funding is requested to provide support for ongoing BTS programs and to: (1) continue product dissemination for the 2012 Commodity Flow Survey; (2) expand work on performance measures as required by MAP-21 (Moving Ahead for Progress in the 21st Century Act); (3) identify opportunities to integrate and improve safety data across transportation modes; (4) support collection of data on passenger travel; and (5) develop estimates of the value of transportation infrastructure and facilities to inform DOT investment strategies.

Census Bureau, Department of Commerce: Funding is requested to provide support for ongoing Census Bureau programs and to: (1) continue critical research and testing for the 2020 Census program to support fundamental changes to program, business, operational, and technical processes; (2) complete data collection and the review and publication of industry reports for the five-year benchmarking Economic Census; (3) complete data processing and development of data products for the Census of Governments; (4) deepen and broaden an existing Statistical Community of Practice and Engagement test bed to identify effective automated methods to improve the interoperability of cross-agency statistical and administrative data; and (5) pilot increased collaboration between Census and other Federal agencies, where Census would provide a secure mechanism for restricted access to those agencies' confidential data through its research data centers and possibly establish additional data linkage and disclosure procedures.

Economic Research Service (ERS), Department of Agriculture: Funding is requested to provide support for ongoing ERS programs, including research that: (1) explores how investments in rural people, businesses, and communities affect the capacity of rural economies to prosper in the new and changing global marketplace; (2) improves agricultural competitiveness and economic growth related to natural resource policies and programs that respond to the challenges of climate change and environmental protection; (3) analyzes the U.S. food and agriculture sector's performance in the context of increasingly globalized markets; (4) evaluates the Nation's nutrition assistance programs to study the relationship among the many factors that influence food choices and health outcomes including obesity; and (5) values societal benefits associated with reducing food safety risks. In addition, funding is requested for the Research Innovations for Improving Policy Effectiveness initiative, which will strengthen ERS' ability to conduct research through the use of behavioral economics and the statistical use of administrative data in order to address critical information gaps that hinder policy effectiveness.

Energy Information Administration (EIA), Department of Energy: Funding is requested to provide support for ongoing EIA programs and to: (1) complete the 2012 Commercial Buildings Energy Consumption Survey, including release of data that provide U.S. benchmarks used to inform investments in new technologies, performance labeling, and energy management practices; (2) launch the 2014 Residential Energy Consumption Survey, which collects information from a nationally representative sample of housing units, including data on energy characteristics of homes, usage patterns, and household demographics; (3) resume modernizing and streamlining data collection processes across energy supply surveys to yield significant efficiencies in the agency's largest operational area; (4) enhance EIA's ability to monitor, forecast, and report on international energy developments; (5) resume upgrades to EIA's forecasting capabilities through the modernization of the National Energy Modeling System; and (6) improve and expand customer internet access to EIA data and information.

National Agricultural Statistics Service (NASS), Department of Agriculture: Funding is requested to provide support for ongoing NASS programs and to: (1) publish Census of Agriculture products by congressional district, watershed, zip code, and Indian reservation; (2) conduct a Farm and Ranch Irrigation Survey to provide one of the most complete and detailed profiles of irrigation in the United States; (3) field a Census of Aquaculture to provide a comprehensive picture of the aquaculture sector at the State and national levels; and (4) produce four of the Current Industrial Reports, previously issued by the Census Bureau.

National Center for Education Statistics (NCES), Department of Education: Funding is requested to provide support for ongoing NCES programs and to: (1) pilot a State-representative sample of the Program of International Student Assessment of 15 year-olds in reading, mathematics, and science for a limited number of participating States; (2) collect student-level institutional administrative data on a 2-year cycle to supplement the National Postsecondary Student Aid Study 4-year student survey data with more frequent information on educational costs, financial aid, enrollment, and progress; and (3) conduct the National Adult Training and Education Pilot Study, in partnership with the Census Bureau, Bureau of Labor Statistics, and Council of Economic Advisers, to develop a methodology for collecting information on all postsecondary certificates and training, not just on those provided by institutions of higher education.

National Center for Health Statistics (NCHS), Department of Health and Human Services: Funding is requested to provide support for ongoing NCHS programs and to: (1) expand information from NCHS' family of provider surveys in order to monitor health care utilization more closely; and (2) support expansion within base resources of automated National Vital Statistics that are collected by the States and compiled by NCHS in order to fully implement electronic birth records in the two remaining jurisdictions and gradually phase in electronic death records in the 21 remaining jurisdictions over four years. The vital statistics information will be used to improve tracking of priority health initiatives related to births to unmarried women, teenage pregnancy, and causes of death.

National Center for Science and Engineering Statistics (NCSES), National Science Foundation: Funding is requested to provide support for ongoing NCSES programs and to: (1) conduct an R&D survey of nonprofit institutions; (2) conduct the State level R&D survey more frequently; (3) develop and test successful data collection strategies for the Microbusiness Innovation Science and Technology Survey; (4) expand the use of administrative records sources to augment existing survey information on the relationship of Federal grants to Science, Technology, Engineering, and Mathematics (STEM) education and outcomes, innovation, and other R&D information; (5) expand measures on the Survey of Doctorate Recipients to understand the role of, and better target funding of, Federal research support for graduate education and outcomes; and (6) plan and design program modifications to support the development of new science and technology indicators.

Office of Research, Evaluation, and Statistics (ORES), Social Security Administration: Funding is requested to provide support for ongoing ORES programs and to continue to: (1) support outside surveys and linkage of SSA administrative data to surveys; (2) field a topical module for the redesign of the Survey of Income and Program Participation to address Social Security's data needs for microsimulation models, program evaluation, and analysis; (3) strengthen microsimulation models that estimate the distributional effects of proposed changes in Social Security programs; (4) provide enhanced statistical and analytical support for initiatives to improve Social Security and other government agency programs; (5) fund retirement-related research through a Retirement Research Consortium; and (6) fund two Disability Research Centers to conduct disability-related research, focusing on collaborative efforts with other government agencies and interagency groups.

Statistics of Income Division (SOI), Department of the Treasury: Funding is requested to provide support for ongoing SOI programs and to: (1) further modernize tax data collection systems by efficiently assimilating data captured from the electronic filing of tax and information returns to the SOI program; (2) integrate population and information return data with SOI-edited data to provide rich longitudinal and/or cross-sector data that can be used to better understand the complex interaction between taxes and economic behavior; (3) develop improved statistical techniques for identifying and correcting outliers and data anomalies in Internal Revenue Service administrative population files; (4) partner with tax policy experts within and outside government to produce top quality research on important tax administration issues; and (5) enhance the design, quality and number of SOI's products and resources.

Table 18–1. 2012–2014 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES[1]

(In millions of dollars)

	2012 Actual	Estimate	
		2013 CR	2014
Bureau of Economic Analysis	92	93	100
Bureau of Justice Statistics[2]	52	56	64
Bureau of Labor Statistics	609	613	610
Bureau of Transportation Statistics	26	26	26
Census Bureau[3]	972	940	1013
Salaries and Expenses[3]	283	285	286
Periodic Censuses and Programs	689	655	727
Economic Research Service	78	78	79
Energy Information Administration	105	106	117
National Agricultural Statistics Service[4]	159	160	160
National Center for Education Statistics[5]	264	265	273
Statistics[5]	125	126	140
Assessment	130	130	125
National Assessment Governing Board	9	9	8
National Center for Health Statistics[6]	159	159	181
National Center for Science and Engineering Statistics , NSF[7]	43	43	49
Office of Research, Evaluation, and Statistics, SSA	29	26	30
Statistics of Income Division, IRS	39	37	37

[1] Reflects any rescissions.

[2] Includes reimbursable funding to BJS ($3.7 million) and funds for management and administrative costs ($7.2 million) totaling $10.9, $10.9, and $10.9 million in 2012, 2013, 2014, respectively, that were previously displayed separately.

[3] Salaries and Expenses funds include discretionary and mandatory funds.

[4] Includes funds for the periodic Census of Agriculture of $42, $42, and $42 million in 2012, 2013, and 2014, respectively. The 2014 Census of Agriculture request will be used for publishing the 2012 Census data and conducting follow-on surveys.

[5] Includes funds for salaries and expenses of $17, $17, and $17 million in 2012, 2013, and 2014, respectively, that are displayed in the Budget Appendix under the Institute of Education Sciences (IES). In addition, NCES manages the IES grant program for the State Longitudinal Data System which is funded at $38 million, $38 million, and $85 million in 2012, 2013, and 2014, respectively.

[6] All funds from the Public Health Service Evaluation Fund. The estimates do not include resources from the Prevention and Public Health Fund. The estimates appear larger than previously reported because the FY 2012–2014 levels are comparably adjusted for FY 12 and 13 to reflect business support services formerly shown separately but now included in the FY 2014 budget estimates.

[7] Includes funds for salaries and expenses of approximately $7 million each year.

19. INFORMATION TECHNOLOGY

The Administration is committed to building a 21st century Government that is more efficient and effective for the American people. The strategic use of information technology (IT) is critical to the Administration's success in achieving that goal. The Federal Government for 2014 plans to invest over $82 billion a year in IT. To ensure that this investment in IT is optimized, the Federal Chief Information Officer (CIO) is focused on policy and oversight activities in three key areas: maximizing the return on investment in Federal IT; driving innovation to meet customer needs; and securing and protecting the Government's data. All Federal agencies will be tasked to:

- Deliver by Maximizing the Return on Investment of Federal IT – In order to innovate with less, the Government must better manage and integrate IT services. This means consolidating redundant applications, systems, and services and using enterprise-wide solutions. It also means establishing common testing platforms to foster interoperability and portability, streamlining the creation of new IT infrastructure, and shifting from an asset-ownership to a service-orientation model via cloud computing. Initiatives such as the IT Dashboard, TechStat, PortfolioStat,[1] the Federal Data Center Consolidation Initiative (FDCCI), and cloud computing efforts support this objective.
- Innovate to Better Serve Customers – The interconnectedness of our digital world dictates that the Government buy, build and manage IT in a new way. Rapidly adopting innovative technologies, improving the efficiency and effectiveness of the Federal workforce through technology, and fostering a more participatory and citizen-centric Government are critical to providing the services that citizens expect from a 21st Century Government. Initiatives such as the Digital Government Strategy[2] support this objective.
- Protect Federal IT Assets and Data Through Improved Cybersecurity – The President has identified the Cybersecurity threat as one of the most serious national security, public safety, and economic challenges we face as a nation. Ultimately, the Cybersecurity challenge in Federal government is not just a technology issue. It is also an organizational, people, and performance issue requiring creative solutions to address emerging and increasingly sophisticated threats, and new vulnerabilities introduced by rapidly changing technology. To overcome this challenge, Federal agencies must improve cybersecurity capabilities to provide safe, secure, and effective mission execution and services, with a focus on accountability. Specifically, agencies must continue to implement initiatives such as the Cybersecurity Cross-Agency Priority (CAP) Goal, which is part of the Administration's broader performance management improvement initiative (encompassing Trusted Internet Connections, continuous monitoring and strong authentication), the Federal Information Security Management Act (FISMA), and the Federal Risk Authorization and Management Program (FedRAMP), and continuously measure agency progress in improving information security performance through CyberStat reviews.

This chapter describes details on the Federal IT budget and on the Administration's Federal IT initiatives.

THE FEDERAL INFORMATION TECHNOLOGY (IT) PORTFOLIO

Federal Spending on IT—To innovate in an era of flat or declining budgets, it is critical for agencies to view IT as a strategic asset, and as a driver to deliver better customer service to taxpayers. When properly managed and applied, IT frees up resources from costly and inefficient business processes and enables the funding of new, innovative IT solutions. To encourage these efforts, in 2014 agencies have been directed in OMB Memorandum M-12-13 to implement a cut and reinvest strategy-- cutting duplicative commodity, business and enterprise IT investments and underperforming projects to fund more strategic investments.[3] Strategic reinvestments will focus on systems that demonstrably improve citizen services or administrative efficiencies, increase the adoption of shared services, improve the Government's cybersecurity posture, reduce Federal IT's energy consumption, and enhance analytical capabilities.

Total planned spending on IT in 2014 estimated for agencies represented on the IT Dashboard[4] is $82.0 billion, 2.1 percent above the 2012 estimated level of $80.3 billion, as shown in Table 19-1. Spending estimates in Chart 19-1 depict how growth in IT spending of 7.1 percent per year over 2001-2009 has been slowed to 0.78 percent per year for 2009-2014.

[1] OMB Memorandum M-12-10, "Implementing PortfolioStat." (March 30, 2012)—*http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-10_1.pdf*.

[2] Presidential Directive "Building a 21st Century Digital Government" (May 23, 2012)—*http://www.whitehouse.gov/sites/default/files/uploads/2012digital_mem_rel.pdf*.

[3] OMB guidance to agencies regarding the FY 2014 Budget, in OMB Memorandum M-12-13, "Fiscal Year 2014 Budget Guidance"—*http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-13.pdf*

[4] The IT Dashboard, first launched in June, 2009, is a Federal website designed to provide real-time information on the status of Federal agencies' IT spending. It is located at: *http://itdashboard.gov* .

Table 19–1. FEDERAL IT SPENDING, PRESIDENT'S BUDGET, FY 2014
(Spending in millions of dollars)

	2012	2013 CR	2014
IT Spending, Department of Defense [1]	39,588	38,810	39,599
IT Spending, non-Defense [2]	40,690	41,766	42,397
Total IT Investment Spending	**80,278**	**80,576**	**81,996**

[1] Spending levels on information technology investments shown here for DoD include estimates for IT investments for which details are classified. Totals shown here for DoD are higher than totals reflected on the IT Dashboard, which cannot reflect classified details.

[2] Non-Defense agencies for which IT investment information is displayed on the IT Dashboard are: Department of Agriculture, Department of Commerce, Department of Education, Department of Energy, Department of Health and Human Services, Department of Homeland Security, Department of Housing and Urban Development, Department of the Interior, Department of Justice, Department of Labor, Department of State, Department of Transportation, Department of the Treasury, Department of Veterans Affairs, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Archives and Records Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, Smithsonian Institution, Social Security Administration, U.S. Agency for International Development, and U.S. Army Corps of Engineers.

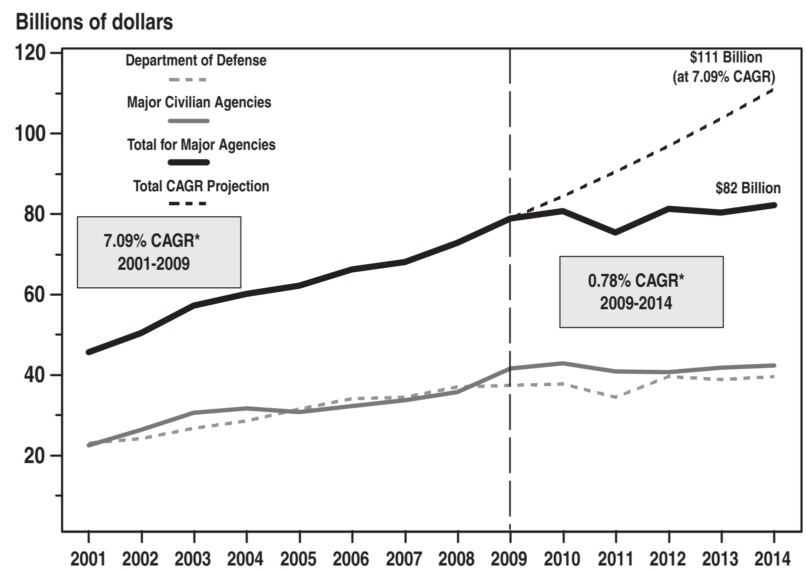
DELIVERING MAXIMUM RETURN ON INVESTMENT (ROI) FOR IT

Focusing IT Oversight on Comprehensive IT Portfolio Reviews and Planning—In 2013-2014, the Administration will continue to broaden its approach to managing IT by encouraging a more rigorous application of its PortfolioStat model.

In the initial PortfolioStat assessments in 2012, agencies collected and analyzed baseline data on 13 common types of commodity IT investments, spanning infrastructure, business systems, and enterprise IT. There are significant opportunities for reducing spending in these areas through consolidation and shared services. OMB worked with agencies to review their data and compare their spending with other agencies and private-sector benchmarks to assess the agency's current posture and develop a list of opportunities to reduce inefficiency, duplication, and unnecessary spending. Based on this analysis, agencies drafted PortfolioStat plans, which were then reviewed in Deputy Secretary-led PortfolioStat sessions with the Federal CIO. Incorporating OMB feedback from the sessions, agencies' final plans identified 98 opportunities to consolidate or eliminate commodity IT areas, ranging from the consolidation of multiple email systems across an agency to the reduction of duplicative mobile or desktop contracts.[5]

[5] While some opportunities for commodity IT savings must be addressed over several years, FY 2013 IT operating plans and the FY 2014 Budget include many efficiency improvements that were identified in the PortfolioStat process. Examples of potential savings which may be realized relatively soon include as much as $200 million in gross savings in some agencies. In the Department of Homeland Security, consolidations of infrastructure, including in mobile technology and other telecommunications, may range this high. Other savings achieved may be smaller -- such as potentially $10-15 million in gross savings for e-mail system consolidations at the Department of Transportation. Note that there may be costs associated with achieving efficiencies resulting in net savings which are significantly less than gross savings. Examples cited here are taken from agency-identified initiatives which could commence in FY 2013.

Chart 19-1. Trends in Federal IT Spending



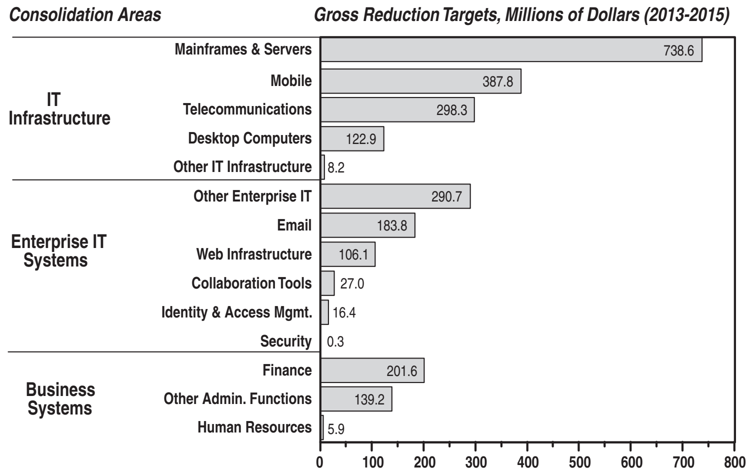
* Compound Annual Growth Rate

Source: Total IT spending from the IT Dashboard. Estimates of classified Dept. of Defense IT investments provided by DOD. Agency 2014 IT budgets reported February 2013.

Chart 19–2. Results of Portfolio Stats in 2012 PortfolioStat Commodity IT Reduction Targets

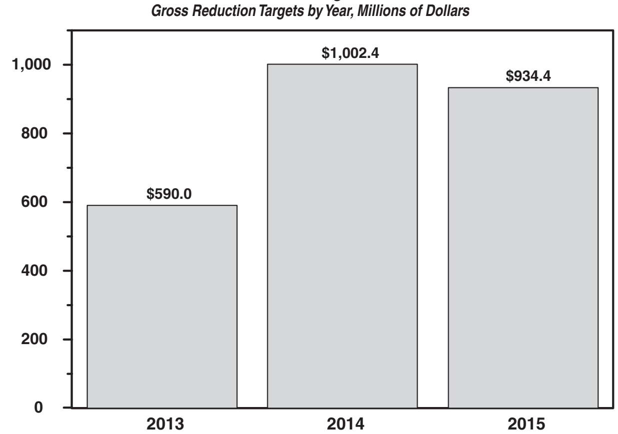
Government Wide Gross Reduction Targets Total Cost Savings and Avoidance Targets, 2013-2015

$2.53 Billion



Reduction Targets Over Time

Gross Reduction Targets by Year, Millions of Dollars



PortfolioStat efforts resulted in ambitious, forward-looking plans with the potential to save the Government $2.5 billion over the next three years by consolidating duplicative systems, buying in bulk, and ending or streamlining off-track projects. In these initial agency assessments of planned savings, agencies focused on key categories of commodity IT spending, specifically purchases of IT assets or services that have become commonplace and that are not highly-customized for specific program support. Potential savings identified in the 2012 PortfolioStat process are illustrated in Chart 19-2 below.

Consolidating and Optimizing Commodity IT— PortfolioStat has played a pivotal role in accelerating agency adoption of shared services. Under the Shared First initiative agencies were tasked with identifying opportunities to shift to intra-agency commodity, support, and mission IT shared services, maximizing the use of strategic sourcing, and increasing the number of shared services that they provide or use. Following direction from the Federal CIO in May 2012, agencies completed the migration of at least two IT service areas to a shared delivery model, and agencies will work in 2013 toward more comprehensive shared services plans.

One other particularly large component of commodity IT spending is represented by the infrastructure investments in agency data centers. In 2012, agencies expanded their efforts under the FDCCI to include data centers of all sizes. Since agencies began executing their data center consolidation plans in 2011, they have closed over 400 data centers. During 2013, OMB will continue working with agencies to categorize the Federal data center inventory and refine plans and metrics to continue consolidation of the remaining data centers, while implementing measures to optimize the data centers that remain open.

Looking ahead to 2014, agencies will incorporate their data center consolidation efforts into a broader enterprise-wide approach to address commodity IT in an integrated, comprehensive manner. The FDCCI will play a significant role in supporting and achieving the goals of PortfolioStat. As these efforts converge, agencies will continue to focus on optimizing those data centers that are pivotal to delivering critical services, while closing duplicative and inefficient data centers.

Strengthening CIO Authorities – One finding from 2012 PortfolioStat sessions was that agencies with empowered CIOs tended to have less fragmented IT portfolios and better visibility into how IT was being spent. The role of agency CIOs will continue to strengthen as agencies implement OMB's 2011 Memorandum M-11-29 aimed at enhancing their authority to better manage Federal IT investments.[6] Already, fundamental changes to the role of the CIO have occurred at some agencies. At the General Services Administration (GSA), for example, the need to improve information technology services and ease access to agency data resulted in the consolidation of all information technology personnel, budgets, and systems under the Chief Information Officer. The result will be a new technology office that has the ability to provide the IT services and support needed. CIO authorities have been further reinforced by the broader OMB Memorandum M-11-31, on delivering a more efficient and accountable Government,[7] the implementation of PortfolioStat, and also the May 2012 release of guidance to agencies on Shared Services IT Strategy with milestones for 2012 and 2013.[8]

Cloud Computing—Under the Federal Cloud Computing Initiative, cloud computing has now become an accepted and integral part of the Federal IT environment. Agencies no longer question the utility and feasibility of cloud computing; but instead are seeking out opportunities to use cloud computing to reshape their IT portfolios to drive innovation, maximize ROI, and improve cybersecurity. In 2011-2012, implementing the *25 Point Implementation Plan to Reform Federal IT Management*,[9] agencies successfully migrated nearly 70 services to the cloud, supporting Government-wide efforts to expand access to open data, drive a more transparent and participatory Government, and move toward more environmentally sustainable platforms. With the ability to expand capacity at a moment's notice without having to procure new servers, add new data centers, and hire new staff, the cloud is essential to the Federal Government's ability to be flexible as demands change.

In order to accelerate the safe and secure adoption of cloud solutions, GSA is making tools available so that agencies can migrate high value solutions to the cloud. Last year, GSA awarded blanket purchase agreements for 17 vendors to provide Federal, State, local and tribal governments with the ability to buy cloud-based email, office automation, electronic records management, migration, and integration services. GSA is also working to provide agencies tools under existing contracts to purchase cloud data center services and cloud migration services, to help agencies ready legacy environments to migrate to the cloud. The latter will be especially important for smaller and independent Federal entities, which may not have the resources to grow or redeploy their staff to manage the migration to the cloud. Looking ahead to 2014, GSA will continue to explore whether a cloud brokerage concept, similar to that provided in the financial services industry, would help to increase cloud adoption.

Improved IT Dashboard—The IT Dashboard was initially launched in June of 2009, to facilitate real-time monitoring of agency IT investment performance by Federal officials, Congress, and the American people. As experience with the IT Dashboard has grown, OMB (in collaboration with agencies and with input from the Government Accountability Office) has worked to improve the quality and focus of data collection for this flagship transparency site. The IT Dashboard continues to set an example for a more open, accessible approach to the evolution of Federal Government systems, through its open source policy. IT Dashboard application code has been available since March 31, 2011 at the Sourceforge site,[10] a site dedicated to the sharing of open source code, where open discussion forums were later added.

In 2012, the IT Dashboard was updated with new data structures and historical trend data, building on the recommendations of an interagency working group and providing even greater transparency into the Federal IT investment portfolio. More targeted and detailed data on major IT development activities will allow closer oversight, and assist agencies to deliver key functionality needed by Federal programs on time and within budget.

OMB continues to require that CIOs rate all major IT investments in the IT Dashboard, assessing how well the risks for major development efforts are being addressed. Based on preliminary analysis of these ratings for FY 2012, there is little evident trend up or down overall in major IT investment ratings by CIOs. Across this period, CIOs have rated almost ¾ of major investments as "Low Risk" or "Moderately Low Risk" ("green" in the IT Dashboard). But in looking at specifics by agency, some have experienced larger than average increases and decreases in ratings. For example, the U.S. Department of Agriculture CIO "green" ratings over this period dropped from 37 to 21. Over the same time interval, the Department of Transportation's "green" CIO ratings increased from 28 to 36. These ratings are one factor used to inform PortfolioStat and TechStat processes.

IT Investment Oversight (TechStats)—In 2010, OMB launched TechStat accountability sessions for major Federal IT investments, which helped improve oversight of major IT investments. A TechStat is a face-to-face, evidence-based accountability review of an IT investment. It enables the Federal Government to intervene, and turn

[6] OMB memorandum M-11-29, "Chief Information Officer Authorities" (August 8, 2011)—http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-29.pdf.

[7] OMB Memorandum M-11-31, "Delivering and Efficient, Effective and Accountable Government" (August 17, 2011)—http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-31.pdf.

[8] "Federal Information Technology Shared Services Strategy" (May 2, 2012)—*http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf*

[9] "25 Point Implementation Plan to Reform Federal IT Management"—*http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/25-point-implementation-plan-to-reform-federal-it.pdf*

[10] *http://sourceforge.net/projects/it-dashboard*

around, halt, or terminate IT projects that are failing to deliver results for key requirements on schedule. By accelerating intervention in troubled IT projects, TechStat reviews helped avoid significant costs, particularly in cases where projects were halted or terminated.

Since January 2010, OMB has led over 60 TechStat sessions, including 38 high-priority reviews between August and December 2010. These reviews resulted in remediation actions with cost implications for investments reviewed. The TechStats also resulted in an average acceleration of deliverables from over 24 months to 8 months for the investments reviewed.

When the Congress in December, 2011 enacted the appropriation for the Integrated, Efficient and Effective Uses of IT (IEEUIT) Fund[11] in the Executive Office of the President, to assist in supporting IT reform, OMB began reporting quarterly to the Congress on the savings from IT reform. In its Jan. 31, 2013 report, OMB estimated $489.1 million in cost savings and cost avoidance for the period since the IEEUIT appropriation was enacted, stemming principally from commodity IT acquisition efficiencies and consolidations, cloud migrations, and the results of the agency-led TechStat sessions which were initiated in 2011. In agency-led TechStats, agency CIOs lead their own TechStats at the agency level, reporting the results to OMB. To date, including the period before quarterly IEEUIT reporting began, CIOs across the Government have held over 300 agency-led TechStats.

Information Technology Acquisition—OMB will focus on the work of the Strategic Sourcing Leadership Council (SSLC) to drive greater efficiency in commodity IT acquisition and use of shared services. Through the PortfolioStat process, OMB achieves better insight into the acquisition and execution of commodity IT at the agency and sub-agency level. OMB will work through Federal CIO Council channels to identify opportunities to procure commodity IT at lower cost and more efficiently, while creating new opportunities for small businesses.

THE INNOVATION AGENDA—GOVERNMENT IN THE INFORMATION AGE

Changes in technology—such as the large increase in the number of mobile devices, the greater availability of data, the growth of cloud computing, and the evolution of social media and collaboration tools—are driving rapid changes in the way we consume information. This presents both opportunities and challenges, as growing expectations require the Federal Government to be ready to deliver and receive digital information and services anytime, anywhere and on any device. It must also do so safely, securely, and with fewer resources. To build for the future despite constrained budgets, the Federal Government needs to innovate with less and enable entrepreneurs and others in the public to better leverage Government data, simultaneously improving the quality of services to the American people.

The Administration's innovation agenda will build on the following initiatives:

Digital Government Strategy—On May 23, 2012, the President issued a directive entitled "Building a 21st Century Digital Government." It launched a comprehensive Digital Government Strategy aimed at delivering better digital services to the American people. The strategy has three main objectives: (1) enabling the American people and an increasingly mobile workforce to access high-quality, digital Government information and services anywhere, anytime, on any device; (2) ensuring that as the Government adjusts to this new digital world, we seize the opportunity to procure and manage devices, applications, and data in smart, secure and affordable ways; and (3) unlocking the power of Government data to spur innovation across our Nation and improve the quality of services for Federal employees and the American people.

Presidential Innovation Fellows—The Presidential Innovation Fellows program[12] pairs entrepreneurs from the private sector, non-profits, and academia with top innovators in Government to collaborate on solutions to high-impact challenges and deliver significant results in six months. The results of these projects are intended to save taxpayer money, fuel job growth, bring private sector best practices to Government, and provide tangible benefits to the American people. Each team of innovators is tasked with working on a specific high-impact issue using a focused, agile approach. In a time of constrained budgets, we need to find innovative ways to do more with less. What makes this initiative unique is its focus on tapping into the ingenuity, know-how, and patriotism of Americans from every sector of our society.

Managing Information—Open Data—The information maintained by the Federal Government is a national asset with tremendous potential value to the public, entrepreneurs, and to our own Government programs. The innovation agenda includes multiple initiatives that will open Government data to enhance information exchanges, interoperability, and public release (subject to valid restrictions). As a model, decades ago, the National Oceanic and Atmospheric Administration (NOAA) began making weather data available for free electronic download by anyone. Entrepreneurs utilized this data to create weather newscasts, websites, mobile applications, insurance, and much more, resulting in a multi-billion dollar industry. Similarly, the Government's decision to make the Global Positioning System (GPS) freely available resulted in private sector innovations ranging from navigation systems to precision crop farming, creating massive public benefits and contributing significantly to economic

[11] P.L. 112-74, Div. C, Title II appropriated funds to advance IT efficiency: "For necessary expenses for the furtherance of integrated, efficient and effective uses of information technology in the Federal Government, $5,000,000, to remain available until expended: Provided, That the Director of the Office of Management and Budget may transfer these funds to one or more other agencies to carry out projects to meet these purposes: Provided further, That the Director of the Office of Management and Budget shall submit quarterly reports to the Committees on Appropriations of the House and the Senate identifying the savings achieved by the Office of Management and Budget's Government-wide information technology reform efforts: Provided further, That such report shall include savings identified by fiscal year, agency and appropriation.

[12] Program description at: *http://www.whitehouse.gov/innovation-fellows*.

growth. To harness the value of Government open data to the fullest extent possible, OMB and the Office of Science and Technology Policy (OSTP), in conjunction with the Presidential Innovation Fellows Program, have launched six open data initiatives affecting diverse sectors including: health, energy, education, public safety, and global development. These efforts aim to make Government data available to entrepreneurs who will use this data to create tools, such as those that help Americans find the right health care providers, identify colleges that provide the best value for tuition costs, save money on electricity bills through smarter shopping for the right rate plan, and keep their families safe by knowing which products have been recalled.

Accelerating Federal Use of Mobile Devices—The Federal Government currently spends approximately $1.2 billion annually for mobile and wireless services and devices, maintaining an inventory of approximately 1.5 million active accounts. These figures will only increase as agencies accelerate their adoption of new mobile technologies, and as the public increasingly expects Government services to be made available anywhere, anytime, on any device. The Digital Government Strategy established a set of discrete actions to ensure that the Federal Government capitalizes on mobile solutions in smart, secure, and affordable ways. Actions included the release of bring-your-own-device (BYOD) guidance based on lessons learned from successful pilots at Federal agencies[13]; a requirement that agencies develop an enterprise-wide inventory of mobile devices and wireless service contracts[14]; the establishment of a Government-wide contract vehicle for mobile devices and wireless services[15]; a gap analysis and mobile security report to be generated by the Chief Information Officers Council[16]; and the development of a Government-wide mobile and wireless security baseline and reference architectures.[17]

Future-Ready Architecture—Agencies continue to face the challenge of having to provide new or updated business and technology services with limited resources. In May 2012, OMB released "The Common Approach to Federal Enterprise Architecture," providing guidance to help agencies promote more agile and standardized architecture methods.[18] This common architecture approach included an emphasis on modular development and contracting practices, and the utilization of cloud-based services to speed the delivery of value and lower the risk of failure in IT projects. In promulgating the common approach, OMB also required agencies to develop and submit an enterprise roadmap by August 31, 2012. The roadmap included an IT asset inventory, commodity IT consolidation plan (tied to PortfolioStat reviews), and plans for improving the quality and uptake of Government-wide Line of Business services.[19] In the future, Federal IT architects will also be called upon to address further methodology improvements supporting better analytical capabilities across all Federal IT assets.

Transition to Internet Protocol Version 6 (IPv6)—In September 2010, OMB issued a memorandum[20] requiring Executive branch agencies to deploy native Internet Protocol Version 6 (IPv6) for public Internet servers and internal applications that communicate with public servers. This directive builds upon an August 2005 memorandum,[21] "Transition Planning for Internet Protocol Version 6 (IPv6)," which led to the key early step of IPv6 being deployed in all Federal Government agency networks in 2008. In July 2012, the Federal Government released a roadmap for transitioning to the next-generation Internet networking technology. This Roadmap, "The Planning Guide/Roadmap Toward IPv6 Adoption within the U.S. Government"[22] was jointly developed with industry and provides best practices on how to successfully implement the next version of IPv6. Agency status regarding the transition to IPv6-enabling public Internet servers is available on the National Institute of Standards and Technology (NIST) IPv6 Deployment Monitor web site.[23]

Modular Software Development—While OMB requires agencies to implement shared-first strategies, some unique mission capabilities must still be developed which may require custom software development. One of the key lessons learned during TechStat reviews, however, is that investments that spend long periods of time defining requirements and designing components before realizing value are at significantly increased risk of failure. To help align the acquisition team and the IT team in reducing this risk, OMB published Contracting Guidance to Support Modular Development.[24] OMB will use the IT Dashboard to identify investments in which "time-to-value" measures are inconsistent with policy. Agencies should also be identifying these risky investments through the implementation of their internal TechStat processes and they should undertake corrective actions to deploy capabilities to the production environment in months instead of years. OMB will continue to monitor agency performance in this area.

[13] Item 3.3 in the Digital Government Strategy, *http://www.whitehouse.gov/sites/default/files/omb/egov/digital-government/digital-government.html*.

[14] Ibid. Items 5.2 and 5.3 respectively.

[15] Ibid. Item 5.1.

[16] Ibid. Items 10.2 and 10.3 respectively.

[17] Ibid. Item 9.1.

[18] *http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/common_approach_to_federal_ea.pdf*

[19] Line of Business initiatives, most of which continue from previous Administration efforts, represent established inter-agency shared services with a lead agency and numerous partner agencies participating in governance.

[20] OMB Memorandum "Transition to Internet Protocol Version 6 (IPv6)" (Sept. 28, 2011)—*http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/transition-to-ipv6.pdf*.

[21] OMB Memorandum "Transition Planning for Internet Protocol Version 6 (IPv6)" (Aug. 5, 2005)—see: *http://www.whitehouse.gov/*sites/default/files/omb/assets/omb/memoranda/fy2005/m05-22.pdf.

[22] https://cio.gov/wp-content/uploads/downloads/2012/09/2012_IPv6_Roadmap_FINAL_20120712.pdf

[23] See: *http://fedv6-deployment.antd.nist.gov/*.

[24] See OMB guidance "Contracting Guidance to Support Modular Development," page 2—at: *http://www.whitehouse.gov/sites/default/files/omb/procurement/guidance/modular-approaches-for-information-technology.pdf*.

BusinessUSA—On January 13, 2012, the Administration articulated a strategy to break down the stovepipes that have prevented the Government from delivering a comprehensive suite of services and capabilities to American businesses. Based on the President's premise of "…one website, one phone number, one mission," BusinessUSA, was launched on February 17, 2012.[25] For American entrepreneurs, interacting with the Federal Government should feel like they are working with one organization that puts them and their needs first, and does not force them to understand a complex Federal bureaucracy. BusinessUSA will continue to grow and evolve, becoming the single entry point for businesses to connect with Government programs to help them launch new endeavors and grow. Services offered through BusinessUSA are not limited to the Federal sector; the site includes links to State and local programs and services, so that businesses can connect with resources they need to start up, grow, and export their goods and services. In 2014, all Federal agencies with business-facing capabilities will be participating in integrating and expanding BusinessUSA's capabilities.

Geospatial Data—Consistent with the Digital Government Strategy, the guidance on Modular Development, and in support of the principle of open data,[26] agencies will continue to review their geospatial data and make it available to other agencies and the public. The progress of geospatial data being opened will be reflected on the Geospatial Platform – a Federal internet-based platform providing shared, trusted geospatial data, services and applications at *http://www.geoplatform.gov*.

Health Information Technology (Health IT)—The technologies collectively known as health IT enable the secure collection and exchange of vast amounts of health data about individuals. Health IT includes electronic health records (EHRs), personal health records, telehealth devices, remote monitoring technologies, and mobile health applications.

The Federal Government's health IT vision is a health system that uses information to empower individuals and to improve the health of the population. To improve the Federal Government's overall effectiveness, all investments in health IT share the following common policy and technology principles:

- **Putting individuals and their interests first.** In order to enhance the health and well-being of all Americans, the Government must meet the needs and protect the rights of each individual.
- **Being a worthy steward of the country's money and trust.** The Government seeks to use its resources judiciously. This means relying, to the extent possible, on private markets to accomplish important societal objectives, and acting to correct market failures when necessary. It also means developing Governmental policies through open and transparent processes.
- **Supporting health IT benefits for all.** All Americans should have equal access to quality health care. This includes the benefits conferred by health IT. The Government will endeavor to ensure that underserved and at-risk individuals enjoy these benefits to the same extent as all other citizens.
- **Focusing on outcomes.** Federal health IT policy will constantly focus on improving the outcomes of care, so as to advance the health of Americans and the performance of their health care system.
- **Building boldly on what works.** The Government will set ambitious goals and then work methodically to achieve them, monitoring health IT successes, and looking for ways to expand upon programs that work. It will seek to be nimble and action-oriented: evaluating existing Government activities, learning from experience, and changing course if necessary.
- **Encouraging innovation.** The Government is working to create an environment of testing, learning, and improving, thereby fostering breakthroughs that quickly and radically transform health care. The Government will support innovation in health IT.

With the Office of the National Coordinator for Health IT charged with the coordination of nationwide efforts to implement and use the most advanced health information technology, agencies such as the Department of Agriculture, Department of Commerce, Department of Defense, Department of Health and Human Services, Department of Veterans Affairs, Social Security Administration, and Office of Personnel Management are working together to maximize the benefits health IT has to offer providers and patients by accelerating Electronic Health Record (EHR) adoption and secure electronic exchange of health information.

PROTECTING DATA AND ASSETS— CYBERSECURITY AND PRIVACY

America depends on Federal agencies for essential services, ranging from disaster assistance to Social Security to national defense. These services, in turn, rely on a safe, secure, and resilient Government information and communications infrastructure. Threats to this infrastructure—whether from domestic or international criminal elements or nation-states— continue to grow in number and sophistication, creating the potential that essential services could be degraded or interrupted, and confidential information stolen or compromised, with serious effects. To combat these threats, the Administration will act on many fronts, while protecting individual privacy and civil liberties.

- **Secure Federal Networks—**The Administration's cybersecurity team will continue its vigorous and extensive build-out of technical and policy protec-

[25] See remarks by the President on Government Reform—*http://www.whitehouse.gov/the-press-office/2012/01/13/remarks-president-government-reform*.

[26] Open data is now a key principle guiding Federal IT -- that is, the principle that the Government's data should be provided in a manner that facilitates the use of this data by everyone.

tion capabilities for Government systems, expand its partnerships with the private sector, and work with Congress to clarify roles and authorities. The Administration will assist and strengthen the abilities of Federal agencies to protect their infrastructure and data.

- **Improve Federal Cybersecurity Defenses.** The Department of Homeland Security (DHS) will assess the state of operational readiness and cybersecurity risk of unclassified Federal networks and systems. DHS proactively engages with agencies to improve their cybersecurity posture by assessing capabilities, identifying vulnerabilities, evaluating risks and providing prioritized guidance that optimizes the remediation activities needed to close capability gaps, limit exposure, reduce exploitation, and increase the speed and effectiveness of cyber-attack responses.
- **Implement Cybersecurity Cross-Agency Priority (CAP) Goal.** The Administration selected cybersecurity as one of its 14 CAP goals required under the Government Performance and Results Act Modernization Act (GPRAMA) of 2010. The goal is to achieve 95% use of the Administration's priority cybersecurity capabilities on Federal executive branch information systems by the end of FY 2014. In order to achieve this goal, Federal spending will focus on two-factor authentication in accordance with Homeland Security Presidential Directive 12 (HSPD-12), Federal Trusted Internet Connections (TICs), and Continuous Monitoring policies.
- **Conduct CyberStat Sessions.** DHS will continue to work with agencies to identify and correct weaknesses in cybersecurity programs and ensure agencies are on track to meet the Cyber CAP goal through Cyberstat reviews. The reviews provide the opportunity for agencies to identify the cybersecurity capability areas where they may be facing implementation maturity roadblocks (e.g. technology, organizational culture, internal process, or human capital/financial resource challenges). CyberStat reviews will continue to focus on identifying prospects and strategies to improve cybersecurity performance.
- **Enhance Cybersecurity Program Monitoring, Management, and Reporting Under the Federal Information Security Management Act (FISMA).**[27] The Federal cybersecurity defensive posture is a constantly evolving environment because of the relentless and dynamic threat environment, emerging technologies, and new vulnerabilities. Many threats can be mitigated by following established cybersecurity best practices, but attackers often search for organizations with poor cybersecurity practices and target associated vulnerabilities. DHS will continue to improve FISMA metrics to focus on outcome-oriented measures that are quantitative, specific, automated when possible, and focused on reduction of risk. The FISMA metrics focus agency efforts on what data and information is entering and exiting their networks, what components are on their information networks, when security status changes, and who is on their systems. The Administration will focus agency efforts on improving the security of their networks by implementing the Cross-Agency Priority Goals for cybersecurity (i.e. Continuous Monitoring, Trusted Internet Connections, and HSPD-12).
- **Enhance the Cybersecurity Workforce.** The Administration will maintain a strong cadre of cybersecurity professionals to design, operate, and research cyber technologies, enabling success against current and future threats. As part of this effort, the National Initiative for Cybersecurity Education (NICE) developed the National Cybersecurity Workforce Framework to define the cybersecurity workforce and provide a common taxonomy and lexicon by which to classify and categorize the workforce. The Framework was developed as a direct result of the Administration's need to identify, quantify, and develop an effective cybersecurity workforce to develop our Nation's critical cyber infrastructure. In addition, the Administration will work to provide cybersecurity professionals with tools, tips, education, training, awareness, and other resources appropriate to their positions.
- **Implement Continuous Monitoring.** The Administration will work to design, build, and operate information and communication technology to specifically reduce the risk of exploitable weaknesses and enable technology to sense, react to, and communicate changes in its security or its surroundings in a way that preserves or enhances its security posture. Continuous monitoring is an integral part of an enterprise-wide risk management process that allows agencies to establish the context of their risk management programs, and subsequently assess risk, respond to risk, and monitor risk on an ongoing basis.

  Continuous monitoring programs are most effective when combined with other department and agency initiatives to strengthen the underlying information technology infrastructure by integrating security requirements into organizational processes (e.g., enterprise architecture, acquisition/procurement, systems engineering, and the system development life cycle). An example is the DHS Continuous Diagnostics and Mitigation (CDM) program, which will provide tested continuous monitoring, diagnosis, and mitigation activities designed to increase visibility into the security status of Federal information systems and environments of operation. The program can also enhance DHS's ability to assess agency security control effectiveness, and assist organizational personnel in identifying and responding to intrusions in their operational environments.

[27] Title III of the E-Government Act of 2002 (P.L. 107-347, enacted Dec. 17, 2002) is known as the "Federal Information Security Management Act of 2002" (FISMA).

Under this program, DHS will centrally oversee the procurement, operations, and maintenance of diagnostic sensors (tools) and dashboards deployed to each agency. Using input from the sensors and agency-level dashboards, officials at each agency will be able to quickly identify which problems to fix first, and empower technical managers to prioritize and mitigate risks. In addition, DHS will maintain a dashboard to provide situational awareness at the Federal level.

- **Improve Incident Reporting and Response.** The 2012 National Level Exercise (NLE) simulated what would happen if a series of significant cyber incidents occurred within the United States. The NLE demonstrated the need for the Federal Government to improve preparedness for Significant Cyber Incidents. The growing numbers of cyber attacks on our Federal networks are sophisticated, aggressive and dynamic. During FY 2012, the United States Computer Emergency Readiness Team (US-CERT) processed 157,850 incidents including cyber exploits that injected viruses, stole information or disrupted Federal network operations. The Administration will work to unify efforts to collaboratively respond to and rapidly recover from significant cyber incidents that threaten public health or safety, undermine public confidence, have a debilitating effect on the national economy, or diminish the security posture of the Nation.

- **Ensure Information Sharing and Safeguarding.** This continuing initiative ensures coordinated interagency development and reliable implementation of structural reforms to ensure responsible sharing and safeguarding of classified information on computer networks that shall be consistent with appropriate protections for privacy and civil liberties, pursuant to Presidential Executive Order 13587.

- **Improve Identity Management.** Version 2.0 of the "Federal Identity, Credential and Access Management (FICAM) Roadmap and Implementation Guidance" was issued by the Federal CIO Council in December 2011.[28] This guidance helps steer agency efforts as they plan and upgrade their architectures, aiming to leverage existing investments and promoting efficiency in designing, deploying, and operating IT systems. As of September 1, 2012, more than 5.2 million Personal Identity Verification (PIV) credentials (96 percent of those needed) were issued to the Federal workforce, and over 5 million background investigations (91 percent of those needed) were completed, in accordance with Homeland Security Presidential Directive 12 (HSPD-12). Agencies are expected in 2013 to accelerate the use of PIV credentials in securing Federal facilities and IT systems. Charged with revising the HSPD-12 standard (FIPS 201), NIST is also moving to address the integration of PIV credentials with mobile devices and related advances in technology. The Administration also released the National Strategy for Trusted Identities in Cyberspace (NSTIC) in April 2011,[29] to promote public-private collaboration on an online identity environment to facilitate secure, efficient, easy-to-use, and interoperable identity solutions to access online services.

- **Federal Risk Authorization Management Program (FedRAMP).** To support the Federal Cloud Computing Initiative, FedRAMP was launched during 2012. FedRAMP is changing the way cloud is bought within the Federal Government through a standardized approach for agencies to assess and authorize the security of cloud systems. This standardized approach strengthens security practices associated with cloud computing solutions, and in turn, builds greater trust between cloud providers and consumers. As a result, agencies can quickly deploy cloud solutions in support of delivering taxpayers services at a significantly reduced cost. As part of reaching its initial operating capability, FedRAMP published a baseline set of security controls, developed a comprehensive concept of operations, and a conformity assessment process to independently verify that providers are meeting the Government's security needs. In 2013-2014, FedRAMP will integrate lessons learned from initial efforts to achieve full operating capability, thereby accelerating the adoption of secure cloud solutions in Government through the reuse of assessments and authorizations.

- **Protect Privacy and Confidentiality—**The Administration will ensure that protecting individual privacy and confidentiality remains a top priority. The importance of protecting privacy has become even greater as new technologies emerge. Federal agencies must take steps to analyze and address privacy and confidentiality issues at the earliest stages of the planning process, and they must continue to manage information responsibly throughout the life cycle of the information. In addition, Federal agencies are expected to demonstrate continued progress in all aspects of privacy and confidentiality protection and to ensure compliance with all privacy and confidentiality requirements in law, regulation, and policy. Agencies must review their information systems to ensure that they eliminate unnecessary holdings of personally identifiable information, such as unnecessary collection and use of Social Security numbers. Moreover, agencies will continue to develop and implement policies that outline rules of behavior, detail training requirements for personnel, and identify consequences and corrective actions to address non-compliance.

[28] Federal Identity, Credential, and Access Management (FICAM) Roadmap and Implementation Guidance Version 2.0, December 2, 2011— *http://www.idmanagement.gov/documents/FICAM_Roadmap_ and_Implementation_Guidance_v2%200_20111202.pdf.*

[29] Document released April 15, 2011. Title: National Strategy for Trusted Identities in Cyberspace. See: *http://www.whitehouse.gov/sites/default/files/rss_viewer/NSTICstrategy_041511.pdf.*

CONCLUSION

The Administration is committed to continuously improving how its services are provided to the public. This will be accomplished by implementing a Federal IT strategy that focuses on delivering maximum return on IT investments, driving an innovation agenda, and promoting cybersecurity and privacy policies to protect data and assets across all Federal agencies.

20. FEDERAL INVESTMENT

Federal investment is the portion of Federal spending intended to yield long-term benefits for the economy and the country. It promotes improved efficiency within Federal agencies, as well as growth in the national economy by increasing the overall stock of capital. Investment spending can take the form of direct Federal spending or of grants to State and local governments. It can be designated for physical capital, which creates a tangible asset that yields a stream of services over a period of years. It also can be for research and development, education, or training, all of which are intangible but still increase income in the future or provide other long-term benefits.

Most presentations in this volume combine investment spending with spending intended for current use. This chapter focuses solely on Federal and federally financed investment. It provides a comprehensive picture of Federal investment spending, but because it disregards spending for non-investment activities, it provides only a partial picture of Federal support for specific national needs, such as defense, transportation, or environmental protection.

In this chapter, investment is discussed in the following sections:

- a description of the size and composition of Federal investment spending; and
- a presentation of trends in the stock of federally financed physical capital, research and development, and education.

PART I: DESCRIPTION OF FEDERAL INVESTMENT

The distinction between investment spending and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification of investment, encompassing physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways, and all other investments, or "direct Federal programs." This "direct Federal" category consists primarily of spending for assets owned by the Federal Government, such as weapons systems and buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

The definition of investment in a particular presentation can vary depending on specific considerations:

- Taking the approach of a traditional balance sheet would limit investment to only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Examining the efficiency of Federal operations would confine the coverage to investments that reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- Considering a "social investment" perspective would broaden the coverage of investment beyond what is included in this chapter to include programs such as maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

This analysis takes the relatively broad approach of including all investment in physical assets, research and development, and education and training, regardless of ultimate ownership of the resulting asset or the purpose it serves. It does not include "social investment" items like health care or social services where it is difficult to separate out the degree to which the spending provides current versus future benefits. The definition of investment used in this section provides consistency over time (historical figures on investment outlays back to 1940 can be found in the separate *Historical Tables* volume). Table 20–2 at the end of this section allows disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data: the treatment of grants to State and local governments, and the classification of spending that could be shown in multiple categories.

First, for some grants to State and local governments it is the recipient jurisdiction, not the Federal Government, that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays into the category in which the recipient jurisdictions are expected to spend a majority of the money. Hence, the Community Development Block Grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on investment.

Second, some spending could be classified in more than one category of investment. For example, outlays for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified hierarchically in the category that is most commonly recognized as investment: physical assets, followed by research and development, followed by education and training. Consequently, outlays for the conduct of research and development do not include outlays for the construction of research facilities, because these outlays are included in the category for investment in physical assets.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction or education and training. For more information about the treatment of Federal credit programs, refer to the section on Federal credit in Chapter 11, "Budget Concepts," in this volume.

This section presents spending for gross investment, without adjusting for depreciation.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 20–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Combined defense and nondefense investment outlays were $503.3 billion in 2012. They are estimated to increase slightly to $503.7 billion in 2013 and increase to $568.4 billion in 2014. The major factors contributing to these changes are described below.

Major Federal investment outlays will comprise an estimated 15.0 percent of total Federal outlays in 2014 and 3.3 percent of the Nation's gross domestic product. Greater detail on Federal investment is available in Table 20–2 at the end of this section. That table includes both budget authority and outlays.

Physical investment. Outlays for major public physical capital investment (hereafter referred to as "physical investment outlays") were $267.7 billion in 2012 and are estimated to rise to $272.3 billion in 2013 and continue to rise to $311.6 billion in 2014. Physical investment outlays are for construction and rehabilitation, the pur-

Table 20–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

Federal Investment	Actual 2012	Estimate 2013	Estimate 2014
Major public physical capital investment:			
Direct Federal:			
National defense	138.1	132.1	163.6
Nondefense	44.4	57.1	55.3
Subtotal, direct major public physical capital investment	182.5	189.2	218.9
Grants to State and local governments	85.2	83.1	92.7
Subtotal, major public physical capital investment	267.7	272.3	311.6
Conduct of research and development:			
National defense	75.1	75.0	71.6
Nondefense	63.7	64.5	64.4
Subtotal, conduct of research and development	138.8	139.5	136.0
Conduct of education and training:			
Grants to State and local governments	63.9	62.3	76.2
Direct Federal	33.0	29.8	44.6
Subtotal, conduct of education and training	96.9	92.0	120.8
Total, major Federal investment outlays	**503.3**	**503.7**	**568.4**
MEMORANDUM			
Major Federal investment outlays:			
National defense	213.2	207.1	235.2
Nondefense	290.1	296.6	333.2
Total, major Federal investment outlays	503.3	503.7	568.4
Miscellaneous physical investment:			
Commodity inventories	–0.1	–0.0	–0.2
Other physical investment (direct)	2.5	2.7	2.8
Total, miscellaneous physical investment	2.4	2.7	2.7
Total, Federal investment outlays, including miscellaneous physical investment	505.8	506.4	571.0

chase of major equipment, and the purchase or sale of land and structures. Approximately two-thirds of these outlays are for direct physical investment by the Federal Government, with the remainder being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment are estimated to be $163.6 billion in 2014. This amount is up significantly from 2012 and 2013, largely because the entire placeholder for Overseas Contingency Operations (OCO) in 2014 is classified as physical investment. Two-thirds of defense physical investment outlays, or an estimated $99.6 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities. Defense outlays for physical investment decrease from $138.1 billion in 2012 to $132.1 billion in 2013, primarily due to reduced spending for the wars in Iraq and Afghanistan, and slowdowns in base budget Defense procurement.

Outlays for direct physical investment for nondefense purposes are estimated to be $55.3 billion in 2014. This is a reduction from the $57.1 billion in outlays in 2013, attributable largely to deadlines for project construction and completion for applications for grants for specified energy property in lieu of tax credits. Outlays for 2014 include $37.2 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, and the Tennessee Valley Authority; construction and rehabilitation of veterans' hospitals and Indian Health Service hospitals and clinics; facilities for space and science programs; Postal Service facilities; energy conservation projects in the Department of Energy; construction for the administration of justice programs (largely in Customs and Border Protection within the Department of Homeland Security); construction of office buildings by the General Services Administration; and construction for embassy security. Outlays for the acquisition of major equipment are estimated to be $17.5 billion in 2014. The largest amounts are for the air traffic control system; railroad system preservation; weather and climate monitoring in the National Oceanic and Atmospheric Administration; law enforcement activities, largely in the Department of Homeland Security and the Federal Bureau of Investigation; and information systems in the Department of Veterans Affairs.

Grants to State and local governments for physical investment are estimated to be $92.7 billion in 2014, up from $83.1 billion in 2013. Over 75 percent of these outlays, or $70.1 billion, are to assist States and localities with transportation infrastructure, primarily highways; this category represents the majority of the increase in physical investment grants from 2013 to 2014. Other major grants for physical investment fund sewage treatment plants and other State and tribal assistance grants, community and regional development, and public housing.

Conduct of research and development. Outlays for the conduct of research and development are estimated to be $136.0 billion in 2014. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation's security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. More than half of these outlays, an estimated $71.6 billion, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Nondefense outlays for the conduct of research and development are estimated to be $64.4 billion in 2014. These are largely for the National Institutes of Health, National Aeronautics and Space Administration, the Department of Energy, and the National Science Foundation.

A more complete and detailed discussion of research and development funding can be found in Chapter 21, "Research and Development," in this volume.

Conduct of education and training. Outlays for the conduct of education and training were $92.0 billion in 2013 and are estimated to rise to $120.8 billion in 2014. These outlays add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be $76.2 billion in 2014, roughly 63 percent of the total. They include education programs for the disadvantaged and individuals with disabilities, training programs in the Department of Labor, Head Start, and other education programs. Grants for education and training rise from $62.3 billion in 2013 to $76.2 billion in 2014, largely due to grants to States for teacher stabilization. Direct Federal education and training outlays are estimated to be $44.6 billion in 2014, up from the levels in 2012 and 2013. Programs in this category primarily consist of aid for higher education through student financial assistance, loan subsidies, and veterans' education, training, and rehabilitation. Downward reestimates of student loan subsidies reduced net outlays for direct Federal education and training in 2012 and by greater amounts in 2013, leading to an increase in this category in 2014.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Physical Investment

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 20–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity.

Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and other commodities. Purchases are estimated to exceed sales by $158 million in 2014.

Outlays for other miscellaneous physical investment are estimated to be $2.8 billion in 2014. This category consists entirely of direct Federal outlays and includes primarily conservation programs.

Detailed Table on Investment Spending

The following table provides data on budget authority as well as outlays for major Federal investment divided according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(In millions of dollars)

Description	Budget Authority			Outlays		
	2012 Actual	2013 Estimate	2014 Estimate	2012 Actual	2013 Estimate	2014 Estimate
GRANTS TO STATE AND LOCAL GOVERNMENTS						
Major public physical investment:						
Construction and rehabilitation:						
Transportation:						
Highways	39,723	40,647	39,118	43,896	42,636	42,101
Mass transportation	11,925	22,746	12,051	12,098	13,994	15,939
Rail transportation	....	....	3,660	532	1,127	2,511
Air and other transportation	3,685	3,686	53,228	3,219	4,129	9,531
Subtotal, transportation	55,333	67,079	108,057	59,745	61,886	70,082
Other construction and rehabilitation:						
Pollution control and abatement	2,545	3,194	2,123	4,100	3,393	3,179
Community and regional development	4,738	35,228	3,869	9,222	9,405	11,844
Housing assistance	3,658	3,680	4,982	6,031	4,957	4,659
Other	543	574	544	4,044	1,114	596
Subtotal, other construction and rehabilitation	11,484	42,676	11,518	23,397	18,869	20,278
Subtotal, construction and rehabilitation	66,817	109,755	119,575	83,142	80,755	90,360
Other physical assets	1,560	1,819	1,711	2,070	2,358	2,331
Subtotal, major public physical investment	68,377	111,574	121,286	85,212	83,113	92,691
Conduct of research and development:						
Agriculture	324	327	320	132	407	488
Other	164	320	312	124	144	167
Subtotal, conduct of research and development	488	647	632	256	551	655
Conduct of education and training:						
Elementary, secondary, and vocational education	37,249	55,569	41,564	45,489	43,516	55,794
Higher education	331	483	486	432	345	421
Research and general education aids	744	761	758	830	796	797
Training and employment	3,899	3,906	3,620	3,449	3,493	3,794
Social services	11,331	11,594	12,678	11,074	11,441	12,460
Agriculture	405	407	405	427	410	589
Other	2,164	2,243	2,395	2,150	2,253	2,381
Subtotal, conduct of education and training	56,123	74,963	61,906	63,851	62,254	76,236
Subtotal, grants for investment	**124,988**	**187,184**	**183,824**	**149,319**	**145,918**	**169,582**
DIRECT FEDERAL PROGRAMS						
Major public physical investment:						
Construction and rehabilitation:						
National defense:						
Military construction and family housing	11,060	11,078	8,849	12,667	14,623	10,963
Overseas Contingency Operations placeholder			[1] 88,482			[1] 52,505
Atomic energy defense activities and other	79	56	82	65	55	51
Subtotal, national defense	11,139	11,134	97,413	12,732	14,678	63,519
Nondefense:						
International affairs	1,049	1,024	1,907	1,064	808	1,070
General science, space, and technology	896	712	999	838	805	864
Water resources projects	2,686	6,153	2,246	4,182	3,106	3,701
Other natural resources and environment	1,073	1,604	1,053	1,529	1,322	1,316
Energy	8,391	10,775	8,355	9,563	12,783	10,265

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(In millions of dollars)

Description	Budget Authority			Outlays		
	2012 Actual	2013 Estimate	2014 Estimate	2012 Actual	2013 Estimate	2014 Estimate
Postal service	320	373	669	241	490	605
Transportation	568	6,783	12,677	600	6,627	13,002
Veterans hospitals and other health facilities	3,423	3,478	2,674	3,497	3,376	2,566
Administration of justice	572	535	1,249	849	701	316
GSA real property activities	343	332	2,119	2,877	1,980	1,568
Other construction	1,948	6,863	11,135	2,955	7,779	1,931
Subtotal, nondefense	21,269	38,632	45,083	28,195	39,777	37,204
Subtotal, construction and rehabilitation	32,408	49,766	142,496	40,927	54,455	100,723
Acquisition of major equipment:						
National defense:						
Department of Defense	118,445	115,178	99,431	124,915	116,931	99,583
Atomic energy defense activities	614	534	575	442	466	503
Subtotal, national defense	119,059	115,712	100,006	125,357	117,397	100,086
Nondefense:						
General science and basic research	861	834	940	1,007	1,034	871
Postal service	205	627	1,666	266	516	963
Air transportation	3,705	4,207	3,520	3,389	3,972	3,621
Water transportation (Coast Guard)	1,240	1,252	884	1,077	1,381	1,243
Other transportation (railroads)	1,418	1,545	2,700	1,421	1,552	1,585
Hospital and medical care for veterans	2,620	1,901	1,310	1,720	1,850	1,639
Federal law enforcement activities	1,073	1,048	1,035	1,360	1,272	1,260
Department of the Treasury (fiscal operations)	330	332	303	358	376	348
National Oceanic and Atmospheric Administration	1,830	1,842	2,006	1,315	1,182	1,548
Other	3,828	3,816	4,467	4,063	3,831	4,442
Subtotal, nondefense	17,110	17,404	18,831	15,976	16,966	17,520
Subtotal, acquisition of major equipment	136,169	133,116	118,837	141,333	134,363	117,606
Purchase or sale of land and structures:						
National defense	–33	–35	–27	–12	24	–16
Natural resources and environment	229	304	420	224	283	346
General government	133	128	113	133	130	129
Other	–131	1,702	–153	–132	–93	82
Subtotal, purchase or sale of land and structures	198	2,099	353	213	344	541
Subtotal, major public physical investment	168,775	184,981	261,686	182,473	189,162	218,870
Conduct of research and development:						
National defense:						
Defense military	72,811	73,740	68,235	71,146	70,371	66,856
Atomic energy and other	4,051	4,496	4,742	3,975	4,610	4,711
Subtotal, national defense	76,862	78,236	72,977	75,121	74,981	71,567
Nondefense:						
International affairs	269	265	259	253	252	246
General science, space, and technology:						
NASA	10,622	10,567	10,883	10,027	10,620	10,974
National Science Foundation	5,101	5,137	5,600	5,124	5,969	5,293
Department of Energy	3,839	3,959	4,053	4,012	4,107	4,122
Subtotal, general science, space, and technology	19,562	19,663	20,536	19,163	20,696	20,389
Energy	2,197	2,388	3,186	3,019	2,532	2,933
Transportation:						
Department of Transportation	758	705	775	720	717	713
NASA	553	546	553	566	494	555
Other transportation	27	28	20	21	39	23
Subtotal, transportation	1,338	1,279	1,348	1,307	1,250	1,291
Health:						
National Institutes of Health	29,879	30,097	30,356	31,671	30,709	30,389
Other health	1,407	1,700	1,960	1,185	1,679	1,167

Table 20–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued

(In millions of dollars)

Description	Budget Authority			Outlays		
	2012 Actual	2013 Estimate	2014 Estimate	2012 Actual	2013 Estimate	2014 Estimate
Subtotal, health	31,286	31,797	32,316	32,856	32,388	31,556
Agriculture	1,556	1,504	1,612	1,772	1,641	1,681
Natural resources and environment	2,137	2,179	2,423	2,046	2,066	2,222
National Institute of Standards and Technology	466	480	1,530	533	557	618
Hospital and medical care for veterans	1,160	1,170	1,172	1,168	1,150	1,152
All other research and development	1,281	1,318	1,729	1,281	1,391	1,701
Subtotal, nondefense	61,252	62,043	66,111	63,398	63,923	63,789
Subtotal, conduct of research and development	138,114	140,279	139,088	138,519	138,904	135,356
Conduct of education and training:						
Elementary, secondary, and vocational education	1,444	1,480	1,690	1,276	1,367	1,372
Higher education	20,254	8,305	16,596	12,108	5,711	20,032
Research and general education aids	2,098	2,142	2,305	2,192	2,269	2,213
Training and employment	2,812	2,255	2,306	2,456	2,306	2,492
Health	1,526	1,631	1,446	1,644	1,804	1,562
Veterans education, training, and rehabilitation	12,527	11,559	13,489	10,734	13,512	14,063
General science and basic research	952	947	991	945	1,087	1,027
International affairs	651	624	583	670	631	786
Other	905	819	800	977	1,066	1,016
Subtotal, conduct of education and training	43,169	29,762	40,206	33,002	29,753	44,563
Subtotal, direct Federal investment	**350,058**	**355,022**	**440,980**	**353,994**	**357,819**	**398,789**
Total, Federal investment	**475,046**	**542,206**	**624,804**	**503,313**	**503,737**	**568,371**

[1] Includes the entire placeholder amount for Department of Defense Overseas Contingency Operations in 2014. The amended OCO request will be distributed across a range of investment and non-investment activities.

PART II: FEDERALLY FINANCED CAPITAL STOCKS

Federal investment spending creates a “stock” of capital that is available for future productive use. Each year, Federal investment outlays add to this stock of capital. At the same time, however, wear and tear and obsolescence reduce it. This section presents very rough measures over time of three different kinds of capital stocks financed by the Federal Government: public physical capital, research and development (R&D), and education.

Federal spending for physical assets adds to the Nation’s capital stock of tangible assets, such as roads, buildings, and aircraft carriers. These assets deliver a flow of services over their lifetime. The capital depreciates as the asset ages, wears out, is accidentally damaged, or becomes obsolete.

Federal spending for the conduct of R&D adds to an “intangible” asset, the Nation’s stock of knowledge. Spending for education adds to the stock of human capital by providing skills that help make people more productive. Although financed by the Federal Government, R&D or education can be carried out by Federal or State government laboratories, universities and other nonprofit organizations, local governments, or private industry. R&D covers a wide range of activities, from the investigation of subatomic particles to the exploration of new frontiers of science; it can be “basic” research without particular applications in mind, or it can have a highly specific practical use. Similarly, education includes a wide variety of programs, assisting people of all ages beginning with preschool education and extending through graduate studies and adult education. Like physical assets, the capital stocks of R&D and education provide services over a number of years and depreciate as they become outdated.

For this analysis, physical and R&D capital stocks are estimated using the perpetual inventory method. Each year’s Federal outlays are treated as gross investment, adding to the capital stock; depreciation reduces the capital stock. Gross investment less depreciation is net investment. The estimates of the capital stock are equal to the sum of net investment in the current and prior years. Conversely, the year-to-year change in the capital stock estimates is annual net investment. A limitation of the perpetual inventory method is that the original investment spending may not accurately measure the current value of the asset created, even after adjusting for inflation, because the value of existing capital changes over time due to changing market conditions. However, alternative methods for measuring asset value, such as direct surveys of current market worth or indirect estimation based on an expected rate of return, are especially difficult to apply to assets that do not have a private market, such as highways or weapons systems.

In contrast to physical and R&D stocks, the estimate of the education stock is based on the replacement cost method. Data on the total years of education of the U.S. population are combined with data on the current cost of education and the Federal share of education spending to yield the cost of replacing the Federal share of the Nation's stock of education.

It should be stressed that these estimates are rough approximations, and provide a basis only for making broad generalizations. Errors may arise from uncertainty about the useful lives and depreciation rates of different types of assets, incomplete data for historical outlays, and imprecision in the deflators used to express costs in constant dollars. Details about the methods used to estimate capital stocks appeared in a methodological note in Chapter 7, "Federal Investment Spending and Capital Budgeting," in the *Analytical Perspectives* volume of the 2004 Budget.

The Stock of Physical Capital

This section presents data on stocks of physical capital assets and estimates of the depreciation of these assets.

Trends. Table 20–3 shows the value of the net federally financed physical capital stock since 1960, in constant fiscal year 2005 dollars. The total stock grew at a 2.5 percent average annual rate from 1960 to 2012, with periods of faster growth during the late 1960s, the 1980s, as well as presently since the mid-2000s. The stock amounted to $3,134 billion in 2012 and is estimated to increase to $3,307 billion by 2014. In 2012, the national defense capital stock accounted for $950 billion, or 30 percent of the total, and nondefense stocks for $2,130 billion, or 70 percent of the total.

Real stocks of defense and nondefense capital show very different trends. Nondefense stocks have grown consistently since 1970, increasing from $531 billion in 1970 to $2,185 billion in 2012. With the investments proposed in the Budget, nondefense stocks are estimated to grow to $2,306 billion in 2014. From 1970-1979, the nondefense capital stock grew at an average annual rate of 4.4 percent. Over the 1980s, however, the growth rate slowed to 3.0 percent annually, with growth continuing at about that rate since then.

Real national defense stocks began in 1970 at a relatively high level, and declined steadily throughout the decade as depreciation from investment during the Vietnam War exceeded new investment in military construction and weapons procurement. Starting in the early 1980s, a large defense buildup began to increase the stock of defense capital. By 1987, the defense stock exceeded its earlier Vietnam-era peak. By 1993, however, depreciation on the increased stocks and a slower pace of defense physical capital investment began to reduce the stock from its previous levels. The increased defense investment in the last few years has reversed this decline, increasing the stock from a low of $637 billion in 2001 to $1,001 billion in 2014.

Another trend in the Federal physical capital stocks is the shift from direct Federal assets to grant-financed assets. In 1960, 37 percent of federally financed nondefense capital was owned by the Federal Government, and 63 percent was owned by State and local governments but financed by Federal grants. Expansion in Federal grants for highways and other State and local capital, coupled with slower growth in direct Federal investment for water resources, for example, shifted the composition of the stock substantially. In 2012, 25 percent of the federally financed nondefense stock was owned by the Federal Government and 75 percent by State and local governments.

Table 20–3. NET STOCK OF FEDERALLY FINANCED PHYSICAL CAPITAL
(In billions of 2005 dollars)

Fiscal Year	Total	National Defense	Total Nondefense	Direct Federal Capital			Capital Financed by Federal Grants				
				Total	Water and Power	Other	Total	Transportation	Community and Regional	Natural Resources	Other
Five year intervals:											
1960	890	619	270	99	62	37	171	104	31	24	12
1965	993	602	391	128	77	51	263	185	38	26	15
1970	1,182	650	531	152	92	60	379	269	55	31	24
1975	1,224	553	671	173	106	67	498	330	89	49	30
1980	1,333	475	858	200	126	74	658	396	140	91	31
1985	1,583	579	1,004	229	140	89	775	460	169	116	30
1990	1,902	752	1,150	265	151	114	885	537	184	131	33
1995	2,058	737	1,320	307	161	146	1,013	621	195	143	53
2000	2,162	641	1,522	349	165	184	1,173	720	213	152	88
Annual data:											
2005	2,481	693	1,788	414	173	241	1,373	860	230	160	123
2006	2,550	717	1,833	425	174	250	1,408	887	233	161	128
2007	2,627	747	1,880	435	175	260	1,444	911	239	162	133
2008	2,716	788	1,928	449	177	272	1,479	935	244	163	137
2009	2,823	837	1,986	474	180	294	1,512	960	246	163	142
2010	2,945	887	2,058	499	187	312	1,559	990	250	166	153
2011	3,054	924	2,130	523	197	326	1,607	1,018	254	169	166
2012	3,134	950	2,185	541	206	335	1,644	1,044	258	171	171
2013 est.	3,208	963	2,245	569	217	351	1,676	1,070	261	172	172
2014 est.	3,307	1,001	2,306	594	226	367	1,712	1,100	266	174	173

The growth in the stock of physical capital financed by grants has come in several areas. The growth in the stock for transportation is largely grants for highways, including the Interstate Highway System. The growth in community and regional development stocks occurred largely following the enactment of the Community Development Block Grant in the early 1970s. The value of this capital stock has grown only slowly in the past few years. The growth in the natural resources area occurred primarily because of construction grants for water infrastructure projects. The value of the stock of grants for physical capital that are federally financed has increased by over twofold since the mid-1980s.

The Stock of Research and Development Capital

This section presents data on the stock of research and development (R&D) capital, taking into account adjustments for its depreciation.

Trends. As shown in Table 20–4, the R&D capital stock financed by Federal outlays is estimated to be $1,572 billion in 2012 in constant 2005 dollars. Roughly half is the stock of basic research knowledge; the remainder is the stock of applied research and development.

The nondefense stock accounted for about three-fifths of the total federally financed R&D stock in 2012. Although investment in defense R&D has exceeded that of nondefense R&D in nearly every year since 1981, the nondefense R&D stock is actually the larger of the two, because of the different emphasis on basic research and applied research and development. Defense R&D spending is heavily concentrated in applied research and development, which depreciates much more quickly than basic research. The stock of applied research and development is assumed to depreciate at a ten percent geometric rate, while basic research is assumed not to depreciate at all.

The defense R&D stock rose slowly during the 1970s, as gross outlays for R&D trended down in constant dollars and the stock created in the 1960s depreciated. Increased defense R&D spending from 1980 through 1990 led to a more rapid growth of the R&D stock. Subsequently, real defense R&D outlays tapered off, depreciation grew, and, as a result, the real net defense R&D stock stabilized at around $475 billion. Renewed spending for defense R&D in recent years has begun to increase the stock, and it is projected to increase to $1,634 billion in 2014.

The growth of the nondefense R&D stock slowed from the 1970s to the 1980s, from an annual rate of 3.8 percent in the 1970s to a rate of 2.1 percent in the 1980s. Gross investment in real terms fell during the early 1980s, and about three-fourths of new outlays went to replacing depreciated R&D. Since 1988, however, nondefense R&D outlays have been on an upward trend while depreciation has edged down. As a result, the net nondefense R&D capital stock has grown more rapidly.

Table 20–4. NET STOCK OF FEDERALLY FINANCED RESEARCH AND DEVELOPMENT [1]

(In billions of 2005 dollars)

Fiscal Year	National Defense			Nondefense			Total Federal		
	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development	Total	Basic Research	Applied Research and Development
Five year intervals:									
1960	137	6	132	41	18	22	178	24	154
1965	237	11	226	130	40	90	367	51	316
1970	294	18	276	242	75	166	535	93	443
1975	311	23	288	296	109	186	607	133	474
1980	315	28	287	350	148	202	665	176	489
1985	362	34	328	382	196	186	743	230	513
1990	454	41	413	431	258	173	884	298	586
1995	476	48	428	519	331	188	995	379	616
2000	484	55	429	611	414	197	1,095	469	626
Annual data:									
2005	543	63	480	747	531	217	1,291	594	697
2006	561	64	496	773	554	219	1,334	618	716
2007	579	66	513	798	577	221	1,377	642	734
2008	594	67	527	822	600	223	1,416	667	749
2009	605	69	536	851	626	226	1,456	694	762
2010	615	70	545	883	651	232	1,498	721	776
2011	625	72	553	911	675	235	1,535	747	788
2012	632	74	559	939	702	237	1,572	776	796
2013 est.	638	75	563	967	729	238	1,605	804	801
2014 est.	639	77	563	994	755	239	1,634	832	802

[1] Excludes stock of physical capital for research and development, which is included in Table 20–3.

The Stock of Education Capital

This section presents estimates of the stock of education capital financed by the Federal Government.

As shown in Table 20–5, the federally financed education stock is estimated at $2,108 billion in 2012 in constant 2005 dollars. The vast majority of the Nation's education stock is financed by State and local governments, and by students and their families themselves. This federally financed portion of the stock represents about 3.5 percent of the Nation's total education stock. About three-quarters is for elementary and secondary education, while the remainder is for higher education.

The federally financed education stock has grown steadily in the last few decades, with an average annual growth rate of 5.0 percent from 1970 to 2012. The expansion of the education stock is projected to continue under this budget, with the stock rising to $2,242 billion in 2014.

Table 20–5. NET STOCK OF FEDERALLY FINANCED EDUCATION CAPITAL

(In billions of 2005 dollars)

Fiscal Year	Total Education Stock	Elementary and Secondary Education	Higher Education
Five year intervals:			
1960	80	58	22
1965	115	83	31
1970	264	207	57
1975	393	318	75
1980	544	427	117
1985	651	489	162
1990	825	614	211
1995	988	721	267
2000	1,275	929	346
Annual data:			
2005	1,529	1,117	413
2006	1,623	1,169	454
2007	1,721	1,239	482
2008	1,833	1,328	505
2009	1,911	1,412	500
2010	1,970	1,479	491
2011	2,001	1,516	484
2012	2,108	1,606	502
2013 est.	2,162	1,655	506
2014 est.	2,242	1,726	516

21. RESEARCH AND DEVELOPMENT

The President is committed to making investments in research and development (R&D) that will grow our economy and enable America to remain competitive. In the same way that past federal R&D investments led to American leadership in biotechnology and the development of the Internet, the President's focus on science and innovation will help create the industries and jobs of the future and address the challenges and opportunities of the 21st Century. Investing in science and technology-based innovation will let us do things like map the human brain, help find new answers in the fight against Alzheimer's and other diseases, devise new clean energy technologies, and promote new advanced manufacturing opportunities.

The President's 2014 Budget provides $143 billion for Federal research and development (R&D), including the conduct of R&D and investments in R&D facilities and equipment. Even in the current highly constrained budget environment, the Administration continues to champion R&D, providing a 1 percent funding increase over 2012 levels for all R&D, and an increase of 9 percent for non-defense R&D. This investment reinforces the Administration's commitment to science, technology, and innovation that will help the country make progress toward increasing U.S. productivity and competitiveness, and underpin the industries and jobs of the future. In conjunction with this investment, the 2014 Budget's proposed expanded, simplified, and permanent extension of the Research and Experimentation tax credit will spur private investment in R&D by providing certainty that the credit will be available for the duration of the R&D investment.

The 2014 Budget continues to strengthen U.S. international leadership by investing in the high-tech knowledge-based economy and innovation-fueled growth industries, such as advanced manufacturing. These investments will enable us to lead the world in clean energy, agriculture, and healthcare while protecting the environment for future generations. The Budget will help ensure that the U.S. continues its long-standing and robust leadership in public and private sector R&D and maintains the high quality of our R&D institutions and entrepreneurial nature of our R&D enterprise.

As required by the America COMPETES Act of 2007, the Budget's priorities generally align with the conclusions of the report from the National Science and Technology Summit held in August 2008. In January 2011, the President signed into law the America COMPETES Reauthorization Act of 2010, reauthorizing various programs intended to strengthen research and education in the U.S. related to science, technology, engineering, and mathematics.

I. PRIORITIES FOR FEDERAL RESEARCH AND DEVELOPMENT [1]

The Budget[1] provides support for a broad spectrum of research and development, including multidisciplinary research and exploratory, potentially transformative, high-risk research proposals that could fundamentally improve our understanding of nature, revolutionize fields of science, and lead to radically new technologies. The Budget will fund key programs to improve our productivity and to develop new technologies that can meet our Nation's needs better, cheaper, and with fewer environmental consequences.

Promoting Sustainable Economic Growth and Job Creation

The Administration recognizes the Government's role in fostering scientific and technological breakthroughs, and has committed significant resources to ensure America leads the world in the innovations of the future. The Budget provides $68 billion for basic and applied research, an increase of 8 percent over the 2012 levels because such research is a reliable source of new knowledge to drive job creation and lasting economic growth.

The 2014 Budget maintains the commitment to increase total Federal investment in the combined budgets of three key basic research agencies: the National Science Foundation (NSF), the Department of Energy (DOE) Office of Science, and the laboratories of the Department of Commerce (DOC) National Institute of Standards and Technology (NIST), as endorsed in the America COMPETES Reauthorization Act of 2010. The Budget proposes $13.5 billion in 2014 for these three agencies, an increase of $1.0 billion (8.0 percent) over 2012 funding. These investments will expand the frontiers of human knowledge and establish the foundation for the industries and jobs of the future, including in clean energy, advanced manufacturing, biotechnology, Big Data, and new materials.

Private sector R&D investments remain essential to foster and deploy innovation as they provide a much wider range of technology options than the Government alone can provide and play a critical role in translating scientific discoveries into commercially successful, innovative products and services. In order to provide businesses with greater confidence to invest, innovate, and grow the Budget proposes to simplify and expand the Research and Experimentation tax credit, and make it permanent.

Moving Toward Cleaner American Energy

The Administration is committed to enabling a future where the Unites States leads the world in research, development, demonstration, and deployment of clean-energy technologies to reduce dependence on oil and other

[1] Note that some numbers in the text include non-R&D activities and thus will be different from the R&D numbers reflected in Table 21-1.

energy imports, reduce potential impacts on the environment, and respond to the threat of climate change, while creating high-paying clean energy jobs and new businesses. The Budget reflects the Administration's energy strategy, which includes: basic and applied research to address some of the fundamental unknowns to advancing clean energy technologies, such as understanding and developing new approaches to energy storage; research and development to create and dramatically improve clean energy products, like solar panels, batteries and electric vehicles, wind turbines, and modular nuclear reactors; and appropriate assistance to American entrepreneurs and businesses to commercialize the technologies that will lead the world in new clean energy technologies.

The Budget requests approximately $7.9 billion for clean energy technology programs government-wide to accelerate the transition to a low-carbon economy and position the United States as the world leader in clean energy. DOE will invest an additional $1.8 billion or 43 percent above 2012 levels, to advance the state of the art in clean energy technologies such as advanced vehicles and biofuels, industrial and building energy efficiency, and renewable electricity generation from solar, wind, water, and geothermal resources.

For example, the 2014 Budget invests $2 billion over the next ten years from Federal oil and gas development revenue in a new Energy Security Trust that would provide a reliable stream of mandatory funding for R&D on cost-effective transportation alternatives that reduce our dependence on oil. It would be designed to invest in research that will improve and reduce the cost of technologies that will allow us to run our cars and trucks on electricity, homegrown biofuels, renewable hydrogen, and domestically produced natural gas. In addition, the Budget provides a total of $957 million in discretionary funding for sustainable transportation activities in the Office of Energy Efficiency and Renewable Energy (EERE) at the Department of Energy, including $575 million for development of the next generation of advanced vehicles, $100 million for hydrogen and fuel cell technologies, and $282 million for advanced biofuel and biorefinery activities, which, combined with complementary U.S. Department of Agriculture efforts, support development of next-generation biofuels like cellulosic and algae-based biofuels. The Budget proposes $885 million in EERE for energy efficiency and advanced manufacturing activities to help reduce energy use and costs in commercial and residential buildings, in the industrial and business sectors, and in Federal buildings and fleets. And it provides $615 million for innovative projects to make clean, renewable power, such as solar energy and off-shore wind, more easily integrated into the electric grid and as affordable as electricity from conventional sources. It also includes $735 million to support nuclear energy, including research and development in areas of fuel cycle and reactor technologies, and $266 million for an R&D portfolio of carbon capture and storage technologies and advanced power systems that reduce the carbon emission intensity of fossil fuel-based power systems. The Budget includes funding to maintain and expand new models of energy research pioneered in the last several years, including $379 million for the Advanced Research Projects Agency-Energy (ARPA-E), a program that seeks to fund transformational energy R&D.

Defeating Diseases and Improving Americans' Health Outcomes

The Administration is committed to funding Federal R&D investments in biomedical and health research and supporting policies to improve health. The 2014 Budget strongly supports research that has the potential to accelerate the pace of discovery in the life sciences, especially imaging, neuroscience, bioinformatics, and high-throughput biology. These discoveries will help support the bioeconomy of the future.

The 2014 Budget proposes $31.3 billion for the National Institutes of Health (NIH) to support high-quality, innovative biomedical research both on-campus and at research institutions across the country. The Budget supports basic and translational research to increase understanding of the causes of disease and spur development of diagnostic tests, treatments, and cures. By increasing the number of new grants, the Budget maintains the pace and scope of research and stimulates the development of new ideas. The Budget includes funding for projects to increase understanding of the brain, create a national patient-powered research network to improve clinical trials, maximize the impact of the Big Data revolution on biomedicine, and increase the diversity of biomedical researchers. To fund these new grants and ensure the highest-quality science is supported, the Budget includes policies to collect better information on administrative costs.

The Budget includes $40 million for a new advanced molecular diagnostics (AMD) initiative within the Centers for Disease Control and Prevention (CDC). The AMD initiative will allow CDC to more quickly determine where emerging diseases come from, whether microbes are resistant to antibiotics, and how microbes are moving through a population. This new whole-genome sequencing technology will also allow CDC to increase the timeliness and accuracy, and decrease the cost, of culture based analysis. These new investments will strengthen CDC's epidemiologic and laboratory expertise to guide public health actions.

The Budget includes approximately $498 million in mandatory R&D funding for the independent Patient-Centered Outcomes Research Institute (PCORI) to conduct clinical comparative effectiveness research, as authorized by the Affordable Care Act.

The Budget also proposes more than $1 billion for medical and prosthetic research across the Department of Veterans Affairs.

The Budget for the Department of Agriculture includes about $82 million for research on zoonotic animal diseases such as Rift Valley Fever, Bovine Spongiform Encephalopathy, Avian Influenza, Bovine Tuberculosis, and Brucellosis, that could spread to humans. In addition, about $119 million would be spent on food safety research to reduce the incidence of bacteria such as salmonella, E coli, Campylobacter and Listeria; food borne parasites; and natural toxins such as aflatoxins that affect public health.

Advanced Manufacturing

The Budget supports the Advanced Manufacturing Partnership (AMP), a national effort that brings together industry, universities, and the Federal government to develop and commercialize the emerging technologies that will create high-quality manufacturing jobs and enhance our global competitiveness. The 2014 Budget provides $2.9 billion for Federal R&D directly supporting advanced manufacturing at NSF, DOD, DOE, DOC, and other agencies. For example, the Budget provides DOE with $365 million for important technology efforts on innovative manufacturing processes and advanced industrial materials. These innovations will enable U.S. companies to cut manufacturing costs and reduce the life cycle energy consumption of technologies, while improving product quality and accelerating product development. The Budget also includes a $25 million increase for the Hollings Manufacturing Extension Partnership to establish Manufacturing Technology Acceleration Centers to assist manufacturers in adopting new technologies and $1 billion in mandatory funding to establish the National Network of Manufacturing Innovation, which will develop cutting-edge manufacturing technologies and capabilities. In addition, as part of the broader effort, the Budget invests in the National Robotics Initiative (NRI) to develop robots that work with or beside people to extend or augment human capabilities. In addition to having applications in space, biology, and security, robots have the potential to increase the productivity of workers in the manufacturing sector. Another important component of the advanced manufacturing R&D strategy is the Materials Genome Initiative: by leveraging advances in computer simulations and the overall material knowledge-base, this initiative aims to increase the rate by which we understand and characterize new materials, providing a wealth of practical information that entrepreneurs and innovators will be able to use to develop new products and processes for U.S. firms.

Understanding Global Climate Change and Its Impacts

The U.S. Global Change Research Program (USGCRP) coordinates and integrates Federal research and applications to assist the Nation and the world to understand, assess, predict, and respond to human-induced and natural processes of global change. Within coordinated USGCRP interagency investments, the 2014 Budget supports the goals set forth in the program's 2012-2021 strategic plan, which include: advancing scientific knowledge of the integrated natural and human components of the Earth system; providing the scientific basis to inform and enable timely decisions on adaptation and mitigation; building sustained assessment capacity that improves the United States' ability to understand, anticipate, and respond to global change impacts and vulnerabilities; and advancing communications and education to broaden public understanding of global change. The 2014 Budget also supports an integrated and ongoing National Climate Assessment of climate change science, impacts, vulnerabilities, and response strategies. The 2014 Budget provides $2.7 billion for USGCRP programs.

Stewardship of Natural Resources

Sustainable stewardship of natural resources requires strong investments in research and development in the natural sciences to inform decision-making. The 2014 Budget provides $2.8 billion in R&D funding to support resource decision making and environmental stewardship at the Department of the Interior (DOI), Environmental Protection Agency (EPA), National Oceanic and Atmospheric Administration (NOAA), and Department of Agriculture (USDA). The Budget provides strong support for R&D related to the management of public lands, ecosystems, energy permitting, Earth observations (such as earth observing satellites and monitoring of water, wildlife, and invasive species), and expanded investments in natural resource management by American Indian tribes. The Budget also provides strong support for science to inform ocean and coastal stewardship, with investments in ocean observations and exploration, coastal mapping and assessment, coastal ecosystem research, and coastal habitat restoration. The Budget strengthens investments in the safety and security of the Nation through research and development related to hazards such as earthquakes, floods, and extreme weather. Responding to the President's Council of Advisors on Science and Technology (PCAST) recent report, "Agricultural Preparedness & the United States Agricultural Research Enterprise", the 2014 Budget invests $383 million in USDA's Agriculture and Food Research Initiative (AFRI) which will be distributed through competitively awarded extramural research grants to support breakthrough research in national priorities including water quantity and quality, sustainable agricultural production, and climate change adaptation, as well as other USDA priorities such as bioenergy, food safety, and human nutrition.

Science and Technology for Security

Federal R&D investments in security aim to protect our nation from current and emerging threats. The development of technologies that allow our government to detect, counter and defeat threats is critical to our military's success and our national security. The Department of Defense's (DOD) R&D investments in the 2014 Budget focus on areas deemed to have the greatest impact on our nation and future military requirements. To this end, the 2014 Budget provides $68.3 billion for DOD R&D, a 6 percent decrease from the 2012 enacted level. The decrease represents reductions in development activities as programs mature and transition to production.

The 2014 Budget proposes $12.0 billion for DOD's Science & Technology (S&T) program, which consists of basic research, applied research and advanced technology development. Although this proposal represents a 1.8 percent decrease from the 2012 enacted level, but it is a 1.0 percent increase above the 2013 Budget Proposal. This year's proposal places special emphasis on basic research, the most fundamental type of research, which increases by 2.3 percent from the previous year's proposed level. DOD's increased investment in S&T demonstrates its continued commitment to researching and developing forward looking capabilities.

The 2014 Budget also maintains DOD's critical role in fostering promising technologies with $2.9 billion for the Defense Advanced Research Projects Agency (DARPA). This funding level represents an increase of $50 million (1.8 percent) from the 2012 enacted level. Investing in DARPA's high-risk and high-reward science is an Administration priority and critical to maintaining the technological superiority of the U.S. military.

For DOE, the Budget proposes $4.9 billion for investments in R&D for the Nation's nuclear stockpile, naval nuclear propulsion, and nonproliferation goals.

The Budget increases investments to develop state-of-the-art technologies and solutions for Federal, State, and local homeland security operators. The Budget proposes $574 million in funding for the Department of Homeland Security R&D programs that protect the Nation's people and critical infrastructure from chemical, biological, and cyber attacks. The Budget also proposes $714 million to construct a state-of-the-art facility to study and develop countermeasures for emerging zoonotic diseases that threaten human health and our agricultural industry.

Strengthening the R&D enterprise with related investments

In order to address these priorities effectively, the Administration recognizes the need to strengthen key cross-cutting areas.

Science, technology, engineering, and mathematics (STEM) education: Students need to master science, technology, engineering, and mathematics (STEM) in order to thrive in the 21st Century economy. That is why the Administration proposes a comprehensive reorganization of STEM education programs to increase the impact of Federal investments in four areas: K-12 instruction; undergraduate education; graduate fellowships; and education activities that typically take place outside the classroom, all with a focus on increasing participation and opportunities for individuals from groups historically underrepresented in these fields. The reorganization involves a consolidation of nearly 90 programs across 11 different agencies and realignment of ongoing STEM education activities to improve the delivery, impact, and visibility of STEM efforts. Nearly $180 million will be redirected from these consolidated programs towards the Department of Education, NSF, and the Smithsonian Institution to implement core initiatives in these four priority areas.

The Department of Education will restructure its own existing efforts to lead a cohesive and robust initiative around improving K-12 instruction and working effectively toward the President's goal of generating 100,000 effective STEM teachers over the next decade. The Budget invests $265 million, redirected from within the Department and from other agencies, to support STEM Innovation Networks, which would be districts or consortia of districts working in partnership with universities, science agencies, museums, businesses, and other educational entities. These public-private partnerships will work to harness local, regional, and national resources to dramatically transform teaching and learning by implementing research-based practices, supporting innovation, and building capacity at both school and district levels. Additionally, Networks will leverage the expertise of the Nation's most talented science and math teachers—through a new STEM Master Teachers Corps—to help improve instruction in their schools and districts, and to serve as a national resource for best practices in math and science teaching. The new investment also includes $80 million to support the President's goal of preparing 100,000 highly-effective teachers. To reinforce the Department's transformation of STEM teaching and learning, the Budget continues support for the joint K-16 Math Initiative.

NSF will enhance STEM undergraduate education and reform graduate fellowships so they reach more students and address national needs. The Budget proposes to consolidate disparate science and engineering undergraduate education activities across government into a new consolidated program at NSF. This reform will increase the efficiency and effectiveness of these streamlined investments by implementing evidence-based instructional practices and supporting an expanded evidence base. It also supports research on how new technologies can facilitate adoption and use of new approaches to instruction. The Budget provides $123 million for this new program. The Budget also provides $325 million for a newly consolidated NSF graduate research fellowship program.

Many agencies currently engage in various informal education activities to get the public, students, and teachers interested in their missions and research. The Budget also redirects $25 million from these agencies to the Smithsonian Institution to improve the reach of informal education activities by ensuring that they are aligned with State standards and are relevant to the classroom.

Aerospace capabilities: The Budget provides $17.7 billion for the National Aeronautics and Space Administration (NASA) to support NASA's efforts to drive innovation through the aerospace sector and enhance our capabilities in space. Such capabilities are essential for communications, geopositioning, intelligence gathering, Earth observation, and national defense. As part of these efforts, NASA will embark on technology development and test programs aimed at increasing these capabilities and reducing the cost of NASA, other government, and U.S. commercial space activities. NASA will also support innovative fundamental research and systems-level applications to reduce fuel needs, noise, and emissions of aircraft. Within NASA, the Budget provides $1.8 billion for Earth Science to sustain progress toward important satellite missions and research to advance climate science and to sustain vital space-based Earth observations. Also included in the NASA Budget is $821 million for the Commercial Crew program, an innovative partnership with American industry to transport crew to the International Space Station. The Budget provides $2.0 billion for NOAA to fund development of the next generation of polar-orbiting and geostationary satellite systems, which are critical to weather forecasting, as well as satellite-borne measurements of sea level and potentially damaging solar storms.

Infrastructure: The Administration places a high priority on improving and protecting our information, communication, and transportation infrastructure, which is essential to our commerce, science, and security alike. The 2014 Budget prioritizes infrastructure in support of Earth observation systems from all platforms (space-based, terrestrial, airborne, and marine) that contribute to clearly-defined societal benefit areas, such as managing agriculture and understanding climate change. These earth-observation systems provide the scientific data underpinning environmental research, weather forecasting, natural resource and land management, and geopositioning, among many other uses. The 2014 Budget makes investments to sustain earth-observation systems identified as high priority in the forthcoming National Earth Observations Strategy, including satellites, stream gages, light detection and ranging (LiDAR), and ocean observing systems. The Budget also includes support to make the output of the U.S.'s unparalleled Earth observing systems more accessible and usable, which will increase the utility of these investments for public good and foster private investment in innovative uses this information. Maintaining high quality federal research to serve the public requires up-to-date laboratory facilities. Therefore the Budget includes $155 million for the full cost of renovation and construction of a USDA poultry disease bio surveillance and research facility to reduce poultry diseases that could affect human health and the agricultural sector.

II. FEDERAL R&D DATA

R&D is the collection of efforts directed toward gaining greater knowledge or understanding and applying knowledge toward the production of useful materials, devices, and methods. R&D investments can be characterized as basic research, applied research, development, R&D equipment, or R&D facilities. The Office of Management and Budget has used those or similar categories in its collection of R&D data since 1949.

Federal R&D Funding

More than 20 Federal agencies fund R&D in the United States. The nature of the R&D that these agencies fund depends on the mission of each agency and on the role of R&D in accomplishing it. Table 21–1 shows agency-by-agency spending on basic and applied research, development, and R&D equipment and facilities.

Basic research is systematic study directed toward a fuller knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. Basic research, however, may include activities with broad applications in mind.

Applied research is systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.

Development is systematic application of knowledge or understanding, directed toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.

Research and development equipment includes acquisition or design and production of movable equipment, such as spectrometers, research satellites, detectors, and other instruments. At a minimum, this category should include programs devoted to the purchase or construction of R&D equipment.

Research and development facilities include the acquisition, design, and construction of, or major repairs or alterations to, all physical facilities for use in R&D activities. Facilities include land, buildings, and fixed capital equipment, regardless of whether the facilities are to be used by the Government or by a private organization, and regardless of where title to the property may rest. This category includes such fixed facilities as reactors, wind tunnels, and particle accelerators.

III. MULTI-AGENCY R&D ACTIVITIES

Many research investments into the most promising areas for future industry, scientific discovery, and job creation are being addressed through multi-agency research activities coordinated through the National Science and Technology Council (NSTC) and other interagency forums. Most of these challenges simply cannot be addressed effectively by a single agency. Moreover, innovation often arises from combining the tools, techniques, and insights from multiple agencies. Details of two such interagency efforts – networking and information technology R&D and nanotechnology R&D– are described below.

Networking and Information Technology R&D: The multi-agency Networking and Information Technology Research and Development (NITRD) Program provides strategic planning for and coordination of agency research efforts in cyber security, high-end computing systems, advanced networking, software development, high-confidence systems, health IT, wireless spectrum sharing, cloud computing, and other information technologies.

The 2014 Budget includes a focus on research to improve our ability to derive value and scientific inferences from unprecedented quantities of data ("big data") and continues to emphasize foundations for assured computing and secure hardware, software, and network design and engineering to address the goal of making Internet communications more secure and reliable. Budget information for NITRD is available at *www.nitrd.gov*.

Nanotechnology R&D: To accelerate nanotechnology development the National Nanotechnology Initiative (NNI) member agencies focus on R&D of materials, devices, and systems that exploit the unique physical, chemical, and biological properties that emerge in materials at the nanoscale (approximately 1 to 100 nanometers). Participating agencies continue to support fundamental research for nanotechnology-based innovation, technology transfer, and nanomanufacturing through individual investigator awards; multidisciplinary centers of excellence; education and training; and infrastructure and standards development, including openly-accessible user facilities and networks. Furthermore, agencies have identified and are pursuing Nanotechnology Signature Initiatives in the national priority areas of nanomanufacturing, solar energy, sustainable design of nanoengineered materials, nanoscale sensors, and nanoelectronics through close alignment of existing and planned research programs, public-private partnerships, and research roadmaps (for details see *nano.gov/initiatives/government/signature*). Budget information is available at *nano.gov*.

Table 21–1. FEDERAL RESEARCH AND DEVELOPMENT SPENDING

(Budget authority, dollar amounts in millions)

	2012 Actual	2013 CR	2014 Proposed	Dollar Change: 2014 to 2012	Percent Change: 2014 to 2012
By Agency					
Defense	72,916	73,839	68,291	–4,625	–6%
Health and Human Services	31,377	31,734	32,046	669	2%
Energy	10,811	11,406	12,739	1,928	18%
NASA	11,315	11,282	11,605	290	3%
National Science Foundation	5,636	5,643	6,148	512	9%
Commerce	1,254	1,338	2,682	1,428	114%
Agriculture	2,331	2,249	2,523	192	8%
Homeland Security	481	514	1,374	893	186%
Veterans Affairs	1,160	1,170	1,172	12	1%
Interior	820	841	963	143	17%
Transportation	921	852	942	21	2%
Environmental Protection Agency	568	571	560	–8	–1%
Patient-Centered Outcomes Research Trust Fund	120	304	498	378	315%
Education	397	342	352	–45	–11%
Smithsonian Institution	243	241	250	7	3%
Other	562	577	628	66	12%
TOTAL	**140,912**	**142,903**	**142,773**	**1,861**	**1%**
Basic Research					
Defense	2,014	1,874	2,134	120	6%
Health and Human Services	16,195	16,096	16,182	–13	–0%
Energy	3,912	4,034	4,129	217	6%
NASA	3,181	3,360	3,656	475	15%
National Science Foundation	4,584	4,657	5,120	536	12%
Commerce	163	165	217	54	33%
Agriculture	927	847	891	–36	–4%
Homeland Security	15	19	44	29	193%
Veterans Affairs	470	476	478	8	2%
Interior	54	55	64	10	19%
Transportation	....	....	....	....	....
Environmental Protection Agency	....	....	....	....	....
Patient-Centered Outcomes Research Trust Fund	....	....	....	....	....
Education	6	7	7	1	17%
Smithsonian Institution	200	205	214	14	7%
Other	19	31	26	7	37%
SUBTOTAL	**31,740**	**31,826**	**33,162**	**1,422**	**4%**
Applied Research					
Defense	4,728	4,237	4,602	–126	–3%
Health and Human Services	14,933	15,434	15,660	727	5%
Energy	3,584	4,031	4,405	821	23%
NASA	2,650	2,689	2,645	–5	–0%
National Science Foundation	517	480	480	–37	–7%

Table 21–1. FEDERAL RESEARCH AND DEVELOPMENT SPENDING—Continued
(Budget authority, dollar amounts in millions)

	2012 Actual	2013 CR	2014 Proposed	Dollar Change: 2014 to 2012	Percent Change: 2014 to 2012
Commerce [1]	778	839	2,061	1,283	165%
Agriculture	1,124	1,127	1,190	66	6%
Homeland Security	146	153	230	84	58%
Veterans Affairs	618	622	622	4	1%
Interior	650	668	767	117	18%
Transportation	651	633	658	7	1%
Environmental Protection Agency	480	482	473	–7	–1%
Patient-Centered Outcomes Research Trust Fund	120	304	498	378	315%
Education	227	202	205	–22	–10%
Smithsonian Institution	....	....	....	....	....
Other	412	417	467	55	13%
SUBTOTAL	**31,618**	**32,318**	**34,963**	**3,345**	**11%**
Development					
Defense	66,069	67,629	61,499	–4,570	–7%
Health and Human Services	81	35	35	–46	–57%
Energy	2,446	2,669	3,338	892	36%
NASA	5,344	5,064	5,135	–209	–4%
National Science Foundation	....	....	....	....	....
Commerce	82	105	145	63	77%
Agriculture	191	184	188	–3	–2%
Homeland Security	223	232	322	99	44%
Veterans Affairs	72	72	72	0	0%
Interior	113	114	127	14	12%
Transportation	245	200	245	0	0%
Environmental Protection Agency	83	84	82	–1	–1%
Patient-Centered Outcomes Research Trust Fund	....	....	....	....	....
Education	164	133	140	–24	–15%
Smithsonian Institution	....	....	....	....	....
Other	131	129	135	4	3%
SUBTOTAL	**75,244**	**76,650**	**71,463**	**–3,781**	**–5%**
Facilities and Equipment					
Defense	105	99	56	–49	–47%
Health and Human Services	168	169	169	1	1%
Energy	869	672	867	–2	–0%
NASA	140	169	169	29	21%
National Science Foundation	535	506	548	13	2%
Commerce	231	229	259	28	12%
Agriculture	89	91	254	165	185%
Homeland Security	97	110	778	681	702%
Veterans Affairs	....	....	....	....	....
Interior	3	4	5	2	67%
Transportation	25	19	39	14	56%
Environmental Protection Agency	5	5	5	0	0%
Patient-Centered Outcomes Research Trust Fund	....	....	....	....	....
Education	....	....	....	....	....
Smithsonian Institution	43	36	36	–7	–16%
Other	....	....	....	....	....
SUBTOTAL	**2,310**	**2,109**	**3,185**	**875**	**38%**

[1] The amounts reported for applied research and total R&D at the Department of Commerce were corrected. Therefore these amounts are not consistent with those reported in the investment tables in Chapter 20.

22. CREDIT AND INSURANCE

The Federal Government offers direct loans and loan guarantees to support a wide range of activities including home ownership, education, small business, farming, energy, infrastructure investment, and exports. Also, Government-Sponsored Enterprises (GSEs) operate under Federal charters for the purpose of enhancing credit availability for targeted sectors. Through its insurance programs, the Federal Government insures deposits at depository institutions, guarantees private defined-benefit pensions, and insures against some other risks such as flood and terrorism. Over the last few years, many of these programs have been playing more active roles to address financing difficulties triggered by the recent financial crisis.

This chapter discusses the roles of these diverse programs:

- The first section emphasizes the roles of Federal credit and insurance programs in addressing market imperfections that may prevent the private market from efficiently providing credit and insurance.
- The second section discusses individual credit programs and the GSEs. Credit programs are broadly classified into five categories: housing, education, small business and farming, energy and infrastructure, and international lending.
- The third section reviews Federal deposit insurance, pension guarantees, disaster insurance, and insurance against terrorism and other security-related risks.
- The last section discusses current issues in credit budgeting. This year, the section is devoted to "fair value" cost estimates for Federal credit programs.

I. THE FEDERAL ROLE

Credit and insurance markets sometimes fail to function smoothly due to market imperfections. Relevant market imperfections include information failures, monitoring problems, limited ability to secure resources, insufficient competition, externalities, and financial market instability. Federal credit and insurance programs may improve economic efficiency if they effectively fill the gaps created by market imperfections. The presence of a market imperfection, however, does not mean that Government intervention will always be effective. To be effective, a credit or insurance program should be carefully designed to reduce inefficiencies in the targeted area without disturbing efficiently functioning areas. In addition to correcting market failures, Federal credit and insurance programs may provide subsidies to serve other policy purposes, such as reducing inequalities and extending opportunities to disadvantaged regions or segments of the population. The effectiveness of the use of credit assistance should be carefully compared with that of other policy tools, such as grants and tax credits.

Information Failures. When lenders have insufficient information about borrowers, they may fail to evaluate the creditworthiness of borrowers accurately. As a result, some creditworthy borrowers may fail to obtain credit at a reasonable interest rate, while some high-risk borrowers obtain credit at an attractive interest rate. The problem becomes more serious when borrowers are much better informed about their own creditworthiness than lenders (asymmetric information). With asymmetric information, raising the interest rate can disproportionately draw high-risk borrowers who care less about the interest rate (adverse selection). Thus, if adverse selection is likely for a borrower group, lenders may limit the amount of credit to the group instead of raising the interest rate or even exclude the group all together. In this situation, many creditworthy borrowers may fail to obtain credit even at a high interest rate. Ways to deal with this problem in the private sector include equity financing and pledging collateral. Federal credit programs play a crucial role for those populations that are vulnerable to this information failure and do not have effective means to deal with it. Start-up businesses lacking a credit history, for example, are vulnerable to the information failure, but most of them do not have access to equity financing or sufficient collateral. Another example is students who have little income, little credit experience, and no collateral to pledge. Without Federal credit assistance, many in these groups may be unable to pursue their goals. In addition, a moderate subsidy provided by the Government can alleviate adverse selection by attracting more low-risk borrowers, although an excessive subsidy can cause economic inefficiency by attracting many borrowers with unworthy projects.

Monitoring Needs. Monitoring is a critical part of credit and insurance businesses. Once the price (the interest rate or the insurance premium) is set, borrowers and policyholders may have incentives to engage in risky activities. Insured banks, for example, might take more risk to earn a higher return. Although private lenders and insurers can deter risk-taking through covenants, repricing, and cancellation, Government regulation and supervision can be more effective in some cases, especially where covering a large portion of the target population is important. For a complex business like banking, close examination may be necessary to deter risk-taking. Without legal authority, close examination may be impractical. When it is difficult to prevent risk-taking, private insurers may turn down many applicants and often cancel policies, which is socially undesirable in some cases. To the extent possible, bank failures should be prevented because they can disrupt the financial market. If private-sector pensions were unprotected, many retirees could experience financial hardships and strain other social safety nets.

Limited Ability to Secure Resources. The ability of private entities to absorb losses is more limited than that of the Federal Government. For some events potentially involving a very large loss concentrated in a short time period, therefore, Government insurance can be more reliable. Such events include large bank failures and some natural and man-made disasters that can threaten the solvency of private insurers. In addition, some lenders may have limited funding sources. Small local banks, for example, may have to rely largely on local deposits.

Insufficient Competition. Competition can be insufficient in some markets because of barriers to entry or economies of scale. Insufficient competition may result in unduly high prices of credit and insurance in those markets.

Externalities. Decisions at the individual level are not socially optimal when individuals do not capture the full benefit (positive externalities) or bear the full cost (negative externalities) of their activities. Education, for example, generates positive externalities because the general public benefits from the high productivity and good citizenship of a well-educated person. Pollution, in contrast, is a negative externality, from which other people suffer. Without Government intervention, people may engage less than the socially optimal level in activities that generate positive externalities and more in activities that generate negative externalities.

Financial Market Instability. Another rationale for Federal intervention is to prevent instability in the financial market. Without deposit insurance, for example, the financial market would be much less stable. When an economic shock impairs the financial structure of many banks, depositors may find it difficult to distinguish between solvent banks and insolvent ones. In this situation, a large number of bank failures might prompt depositors to withdraw deposits from all banks (bank runs). Bank runs would make bank failures contagious and harm the entire economy. Deposit insurance is critical in preventing bank runs.

II. CREDIT IN VARIOUS SECTORS

Housing Credit Programs and GSEs

Through housing credit programs, the Federal Government promotes homeownership and housing among various target groups, including low-income people, veterans, and rural residents. Recently, the target market served has expanded dramatically due to the financial crisis.

The consequences of inflated house prices and loose mortgage underwriting during the housing bubble that peaked in 2007 created perilous conditions for many American homeowners. As broader economic conditions soured and home prices declined, millions of families have been foreclosed upon, millions more find themselves owing more on their homes than their homes are worth, and many communities have been destabilized. To make matters more difficult, private capital had all but disappeared from the market. Without the unprecedented Federal support provided to the housing market over the last five years, the situation would be far more problematic.

Federal Housing Administration

The Federal Housing Administration (FHA) guarantees mortgage loans to provide access to homeownership for people who may have difficulty obtaining a conventional mortgage. FHA has been a primary facilitator of mortgage credit for first-time and minority buyers, a pioneer of products such as the 30-year self-amortizing mortgage, and a vehicle to enhance credit for many moderate and low-income households.

FHA and the Mortgage Market

In the early 2000s, FHA's market presence diminished greatly as low interest rates increased the affordability of mortgage financing and more borrowers used emerging non-prime mortgage products, including subprime and Alt-A mortgages. Many of these products had risky and hard-to-understand features such as low "teaser rates" offered for periods as short as the first two years of the mortgage, high loan-to-value ratios (with some mortgages exceeding the value of the house), and interest-only loans requiring full payoff at a set future date. The Alt-A mortgage made credit easily available by waiving documentation of income or assets. This competition eroded the market share of FHA's single-family loans, reducing it from 9 percent in 2000 to less than 2 percent in 2005.

Starting at the end of 2007 and continuing through the present day, the availability of FHA and Government National Mortgage Association (which supports the secondary market for federally-insured housing loans by guaranteeing securities backed by such mortgages) credit guarantees has been an important factor countering the tightening of private-sector credit. The annual volume of FHA's single-family mortgages soared from $52 billion in 2006 to $330 billion in 2009.

FHA's presence has supported the home purchase market and enabled many existing homeowners to re-finance at today's lower rates. If not for such re-financing options, many homeowners would face higher risk of foreclosure due to the less favorable terms of their current mortgages.

While the provision of FHA insurance is serving a valuable role in addressing the needs of the present, the potential return of conventional finance to the mortgage market—with appropriate safeguards for consumers and investors including proper assessment and disclosure of risk—would broaden both the options available to borrowers and the sources of capital to fund those options. The Administration supports a greater role for non-federally assisted mortgage credit and a reduction toward historical market shares for Federal assistance, while recognizing that FHA will continue to play an important role in the mortgage market going forward.

Following its peak in 2009, FHA's new origination loan volume declined in 2012 to $213 billion. In line with the volume decrease, the FHA's market share for new home purchase loans declined to 20 percent through the first 10 months of 2012, after peaking at 30 percent in 2009. Part of this decline is likely due to the increased price of FHA insurance, as discussed in detail below.

FHA's Budget Costs

Throughout the recent period of stress in the mortgage market and into the Budget's projections for 2013, FHA, like many mortgage market participants, has faced significant financial risk and incurred large costs associated with defaults on loans made prior to the housing bubble's burst. Since 1992, the net cost of FHA Mutual Mortgage Insurance (MMI) Fund insurance (comprised of nearly all FHA single-family mortgages and, beginning with 2008 originations, Home Equity Conversion Mortgages) has been reestimated and increased by a total of $65.8 billion excluding interest, with $37.7 billion of that reestimate occurring in the last four years.

FHA's budget estimates can be volatile and prone to forecast error because default claim rates are sensitive to a variety of dynamics. Insurance premium revenues are spread thinly but universally over pools of policyholders, making those inflows generally stable and subject to less forecast error than for mortgage defaults. Mortgage insurance costs, however, are concentrated in the small minority of borrowers who default and become claims, with the average per claim cost much larger than the average premium income. Therefore, if claims change by even a small fraction of borrowers (e.g., 1 percent), net insurance costs will move by a multiple of that change. For other forms of insurance, such as life and health, these changes tend to gradually occur over time, allowing actuaries to anticipate the effects and modify risk and pricing models accordingly. The history of FHA, however, has been spotted with rapid, unanticipated changes in claim costs and recoveries. FHA is vulnerable to "Black Swans," outlier events that are difficult to predict and have deep effect. For FHA, these include the collapse of house prices nationwide and the emergence of lending practices with very high claim rates, such as the now illegal seller-financed down-payment mortgage.

One of the major benefits of an FHA-insured mortgage is that it provides a homeownership option for borrowers who make only a modest down-payment, but show that they are creditworthy and have sufficient income to afford the house they want to buy. In 2010, 68 percent of new FHA loans were financed with less than five percent down. The disadvantage to these low down-payment mortgages is that they have little in the way of an equity cushion should house prices decline. When house price declines or stagnation combines with household income loss, limited equity makes mortgage claims more likely, as the market price for a home may not be sufficient to pay off the debt.

FHA has safeguards (such as requiring documented income) to protect it from the worst credit-risk exposure, such as that experienced in the private sector subprime and Alt-A markets. Like many parties with credit-risk, however, FHA has been significantly hurt by house price depreciation.

Influenced by all these factors, FHA recorded a reestimate of $17.6 billion excluding interest in 2013 in the expected costs of its outstanding loan portfolio of the MMI Fund; an additional reestimate amount of $3.6 billion is recorded in the General and Special Risk Insurance Fund and is largely due to continued losses from Home Equity Conversion Mortgages (HECMs) and other single family commitments issued before 2009. Under the provisions of the Federal Credit Reform Act, these subsidy reestimate costs are recorded as mandatory outlays in the year the reestimates are performed and will increase the 2013 budget deficit. According to its annual actuarial analysis, FHA has been below the target minimum capital ratio of 2 percent since 2009. As the housing market recovers, the actuarial review projects that the ratio will again exceed 2 percent by 2017. However, it is important to note that a low capital ratio does not threaten FHA's operations, either for its existing portfolio or for new books of business. Unlike private lenders, the guarantee on FHA and other Federal loans is backed by the full faith and credit of the Federal Government and is not dependent on capital reserves to honor its commitments.

Policy Responses to Enhance FHA's Risk Management and Capital Reserve

Since 2008, FHA has increased insurance premiums and tightened underwriting criteria to reduce risk, bolster its capital resources, and encourage the re-entry of private financing into the mortgage market. These steps resulted from analyzing: 1) the ongoing broader housing market stabilization and recovery; 2) the credit risk of specific targeted populations; and 3) FHA MMI Fund capital reserves. This approach balances the goal of rebuilding FHA's capital reserves quickly against the risks of compromising FHA's mission and overcorrecting at this critical phase of the housing market recovery.

To increase FHA's capital resources and to encourage the return of large-scale private mortgage financing, there have been five premium increases since 2008. This year, FHA is implementing another increase of 0.1 percentage points in annual premiums. With this increase, upfront fees on home purchase guarantees will be 1.75 percent and annual fees will be 1.35 percent. For a typical borrower, the cumulative increases since 2008 are 0.25 percentage points in the upfront premium and 0.85 percentage points in annual premiums. While this is a significant increase, its impact on the housing market should be modest. With high housing affordability resulting from low interest rates and decreased house prices, the main obstacle to housing market recovery is not high financing costs but limited credit availability.

In November, 2012, FHA announced the following steps to bolster financial performance, in addition to the 2013 premium increase.

1. Reverse a policy to cancel required premium payments after borrowers achieve an amortized loan to

value ratio of 78 percent. Under the current practice borrowers pay premiums for only about ten years even though FHA's 100 percent insurance guarantee remains in effect for up to 30 years. This change will apply only to new loans.

2. Revise its loss mitigation program to target deeper levels of payment relief for struggling borrowers, allowing more families to retain their homes and avoid foreclosure.

3. Expand the use of home short-sales, which provide opportunities for distressed borrowers for whom home retention is not feasible to transition to new housing without going through foreclosure.

4. For loans above $625,000, raise the minimum cash down-payment from 3.5 percent to 5 percent to create a larger borrower equity position.

5. For HECMs, institute a moratorium on new full-draw mortgages to eliminate a costly version of the product.

To increase FHA support of credit while the housing market is troubled, several temporary higher loan limits have been enacted since 2008. These limits cap the size of FHA mortgages at the lesser of $729,750 or 125 percent of area median house price while the permanent limits are the lesser of $625,500 or 115 percent of area median price. The temporary limits expire at the end of 2013. Similar temporary loan limits for Fannie Mae and Freddie Mac expired at the end of September 2011. As a result, FHA faces less competition for eligible mortgages between $625,500 and $729,750, the "jumbo" mortgages. FHA increased insurance premiums in part to encourage the return of private financing to the mortgage markets. To further this objective and provide balance against FHA's advantage in jumbos, FHA increased the annual premiums for jumbos by 0.25 percentage points in 2012.

In 2010, FHA implemented new loan-to-value (LTV) and credit score requirements. FHA's minimum credit score was raised to 580 for borrowers making low down-payments of less than 10 percent (loan-to-value ratios above 90 percent). Other borrowers, having the security of possessing a high amount of home equity relative to low down-payment borrowers, are eligible for FHA assistance with a credit score as low as 500. FHA also is reducing allowable seller concessions from 6 percent to 3 percent or $6,000, whichever is higher. This conforms closer to industry standards and reduces potential house price over-valuation.

In addition to the single-family mortgage insurance provided through the MMI program, FHA's General Insurance and Special Risk Insurance (GISRI) loan guarantee programs facilitate the construction, rehabilitation, or refinancing of tens of thousands of apartments and hospital beds in multifamily housing and healthcare facilities each year. Annual loan volumes in these programs have exploded over the last several years, from less than $5 billion in 2008 to more than $22 billion in 2012 as private market alternatives to FHA financing have largely disappeared. Despite modest premium increases implemented for many programs on October 1, 2012, GISRI loan volumes are expected to remain elevated through 2014 with low interest rates contributing to a continued wave of refinancing activity. When existing FHA properties lower their debt service burden by refinancing at a lower interest rate, credit risk to FHA is reduced and the financial viability of multifamily housing properties is increased.

VA Housing Program

The Department of Veterans Affairs (VA) assists veterans, members of the Selected Reserve, and active duty personnel in purchasing homes as recognition of their service to the Nation. The housing program substitutes the Federal guarantee for the borrower's down payment, making the lending terms more favorable than loans without a VA guarantee. VA provided 143,110 zero down payment loans in 2012. The number of loans VA guaranteed remained at a high level in 2012, as the tightened credit markets continued to make the VA housing program more attractive to eligible homebuyers. Additionally, the continued historically low interest rate environment of 2012 allowed 188,999 Veteran borrowers to lower the interest rate on their home mortgages through refinancing. VA provided $120 billion in guarantees to assist 542,036 borrowers in 2012, compared with $72 billion and 343,556 borrowers in 2011.

VA, in cooperation with VA-guaranteed loan servicers, also assists borrowers through home retention options and alternatives to foreclosure. VA intervenes when needed to help veterans and service members avoid foreclosure through the acquired loan program, loan modifications, and assistance to complete a short sale or deed-in-lieu of foreclosure. These joint efforts helped resolve over 80 percent of defaulted VA-guaranteed loans in 2012.

Rural Housing Service

The Rural Housing Service (RHS) at the U.S. Department of Agriculture (USDA) offers direct and guaranteed loans to help very-low to moderate income rural residents buy and maintain adequate, affordable housing. RHS housing loans and loan guarantees differ from other Federal housing loan programs in that they are means-tested, making them more accessible to low-income, rural residents.

The 2014 Budget continues to reflect a re-focusing of USDA single family housing assistance programs to improve effectiveness by providing single family housing assistance primarily through loan guarantees. Within its $24 billion loan level, the Budget expects to provide at least $5.7 billion in loans for low income rural borrowers, which will provide 50,000 new homeownership opportunities to that income group. Overall, the program could potentially provide 171,000 new homeownership opportunities to low to moderate income rural residents in 2014.

For the single family housing guarantees, the Budget continues to include an annual and an up-front fee structure. This fee structure serves to reduce the overall subsidy cost of the loans without adding significant burden to the borrowers. The Budget also proposes to make USDA's guaranteed home loan program a direct endorsement program, which is consistent with VA and HUD's guaranteed home loan programs. This change will make RHS more efficient and allow the single family housing staff to refocus on other unmet needs. For USDA's single family housing direct loan program, the Budget provides a reduced loan level of $360 million for 2014. This decision reflects that with a $24 billion loan level for the single family housing guarantees and interest rates at their lowest levels in decades, demand for the direct loans should be waning, and hence the focus should be on the guarantee program.

For USDA's multifamily housing portfolio, the Budget focuses primarily on portfolio management. The Budget fully funds this rehabilitation effort by providing $26.7 million for the multifamily housing revitalization activities, which include loan modifications, grants, zero percent loans, and soft second loans as well as some funding for traditional multifamily housing direct loans to allow USDA to better address its inventory property. These activities allow borrowers to restructure their debt so that they can effectively rehabilitate properties within the portfolio in order for them to continue to supply decent, safe, affordable housing to the low and very-low income population in rural America. In addition, rental assistance grants, which are vital to the proper underwriting of the multifamily housing direct loan portfolio, are funded at $1.015 billion, which is sufficient to renew outstanding contracts. The Budget also provides $150 million in guaranteed multifamily housing loans and $14 million in budget authority for the Farm Labor Housing grants and loans program. The combined 2014 Budget request in the rural development multifamily housing portfolio reflects the Administration's support for the poorest rural tenant population base.

Government-Sponsored Enterprises in the Housing Market

The Federal National Mortgage Association, or Fannie Mae, created in 1938, and the Federal Home Loan Mortgage Corporation, or Freddie Mac, created in 1970, were established to support the stability and liquidity of a secondary market for residential mortgage loans. Fannie Mae's and Freddie Mac's public missions were later broadened to promote affordable housing.

Growing stress and losses in the mortgage markets in 2007 and 2008 seriously eroded the capital of Fannie Mae and Freddie Mac, and responsive legislation enacted in July 2008 strengthened GSE regulation and provided the Treasury Department with authorities to bolster the GSEs' financial condition. In September 2008, reacting to growing GSE losses and uncertainty that threatened to paralyze the mortgage markets, the GSEs' independent regulator, the Federal Housing Finance Agency, put Fannie Mae and Freddie Mac under Federal conservatorship, and Treasury began to exercise its authorities to provide assistance to stabilize the GSEs. The Budget continues to reflect the GSEs as non-budgetary entities in keeping with their temporary status in conservatorship. However, all of the current Federal assistance being provided to Fannie Mae and Freddie Mac, including capital provided by Treasury through the Senior Preferred Stock Purchase Agreements (PSPA), is shown on-budget, and discussed below.

The Federal Home Loan Bank (FHLB) System, created in 1932, is comprised of twelve individual banks with shared liabilities. Together they lend money to financial institutions—mainly banks and thrifts—that are involved in mortgage financing to varying degrees, and they also finance some mortgages using their own funds. Recent financial market conditions have led to strong net interest income for the FHLBs, but several banks have experienced significant losses on their investments in private-label mortgage-backed securities. These securities constitute 2 percent of their total portfolio. Strict collateral requirements, superior lien priority, and joint debt issuances backed by the entire system have helped the FHLBs remain solvent, and stronger regulatory oversight has led to growth in FHLB system-wide capital from just above the regulatory ratio of 4 percent in 2008 to almost 7 percent in 2012.

Together these three GSEs currently are involved, in one form or another, with approximately half of the $11 trillion residential mortgages outstanding in the U.S. today. Their share of outstanding residential mortgage debt peaked at 55 percent in 2003. Subsequently, originations of subprime and non-traditional mortgages led to a surge of private-label Mortgage-Backed Securities (MBS), reducing the three GSEs' market share to a low of 47 percent in 2006. Recent disruptions in the financial market, however, have led to a resurgence of their market share. The combined market share of the three GSEs was nearly 53 percent as of September 30, 2012.

Mission

The mission of the housing GSEs is to support certain aspects of the U.S. mortgage market. Fannie Mae and Freddie Mac's mission is to provide liquidity and stability to the secondary mortgage market and to promote affordable housing. Currently, they engage in two major lines of business.

1. Credit Guarantee Business—Fannie Mae and Freddie Mac guarantee the timely payment of principal and interest on mortgage-backed securities (MBS). They create MBS by pooling mortgages acquired through either purchase from or swap arrangements with mortgage originators. Over time these MBS held by the public have averaged about one-quarter of the U.S. mortgage market, and as of November 30, 2012, they totaled $3.9 trillion.

2. Mortgage Investment Business—Fannie Mae and Freddie Mac manage retained mortgage portfolios composed of their own MBS, MBS issued by others, and individual mortgages. The GSEs finance the purchase of these portfolio assets through debt issued in the credit markets. As of November 30, 2012, these retained mortgages, financed largely by GSE debt, totaled $1.2 trillion. As a term of their PSPA

contracts with Treasury, the combined investment portfolios of Fannie Mae and Freddie Mac were limited to no more than $1.8 trillion as of December 31, 2009, and this limitation was set to decline by 10 percent each year. To accelerate the return of private capital to the mortgage markets and the wind-down of the GSEs, Treasury revised the PSPA terms on August 17th, 2012, setting the effective limitation at $1.3 trillion as of December 31, 2012, and accelerating the reduction in this limitation to 15 percent each year until December 31, 2018, when the combined limitation will be fixed at $500 billion ($250 billion for each company).

As of November 30, 2012, the combined debt and guaranteed MBS of Fannie Mae and Freddie Mac totaled $5.1 trillion.

The mission of the FHLB System is broadly defined as promoting housing finance, and the System also has specific requirements to support affordable housing. Its principal business remains lending (secured by mortgages and financed by System debt issuances) to regulated depository institutions and insurance companies engaged in residential mortgage finance. Historically, investors in GSE debt have included thousands of banks, institutional investors such as insurance companies, pension funds, foreign governments and millions of individuals through mutual funds and 401k investments.

Regulatory Reform

The 2008 Housing and Economic Recovery Act (HERA) reformed and strengthened the GSEs' safety and soundness regulator by creating the Federal Housing Finance Agency (FHFA), a new independent regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The FHFA authorities consolidate and expand upon the regulatory and supervisory roles of what were previously three distinct regulatory bodies: the Federal Housing Finance Board as the FHLB's overseer; the Office of Federal Housing Enterprise Oversight as the safety and soundness regulator of the other GSEs; and HUD as their public mission overseer. FHFA was given substantial authority and discretion to influence the size and composition of Fannie Mae and Freddie Mac investment portfolios through the establishment of housing goals, through monitoring GSE compliance with those goals, and through capital requirements.

FHFA is required to issue housing goals for each of the regulated enterprises, including the FHLBs, with respect to single family and multi-family mortgages and has the authority to require a corrective "housing plan" if an enterprise does not meet its goals and statutory reporting requirements, and in some instances impose civil money penalties. In August of 2009, FHFA promulgated a final rule adjusting the overall 2009 housing goals downward based on a finding that current market conditions had reduced the share of loans that qualify under the goals. However, HERA mandated dramatic revisions to the housing goals, which were implemented the following year. The revised goals for 2010 and 2011, provided for a retrospective and market-based analysis of the GSEs' contributions toward the goals by expressing the goals as a share of the GSEs' total portfolio purchase activity. The revised goals for Fannie Mae and Freddie Mac comprise four single-family goals and one multifamily special affordability goal. FHFA has determined that Fannie Mae narrowly missed two of the single-family purchase goals for 2011 and that Freddie Mac missed all three purchase goals. FHFA has instructed Freddie Mac to review the reasons its goal qualifying share of single-family purchases are lower than the industry benchmarks, but FHFA is not requiring corrective housing plans from either enterprise due to their conservatorship. Fannie Mae and Freddie Mac both met the low-income refinance and multifamily goals for 2011. The housing goals for 2012 through 2014, promulgated on November 13, 2012, establish revised benchmarks but maintain the structural changes implemented for 2010 and 2011.

The expanded authorities of FHFA also include the ability to place any of the regulated enterprises into conservatorship or receivership based on a finding of undercapitalization or a number of other factors.

Conservatorship

On September 6, 2008, FHFA placed Fannie Mae and Freddie Mac into conservatorship. This action was taken in response to the GSEs' declining capital adequacy and to support the safety and soundness of the GSEs and their role in the secondary mortgage market. HERA provides that as conservator FHFA may take any action that is necessary to return Fannie Mae and Freddie Mac to a sound and solvent condition and to preserve and conserve the assets of each firm. As conservator, FHFA has assumed the powers of the Board and shareholders at Fannie Mae and Freddie Mac. FHFA has appointed new Directors and CEOs that are responsible for the day-to-day operations of the two firms. While in conservatorship, FHFA expects Fannie Mae and Freddie Mac to continue to fulfill their core statutory purposes, including their support for affordable housing discussed above.

Department of Treasury GSE Support Programs under HERA

On September 7, 2008, the U.S. Treasury launched three programs to provide temporary financial support to the GSEs under the temporary authority provided in HERA. These authorities expired on December 31, 2009.

1. PSPAs with Fannie Mae and Freddie Mac

Treasury entered into agreements with Fannie Mae and Freddie Mac to make investments in senior preferred stock in each GSE in order to ensure that each company maintains a positive net worth. In exchange for the substantial funding commitment, the Treasury received $1 billion in preferred stock for each GSE and warrants to purchase up to a 79.9 percent share of common stock at a nominal price. The initial agreements were for up to $100 billion in each of these GSEs. On February 18, 2009, Treasury announced that the funding commitments for these agreements would be increased to $200 billion each. On December 24, 2009, Treasury announced that the funding commitments in the purchase agreements would be modified to the greater of $200 billion or $200 billion plus cumulative net worth deficits experienced during 2010-2012, less any surplus remaining as of December 31, 2012. In total, as of December 31, 2012, $187.5 billion has been invested in the GSEs, and the redemption face value of GSE preferred stock held by Treasury has increased accordingly. The agreements also require that Fannie Mae and Freddie Mac pay quarterly dividends to Treasury. Prior to calendar year 2013, the quarterly dividend amount was based on an annual rate of 10 percent of the redemption value of Treasury's senior preferred stock. Amendments to the PSPAs effected on August 17th, 2012, replace the 10 percent dividend with an amount equivalent to the GSE's positive net worth above a capital reserve amount. The capital reserve amount for each company is initially set at $3.0 billion for calendar year 2013, and declines by $600 million at the beginning of each calendar year thereafter until it reaches zero. $55.2 billion in dividends have been paid as of December 31, 2012. The Budget estimates additional net dividend receipts of $183.3 billion from January 1, 2013 through FY2023. The cumulative budgetary impact of the PSPA agreements from the first PSPA purchase through FY2023 is estimated to be savings of $51 billion. The Temporary Payroll Tax Cut Continuation Act of 2011 signed into law on December 23, 2011, required that the GSEs increase their fees by an average of at least 0.10 percentage points above the average guarantee fee imposed in 2011. Revenues generated by this fee increase are remitted directly to the Treasury for deficit reduction and are not included in the PSPA amounts. The Budget estimates resulting deficit reductions from this fee of $21 billion from FY2012 through FY2023.

2. *GSE MBS Purchase Programs*

Treasury initiated a temporary program during the financial crisis to purchase MBS issued by Fannie Mae and Freddie Mac, which carry the GSEs' standard guarantee against default. The purpose of the program was to promote liquidity in the mortgage market and, thereby, affordable homeownership by stabilizing the interest rate spreads between mortgage rates and corresponding rates on Treasury securities. Treasury purchased $226 billion in MBS from September 2008 to December 31, 2009, when the statutory authority for this program expired. In March of 2011, Treasury announced that it would begin selling off up to $10 billion of its MBS holdings per month, subject to market conditions. Treasury sold the last of its MBS holdings in March 2012. The closing re-estimate included in the Budget indicates that the MBS purchase program generated $11.9 billion in budgetary savings, calculated on a net present value basis as required by the Federal Credit Reform Act.

3. *GSE Credit Facility*

Treasury promulgated the terms of a temporary secured credit facility available to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. The facility was intended to serve as an ultimate liquidity backstop to the GSEs if necessary. No loans were needed or issued through December 31, 2009, when Treasury's HERA purchase authority expired.

4. *State Housing Finance Agency Programs*

In December 2009, Treasury initiated two additional purchase programs under HERA authority to support state and local Housing Financing Agencies (HFAs). Under the New Issue Bond Program (NIBP) Treasury purchased $15.3 billion in securities of Fannie Mae and Freddie Mac to be comprised of new HFA housing issuances. The Temporary Credit and Liquidity Program (TCLP) provides HFAs with credit and liquidity facilities supporting up to $8.2 billion in existing HFA bonds. Treasury's statutory authority to enter new obligations for these programs expired on December 31, 2009. Due to uncertainties and strain throughout the housing sector and the widening of spreads in the tax-exempt market, HFAs experienced challenges in issuing new bonds to fund new mortgage lending and faced difficulties in renewing required liquidity facilities on non-punitive terms. In response, Treasury has provided extensions to the NIBP and TCLP agreements. In November 2011, Treasury extended the contractual deadline for HFAs to use existing NIBP funds to December 31, 2012. By that date, State and local HFAs had used $13.2 billion to finance single and multi-family mortgages, and the remainder had been returned to Treasury. In late 2012, Treasury granted three-year extensions to the TCLP agreements for six HFAs in order to give these HFAs additional time to reduce their TCLP balances. The revised agreements will expire by December 2015. As of December 31, 2012, the remaining balance of TCLP backed bonds had decreased to $3.3 billion.

Recent GSE Role in Administration Initiatives to Relieve the Foreclosure Crisis

While under conservatorship, Fannie Mae and Freddie Mac have continued to play a leading role in Government and market initiatives to prevent homeowners who can no longer afford to make their mortgage payments from losing their homes. In March 2009, the Administration announced its Making Home Affordable (MHA) program, which includes the Home Affordable Modification Program (HAMP), and the Home Affordable Refinance Program (HARP).

Fannie Mae and Freddie Mac are participating in HAMP both for mortgages they own or guarantee and as the Treasury Department's contractual financial agents. Under HAMP, investors, lenders, servicers, and borrowers receive incentive payments to reduce eligible homeowners' monthly payments to affordable levels. The incentive payments for the modification of loans not held by the GSEs are paid by Treasury's TARP fund, while the incentive payments for the modification of loans held by the GSEs are paid by the GSEs. As of November 30, 2012, almost 2 million trial modifications have been initiated, resulting in more than 1.1 million permanent mortgage modifications. Homeowners participating in HAMP programs have collectively experienced a 38 percent median reduction in their mortgage payments. Additionally, the MHA program has encouraged the mortgage industry to adopt similar programs that have helped millions more at no cost to the taxpayer.

Fannie Mae and Freddie Mac are also integral to HARP. Under the program, borrowers with a mortgage that is owned by Fannie Mae or Freddie Mac may be eligible to refinance their mortgage to take advantage of the current low interest rate environment regardless of their current loan-to-value (LTV) ratio. Prior to HARP, the LTV limit of 80 percent for conforming purchase mortgages without a credit enhancement such as private mortgage insurance also applied to refinancing of mortgages owned by the GSEs. Borrowers whose home values had dropped such that their LTVs had increased above 80 percent could not take advantage of the refinance opportunity. On October 24, 2011, FHFA announced that the HARP program would be extended through 2013 and enhanced by lowering the fees charged by Fannie Mae and Freddie Mac, streamlining the application process, and removing the previous LTV cap of 125 percent. These changes coupled with record low mortgage interest rates have contributed to an increase in HARP loan volumes; almost 800,000 HARP refinancings were completed from January through October of 2012 alone and more than 1.8 million refinancings have been completed since the program's inception.

The Administration has also worked with FHFA to develop a pilot program designed to convert foreclosed homes into rental properties. These real estate owned (REO) to rental property conversion programs will both increase rental housing opportunities and support home prices by reducing the supply of foreclosed homes on the market. Fannie Mae closed on three bulk sales under this initiative in September and November of 2012 comprising more than 1,700 properties.

Future of the GSEs

In February 2011 the Administration transmitted a white paper to Congress that outlined a commitment to wind down the GSEs, facilitate the return of private capital to the housing market, and work with Congress to reform the larger housing finance system. The paper outlined three broad options for a future system of housing finance ranging from a mostly private mortgage market, with the Government role limited to FHA and other existing programs, to a system with explicit Government guarantees for the majority of the secondary mortgage market. In addition to reforming the housing finance system, the white paper stated continued support for a dedicated budget-neutral mechanism to fund affordable housing programs, similar to the Housing Trust Fund enacted in the Housing and Economic Recovery Act of 2008, which would have been funded by assessments on the GSEs but has not been capitalized due to their conservatorship. The white paper also identified mechanisms to wind down the GSEs, including reducing the conforming loan limits, shrinking the GSE investment portfolios, and increasing pricing for GSE guarantees.

While the Administration and Congress continue to evaluate long-term housing finance reform, meaningful steps have already been taken to reduce the role of the GSEs. Temporary GSE conforming loan limits of up to $729,750 expired on September 30, 2011, and the allowable investment portfolios of Fannie Mae and Freddie Mac will continue to be reduced by 15 percent each year, according to the terms of Treasury's PSPA agreements with the enterprises as amended in August 2012. Increases in the guarantee fees charged by Fannie Mae and Freddie Mac are also enhancing the price-competitiveness of non-GSE mortgages.

Education Credit Programs

Historically, the Department of Education (ED) helped finance student loans through two major programs: the Federal Family Education Loan (FFEL) program and the William D. Ford Federal Direct Student Loan (Direct Loan) program. In March 2010, President Obama signed the Student Aid and Fiscal Responsibility Act (SAFRA) into law which ended the FFEL program and used the $67 billion in savings estimated by CBO to increase Pell Grants, provide more beneficial student loan repayment terms, and create a new program supporting community colleges and job training run by the Department of Labor. On July 1, 2010, ED became the sole originator of Federal student loans through the Direct Loan program, and despite significant technical challenges, ED made all loans on time and without disruption.

The Direct Loan program was authorized by the Student Loan Reform Act of 1993. Under the Direct Loan program, the Federal Government provides loan capital directly to over 5,500 domestic and foreign schools, which then disburse loan funds to students. Loans are available to students regardless of income. However, borrowers with low and moderate family incomes are eligible for loans with more generous terms. For those loans, the Federal Government provides a variety of subsidies, including not charging interest while undergraduate borrowers are in school, and during certain deferment periods.

The program offers a variety of flexible repayment plans including income-based repayment, under which annual repayment amounts vary based on the income of the borrower and payments can be made over 25 years with any residual balances forgiven. In October 2011, the Administration announced an initiative to accelerate these benefits for current and future college students who have student loans. Under the plan, eligible borrowers are allowed to pay no more than 10 percent of their discretionary incomes for their monthly student loan payments and would forgive remaining balances after 20 years. This plan became available to certain eligible borrowers starting in December 2012 and will become available to all new borrowers starting in 2014.

As part of the Administration's broader focus on educating a globally competitive workforce while also putting the Nation on a sustainable fiscal path, the 2014 President's Budget makes several proposals on Federal student loans:

- *Making Student Loan Interest Rates More Market-Based.* Under current law, interest rates on subsidized Stafford loans are slated to rise this summer from 3.4 percent to 6.8 percent. At a time when the economy is still recovering and market interest rates remain low, the Budget proposes a cost-neutral reform to set interest rates, so they more closely follow market rates and provide students with more affordable repayment options. The rate on new loans would be set each year based on a market interest rate, which would remain fixed for the life of the loan so that borrowers would have certainty about the rates they would pay. The Budget also expands repayment options to ensure that borrowers do not have to pay more than 10 percent of their discretionary income on loan payments.
- *Reform and Expand the Perkins Loan Program.* This proposal, similar to the 2013 Budget proposal, would create an expanded, modernized Perkins Loan program providing $8.5 billion in new loan volume annually. Instead of being serviced by the colleges, loans would be serviced by ED along with other Federal loans. The savings from this proposal would be re-appropriated to the Pell Grant program.
- *Reducing payments to guaranty agencies in the FFEL program.* This proposal would eliminate certain payments to guaranty agencies that "rehabilitate" defaulted student loans, and bring the fees they earn in line with those associated with other debt collection measures. The guaranty agencies would bear the cost of this reform; affected borrowers would actually experience a modest reduction in the debt they owe under this policy. The savings from this proposal would be re-appropriated to the Pell Grant program.
- *Eliminate the TEACH program.* The 2014 Budget again proposes to eliminate this program and replace it with a new Presidential Teaching Fellows program.

Small Business and Farm Credit Programs and GSEs

The Government offers direct loans and loan guarantees to small businesses and farmers, who may have difficulty obtaining credit elsewhere. It also provides guarantees of debt issued by certain investment funds that invest in small businesses. Two GSEs, the Farm Credit System and the Federal Agricultural Mortgage Corporation, increase liquidity in the agricultural lending market.

Loans to Small Businesses

The President has said small businesses are "the engine of job growth in America," and the 2014 Budget reflects the Administration's commitment to creating a climate where innovation and entrepreneurship can thrive. The Small Business Administration (SBA) helps entrepreneurs start, sustain, and grow small businesses. As a "gap lender," SBA works to supplement market lending and provide access to credit where private lenders are reluctant to do so without a Government guarantee. SBA also helps home- and business-owners, as well as renters, cover the uninsured costs of recovery from disasters through its direct loan program. At the end of 2012, SBA's outstanding balance of direct and guaranteed loans totaled approximately $103 billion.

The 2014 Budget proposes $112 million in business loan subsidy costs and $152 million in administrative funds for SBA to support nearly $24 billion in financing for small businesses through the 7(a) General Business Loan program and the 504 Certified Development Company (CDC) program. The 7(a) program will support $17.5 billion in guaranteed loans that will help small businesses operate and expand. This amount includes an estimated $15 billion in term loans and $1.8 billion in revolving lines of credit; the latter are expected to support $65 billion in total credit assistance through draws and repayments over the life of the guarantee. The 504 program will support $6.3 billion in guaranteed loans for fixed-asset financing. In addition, SBA will supplement the capital of Small Business Investment Corporations (SBICs) with up to $4 billion in long-term, guaranteed loans, representing a $1 billion increase, to support SBIC financing assistance for venture capital investments in small businesses. In addition, the Budget supports SBA's disaster direct loan program at its 10-year average volume of $1.1 billion in loans, and includes $192 million to administer the program. Of this amount, $159 million is provided through the Budget Control Act's disaster relief cap adjustment for costs related to Stafford Act (Presidentially-declared) disasters.

For the 2014 Budget, SBA recorded a net downward reestimate of $805 million in the expected costs of its outstanding loan portfolio, which will decrease the 2013 budget deficit.

Due to improving economic conditions and refinements in program cost estimation, the 7(a) program is projected to have zero subsidy cost for 2014, a $231 million decrease from 2013. As a result, SBA's fees charged to lenders and borrowers will decrease from recent levels, and the Budget proposes to eliminate lender fees on loans of less than $150,000 in order to expand participation and financing availability. The 7(a) credit model will undergo continued review throughout 2014 to ensure that it accurately forecasts the 7(a) program's cost to taxpayers. The Budget provides $107 million in subsidy budget authority for the 504 program to support $6.3 billion in loan volume. Together with anticipated carryover balances, the Budget authorizes $7.5 billion in 504 loan volume in 2014. In addition, the Budget proposes to reauthorize the 504 loan refinancing program, a zero subsidy program that helps small businesses lock-in low, long-term interest rates on commercial mortgage debts and frees up resources that small business owners can then re-invest in their business.

The Budget also requests $5 million in subsidy budget authority for $25 million in direct loans, and $20 million in technical assistance grant funds for the Microloan program. The Microloan program provides low-interest loan funds to non-profit intermediaries who in turn provide loans of up to $50,000 to new entrepreneurs.

To help small businesses drive economic recovery and create jobs, the Small Business Jobs Act of 2010 created two new mandatory lending-related programs administered by the Department of the Treasury, in addition to other forms of support, such as tax cuts for entrepreneurs and small business owners.

Treasury's State Small Business Credit Initiative (SSBCI) is designed to support state programs that make new loans or investments to small businesses and small manufacturers. SSBCI offered states and territories (and in certain circumstances, municipalities) the opportunity to apply for Federal funds to finance their programs that partner with private lenders to extend new credit to small businesses to create jobs. These funds allow States to build on new or existing models for small business programs, including collateral support programs, Capital Access Programs (CAPs), loan guarantee programs, loan participation programs, and state venture capital programs. SSBCI expects that all approved programs will demonstrate a minimum overall leverage of $10 in new private lending for every $1 in Federal funding. Treasury is providing approximately $1.5 billion for SSBCI, which is expected to spur up to $15 billion in new lending to small businesses. As of January 1, 2013, SSBCI had approved funding for 47 states, 5 territories, 4 municipalities, and the District of Columbia for a total of over $1.4 billion in obligations, of which $585 million had already been disbursed. During 2012, Treasury provided technical assistance to states that focused on elements of good program design, operation, and marketing. SSBCI hosted two conferences during 2012 at the San Francisco and Chicago Federal Reserve Banks for state program managers to share their expertise in providing credit support to small businesses. During 2013 and 2014, Treasury plans to spend nearly $2 million to provide intensive technical assistance to states in order to maximize participation in and effectiveness of the program and disseminate best practices.

The second Treasury program created by the Act was the Small Business Lending Fund (SBLF), a dedicated investment fund that encourages lending to small businesses by providing capital to qualified community banks and community development loan funds (CDLFs) with assets of less than $10 billion. Because participating institutions leverage their capital, the SBLF helps increase lending to small businesses in an amount significantly greater than the total capital provided to participating banks. In addition to expanding the lending capacity of all participants, SBLF creates a strong incentive for banks to increase small business loans by tying the cost of SBLF funding to the growth of their portfolio of small business loans. The initial dividend rate on SBLF funding was capped at 5 percent. If a bank's small business lending increases by 10 percent or more, the rate will fall to as low as 1 percent. Banks that increase their lending by amounts less than 10 percent can benefit from rates set between 2 percent and 5 percent. For participants whose lending does not increase in the first two years, however, the rate will increase to 7 percent. After 4.5 years, the rate on all outstanding SBLF funding will increase to 9 percent. The application period for the program closed in June 2011, with 332 institutions receiving slightly over $4 billion in funding by the end of 2011. As of September 30, 2012, institutions participating in SBLF have increased their small business lending by $7.4 billion over a $36.5 billion baseline. The current reestimated subsidy rate and actual program volume of $4.03 billion result in projected budget savings of approximately $51 million, representing a decrease in the original projected subsidy cost of $1.31 billion. As of publication of the 2014 Budget, SBLF is working on a survey to help assess program participants' small business lending policies, use of SBLF funding, and small business outreach activities. The survey was administered in 2012, and results are expected to be disseminated in 2013.

Loans to Farmers

The Farm Service Agency (FSA) assists low-income family farmers in starting and maintaining viable farming operations. Emphasis is placed on aiding beginning and socially disadvantaged farmers. FSA offers operating loans and ownership loans, both of which may be either direct or guaranteed loans. Operating loans provide credit to farmers and ranchers for annual production expenses and purchases of livestock, machinery, and equipment, while farm ownership loans assist producers in acquiring and developing their farming or ranching operations. As a condition of eligibility for direct loans, borrowers must be unable to obtain private credit at reasonable rates and terms. As FSA is the "lender of last resort," default rates on FSA direct loans are generally higher than those on private-sector loans. FSA-guaranteed farm loans are made to more creditworthy borrowers who have access to private credit markets. Because the private loan originators must retain 10 percent of the risk, they exercise care in examining the repayment ability of borrowers. The subsidy rates for the direct programs fluctuate largely because of changes in the interest component of the subsidy rate.

The number of loans provided by these programs has varied over the past several years. In 2012, FSA provided loans and loan guarantees to just over 32,000 family farmers totaling $4.2 billion. Direct and guaranteed loan programs provided assistance totaling $1.75 billion to beginning farmers during 2012. Loans for socially disadvantaged farmers totaled $543 million, of which $269 million was in the farm ownership program and $274 million in the farm operating program. The average size of farm ownership loans was consistent over the past two years, with new customers receiving the bulk of the direct loans. In contrast, the majority of assistance provided in the operating loan program is to existing FSA farm borrowers. Overall, demand for FSA loans—both direct and guaranteed—continues to be high. More conservative credit standards in the private sector continue to drive applicants from commercial credit to FSA direct programs. Also, record high land prices, market volatility and uncertainty are driving lenders to request guarantees in situations where they may not have in the past. In the 2014 Budget, FSA proposes to make $5.6 billion in direct and guaranteed loans through discretionary programs.

Lending to beginning farmers was strong during 2012. FSA provided direct or guaranteed loans to more than 16,000 beginning farmers. Loans provided under the Beginning Farmer Down Payment Loan Program represented over 37 percent of total direct ownership loans made during the year, recording a substantial increase over previous years. Fifty-four percent of direct operating loans were made to beginning farmers, an increase of 3% over 2011. Overall, as a percentage of funds available, lending to beginning farmers was 7 percentage points above the 2011 level. Lending to minority and women farmers was a significant portion of overall assistance provided, with $543 million in loans and loan guarantees provided to more than 6,500 farmers. This represents an increase of 11 percent in the overall number of direct loans to minority borrowers. Outreach efforts by FSA field offices to promote and inform beginning and minority farmers about FSA funding have resulted in increased lending to these groups.

The 2014 Budget does not request budget authority for subsidized guaranteed farm operating loans or direct conservation loans. The Budget only requests funding for the guaranteed conservation loans. The overall loan level for conservation loans is unchanged from the 2013 level.

FSA continues to evaluate the farm loan programs in order to improve their effectiveness. FSA is releasing a new Microloan program to increase lending to small niche producers and minorities. This program dramatically reduces application procedures for small loans, and implements more flexible eligibility and experience requirements. FSA has also developed a nationwide continuing education program for its loan officers to ensure they remain experts in agricultural lending, and it is transitioning all information technology applications for direct loan servicing into a single, web-based application that will expand on existing capabilities to include all special servicing options. Its implementation will allow FSA to better service its delinquent and financially distressed borrowers.

The Farm Credit System (Banks and Associations)

The Farm Credit System (FCS or System) is a Government-sponsored enterprise (GSE) composed of a nationwide network of borrower-owned cooperative lending institutions originally authorized by Congress in 1916. The FCS's mission continues to be providing sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and farm-related businesses.

The financial condition of the System's banks and associations remains fundamentally sound. Between September 30, 2011, and September 30, 2012, the ratio of capital to assets increased from 15.8 percent to 16.1 percent. Capital consisted of $35.2 billion in unrestricted capital and $3.3 billion in restricted capital in the Farm Credit Insurance Fund, which is held by the Farm Credit System Insurance Corporation (FCSIC). For the first nine months of calendar year 2012, net income equaled $3.16 billion, compared with $2.99 billion for the same period of the previous year. The increase in net income resulted primarily from a decrease in provision for loan losses and an increase in net interest income.

Over the 12-month period ending September 30, 2012, nonperforming loans as a percentage of total loans outstanding decreased from 1.94 percent to 1.53 percent, primarily because of an improvement in the credit quality of loans to borrowers in certain agricultural sectors. System assets grew 5.2 percent over the past 12 months as growth in portfolios of agribusiness, energy. and rural utilities outpaced declines in some segments of the agricultural portfolio. The number of FCS institutions continued to decrease because of consolidation. As of September 30, 2012, the System consisted of four banks and 82 associations, compared with seven banks and 104 associations in September 2002. Of the 86 FCS banks and associations, 75 had one of the top two examination ratings (1 or 2 on a 1 to 5 scale), 10 FCS institutions had a rating of 3, and 1 FCS institution had a rating of 4.

Over the 12-month period ending September 30, 2012, the System's loans outstanding grew by $14.8 billion, or 8.8 percent, while over the past five years they grew by $49.1 billion, or 36.3 percent. As required by law, borrowers are also stockholder-owners of System banks and associations. As of September 30, 2012, the System had 492,632 stockholders. Loans to young, beginning, and small farmers and ranchers represented 10.5 percent, 13.5 percent, and 15.7 percent, respectively, of the total dollar volume of all new farm loans made in 2011. The dollar volume of new loans made to young farmers in 2011 rose 4.9 percent from that of 2010, while new lending volume fell 5.1 percent to beginning farmers and 10.4 percent to small farmers. Young, beginning, and small farmers are not mutually exclusive groups and, thus, cannot be added across categories. Maintaining special policies and programs for the extension of credit to young, beginning, and small farmers and ranchers is a legislative mandate for the System.

The System, while continuing to record strong earnings and capital growth, remains exposed to a variety of risks associated with its portfolio concentration in agriculture and rural America. While there have been improvements in certain stressed sectors of the rural economy, notably forestry, the run-up in grain prices that began in the summer of 2010, while benefiting crop producers, continues to negatively influence profit margins for livestock and ethanol producers. As financial markets have improved from the financial crisis, the System has maintained its capacity to issue longer-term debt at extremely low yields. The agricultural sector is also subject to future risks such as a farmland price decline, a rise in interest rates, volatile commodity prices, rising production costs, weather-related catastrophes, and long-term environmental risks related to climate change.

The FCSIC, an independent Government-controlled corporation, ensures the timely payment of principal and interest on FCS obligations on which the System banks are jointly and severally liable. On September 30, 2012, the assets in the Insurance Fund totaled $3.3 billion. As of September 30, 2012, the Insurance Fund as a percentage of adjusted insured debt was 1.96 percent. This was slightly below the statutory secure base amount of 2 percent. During the first nine months of calendar year 2012, outstanding insured System obligations grew by 4.3 percent.

Federal Agricultural Mortgage Corporation (Farmer Mac)

Farmer Mac was established in 1988 as a federally chartered instrumentality of the United States and an institution of the FCS to facilitate a secondary market for farm real estate and rural housing loans. Farmer Mac is not liable for any debt or obligation of the other System institutions, and no other System institutions are liable for any debt or obligation of Farmer Mac. The Farm Credit System Reform Act of 1996 expanded Farmer Mac's role from a guarantor of securities backed by loan pools to a direct purchaser of mortgages, enabling it to form pools to securitize. In May 2008, the Food, Conservation and Energy Act of 2008 (2008 Farm Bill) expanded Farmer Mac's program authorities by allowing it to purchase and guarantee securities backed by rural utility loans made by cooperatives.

Farmer Mac continues to meet core capital and regulatory risk-based capital requirements. As of September 30, 2012, Farmer Mac's total outstanding program volume (loans purchased and guaranteed, AgVantage bonds purchased and guaranteed, and real estate owned) amounted to $12.47 billion, which represents an increase of 5.3 percent from the level a year ago. Of total program activity, $8.6 billion were on-balance-sheet loans and guaranteed securities, and $3.9 billion were off-balance-sheet obligations. Total assets were $12.5 billion, with non-program investments (including cash and cash equivalents) accounting for $3.5 billion of those assets. Farmer Mac's net income for the first three quarters of calendar year 2012 was $34.3 million, a significant increase from the same period in 2011 during which Farmer Mac reported net income of $0.5 million. Farmer Mac's earnings are often substantially influenced by unrealized fair-value gains and losses. For example, fair-value changes on financial derivatives resulted in an unrealized loss of $23.3 million for the first three quarters of 2012, compared with $82.4 million for the same period in 2011 (both pre-tax). Although unrealized fair-value changes experienced on financial derivatives temporarily impact earnings and capital, those changes are not expected to have any permanent effect if the financial derivatives are held to maturity, as is expected.

Energy and Infrastructure Credit Programs

This Administration is committed to constructing a new foundation for economic growth and job creation, and clean energy is a critical component of that. The general public, as well as individual consumers and owners, benefits from clean energy and well-developed infrastructure. Thus, the Federal Government promotes clean energy and infrastructure development through various credit programs.

Credit Programs to Promote Clean and Efficient Energy

The Department of Energy (DOE) administers two credit programs that serve to reduce emissions and enhance energy efficiency: a loan guarantee program to support innovative energy technologies and a direct loan program to support advanced automotive technologies.

The DOE's Title 17 loan guarantee program is authorized to issue loan guarantees for projects that employ innovative technologies to reduce air pollutants or man-made greenhouse gases. The program was first provided $4 billion in loan volume authority in 2007. The 2009 Consolidated Appropriations Act provided an additional $47 billion in loan volume authority, allocated as follows: $18.5 billion for nuclear power facilities, $2 billion for "front-end" nuclear enrichment activities, $6 billion for new or retrofitted coal-based power facilities equipped with carbon capture and sequestration (CCS) technologies, $2 billion for advanced coal gasification, and $18.5 billion for energy efficiency, renewable energy, and transmission and distribution projects. 2011 appropriations effectively reduced the available loan volume authority for energy efficiency, renewable energy, and transmission and distribution projects by $17 billion and provided $170 million in credit subsidy to support renewable energy or energy efficient end-use energy technologies. In 2012 and 2013, Congress provided no new loan authority or credit subsidy for DOE's Title 17 program. The President's 2014 Budget requests no new authority as the program will focus on deploying the remaining resources appropriated in prior years.

The American Reinvestment and Recovery Act of 2009 amended the program's authorizing statute to allow loan guarantees on a temporary basis for commercial or advanced renewable energy systems, electric power transmission systems, and leading edge biofuel projects. The Recovery Act initially provided $6 billion in new budget authority for credit subsidy costs incurred for eligible loan guarantees. After funds were transferred to support the Department of Transportation's "Cash for Clunkers" program in 2009 and $1.5 billion was rescinded to offset the Education Jobs and Medicaid Assistance Act in 2010, the program had $2.5 billion available for credit subsidy. Early solicitations for the guarantee program attracted many projects requesting 100 percent guarantees of DOE-supported loans. Consistent with Federal credit policies, loans with 100 percent guarantees in this program are made through the Federal Financing Bank, and therefore do not involve private sector lenders. The program's "Financial Institutions Partnership Program" solicitation, however, invited private sector lenders to participate whereby DOE would provide guarantees for up to 80 percent of loan amounts financed by private sector financial institutions. This structure utilizes private sector expertise, expedites the lending/underwriting process, and leverages the program's funds by sharing project risks with the private sector, while increasing private sector experience with financing energy technologies. The program also added a new solicitation in 2010 specifically targeting projects in the United States that manufacture renewable energy systems or related components. While the authority for the temporary program to extend new loans expired September 30, 2011, DOE provided loan guarantees to 28 projects totaling over $16 billion in guaranteed debt including: 12 solar generation, 4 solar manufacturing, 4 wind generation, 3 geothermal, 2 biofuels, and 3 transmission/energy storage projects. One biofuels and one energy storage project have since withdrawn prior to any disbursement of funds.

The DOE's direct loan program, the Advanced Technology Vehicle Manufacturing (ATVM) Direct Loan program, was created to support the development of advanced technology vehicles and associated components in the United States that would improve vehicle energy efficiency by at least 25 percent relative to a 2005 Corporate Average Fuel Economy standards baseline. In 2009, Congress appropriated $7.5 billion in credit subsidy costs to support a maximum of $25 billion in loans under ATVM. The program provides loans to automobile and automobile part manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the United States, and for other costs associated with engineering integration.

Electric and Telecommunications Loans

Rural Utilities Service (RUS) programs of the United States Department of Agriculture (USDA) provide loans for rural electrification, telecommunications, distance learning, telemedicine, and broadband, and also provide grants for distance learning and telemedicine (DLT).

The Budget includes $4 billion in direct loans for electricity distribution, construction of renewable energy facilities, transmission, and carbon capture projects on facilities to replace fossil fuels. The Budget also provides $690 million in direct telecommunications loans, $63 million in broadband loans, $10 million in broadband grants, and $25 million in DLT grants.

USDA Rural Infrastructure and Business Development Programs

USDA provides grants, loans, and loan guarantees to communities for constructing facilities such as healthcare clinics, police stations, and water systems. Direct loans are available at lower interest rates for the poorest communities. These programs have very low default rates. The cost associated with them is due primarily to subsidized interest rates that are below the prevailing Treasury rates.

The program level for the Water and Wastewater treatment facility loan and grant program in the 2014 President's Budget is $1.55 billion. These funds are available to communities of 10,000 or fewer residents. The Community Facility Program is targeted to rural communities with fewer than 20,000 residents. For 2014, it will have a program level of $1.5 billion in direct loans and $17 million in grants.

USDA also provides grants, direct loans, and loan guarantees to assist rural businesses, cooperatives, nonprofits, and farmers in creating new community infrastructure (i.e. educational networks or healthcare coops) and to diversify the rural economy and employment opportunities. In 2014, USDA proposes to provide $782 million in loan guarantees and direct loans to entities that serve communities of 50,000 or less through the Business and Industry guaranteed loan program and the Rural Microentrepreneur Assistance program and communities of 25,000 or less through the Intermediary Relending program. These loans are structured to save or create jobs and stabilize fluctuating rural economies.

The Rural Business Service is also responsible for the Rural Energy for America program through which the Budget proposes $90 million in funding to support $238 million in loan guarantees and grants to promote energy efficiencies, renewable energy, and small business development in rural communities.

Transportation Infrastructure

Federal credit programs, offered through the Department of Transportation (DOT), fund critical transportation infrastructure projects, often using innovative financing methods. The two predominant programs are the program authorized by the Transportation Infrastructure Finance and Innovation Act (TIFIA), and the Railroad Rehabilitation and Improvement Financing (RRIF) program.

Established by the Transportation Equity Act of the 21st century (TEA-21) in 1998, the TIFIA program is designed to fill market gaps and leverage substantial private co-investment by providing supplemental and subordinate capital to projects of national or regional significance. Through TIFIA, DOT provides Federal credit assistance to highway, transit, rail, and intermodal projects. The 31 projects that have received TIFIA credit assistance represent over $42 billion of infrastructure investment in the United States. Government commitments in these partnerships constitute nearly $10.5 billion in Federal assistance with a budgetary cost of approximately $714 million.

TIFIA can help advance qualified, large-scale projects that otherwise might be delayed or deferred because of size, complexity, or uncertainty over the timing of revenues at a relatively low budgetary cost. Each dollar of subsidy provided for TIFIA can provide approximately $10 in credit assistance, and leverage an additional $20 to $30 in non-Federal transportation infrastructure investment. In recent years, the demand for the TIFIA program has exceeded available resources, and the recent surface transportation reauthorization program dramatically increased program resources in an effort to help meet demand, providing $750 million in 2013 and $1 billion for the program in 2014. In 2014, the President's Budget requests $1 billion in resources as provided in MAP-21 for the TIFIA program. At the requested level, TIFIA could provide approximately $10 billion in credit support for up to $30 billion in new infrastructure projects. This funding will accelerate critical transportation improvements and attract private investment by lowering financing costs and mitigating market imperfections.

DOT has also provided direct loans and loan guarantees to railroads since 1976 for facilities maintenance, rehabilitation, acquisitions, and refinancing. Federal assistance was created to provide financial assistance to the financially-challenged portions of the rail industry. However, following railroad deregulation in 1980, the industry's financial condition began to improve, larger railroads were able to access private credit markets, and interest in Federal credit support began to decrease.

Also established by TEA-21 in 1998, the RRIF program provides loans with an interest rate equal to the Treasury rate for similar-term securities. TEA-21 also stipulates that non-Federal sources pay the subsidy cost of the loan, thereby allowing the program to operate without Federal subsidy appropriations. The RRIF program assists projects that improve rail safety, enhance the environment, promote economic development, or enhance the capacity of the national rail network. While refinancing existing debt is an eligible use of RRIF proceeds, capital investment projects that would not occur without a RRIF loan are prioritized.

The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) increased the amount of total RRIF assistance available from $3.5 billion to $35 billion, and the Rail Safety Improvement Act (RSIA) extended the maximum loan term from 25 to 35 years. Since enactment of TEA-21, over $1.7 billion in direct loans have been made under the RRIF program. Due to the recent disruptions in the credit markets caused by the financial crisis, the RRIF program has seen renewed interest from the railroad industry—both traditional short-line railroads and commuter rail operators—as a means of project financing.

National Infrastructure Bank

To direct Federal resources for infrastructure to projects that demonstrate the most merit and may be difficult to fund under the current patchwork of Federal programs, the President has called for the creation of an independent, non-partisan National Infrastructure Bank (NIB), led by infrastructure and financial experts. The NIB would offer broad eligibility and unbiased selection for transportation, water, and energy infrastructure projects. Projects would have a clear public benefit, meet rigorous economic, technical and environmental standards, and be backed by a dedicated revenue stream. Geographic, sector, and size considerations would also be taken into account. Interest rates on loans issued by the NIB would be indexed to United States Treasury rates, and the maturity could be extended up to 35 years, giving the NIB the ability to be a "patient" partner side-by-side with State, local, and private co-investors. To maximize leverage from Federal investments, the NIB would finance no more than 50 percent of the total costs of any project.

International Credit Programs

Seven Federal agencies -- the Department of Agriculture (USDA), the Department of Defense, the Department of State, the Department of the Treasury, the Agency for International Development (USAID), the Export-Import Bank, and the Overseas Private Investment Corporation (OPIC) -- provide direct loans, loan guarantees, and insurance to a variety of private and sovereign borrowers. These programs are intended to level the playing field for U.S. exporters, deliver robust support for U.S. goods and services, stabilize international financial markets, and promote sustainable development.

Leveling the Playing Field

Federal export credit programs counter official financing that foreign governments around the world, largely in Europe and Japan but also increasingly in emerging markets such as China and Brazil, provide their exporters, usually through export credit agencies (ECAs). The U.S. Government has worked since the 1970's to constrain official credit support through a multilateral agreement in the Organization for Economic Cooperation and Development (OECD). In its current form, this agreement has virtually eliminated direct interest rate subsidies, significantly constrained tied-aid grants, and standardized the fees for corporate and sovereign lending across all OECD ECAs –bringing the all-in costs of OECD export credit financing broadly in line with market levels. In addition to ongoing OECD negotiations, US government efforts resulted in the 2012 creation of the International Working Group (IWG) on export credits. This group includes China and other non-OECD providers of export credits in discussions on a broader framework that would bring common practices to ECAs throughout the world.

The Export-Import Bank provides export credits, in the form of direct loans or loan guarantees, to U.S. exporters who meet basic eligibility criteria and who request the Bank's assistance. USDA's Export Credit Guarantee Programs (also known as GSM programs) similarly help to level the playing field. Like programs of other agricultural exporting nations, GSM programs guarantee payment from countries and entities that want to import U.S. agricultural products but cannot easily obtain credit.

Stabilizing International Financial Markets

Consistent with U.S. obligations in the International Monetary Fund regarding global financial stability, the Exchange Stabilization Fund managed by the Department of the Treasury may provide loans or credits to a foreign entity or government of a foreign country. A loan or credit may not be made for more than six months in any 12-month period unless the President gives the Congress a written statement that unique or emergency circumstances require that the loan or credit be for more than six months.

Using Credit to Promote Sustainable Development

Credit is an important tool in U.S. bilateral assistance to promote sustainable development. USAID's Development Credit Authority (DCA) allows USAID to use a variety of credit tools to support its development activities abroad. DCA provides non-sovereign loan guarantees in targeted cases where credit serves more effectively than traditional grant mechanisms to achieve sustainable development. DCA is intended to mobilize host country private capital to finance sustainable development in line with USAID's strategic objectives. Through the use of partial loan guarantees and risk sharing with the private sector, DCA stimulates private-sector lending for financially viable development projects, thereby leveraging host-country capital and strengthening sub-national capital markets in the developing world.

OPIC mobilizes private capital to help solve critical challenges such as renewable energy and infrastructure development, and in doing so, advances U.S. foreign policy. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds. These programs are intended to create more efficient financial markets, eventually encouraging the private sector to supplant OPIC finance in developing countries.

Ongoing Coordination

International credit programs are coordinated through two groups to ensure consistency in policy design and credit implementation. The Trade Promotion Coordinating Committee (TPCC) works within the Administration to develop a National Export Strategy to make the delivery of trade promotion support more effective and convenient for U.S. exporters.

The Interagency Country Risk Assessment System (ICRAS) standardizes the way in which most agencies that lack sufficient historical experience budget for the cost associated with the risk of international lending. The cost of lending by these agencies is governed by proprietary U.S. Government ratings, which correspond to a set of default estimates over a given maturity. The methodology establishes assumptions about default risks in international lending using averages of international sovereign bond market data. The strength of this method is its link to the market and an annual update that adjusts the default estimates to reflect the most recent risks observed in the market.

Promoting Economic Growth and Poverty Reduction through Debt Sustainability

The Enhanced Heavily Indebted Poor Countries (HIPC) Initiative reduces the debt of some of the poorest countries with unsustainable debt burdens that are committed to economic reform and poverty reduction.

III. INSURANCE PROGRAMS

Deposit Insurance

Federal deposit insurance promotes stability in the U.S. financial system. Prior to the establishment of Federal deposit insurance, depository institution failures often caused depositors to lose confidence in the banking system and rush to withdraw deposits. Such sudden withdrawals caused serious disruption to the economy. In 1933, in the midst of the Great Depression, a system of Federal deposit insurance was established to protect depositors and to prevent bank failures from causing widespread disruption in financial markets.

Today, the Federal Deposit Insurance Corporation (FDIC) insures deposits in banks and savings associations (thrifts) using the resources available in its Deposit Insurance Fund (DIF). The National Credit Union Administration (NCUA) insures deposits (shares) in most credit unions (certain credit unions are privately insured) using the resources available in the National Credit Union Share Insurance Fund (SIF). As of September 30, 2012, the FDIC insured $7.3 trillion of deposits at 7,181 commercial banks and thrifts, and the NCUA insured $833.6 billion of shares at 6,888 credit unions.

Since its creation, the deposit insurance system has undergone a series of reforms. The Dodd-Frank Wall Street Reform and Consumer Protection (Wall Street Reform) Act, enacted July 21, 2010, allows the FDIC to more effectively and efficiently manage the DIF. The Act authorized the FDIC to set the minimum DIF reserve ratio (ratio of the deposit insurance fund balance to total estimated insured deposits) to 1.35 percent by 2020, up from 1.15 percent. In addition to raising the minimum reserve ratio, the Wall Street Reform Act also:

- Eliminated the FDIC's requirement to rebate premiums when the DIF reserve ratio is between 1.35 and 1.5 percent;
- Gave the FDIC discretion to suspend or limit rebates when the DIF reserve ratio is at least 1.5 percent, effectively removing the 1.5 percent cap on the DIF; and
- Required the FDIC to offset the effect on small insured depository institutions (defined as banks with assets less than $10 billion) when setting assessments to raise the reserve ratio from 1.15 to 1.35 percent.

In implementing the Wall Street Reform Act, the FDIC issued a final rule setting a long-term (i.e., beyond 2020) reserve ratio target of 2 percent, a goal that FDIC considers necessary to maintain a positive fund balance during economic crises while permitting steady long-term assessment rates that provide transparency and predictability to the banking sector. This rule, coupled with other provisions of the Wall Street Reform Act, will significantly improve the FDIC's capacity to resolve bank failures and maintain financial stability during economic downturns.

The Wall Street Reform Act also permanently increased the insured deposit level to $250,000 per account at banks or credit unions insured by the FDIC or NCUA.

Recent Performance of the Federal Deposit Insurance Funds

After seven consecutive quarters of negative balances, the DIF balance became positive on June 30, 2011, standing at $3.9 billion on an accrual basis, then doubling to $7.8 billion on September 30, 2011. Over the next four quarters, the DIF balance more than tripled, growing to $25.2 billion on September 30, 2012. The growth in the DIF balance is a result of fewer bank failures and higher assessment revenue. The reserve ratio on September 30, 2012 was 0.35 percent.

As of September 30, 2012, the number of insured institutions on the FDIC's "problem list" (institutions with the highest risk ratings) totaled 694, which represented a decrease of nearly 18 percent from September 2011. Furthermore, the assets held by problem institutions decreased by more than 22 percent.

The SIF ended September 2012 with assets of $11.9 billion. The NCUA's equity ratio was 1.31 percent on December 31, 2012. If the equity ratio increases above the normal operating level of 1.30 percent, a distribution is normally paid to member credit unions to reduce the equity ratio to the normal operating level. In March 2012, NCUA distributed $279 million to the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), which was created under the authority of the Helping Families Save Their Homes Act of 2009 (P.L. 111-22). Under this Act, SIF dividends must be paid to the TCCUSF when this fund has an outstanding loan from the U.S. Treasury, which totaled $3.2 billion on September 30, 2012.

Losses in the credit union industry have continued their recent decline. The ratio of insured shares in "problem institutions" to total insured shares decreased to 2.9 percent in September 2012 from a high of 5.7 percent in December 2009. With improving health of credit unions, NCUA has been steadily reducing reserves held for losses. As of September 2012, the SIF had set aside $399 million in reserves to cover potential losses, over 60 percent less than the $1.0 billion set-aside as of September 2011. Due to the continuing decline in the insurance loss reserve, there were no GAAP-based losses in 2011 or 2012.

Stabilizing Corporate Credit Unions

The NCUA also administers the Central Liquidity Facility (CLF), which serves as a back-up lender for credit unions when market sources of liquidity are unavailable. By statute, the CLF is authorized to borrow up to 12 times its subscribed capital stock and surplus. As of 2012, this would allow the CLF to borrow up to approximately $46 billion. Throughout the economic crisis, liquidity advances into the corporate credit union system totaled $19.5 billion, all of which was repaid by December 2010. The CLF did not borrow in 2012, due in part to the creation of the TCCUSF in 2009. The TCCUSF has access to $6 billion in borrowing authority, which is reduced proportionally by any borrowings potentially made by the SIF. This borrowing authority serves as a resource available to the NCUA to support the corporate credit union system.

In 2012, TCCUSF had net borrowings of $3.2 billion to support the Corporate System Resolution Program (CSRP), which was created in September 2010. The CSRP is a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions. Under the CSRP, NCUA created a re-securitization program to provide long-term funding for the Legacy Assets through the issuance of NCUA Guaranteed Notes (NGNs), which has re-securitized nearly $30 billion in legacy assets to date. The NGNs require the long-term monitoring, managing, and reporting on very complex transactions for at least the next 10 years. Accordingly, NCUA is working on a long-term, stream-lined solution to oversee the daily requirements and activities in connection with the NGN Program.

The NCUA successfully stabilized the corporate credit union system, thereby ensuring that retail credit unions were able to rely on many of the services provided by corporate credit unions. The NCUA devised different approaches, such as providing emergency liquidity or spreading out the costs of losses over time, aimed at enabling the credit union industry to minimize losses and emerge from the crisis. The NCUA liquidated five corporate credit unions in 2009 and 2010 that had become insolvent due to investment losses in mortgage-backed securities. To facilitate the resolution process, the Board chartered four bridge corporate credit unions to purchase certain assets and assume certain liabilities and member shares from the liquidated credit unions. In October 2012, NCUA liquidated the last remaining bridge corporate credit union, U.S. Central Bridge Corporate Credit Union, after transferring its essential services. As a result of its liquidation, U.S. Central ended its role as the agent member to CLF and redeemed its CLF stock of $1.8 billion. Although this was an outflow from CLF, it was previously funded by U.S. Central. Additionally, since all NCUA activities are funded through assessments on regulated credit unions, these costs will have no impact on US taxpayers. NCUA continues to seek compensation from the parties that created and sold the faulty mortgage-backed securities to the five failed corporate credit unions. In 2012, NCUA filed four more lawsuits against several Wall Street firms that underwrote these securities, alleging failure to disclose significant risks. As of December 31, 2012, NCUA had reached settlements with three firms totaling $170 million. These settlements further the agency's goal of minimizing losses, and net proceeds will reduce the total assessments that all credit unions have to pay for the corporate credit union system's losses.

Restoration Plans

Pursuant to the Wall Street Reform Act, the restoration period for the FDIC's DIF reserve ratio to reach 1.35 percent was extended to 2020 (prior to the Act, the DIF reserve ratio was required to reach the minimum target of 1.15 percent by the end of 2016). The Budget projects that net outflows in 2013 will reduce the DIF reserve ratio to 0.22 percent at the year-end. From 2014, however, it is expected to increase steadily, reaching the statutorily required level of 1.35 percent by 2020. In late 2009, the FDIC Board of Directors adopted a final rule requiring insured institutions to prepay quarterly risk-based assessments for the fourth quarter of CY 2009 and for all of CY 2010, 2011, and 2012. The FDIC collected approximately $45 billion in prepaid assessments. Unlike a special assessment, the prepaid assessments did not immediately affect bank earnings; it was booked as an asset and amortized each quarter by that quarter's assessment charge. This prepaid assessment, coupled with annual assessments on the banking industry, has provided the FDIC with ample operating cash flows to effectively and efficiently resolve bank failures during the short period in which the DIF balance was negative. Although the FDIC has authority to borrow up to $100 billion from Treasury to maintain sufficient DIF balances, the Budget does not anticipate FDIC utilizing their borrowing authority because the DIF is projected to maintain positive operating cash flows over the entire 10-year budget horizon.

In 2010 and 2011, the NCUA Board approved assessments of $727 million and $930 million respectively on federally insured credit unions in order to maintain the target equity ratio of 1.30 percent. The Budget projects that NCUA will collect $800 million in special assessments over the budget window.

Budget Outlook

The Budget estimates DIF net outlays of -$97.5 billion (i.e. net inflows into the fund) over the 10-year budget window. As a result of updated economic assumptions, technical changes to OMB's forecasting model, and modifications relating to the expiration of the Transaction Account Guarantee program, the projected inflows through 2023 are lower than the 2013 Mid-Session Review (MSR) projection by approximately $104.8 billion. The latest public data on the banking industry led to a downward revision to bank failure estimates, which are consistent with long-term, historical averages in terms of failed bank assets as a percentage of GDP. With the lower bank failure projection, the Budget projects much lower FDIC premiums necessary to reach the minimum Wall Street Reform Act DIF reserve ratio of 1.35 percent.

Pension Guarantees

The Pension Benefit Guaranty Corporation (PBGC) insures the pension benefits of workers and retirees in covered defined-benefit pension plans. PBGC pays benefits, up to a guaranteed level, when a company's plan closes without enough assets to pay future benefits. PBGC's claims exposure is the amount by which qualified benefits exceed assets in insured plans. In the near term, the risk of loss stems from financially distressed firms with underfunded plans. In the longer term, loss exposure results from the possibility that healthy firms become distressed and well-funded plans become underfunded due to inadequate contributions, poor investment results, or increased liabilities.

PBGC monitors companies with underfunded plans and acts to protect the interests of the pension insurance program's stakeholders where possible. Under its Early Warning Program, PBGC works with companies to

Table 22–1. TOP 10 FIRMS PRESENTING CLAIMS (1975-2012)

Single-Employer Program

	Firm	Fiscal Year(s) of Plan Termination(s)	Claims (by firm)	Percent of Total Claims (1975-2011)
1	United Airlines	2005	$7,304,186,216	15.64%
2	Delphi	2009	6,387,327,984	13.68%
3	Bethlehem Steel	2003	3,702,771,655	7.93%
4	US Airways	2003, 2005	2,723,720,013	5.83%
5	LTV Steel*	2002, 2003, 2004	2,134,985,884	4.57%
6	Delta Air Lines	2006	1,720,156,504	3.68%
7	National Steel	2003	1,319,009,117	2.82%
8	Pan American Air	1991, 1992	841,082,434	1.80%
9	Trans World Airlines	2001	668,377,106	1.43%
10	Weirton Steel	2004	640,480,970	1.37%
	Top 10 Total		$27,442,097,883	58.77%
	All Other Total		19,251,487,046	41.23%
	TOTAL		$46,693,584,930	100.00%

Sources: PBGC Fiscal Year Closing File (9/30/12), PBGC Case Management System, and PBGC Participant System (PRISM).

Due to rounding of individual items, numbers and percentages may not add up to totals.

Data in this table have been calculated on a firm basis and, except as noted, include all trusteed plans of each firm.

Values and distributions are subject to change as PBGC completes its reviews and establishes termination dates.

* Does not include 1986 termination of a Republic Steel plan sponsored by LTV.

strengthen plan funding or otherwise protect the insurance program from avoidable losses. However, PBGC's authority to prevent undue risks to the insurance program is limited. Most private insurers can diversify or reinsure their catastrophic risks as well as flexibly price these risks. Unlike private insurers, PBGC cannot deny insurance coverage or adjust premiums according to risk. Both types of PBGC premiums—the flat rate (a per person charge paid by all plans) and the variable rate (paid by underfunded single-employer plans) are set in statute. CBO and others have noted that the premium rates are far lower than what a private financial institution would charge for insuring the same risk.

Claims against PBGC's insurance programs are highly variable. A single large pension plan termination may result in a larger claim against PBGC than the termination of many smaller plans. Future results will continue to depend largely on the infrequent and unpredictable termination of a limited number of very large plans.

PBGC's single-employer program has incurred substantial losses from underfunded plan terminations. Table 22-1 shows the ten largest plan termination losses in PBGC's history. Nine of the ten happened since 2001.

As of September 30, 2012, the single-employer and multi-employer programs reported deficits of $29.1 billion and $5.2 billion, respectively. Notwithstanding these deficits, the Corporation has $85 billion in assets and will be able to meet its obligations for a number of years. However, neither program has the resources to fully satisfy PBGC's obligations in the long run. PBGC estimates its long-term loss exposure to reasonably possible terminations (e.g., underfunded plans sponsored by companies with credit ratings below investment grade) at approximately $320 billion. For FY 2012, exposure was concentrated in the following sectors: manufacturing (primarily automobile/auto parts and primary and fabricated metals), transportation (primarily airlines), services, and wholesale and retail trade.

The Moving Ahead for Progress in the 21st Century Act (MAP-21), signed on July 6, 2012, increased PBGC premiums for both single-employer and multiemployer plans. Flat-rate premiums for single-employer plans were increased to $42 for 2013, $49 for 2014, and will be indexed to inflation thereafter. Variable-rate premiums will also increase, and will also be indexed to inflation for the first time. Rates are expected to increase to $13 or $14 per $1000 of underfunding for 2014 and to $18 or $19 for 2015. The variable-rate premium will be capped in filing year 2013 at $400 times the number of plan participants. The cap will be indexed thereafter. Flat-rate premiums for multiemployer plans were increased to $12 for 2013, and will be indexed thereafter.

While the legislation brings in much-needed resources to improve PBGC's financial condition, reforms are still needed to bring PBGC's premium structure more in line with other government and private insurance programs. The 2014 Budget proposes to give the PBGC Board the authority to adjust premiums to better account for the risk the agency is insuring and make the premium structure fair to all premium payers. The Board would be directed to raise an additional $25 billion over ten years.

Consistent with previous Administration proposals, the Board would be required to consult with stakeholders prior to setting a new premium schedule and to establish a hardship waiver and other limitations on plan-specific premium increases. PBGC would be directed to try to make the premiums counter-cyclical and any increase would be phased in gradually. In determining the new premium rates, the Board would consider a number of factors, including a plan's risk of losses to PBGC and the amount of a plan's underfunding.

Disaster Insurance

Flood Insurance

The Federal Government provides flood insurance through the National Flood Insurance Program (NFIP), which is administered by the Federal Emergency Management Agency of the Department of Homeland Security (DHS). Flood insurance is available to homeowners and businesses in communities that have adopted and enforce appropriate floodplain management measures. Coverage is limited to buildings and their contents. By the end of 2012, the program had over 5.5 million policies in more than 22,100 communities with over $1.2 trillion of insurance in force.

Prior to the creation of the program in 1968, many factors made it cost prohibitive for private insurance companies alone to make affordable flood insurance available. In response, the NFIP was established to make affordable insurance coverage widely available, to combine a program of insurance with flood mitigation measures to reduce the nation's risk of loss from flood, and to minimize Federal disaster-assistance expenditures. The NFIP requires building standards and other mitigation efforts to reduce losses, and operates a flood hazard mapping program to quantify geographic variation in the risk of flooding. These efforts have made substantial progress. However, structures built prior to flood mapping and NFIP floodplain management requirements, which make up 21.5 percent of the total policies in force, currently pay less than fully actuarial rates.

A major DHS goal is to have property owners be compensated for flood losses through flood insurance, rather than through taxpayer-funded disaster assistance. The agency's marketing strategy aims to increase the number of Americans insured against flood losses and improve retention of policies among existing customers. The strategy includes:

1. Providing financial incentives to the private insurers that sell and service flood policies for the Federal Government to expand the flood insurance business.

2. Conducting the national marketing and advertising campaign, FloodSmart, which uses TV, radio, print and online advertising, direct mailings, and public

relations activities to help overcome denial and resistance and increase demand.

3. Fostering lender compliance with flood insurance requirements through training, guidance materials, regular communication with lending regulators and the lending community.

4. Conducting NFIP training for insurance agents via instructor-led seminars, online training modules, and other vehicles.

5. Seek opportunities to simplify and clarify NFIP processes and products to make it easier for agents to sell and for consumers to buy.

While these strategies have resulted in steady policy growth over recent years, the growth slowed somewhat since 2009 due to the severe downturn in the economy. In 2012, the program lost 54,000 policies.

DHS also has a multi-pronged strategy for reducing future flood damage. The NFIP offers flood mitigation assistance grants to assist flood victims to rebuild to current building codes, including base flood elevations, thereby reducing future flood damage costs. In addition, flood mitigation assistance grants targeted toward repetitive and severe repetitive loss properties not only help owners of high-risk property, but also reduce the disproportionate drain on the National Flood Insurance Fund these properties cause, through acquisition, relocation, or elevation. DHS is working to ensure that the flood mitigation grant program is closely integrated, resulting in better coordination and communication with State and local governments. Further, through the Community Rating System, DHS adjusts premium rates to encourage community and State mitigation activities beyond those required by the NFIP. These efforts, in addition to the minimum NFIP requirements for floodplain management, save over $1 billion annually in avoided flood damages.

Due to the catastrophic nature of flooding, with Hurricanes Katrina and Sandy as notable examples, insured flood damages far exceeded premium revenue in some years and depleted the program's reserve account, which is a cash fund. On those occasions, the NFIP exercises its borrowing authority through the Treasury to meet flood insurance claim obligations. While the program needed appropriations in the early 1980s to repay the funds borrowed during the 1970's, it was able to repay all borrowed funds with interest using only premium dollars between 1986 and 2004. In 2005, however, Hurricanes Katrina, Rita, and Wilma generated more flood insurance claims than the cumulative number of claims from 1968 to 2004. Hurricane Sandy in 2012 also generated significant flood insurance claims. As a result, the Administration and Congress have increased the borrowing authority to $30.4 billion. The program's debt is currently $20.1 billion.

The catastrophic nature of the 2005 hurricane season also triggered an examination of the program, and the Administration worked with Congress to improve the program. On July 6, 2012, the Biggert Waters Flood Insurance Reform Act of 2012 was signed into law. In addition to reauthorizing the NFIP for 5 years, the bill also requires the NFIP generally to move to full risk-based premium rates and strengthens the NFIP financially and operationally.

Crop Insurance

Subsidized Federal crop insurance administered by USDA's Risk Management Agency (RMA) assists farmers in managing yield and revenue shortfalls due to bad weather or other natural disasters. The program is a cooperative effort between the Federal Government and the private insurance industry. Private insurance companies sell and service crop insurance policies. These companies rely on reinsurance provided by the Federal Government and also by the commercial reinsurance market to manage their individual risk portfolio. The Federal Government reimburses private companies for a portion of the administrative expenses associated with providing crop insurance and reinsures the private companies for excess insurance losses on all policies. The Federal Government also subsidizes premiums for farmers.

The 2014 Budget continues to propose policies that are similar to those included in the 2013 Budget and recommended to the Joint Committee for Deficit Reduction:

1. Lower the cap for the crop insurance companies' return on investment to 12 percent,

2. Lower the cap on the companies' administrative expense reimbursement to $0.9 billion, adjusted annually for inflation,

3. More accurately price the premium for catastrophic coverage,

4. Lower even further the subsidy for producer premiums by 3 percentage points for policies where the Government subsidizes more than 50 percent of the premium (previous proposals reduced these by only 2 percentage points), and

5. A new addition for the 2014 Budget, reduce premium subsidy by 2 percentage points for revenue coverage that provides protection for upward price movements at harvest time.

The most basic type of crop insurance is catastrophic coverage (CAT), which compensates the farmer for losses in excess of 50 percent of the individual's average yield at 55 percent of the expected market price. The CAT premium is entirely subsidized, and farmers pay only an administrative fee. Higher levels of coverage, called "buy-up", are also available. A premium is charged for buy-up coverage. The premium is determined by the level of coverage selected and varies from crop to crop and county to county.

For 2012, the 10 principal crops, (barley, corn, cotton, grain sorghum, peanuts, potatoes, rice, soybeans, tobacco, and wheat) accounted for over 86 percent of total liability, and approximately 80 percent of the total U.S. planted acres of the 10 crops were covered by crop insurance. RMA offers both yield and revenue-based insurance products. Revenue insurance programs protect against loss of revenue stemming from low prices, poor yields, or a combination of the two. These programs extend traditional multi-peril or yield crop insurance by adding price variability to production history.

Pasture, Rangeland, and Forage Pilot Programs are based on vegetation greenness and rainfall indices to meet the needs of livestock producers who purchase insurance protection for losses of forage produced for grazing or harvested for hay. In 2012, there were 21,976 vegetation and rainfall policies sold, covering over 48 million acres of pasture, rangeland and forage. There was over $784.9 million in liability, and through October 2012 nearly $118 million in indemnities paid to livestock producers who purchased coverage.

RMA is continuously working to develop new products and to expand or improve existing products in order to cover more agricultural commodities. Under the 508(h) authorities and procedures RMA may advance payment of up to 50 percent of expected reasonable research and development costs for FCIC Board approved Concept Proposals prior to the complete submission of the policy or plan of insurance under 508(h) authorities. In 2012, two submissions were approved as section 508(h) products and are available to producers for the 2013 crop year.

For more information and additional crop insurance program details, please reference RMA's web site: (www.rma.usda.gov).

Insurance against Security-Related Risks

Terrorism Risk Insurance

The Terrorism Risk Insurance Program (TRIP) was authorized under P.L. 107-297 to help ensure the continued availability of property and casualty insurance following the terrorist attacks of September 11, 2001. TRIP's initial three-year authorization enabled the Federal Government to establish a system of shared public and private compensation for insured property and casualty losses arising from certified acts of foreign terrorism. In 2005, Congress passed a two-year extension (P.L. 109-144), which narrowed the Government's role by increasing the private sector's share of losses, reducing lines of insurance covered by the program, and adding a threshold event amount triggering Federal payments.

In 2007, Congress enacted a further seven-year extension of TRIP and expanded the program to include losses from domestic as well as foreign acts of terrorism (P.L. 110-318). For all seven extension years, TRIP maintains a private insurer deductible of 20 percent of the prior year's direct earned premiums, an insurer co-payment of 15 percent of insured losses above the deductible, and a $100 million minimum event cost triggering Federal coverage. The 2007 extension also requires Treasury to recoup 133 percent of any Federal payments made under the program, and accelerates deadlines for recoupment of any Federal payments made before September 30, 2017.

The Budget baseline includes the estimated Federal cost of providing terrorism risk insurance through the expiration of the program on December 31, 2014. Using market data synthesized through a proprietary model, the Budget projects annual outlays and recoupment for TRIP. While the Budget does not forecast any specific triggering events, the estimates for this account represent the weighted average of TRIP payments over a full range of possible scenarios, most of which include no notional terrorist attacks (and therefore no TRIP payments), and some of which include notional terrorist attacks of varying magnitudes. On this basis, the Budget projects net spending of $443 million over the 2014-2018 period and $526 million over the 2014-2023 period.

Airline War Risk Insurance

The Department of Transportation's authority to provide aviation war risk insurance expires on December 31, 2013. With the goal of building private capacity to manage aviation war risk, the Administration proposes to transform the program into a co-insurance arrangement in which DOT and a private insurer would jointly underwrite a common policy. In the case of a claim, DOT would pay an established fraction of the losses, and the private partner would pay the remainder. The Federal share would be slightly reduced each year as private capacity expands. The proposal would extend the existing program through 2014, during which time DOT would propose changes to its underlying statutory authority and work with the private insurance industry to develop co-insurance policies. The Budget proposes that a co-insurance arrangement would begin to reduce the government's share of any losses, starting in 2015.

IV. FAIR VALUE BUDGETING FOR CREDIT PROGRAMS

Accurate cost and revenue estimates support a sound budget—one that shows the fiscal position of the Federal Government and allocates limited resources across competing needs. Cost estimation is challenging for Federal credit programs because loans and loan guarantees create obligations for uncertain cash flows that can extend far into the future.

The Federal Credit Reform Act of 1990 (FCRA) greatly improved the accuracy of cost estimates for credit programs by reflecting the estimated lifetime costs of loans and loan guarantees up front on a net present value basis, requiring policy officials to budget for those lifetime costs when making programmatic decisions. Any change to FCRA should be consistent with the original goals of credit reform, to provide better information on the budgetary costs of credit programs and improve resource allocation by placing them on a comparable basis to other credit programs and other forms of Federal spending.

The Congressional Budget Office (CBO) and others have argued that credit programs impose costs on taxpayers that are not reflected under FCRA, such as the risk that assets may perform worse than expected, and propose to amend FCRA to require that the budget use fair value estimates to capture these costs. While fair value analysis may offer some useful insights and help inform decision-making for specific programs, use of fair value for budgetary costs would have drawbacks that far exceed the advantages of fair value estimates. Fair value would impose significant implementation costs and challenges, and have more potential to introduce noise and distortion into credit estimates than valuable information. Fair value as proposed would include costs not relevant to the Federal government and would make it more difficult to compare the costs of credit programs to each other, or to other forms of Federal spending. It would make cost estimates for credit programs impossible to validate, and treat uncertainty in a more punitive fashion for credit programs than other programs. Under fair value cost estimates, the cost estimate and estimated impact on the deficit for the same program could be different from one another, raising concerns about consistency and transparency. Thus, current proposals to use fair value for budgetary costs estimates would not be consistent with the goals of FCRA.

Estimating Costs under FCRA and Fair Value

Costs under FCRA. Before FCRA, the budget reflected the cash flows of loans and loan guarantees in the years that the cash flows occurred. The cost of new direct loans was greatly overstated—appropriations were required for the full face value of loans and did not consider expected repayment over time. In contrast, new loan guarantees appeared free, and there was no requirement to set aside a reserve to cover anticipated losses. FCRA greatly improved the accuracy of cost estimates by capturing the lifetime expected cash flows for loans and loan guarantees up front. Under FCRA, the subsidy cost is equal to the present value of the cash flows to and from the Government, netting out expected losses from default or other adverse events. The present value is estimated using the Government's cost of funds, as reflected in Treasury rates, to discount these cash flows.

Costs under Fair Value.[1] In contrast to FCRA where estimated cash flows are discounted by the Government's cost of funds (Treasury rates), under fair value cash flows would typically be discounted with interest rates that reflect estimated market pricing for the characteristics of the loan or loan guarantee (comparable market rates), instead of Treasury rates. Comparable market rates would need to be derived or estimated from available market data, and applied to cash flows. Discount rates would vary across programs, and in some cases by individual loan or guarantee. Because fair value estimates reflect market pricing of the uncertainty associated with loan performance and other factors not included in FCRA estimates, fair value costs would be higher in most cases.

[1] Pages 393-398 of the *Analytical Perspectives* volume of the 2013 *Budget* include more discussion of the issues raised in this section and the following section on Implementation.

Accuracy of Budgetary Cost Estimates under Fair Value

Accuracy and transparency in cost estimates. The budget should focus primarily on the accuracy and transparency of costs to the Government. FCRA costs reflect estimated cash flows, including expected losses due to default and other adverse events. Actual experience may deviate from initial estimates; however, through the reestimates the subsidy costs are ultimately tied to actual cash flows and these reestimates help agencies learn from past experience to improve techniques for generating new estimates. As a measure of expected budgetary cost, FCRA estimates have been fairly accurate overall, although not always on a program-by-program basis. Net lifetime reestimates of subsidy cost for credit programs[2] over the 21 years that FCRA has been in place are $8.5 billion upward—less than one percent of the face value of loans and guarantees made under FCRA. Indeed, CBO's rationale for fair value does not question the accuracy of FCRA cost estimates in measuring expected cost to the Government, but instead questions whether there are additional costs beyond those that would be captured under FCRA that should be reflected in the budget. Fair value cost estimates would include the same underlying credit risk assumptions as FCRA estimates, and add an additional premium above the expected costs.

Posing an additional challenge to the goals of transparency and accuracy, fair value cost estimates include unobservable factors—including the premium that a private actor would demand to compensate for uncertainty of future performance. In contrast to FCRA, one could not use actual cash flows of the credit programs to validate estimates of fair value. Except in the limited cases where a credit program intervened in a well-functioning liquid market with observable prices, estimates of fair value could only be compared to other estimates of fair value. Thus, confirming the accuracy of fair value estimates would be an insurmountable implementation challenge.

Inclusion of costs not relevant to taxpayers. Many of the factors reflected in fair value pricing are not relevant to taxpayers (versus market investors). As a result, fair value cost estimates overstate the cost to the Government. These estimates reflect a premium for uncertainty. However, the cost of uncertainty for the Federal government may be significantly lower than it would be for private sector lenders, particularly when dealing with assets that do not trade in well-functioning liquid markets that allow diversification among private investors.[3] The Government is able to spread risk across a large number of investments, and across a large set of stakeholders, including across generations, in ways that are not always possible for private investors.

[2] Excludes the Troubled Asset Relief Program and the International Monetary Fund increases provided in the 2009 Supplemental Appropriations Act, where reestimates reflect the return of a market risk adjustment premium. Also excludes reestimates from the Small Business Lending Fund, an equity program presented on a FCRA basis pursuant to legislation.

[3] See discussion on uncertainty premium on pages 397-398 of the *Analytical Perspectives* volume of the 2013 Budget.

Other factors aside from the uncertainty premium would also contribute to overstatement of the costs to taxpayers under fair value cost estimates. Such factors include the liquidity premium and a component related to the exemption of Treasuries from the State income tax. The liquidity premium in particular is less relevant to taxpayers, because the Government can easily borrow in the Treasury securities market with minimal transaction costs.

Lack of comparable market data. Due to the lack of historical data and market information, it is difficult to apply standard private sector methods to calculate fair value estimates for Federal credit programs. Often there are not comparable market instruments for Federal credit. The Government typically intervenes to improve efficiency in inefficient markets, so either comparable financial products do not exist, or their prices are distorted. Market information, including interest rates, can be also misleading during periods of financial instability. The availability of historical data varies widely across programs. Even in well-developed markets, the presence of Federal programs can distort market prices. For example, information problems discussed earlier in this chapter lead to inefficiencies in markets for student loans and small business loans. In those cases, market interest rates may reflect other complex factors that cannot be captured.

Lack of estimation methods. Even if data and information were available, estimating fair value costs requires advanced financial knowledge and sophisticated modeling techniques. Attempting to isolate the elements of fair value that are relevant to the Government would require judgment, and reasonable analysts would yield very different results. Estimating FCRA budget costs is much more straightforward, as expected costs can be compared to actuals, and actual experience can then inform new cost estimates. In contrast, because market factors are not observable and/or are difficult to estimate from market yields, there is no way to verify or validate the fair value component of costs. Using private sector valuation methods in these cases would produce highly subjective costs estimates which would be difficult to validate and raise conceptual concerns regarding consistency across credit programs and other forms of Federal spending.

Implications for fair value cost estimates. While there have been estimates of the "fair value" cost of credit programs, these estimates rely on analytical shortcuts to incorporate unobservable factors, and private sector valuation methods and assumptions that do not translate to Federal assistance. In contrast, FCRA costs reflect estimated cashflows, including expected risks. So if an initial FCRA cost estimate suggested a $2 million cost for a $100 million loan program, and actual lifetime costs proved to be $4 million, the change in cost can be traced back to the actual cashflows to and from the Government, and updated through reestimates. Actual experience may deviate from initial estimates; however, through the reestimates FCRA subsidy costs are ultimately tied to actual cashflows with the public and actual experience feeds into future estimates as appropriate. In contrast, fair value cost estimates include unobservable factors—including how the market would price specific contract terms, expected losses, and the premium that a private actor would demand to compensate for uncertainty of future performance. The original fair value cost estimate may be $10 million for the same program, but there would be no way to compare the market price assumptions against program experience after the fact, as these are not tied to actual cashflows and these unobservable costs would always remain unknown.

Imbalance in budgetary accounting. The primary role of the budget is to reflect the fiscal position of the Federal Government—and fair value as proposed would not produce an accurate estimate of the fiscal position. Where FCRA cost estimates and budgetary accounting tie the cost of credit programs to actual cash flows, fair value cost estimates could cause an imbalance because the cost estimate for a program would exceed the expected cost to the Government. Under fair value cost estimates, the cost estimate and estimated impact on the deficit for the same program could be different from one another, raising concerns about consistency and transparency. A full accounting of the scoring under fair value should result in the same net deficit effect as credit programs under FCRA—so if legislators are scored higher costs for the premium charged on a fair value basis, such scoring should also recognize the savings from the premium reflected in fair value costs.

Lack of Comparability across Federal Spending

FCRA placed loan and guarantee programs on a comparable basis, and also allowed comparison across forms of Federal spending based on lifetime expected costs. Because fair value estimates reflect market pricing, fair value costs would be higher than the lifetime expected costs reflected in FCRA estimates for credit programs, and cost estimates for other forms of Federal spending. If the budget were to include costs beyond the expected fiscal impact of Federal spending for credit programs, it should include other economic and indirect effects for all programs—both costs and benefits. For any program involving externalities, the economic costs may differ significantly from the budget costs. For example, the budgetary cost of building a highway does not include the social cost of environmental damages, or the social benefit of lower transportation costs. The right way to incorporate information beyond the fiscal impact of government activities is cost-benefit analysis, which weighs the social benefit of each program against its social cost in a comprehensive manner.

Efficient allocation of Federal resources across programs. It would be inconsistent to incorporate the uncertainty premium for credit programs alone, when it may also be relevant to many other Federal programs whose costs are tied to economic conditions, such as unemployment insurance. Changes in mandatory programs and tax law all have effects on the budget that need to be weighed against each other and against changes in discretionary spending on the basis of their uncertain estimates. Compared with the uncertainty associated with the deficit impact of mandatory programs and tax collection, the uncertainty in the outcomes of credit programs is minuscule. Scoring economic costs only to credit programs could distort decision making, placing a thumb on the scale against credit assistance.

Implementation Costs and Challenges of Fair Value

Beyond the conceptual issues of fair value, there are practical implementation issues that would need to be addressed. Premature or piecemeal implementation of fair value could prove extremely costly, with little long-term benefit in terms of more accurate cost information and efficient resource allocation. Depending on the nature of a fair value proposal, it could require a significant investment in OMB, Treasury, and Federal credit agency resources to implement, or it could divert limited administrative resources from management and oversight of affected programs.

Methods for estimating fair value would need to be explored and developed, along with guidance to ensure consistent and appropriate application across programs. While the components of market prices may be estimated, the degree of accuracy can vary widely. Guidance would also need to be developed to account for actual costs over time to ensure transparency and accuracy in the costs of outstanding loans and guarantees and the effects of policy changes on program costs. However, it is not clear that it is possible to develop guidance that could overcome the inherent problems identified above.

In implementing current FCRA requirements, some Federal credit programs have faced significant administrative challenges in hiring staff with the right technical skill sets, and developing critical management infrastructure, including financial accounting systems, monitoring, and modeling capabilities. Fair value would place much greater demands on agencies in all of these areas. For some of these programs, greater investment in preparing FCRA estimates might do more to improve cost measurement than investment in preparing fair value estimates.

The Troubled Asset Relief Program (TARP) implemented a risk-adjusted cost estimate, similar to fair value, based on the direction in the Economic Emergency Stabilization Act of 2008. The Act provided Treasury permanent indefinite budget authority to fund administrative costs, in contrast to the funding for administrative expenses of most other credit programs, which are annually appropriated and constrained by the discretionary caps. Implementation has been extremely resource-intensive, requiring large investments in private sector financial advisors, datasets, and systems. Agencies with limited administrative resources may not be able to support necessary investments for accurate fair value estimates, or doing so could draw resources away from mitigating risks and costs that otherwise may be within the agency's ability to control. Ultimately, the lifetime cost to Government under TARP is expected to be far lower than originally estimated, as premiums for market risk are returned to Treasury through downward reestimates over time, raising the question of the value of the original fair value estimates.

Summary

Fair value cost of estimates for Federal credit programs have the potential to capture elements of cost that are not included in FCRA-based cost estimates. Using fair value cost estimates in the budget, however, would not represent an improvement over the methods in use today. The budget is more informative when it shows the direct cost to the Government in an accurate and transparent manner, as opposed to the economic cost, or other definitions of cost that depend on unobservable values. It is conceptually difficult to identify the uncertainty premium relevant to taxpayers, which differs in many cases from the uncertainty premium for private investors. Even if conceptual issues were resolved to a reasonable extent, it would be very costly and difficult to estimate fair value costs due to the paucity of historical data and limited relevance of market information.

For some programs, greater investment in preparing FCRA estimates might do more to improve cost measurement than investment in preparing fair value estimates. Alternatives to fair value budgeting to inform decision-making for credit programs should be evaluated—including greater investment in improving FCRA cost estimates, and strengthened cost-benefit analyses at the program level.

Chart 22-1. Face Value of Federal Credit Outstanding

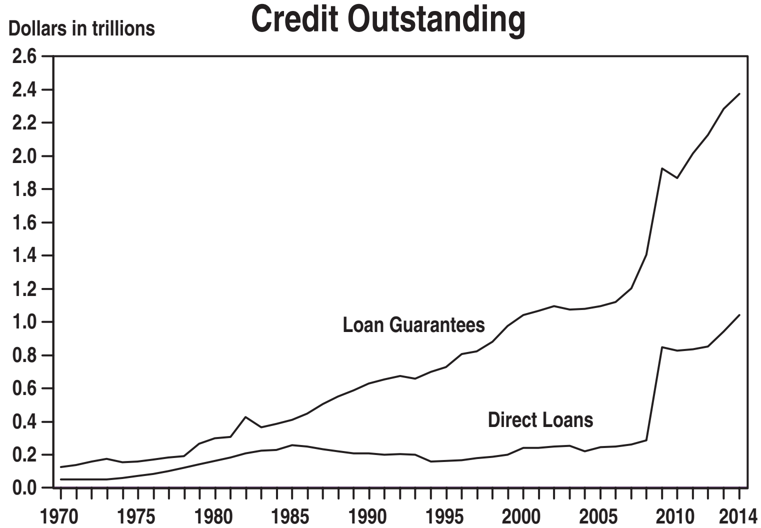


Table 22–2. ESTIMATED FUTURE COST OF OUTSTANDING FEDERAL CREDIT PROGRAMS

(In billions of dollars)

Program	Outstanding 2011	Estimated Future Costs of 2011 Outstanding [1]	Outstanding 2012	Estimated Future Costs of 2012 Outstanding [1]
Direct Loans: [2]				
Federal Student Loans	378	–14	510	–17
Troubled Asset Relief Program (TARP) [3]	100	42	40	24
Education Temporary Student Loan Purchase Authority	98	–13	95	–14
GSE Mortgage-Backed Securities Purchase Program	71	–2	....	....
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	52	10	53	9
Rural Utilities Service and Rural Telephone Bank	47	2	52	2
State Housing Finance Authority Direct Loans	15	1	14	1
Export-Import Bank	9	7	10	8
Housing and Urban Development	9	2	13	2
Disaster Assistance	8	2	8	2
Department of Energy, Title 17, ATVM	7	1	12	2
Public Law 480	5	2	4	3
Agency for International Development	4	1	4	1
Small Business Lending Fund [3]	4	–*	4	–*
Other direct loan programs [3]	30	10	33	8
Total direct loans	837	51	852	31
Guaranteed Loans: [2]				
FHA-Mutual Mortgage Insurance Fund	1,043	28	1,118	43
Federal Student Loans	328	10	291	1
Department of Veterans Affairs (VA) Mortgages	258	5	296	6
FHA-General and Special Risk Insurance Fund	138	8	144	12
Farm Service Agency (excl. CCC), Rural Development, Rural Housing	83	4	97	4
Small Business Administration (SBA) [4]	82	5	87	4
Export-Import Bank	49	1	57	2
International Assistance	20	3	21	2
Commodity Credit Corporation	6	*	5	*
Government National Mortgage Association (GNMA) [4]	....	*	....	*
Other guaranteed loan programs [4, 5]	10	1	12	*
Total guaranteed loans	2,017	64	2,128	74
Total Federal credit	**2,854**	**115**	**2,980**	**105**

* $500 million or less.

[1] Direct loan future costs reflect the financing account allowance for subsidy cost and the liquidating account allowance for estimated uncollectible principal and interest. Loan guarantee future costs reflect estimated liabilities for loan guarantees.

[2] Excludes loans and guarantees by deposit insurance agencies and programs not included under credit reform, such as Commodity Credit Corporation (CCC) commodity price supports. Defaulted guaranteed loans that result in loans receivable are included in direct loan amounts.

[3] As authorized by the statute, table includes equity purchases under the TARP, the Small Business Lending Fund and IMF transactions resulting from the 2009 Supplemental Appropriations Act. Future costs for the TARP and IMF transactions reflected here are calculated using the discount rate required by the Federal Credit Reform Act adjusted for market risks, as directed in legislation.

[4] To avoid double-counting, outstandings for SBA and GNMA secondary market guarantees of federally-guaranteed loans, and the TARP FHA Letter of Credit are excluded from the totals.

[5] Includes Department of Energy Title 17 loan guarantees financed by private lenders.

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992-2012 [1]

(Outlays and receipts, in millions of dollars)

Agency and Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DIRECT LOANS												
Agriculture:												
Agriculture Credit Insurance Fund	921	10	–701	–147	–2	–14	–251	–478	326	–147	93	1
Farm Storage Facility Loans	–1	–7	–8	7	–1	....	50	–47	–11	–19	–5	–19
Apple Loans	–2	1	....	*	*	*	*	–1	–1	–*	–*	....
Emergency Boll Weevil Loans	....	1	*	*	3	....	*	*	–*	–*	–2	*
Distance Learning, Telemedicine, and Broadband Loans	1	–1	–1	1	7	1	3	–3	1	–2	–30	22
Rural Electrification and Telecommunications Loans	–42	101	265	143	–197	–108	–149	293	248	192	–66	199
Rural Telephone Bank	....	–3	–7	–6	–17	–48	–22	36	1	–4	–2	1
Rural Housing Insurance Fund	–29	–435	–64	–200	109	....	–13	–405	18	170	297	188
Rural Economic Development Loans	–1	–1	....	–2	*	–3	3	–1	–4	–2	*	–1
Rural Development Loan Program	–1	–3	....	–3	–2	–7	*	–4	–4	–4	–3	–2
Rural Community Facilities Program	....	....	....	....	....	....	4	77	–19	–31	–100	–24
Rural Business and Industry Program	....	....	....	....	....	....	–22	–5	–5	4	–20	2
Rural Water and Waste Disposal Program	....	....	....	....	....	....	–13	72	–124	–52	–84	–193
Rural Community Advancement Program [2]	3	–1	–84	–34	–73	–77	....	....	....	....	....	....
P.L. 480	65	–348	33	–43	–239	–26	44	–163	–171	23	19	10
P.L. 480 Title I Food for Progress Credits	....	–112	–44	....	....	....	....	....	....	....	....	....
Commerce:												
Fisheries Finance	–1	–3	....	1	–15	–12	11	–16	–*	*	*	–9
Defense—Military Programs:												
Military Housing Improvement Fund	....	....	....	*	–4	–1	–8	–2	–13	–8	–29	–4
Education:												
Federal Direct Student Loan Program: [3]												
Volume reestimate	....	43	....	....	....	....	....	....	....	....	....	....
Other technical reestimate	....	3,678	1,999	855	2,827	2,674	408	–45	–1,176	–5,624	5,511	–8,273
Temporary Student Loan Purchase Authority: [3]												
Volume reestimate	....	....	....	....	....	....	....	418	....	....	....	....
Other technical reestimate	....	....	....	....	....	....	....	444	1,076	–5,529	–1,434	1,293
College Housing and Academic Facilities Loans	....	....	....	....	....	*	*	*	*	*	–*	–*
Historically Black Colleges and Universities	....	....	....	....	....	11	–16	–24	–75	68	–4	–125
TEACH Grants	....	....	....	....	....	....	....	....	11	–5	18	–15
Energy:												
Advanced Technology Vehicle Manufacturing Fund	....	....	....	....	....	....	....	....	12	–712	–985	–906
Title 17 Innovative Technology Fund	....	....	....	....	....	....	....	....	–*	55	409	12
Health and Human Services:												
Consumer Operated and Oriented Plan	....	....	....	....	....	....	....	....	....	....	....	3
Homeland Security:												
Disaster Assistance	–7	–6	*	4	*	*	*	....	–18	–1	–252	–23
Interior:												
Bureau of Reclamation Loans	–9	–14	....	17	1	1	5	–3	–1	–9	–9	–*
Bureau of Indian Affairs Direct Loans	–1	2	*	*	*	1	–1	....	1	1	*	....
Assistance to American Samoa	....	....	*	*	....	2	....	....	–4	*	–*	–*
Housing and Urban Development:												
Green Retrofit Program for Multifamily Housing, Recovery Act	....	....	....	....	....	....	....	....	....	....	....	1
State:												
Repatriation Loans	....	....	....	....	....	....	....	....	....	....	–7	–1
Transportation:												
Alameda Corridor Loan	....	....	–12	....	....	....	....	....	....	....	....	....
Transportation Infrastructure Finance and Innovation	....	....	....	3	–11	7	11	–163	92	17	–64	–55
Railroad Rehabilitation and Improvement Program	....	....	–5	–14	–11	–1	15	–8	15	13	–16	–7

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992-2012 [1]—Continued

(Outlays and receipts, in millions of dollars)

Agency and Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Treasury:												
GSE Mortgage-backed Securities Purchase Program	....	....	....	....	....	....	....	....	–8,165	2,054	–7,075	–320
Community Development Financial Institutions Fund	....	*	–1	*	–1	1	*	....	–2	2	–1	–*
Troubled Asset Relief Program Direct Loan [4]	....	....	....	....	....	....	....	....	–15,499	–4,195	3,334	–1,862
Troubled Asset Relief Program Equity [4]	....	....	....	....	....	....	....	....	–90,601	–47,207	11,220	–7,113
Small Business Lending Fund [4]	....	....	....	....	....	....	....	....	....	....	–368	32
Veterans Affairs:												
Veterans Housing Benefit Program Fund	–697	17	–178	987	–44	–76	–402	20	69	45	389	20
Native American Veteran Housing	....	–3	*	*	*	1	1	*	–*	2	6	3
Vocational Rehabilitation Loans	....	*	*	*	–1	1	–1	1	–*	*	–*	*
Environmental Protection Agency:												
Abatement, Control and Compliance	–1	*	–3	*	*	*	*	*	–*	–*	*	*
International Assistance Programs:												
Foreign Military Financing	119	–397	–64	–41	–7	–6	7	....	....	....	37	116
U.S. Agency for International Development:												
Micro and Small Enterprise Development	*	....	*	....	....	....	....	....	....	....	....	....
Overseas Private Investment Corporation:												
OPIC Direct Loans	....	–4	–21	3	–7	72	31	–15	–46	6	–12	11
IMF Quota and New Arrangements to Borrow [4]	....	....	....	....	....	....	....	....	....	....	17	....
Debt Reduction	....	*	–47	–104	54	–3	....	....	....	....	....	....
Small Business Administration:												
Business Loans	–2	1	25	....	–16	–4	4	7	3	1	1	–2
Disaster Loans	–14	266	589	196	61	258	–109	134	157	136	126	1
Other Independent Agencies:												
Export-Import Bank Direct Loans	117	–640	–305	111	–257	–227	–120	7	54	394	382	353
Federal Communications Commission	92	346	380	732	–24	11	....	–100	–23	12	3	–*
LOAN GUARANTEES												
Agriculture:												
Agriculture Credit Insurance Fund	40	–36	–33	–22	–162	20	–36	–48	–4	–58	–75	–26
Agriculture Resource Conservation Demonstration	....	1	–1	*	*	....	....	....	....	....	....	....
Biorefinery Assistance	....	....	....	....	....	....	....	....	....	*	20	–26
Commodity Credit Corporation Export Guarantees	....	–13	–230	–205	–366	–232	–225	–39	9	–22	48	36
Rural Electrification and Telecommunications Loans	....	....	....	....	....	*	*	*	–*	–*	–*	–*
Rural Housing Insurance Fund	–56	32	50	66	44	....	–19	–24	81	183	312	662
Rural Business and Industry Program	....	....	....	....	....	....	–9	–11	41	72	178	90
Rural Community Facilities Program	....	....	....	....	....	....	–1	13	7	11	13	–3
Rural Water and Waste Disposal Program	....	....	....	....	....	....	....	....	1	*	–*	–*
Rural Community Advancement Program [2]	17	91	15	29	–64	–16	....	....	....	....	....	....
Rural Energy for America	....	....	....	....	....	....	*	*	2	4	13	–*
Commerce:												
Fisheries Finance	–1	3	*	1	*	1	*	*	*	*	*	–*
Emergency Steel Guaranteed Loans	....	50	*	3	–75	–13	1	–53	....	....	....	....
Emergency Oil and Gas Guaranteed Loans	*	*	*	*	–1	*	*	....	....	....	....	....
Defense—Military Programs:												
Military Housing Improvement Fund	....	....	–3	–1	–3	–5	–1	–2	–3	–2	–2	–2
Defense Export Loan Guarantee	....	....	....	–5	....	....	....	....	....	....	....	....
Arms Initiative Guaranteed Loan Program	....	....	....	....	....	....	20	....	2	–3	....	–1
Education:												
Federal Family Education Loan Program: [3]												
Volume reestimate	....	277	....	....	....	....	....	....	....	....	....	....
Other technical reestimate	....	–2,483	–3,278	1,348	6,837	–3,399	–189	–13,463	–7,008	–14,455	–10,354	–6,305
Energy:												
Title 17 Innovative Technology Fund	....	....	....	....	....	....	....	....	....	*	12	–4

Table 22–3. REESTIMATES OF CREDIT SUBSIDIES ON LOANS DISBURSED BETWEEN 1992-2012 [1]—Continued

(Outlays and receipts, in millions of dollars)

Agency and Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Health and Human Services:												
Heath Center Loan Guarantees	*	*	....	1	*	*	–1	–2	*	–*	....	....
Health Education Assistance Loans	....	–5	–37	–33	–18	–20	*	–15	–5	13	–5	25
Housing and Urban Development:												
Indian Housing Loan Guarantee	*	–1	*	–3	–1	*	–5	–7	–7	–2	13	–9
Title VI Indian Guarantees	....	–1	1	4	*	–4	–3	–2	–2	–1	–2	–2
Native Hawaiian Housing	....	....	....	....	....	....	....	....	–*	–*	*	–1
Community Development Loan Guarantees	....	....	19	–10	–2	4	1	–1	–9	–8	2	5
FHA-Mutual Mortgage Insurance	–1,308	1,100	5,947	1,979	2,842	636	3,923	9,262	8,435	5,014	5,628	17,642
FHA-General and Special Risk Insurance Fund	–403	77	352	507	238	–1,254	–362	6,086	571	1,848	–1,200	3,626
Guarantees of Mortgage-backed Securities	....	....	....	....	....	....	....	....	....	684	132	97
Interior:												
Bureau of Indian Affairs Guaranteed Loans	–1	–2	–2	*	15	5	–30	–3	11	4	–19	....
Bureau of Indian Affairs Insured Loans	....	....	....	....	....	....	....	....	....	–*	....	....
Transportation:												
Maritime Guaranteed Loans (Title XI)	187	27	–16	4	–76	–11	–51	23	8	32	3	–15
Minority Business Resource Center	1	....	*	*	....	*	*	....	–*	–*	–*	–*
Treasury:												
Air Transportation Stabilization Program	....	113	–199	292	–109	–95	....	....	....	....	....	....
Troubled Asset Relief Program [4]	....	....	....	....	....	....	....	....	–517	–691	28	–159
Veterans Affairs:												
Veterans Housing Benefit Fund Program	–163	–184	–1,515	–462	–842	–525	182	–70	494	1,084	654	1,162
International Assistance Programs:												
U.S. Agency for International Development:												
Development Credit Authority	–1	....	1	–3	–2	2	11	5	–8	–6	4	–5
Micro and Small Enterprise Development	....	....	2	–2	....	–3	*	....	....	–1	....	....
Urban and Environmental Credit	–4	–15	48	–2	–5	–11	–22	7	–1	–10	–6	–3
Assistance to the New Independent States of the Former Soviet Union	–34	....	....	....	....	....	....	....	....	....	....	....
Loan Guarantees to Israel	....	....	–76	–111	188	34	–16	–46	283	–21	–316	–35
Loan Guarantees to Egypt	....	....	....	....	7	14	–12	12	–11	6	–54	213
Loan Guarantees to Tunisia	....	....	....	....	....	....	....	....	....	....	....	–18
Overseas Private Investment Corporation:												
OPIC Guaranteed Loans	5	77	60	–212	–21	–149	–268	–26	–23	–13	39	–27
Small Business Administration:												
Business Loans	–226	304	1,750	1,034	–390	–268	–140	931	3,746	3,711	1,512	–860
Other Independent Agencies:												
Export-Import Bank Guarantees	–417	–2,042	–1,133	–655	–1,164	–579	–174	23	571	–370	–312	291
Total	**–1,854**	**–142**	**3,468**	**6,008**	**9,003**	**–3,441**	**2,044**	**2,576**	**–107,214**	**–63,353**	**7,560**	**–338**

* Less than $500,000.

[1] Excludes interest on reestimates. Additional information on credit reform subsidy reestimates is available in the Federal Credit Supplement.

[2] Includes Rural Water and Waste Disposal, Rural Community Facilities, and Rural Business and Industry programs through 2007.

[3] Volume reestimates in mandatory programs represent a change in volume of loans disbursed in the prior years.

[4] As authorized by law, table includes reestimated subsidy costs of equity purchases under the TARP and the Small Business Lending Fund, and IMF transactions authorized under the Supplemental Appropriations Act of 2009. Subsidy costs for the TARP and IMF activity reflected on a credit reform basis are estimated using the discount rate required under the FCRA, adjusted for market risks, as directed in legislation. The Administration proposes restating IMF amounts provided in 2009. Please see the Budget Appendix for more information.

Table 22–4. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2012–2014

(Dollars in millions)

Agency and Program	2012 Actual			2013 CR			2014 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	5.27	93	1,751	4.65	81	1,758	3.72	70	1,906
Farm Storage Facility Loans Program Account	–2.30	–5	200	–2.48	–7	309	–2.53	–8	309
Rural Electrification and Telecommunications Loans Program Account	–4.19	–202	4,822	–6.20	–299	4,822	–3.00	–140	4,690
Distance Learning, Telemedicine, and Broadband Program	3.55	2	69	9.47	5	53	13.05	34	257
Rural Water and Waste Disposal Program Account	9.58	91	947	8.07	77	951	–0.87	–10	1,200
Rural Community Facilities Program Account	–3.03	–39	1,271	–2.08	–27	1,300	–13.21	–198	1,500
Multifamily Housing Revitalization Program Account	52.12	8	15	53.96	11	19	50.32	18	36
Rural Housing Insurance Fund Program Account	6.68	65	973	9.67	83	858	5.83	28	472
Rural Microenterprise Investment Program Account	....	....	....	....	....	....	6.26	3	46
Rural Development Loan Fund Program Account	33.88	6	18	32.04	6	19	21.61	4	19
Rural Economic Development Loans Program Account	12.98	6	41	12.39	10	78	8.45	6	73
Commerce:									
Fisheries Finance Program Account	–8.45	–6	65	–4.21	–4	83	–7.56	–6	83
Defense—Military Programs:									
Defense Family Housing Improvement Fund	14.07	20	143	16.26	60	367	....	....	....
Education:									
College Housing and Academic Facilities Loans Program Account	5.50	13	235	6.29	20	318	3.09	10	320
Teacher Education Assistance	10.25	14	138	1.48	2	125	1.52	1	94
Federal Perkins Loan Program Account	....	....	....	....	....	....	–30.07	–1,409	4,684
Federal Direct Student Loan Program Account	–16.49	–27,101	164,302	–17.94	–26,141	145,690	–18.99	–29,174	153,604
Energy:									
Title 17 Innovative Technology Loan Guarantee Program	....	....	....	[2]	....	9,050	[2] 1.72	169	9,822
Advanced Technology Vehicles Manufacturing Loan Program Account	....	....	....	[2] 25.44	4,224	16,602	....	....	....
Health and Human Services:									
Consumer Operated and Oriented Plan Program Account	42.91	725	1,691	41.35	122	295	....	....	....
Consumer Operated and Oriented Plan Program Contingency Fund	....	....	....	37.66	68	180	....	....	....
Homeland Security:									
Disaster Assistance Direct Loan Program Account	86.06	4	5	85.69	335	392	....	....	....
Housing and Urban Development:									
FHA-Mutual Mortgage Insurance Program Account	....	....	....	....	....	50	....	....	20
FHA-General and Special Risk Program Account	....	....	....	....	....	1	....	....	1
Emergency Homeowners’ Relief Fund	97.72	18	19	97.71	22	23	....	....	....
State:									
Repatriation Loans Program Account	57.85	1	2	57.67	1	2	63.06	1	2
Transportation:									
TIFIA General Fund Program Account, Federal Highway Administration, Transportation	1.05	6	546	8.28	39	466	....	....	....
Federal-aid Highways	5.50	47	852	9.66	746	7,723	10.16	995	9,793
Railroad Rehabilitation and Improvement Program	–2.12	–3	139	....	....	600	....	....	600
Treasury:									
Community Development Financial Institutions Fund Program Account	40.26	6	15	32.15	8	25	[2] 0.22	2	1,025
Veterans Affairs:									
Veterans Housing Benefit Program Fund	–1.93	–3	163	–12.20	–33	268	–21.58	–89	413
Native American Veteran Housing Loan Program Account	–8.82	–1	8	–13.87	–2	14	–13.12	–2	14
International Assistance Programs:									
Development Credit Authority Program Account	....	....	....	27.42	3	10	27.14	3	10
Overseas Private Investment Corporation Program Account	–1.64	–5	422	–3.10	–23	750	–4.28	–51	1,200

Table 22–4. DIRECT LOAN SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2012–2014—Continued

(Dollars in millions)

Agency and Program	2012 Actual			2013 CR			2014 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Small Business Administration:									
Disaster Loans Program Account	11.03	52	463	11.11	455	4,100	8.48	93	1,100
Business Loans Program Account	19.43	9	42	15.71	7	43	18.64	5	25
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	–13.69	–1,611	11,765	15.03	15	100	9.70	15	150
National Infrastructure Bank:									
National Infrastructure Bank Program Account	....	....	....	....	....	....	[2] 11.57	58	500
Total	**N/A**	**–27,790**	**191,122**	**N/A**	**–20,136**	**197,444**	**N/A**	**–29,572**	**193,968**

N/A = Not applicable.

[1] Additional information on credit subsidy rates is available in the Federal Credit Supplement.

[2] Rate reflects notional estimate. Estimates will be determined at the time of execution, and will reflect the terms of the contracts and other characteristics.

Table 22–5. LOAN GUARANTEE SUBSIDY RATES, BUDGET AUTHORITY, AND LOAN LEVELS, 2012–2014

(Dollars in millions)

Agency and Program	2012 Actual			2013 CR			2014 Proposed		
	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels	Subsidy rate [1]	Subsidy budget authority	Loan levels
Agriculture:									
Agricultural Credit Insurance Fund Program Account	0.66	16	2,434	0.64	25	3,859	0.40	14	3,650
Commodity Credit Corporation Export Loans Program Account	–0.69	–29	4,132	–1.16	–64	5,500	–1.14	–63	5,500
Rural Water and Waste Disposal Program Account	1.59	*	8	1.06	2	177	0.71	1	98
Rural Community Facilities Program Account	4.73	10	202	6.70	8	125	6.21	3	49
Rural Housing Insurance Fund Program Account	–0.03	–6	19,316	–0.25	–60	24,130	–0.14	–34	24,150
Rural Business Program Account	5.58	59	1,053	5.88	51	860	6.99	63	897
Rural Energy for America Program	26.19	4	14	24.01	13	53	27.43	33	120
Biorefinery Assistance Program Account	31.30	145	462	42.00	40	96	......	......	......
Health and Human Services:									
Health Resources and Services	2.67	*	10	1.79	*	12	4.53	*	6
Housing and Urban Development:									
Indian Housing Loan Guarantee Fund Program Account	1.46	12	792	1.35	5	368	0.33	6	1,818
Native Hawaiian Housing Loan Guarantee Fund Program Account	0.93	*	4	0.50	1	14	0.53	1	38
Native American Housing Block Grant	10.80	2	20	10.91	5	45	12.10	5	45
Community Development Loan Guarantees Program Account	2.48	5	206	2.46	9	364	......	......	500
FHA-Mutual Mortgage Insurance Program Account	–2.47	–5,582	226,523	–6.73	–18,177	270,180	–6.50	–12,959	199,336
FHA-General and Special Risk Program Account	–1.98	–438	22,050	–4.21	–996	23,670	–3.87	–848	21,912
Interior:									
Indian Guaranteed Loan Program Account	8.38	6	73	5.53	4	73	5.75	4	70
Transportation:									
Minority Business Resource Center Program	1.81	*	5	1.73	*	18	1.76	*	18
Federal-aid Highways	......	......	......	7.60	10	132	......	......	......
Railroad Rehabilitation and Improvement Program	......	......	......	......	......	100	......	......	100
Maritime Guaranteed Loan (Title XI) Program Account	......	......	......	9.02	38	421	......	......	......
Veterans Affairs:									
Veterans Housing Benefit Program Fund	–0.11	–143	120,252	–0.10	–108	108,211	–0.02	–13	65,533
International Assistance Programs:									
Loan Guarantees to Israel Program Account	......	......	......	......	......	1,270	......	......	1,274
Tunisia Loan Guarantee Program Account	6.16	30	485	......	......	......	......	......	......
Development Credit Authority Program Account	5.04	26	524	6.45	47	729	4.07	25	618
Overseas Private Investment Corporation Program Account	–8.84	–250	2,836	–5.99	–132	2,200	–6.57	–243	3,700
Small Business Administration:									
Disaster Loans Program Account	......	......	......	1.94	*	18	......	......	......
Business Loans Program Account	0.36	195	54,309	0.48	428	88,731	0.14	101	73,427
Export-Import Bank of the United States:									
Export-Import Bank Loans Program Account	–1.40	–336	24,020	–3.07	–1,178	38,372	–2.60	–1,107	42,531
National Infrastructure Bank:									
National Infrastructure Bank Program Account	......	......	......	......	......	......	[2] 8.85	18	200
Total	**N/A**	**–6,274**	**479,730**	**N/A**	**–20,029**	**569,728**	**N/A**	**–14,993**	**445,590**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS									
GNMA:									
Guarantees of Mortgage-backed Securities Loan Guarantee Program Account	–0.19	–737	388,029	–0.23	–580	252,000	–0.22	–542	246,500
Treasury:									
Troubled Asset Relief Program, Housing Programs [3]	4.00	9	234	2.48	129	5,229	......	......	......
SBA:									
Secondary Market Guarantee Program	......	......	3,926	......	......	12,000	......	......	12,000
Total, secondary guaranteed loan commitments	**N/A**	**–728**	**392,189**	**N/A**	**–451**	**269,229**	**N/A**	**–542**	**258,500**

N/A = Not applicable.

* Less than $500,000.

[1] Additional information on credit subsidy rates is available in the Federal Credit Supplement.

[2] Rate reflects notional estimate. Estimates will be determined at the time of execution, and will reflect the terms of the contracts and other characteristics.

[3] Amounts reflect the TARP FHA Refinance Letter of Credit program. Subsidy costs for this program are calculated using the discount rate required by the FCRA, adjusted for market risks, as directed in legislation.

Table 22–6. SUMMARY OF FEDERAL DIRECT LOANS AND LOAN GUARANTEES [1]

(In billions of dollars)

	Actual								Estimate	
	2005	2006	2007	2008	2009	2010	2011	2012	2013 CR	2014
Direct Loans:										
Obligations	56.3	57.8	42.5	75.6	812.9	246.0	296.3	191.1	197.4	194.0
Disbursements	50.6	46.6	41.7	41.1	669.4	218.9	186.7	170.0	179.9	222.8
New subsidy budget authority [2]	2.1	4.7	1.4	3.7	140.1	–9.2	–15.7	–27.2	–20.1	–26.7
Reestimated subsidy budget authority [2,3]	3.8	3.1	3.4	–0.8	–0.1	–125.1	–66.8	16.8	–19.5	....
Total subsidy budget authority	**6.0**	**7.8**	**4.8**	**–1.3**	**140.0**	**–134.3**	**–82.5**	**–10.4**	**–39.6**	**–26.7**
Loan Guarantees:										
Commitments [4]	248.5	280.7	270.2	367.7	879.2	507.3	446.7	479.7	569.7	445.6
Lender disbursements [4]	221.6	256.0	251.2	354.6	841.5	494.8	384.1	444.3	487.0	383.6
New subsidy budget authority [2]	10.1	17.2	5.7	–1.4	–7.8	–4.9	–7.4	–6.9	–20.5	–19.2
Reestimated subsidy budget authority [2,3]	3.5	7.0	–6.8	3.6	0.5	7.6	–4.0	–4.9	20.8	....
Total subsidy budget authority	**13.6**	**24.2**	**–1.1**	**2.2**	**–7.2**	**2.8**	**–11.4**	**–11.8**	**0.3**	**–19.2**

[1] Includes equity purchases under the TARP and the Small Business Lending Fund, and IMF increases provided in the Supplemental Appropriations Act of 2009, as authorized by law.

[2] Credit subsidy costs for the TARP and IMF increases provided in the Supplemental Appropriations Act of 2009 are calculated using the discount rate required under the FCRA, adjusted for market risks, as directed in legislation. The Administration proposes restating IMF amounts provided in 2009. Please see the Budget Appendix for more information.

[3] Includes interest on reestimate.

[4] To avoid double-counting, totals exclude GNMA secondary guarantees of loans that are guaranteed by FHA, VA, and RHS, SBA's guarantee of 7(a) loans sold in the secondary market, and the TARP FHA Letter of Credit.

Table 22–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2012 Actual	2013 Estimate	2014 Estimate	2012 Actual	2013 Estimate	2014 Estimate
DIRECT LOAN WRITE-OFFS						
Agriculture:						
Agricultural Credit Insurance Fund	41	46	54	0.43	0.48	0.54
Rural Business and Industry Program	2	....	....	8.00	....	....
Rural Community Facility	13	....	....	0.29	....	....
Rural Housing Insurance Fund	42	56	56	0.15	0.21	0.21
Rural Water and Waste Disposal	15	....	....	0.12	....	....
Commerce:						
Economic Development Revolving Fund Liquidating Account	1	1	1	20.00	33.33	100.00
Defense—Military Programs:						
Family Housing Improvement Fund	....	2	3	....	0.14	0.18
Housing and Urban Development:						
Emergency Homeowners' Relief Fund	....	24	20	....	23.53	20.83
Guarantees of Mortgage-backed Securities	....	1	1	....	12.50	14.29
International Assistance Programs:						
Debt Reduction (Agency for International Development)	36	....	....	2.68	....	....
Overseas Private Investment Corporation	4	4	5	0.25	0.19	0.17
Small Business Administration:						
Business Loans	5	2	2	2.72	1.10	1.08
Disaster Loans	163	158	198	2.04	1.60	1.79
Transportation:						
Railroad Rehabilitation and Improvement Program	....	1	1	....	0.09	0.06
Treasury:						
Community Development Financial Institutions Fund	....	2	2	....	3.57	1.69
Small Business Lending Fund [2]	....	6	13	....	0.15	0.42
Troubled Asset Relief Program Equity Purchases [2]	....	3,013	3,930	....	8.92	21.31
Veterans Affairs:						
Veterans Housing Benefit Program	12	32	14	1.41	3.63	1.13
Other Independent Agencies:						
Export-Import Bank	1	10	10	0.01	0.08	0.09
Spectrum Auction	20	24	24	15.15	21.43	27.27
Total, direct loan write-offs	**355**	**3,382**	**4,334**	**0.20**	**2.76**	**3.96**
GUARANTEED LOAN TERMINATIONS FOR DEFAULT						
Agriculture:						
Agricultural Credit Insurance Fund	138	78	78	0.91	0.47	0.44
Biorefinery Assistance Guaranteed Loans	38	7	10	17.27	2.33	2.02
Commodity Credit Corporation Export Loans	....	92	92	....	0.84	0.82
Rural Business and Industry Program	161	232	264	2.08	2.92	3.31
Rural Community Facility	8	10	10	0.64	0.71	0.70
Rural Energy for America Program	....	8	8	....	7.55	7.48
Rural Housing Insurance Fund	561	501	586	0.69	0.52	0.52
Defense—Military:						
Family Housing Improvement Fund	....	5	7	....	1.14	1.53
Education:						
Federal Family Education Loans	13,480	9,066	7,404	4.11	3.12	2.86
Health Education Assistance Loans [3]	....	....	13	....	....	2.78
Energy:						
Title 17 Innovative Technology	....	4	17	....	0.12	0.43
Health and Human Services:						
Health Center Loan Guarantees	1	1	1	1.14	1.14	1.22
Health Education Assistance Loans [3]	23	16	....	3.78	3.24	....

Table 22–7. DIRECT LOAN WRITE-OFFS AND GUARANTEED LOAN TERMINATIONS FOR DEFAULTS—Continued

Agency and Program	In millions of dollars			As a percentage of outstanding loans [1]		
	2012 Actual	2013 Estimate	2014 Estimate	2012 Actual	2013 Estimate	2014 Estimate
Housing and Urban Development:						
FHA-General and Special Risk Insurance Fund	2,242	5,245	5,223	1.42	3.08	2.88
FHA-Mutual Mortgage Insurance	15,849	45,459	32,557	1.24	3.28	2.39
Home Ownership Preservation Equity Fund	1	2	2	0.83	1.64	1.69
Indian Housing Loan Guarantee	15	16	16	0.52	0.43	0.34
Native American Housing Block Grant	2	2	2	1.41	1.29	1.20
Interior:						
Indian Guaranteed Loans	....	2	2	....	0.33	0.34
International Assistance Programs:						
Development Credit Authority	2	3	3	0.47	0.56	0.48
Foreign Military Financing	2	1	....	0.46	0.34	....
Housing and Other Credit Guaranty Programs	8	7	8	1.37	1.36	1.78
Overseas Private Investment Corporation	23	79	55	0.32	0.81	0.42
Urban and Environmental Credit Program	4	4	4	1.62	1.71	1.89
Small Business Administration:						
Business Loans	3,279	2,966	2,764	3.22	2.74	2.37
Transportation:						
Maritime Guaranteed Loan (Title XI) Program	....	44	45	....	1.84	2.31
Treasury:						
Troubled Asset Relief Program, Home Affordable Modification	....	1	6	....	0.02	0.11
Veterans Affairs:						
Veterans Housing Benefit Program	2,057	2,173	2,473	0.54	0.54	0.54
Other Independent Agencies:						
Export-Import Bank	194	193	44	0.27	0.24	0.05
Total, guaranteed loan terminations for default	**38,088**	**66,217**	**51,694**	**1.56**	**2.54**	**1.95**
Total, direct loan write-offs and guaranteed loan terminations	**38,443**	**69,599**	**56,028**	**1.47**	**2.55**	**2.03**
ADDENDUM: WRITE-OFFS OF DEFAULTED GUARANTEED LOANS THAT RESULT IN LOANS RECEIVABLE						
Agriculture:						
Agricultural Credit Insurance Fund	18	10	10	11.54	6.21	5.75
Biorefinery Assistance Guaranteed Loans	33	....	....	86.84	....	....
Rural Business and Industry Program	63	46	68	12.48	9.68	11.09
Rural Energy for America Program	10	....	....	100.00	....	....
Rural Housing Insurance Fund	47	125	126	6.00	12.65	11.26
Education:						
Federal Family Education Loans	1,450	1,340	1,253	3.02	2.97	2.96
Health Education Assistance Loans [3]	....	....	21	....	....	2.54
Health and Human Services:						
Health Education Assistance Loans [3]	28	22	....	5.04	4.05	....
Housing and Urban Development:						
FHA-General and Special Risk Insurance Fund	830	962	1,166	13.81	12.57	13.78
FHA-Mutual Mortgage Insurance	....	126	142	....	3.91	3.31
International Assistance Programs:						
Overseas Private Investment Corporation	9	20	10	4.86	8.58	4.00
Small Business Administration:						
Business Loans	2,166	2,098	2,018	18.82	18.80	18.81
Veterans Affairs:						
Veterans Housing Benefit Program	2	4	2	13.33	12.90	10.53
Total, write-offs of loans receivable	**4,656**	**4,753**	**4,816**	**6.58**	**6.83**	**7.03**

[1] Loans outstanding at start of year plus new disbursements.
[2] Equity purchases under the TARP and the Small Business Lending Fund are reflected here as authorized by law.
[3] The Budget reflects the proposal to transfer the HEAL Loan Guarantee program from the Department of Health and Human Services to the Department of Education.

Table 22–8. APPROPRIATIONS ACTS LIMITATIONS ON CREDIT LOAN LEVELS [1]

(In millions of dollars)

Agency and Program	2012 Actual	2013 CR	2014 Estimate
DIRECT LOAN OBLIGATIONS			
Agriculture:			
Agricultural Credit Insurance Fund Direct Loan Financing Account	1,812	1,726	1,906
Distance Learning, Telemedicine, and Broadband Direct Loan Financing Account	69	53	257
Rural Economic Development Direct Loan Financing Account	33	33	33
Commerce:			
Fisheries Finance Direct Loan Financing Account	83	83	83
Education:			
Historically Black College and University Capital Financing Direct Loan Financing Account	368	368	320
Homeland Security:			
Disaster Assistance Direct Loan Financing Account	25	425	....
Housing and Urban Development:			
FHA-General and Special Risk Direct Loan Financing Account	20	20	20
FHA-Mutual Mortgage Insurance Direct Loan Financing Account	50	50	20
Treasury:			
Community Development Financial Institutions Fund Direct Loan Financing Account	25	25	1025
Veterans Affairs:			
Vocational Rehabilitation Direct Loan Financing Account	3	3	3
International Assistance Programs:			
Development Credit Authority Direct Loan Financing Account	10	10	10
Total, limitations on direct loan obligations	**2,498**	**2,796**	**3,677**
LOAN GUARANTEE COMMITMENTS			
Agriculture:			
Agricultural Credit Insurance Fund Guaranteed Loan Financing Account	2,611	3,859	3,650
Commerce:			
Economic Development Assistance Programs Financing Account	70	70	....
Housing and Urban Development:			
Indian Housing Loan Guarantee Fund Financing Account	360	360	1,818
Title VI Indian Federal Guarantees Financing Account	20	20	18
Native Hawaiian Housing Loan Guarantee Fund Financing Account	42	42	38
Community Development Loan Guarantees Financing Account	240	240	500
FHA-General and Special Risk Guaranteed Loan Financing Account	25,000	25,000	30,000
FHA-Mutual Mortgage Insurance Fund Guaranteed Loan Financing Account	400,000	400,000	400,000
Interior:			
Indian Guaranteed Loan Financing Account	73	73	70
Transportation:			
Minority Business Resource Center Guaranteed Loan Financing Account	18	18	18
International Assistance Programs:			
Development Credit Authority Guaranteed Loan Financing Account	740	740	740
Small Business Administration:			
Business Guaranteed Loan Financing Account [2]	28,000	28,000	35,500
Total, limitations on loan guarantee commitments	**457,174**	**458,422**	**472,352**
ADDENDUM: SECONDARY GUARANTEED LOAN COMMITMENT LIMITATIONS			
Housing and Urban Development:			
Guarantees of Mortgage-backed Securities Financing Account	500,000	500,000	500,000
Small Business Administration:			
Secondary Market Guarantees	12,000	12,000	12,000
Total, limitations on secondary guaranteed loan commitments	**512,000**	**512,000**	**512,000**

[1] Data represents loan level limitations enacted or proposed in appropriation acts. For information on actual and estimated loan levels supportable by new subsidy budget authority requested, see Tables 22–4 and 22–5.

[2] For SBA revolving credit facilities, amounts include maximum contingent liability.

23. HOMELAND SECURITY FUNDING ANALYSIS

Section 889 of the Homeland Security Act of 2002 requires that a homeland security funding analysis be incorporated in the President's Budget. This analysis addresses that legislative requirement, and covers homeland security funding and activities of all Federal agencies, not just those carried out by the Department of Homeland Security (DHS). Since not all activities carried out by DHS constitute traditional homeland security funding (e.g. response to natural disasters and Coast Guard search and rescue activities), DHS estimates in this section do not encompass the entire DHS budget. As also required in the Homeland Security Act of 2002, this analysis includes estimates of State, local, and private sector expenditures on homeland security activities.

The President's highest priority is to keep the American people safe. Homeland security budgetary priorities will continue to be informed by careful, government-wide strategic analysis and review.

Table 23–1. HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

	Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
1	Department of Agriculture	435.4	....	445.3	....	607.3
2	Department of Commerce*	338.4	....	542.5	....	2,567.6
3	Department of Defense	17,780.0	....	17,481.4	88.4	17,360.1
4	Department of Education	30.9	....	31.4	....	33.0
5	Department of Energy	1,938.1	....	1,926.1	....	1,920.4
6	Department of Health and Human Services	4,118.1	....	4,080.3	....	4,723.1
7	Department of Homeland Security	35,088.1	....	35,717.5	2.0	35,837.3
8	Department of Housing and Urban Development	2.0	....	2.0	....	1.0
9	Department of the Interior	57.6	....	56.6	....	56.9
10	Department of Justice	4,038.9	....	4,053.7	....	4,172.9
11	Department of Labor	45.5	....	36.5	....	36.8
12	Department of State	2,673.7	....	2,795.7	....	2,995.9
13	Department of Transportation	245.4	....	235.0	....	211.2
14	Department of the Treasury	121.8	....	123.7	....	124.0
15	Department of Veterans Affairs	380.9	....	367.5	....	375.5
16	Corps of Engineers	14.8	....	15.0	....	13.6
17	Environmental Protection Agency	102.1	....	102.0	....	102.3
18	Executive Office of the President	10.4	....	9.0	....	9.1
19	General Services Administration	38.0	....	18.0	....	371.0
20	National Aeronautics and Space Administration	225.2	....	212.3	....	225.9
21	National Science Foundation	443.9	....	443.9	....	423.0
22	Office of Personnel Management	1.3	....	1.3	....	....
23	Social Security Administration	211.6	....	242.2	....	261.9
24	District of Columbia	15.0	....	25.0	....	15.0
25	Federal Communications Commission	2.6	....	1.6	....	1.6
26	Intelligence Community Management Account**	9.0	....	9.0	....	....
27	National Archives and Records Administration	22.6	....	22.6	....	24.7
28	Nuclear Regulatory Commission	78.5	....	78.5	....	73.2
29	Securities and Exchange Commission	8.0	....	8.0	....	8.0
30	Smithsonian Institution	97.0	....	101.1	....	101.2
31	United States Holocaust Memorial Museum	11.0	....	11.0	....	11.0
	Total, Homeland Security Budget Authority	**68,585.7**	**.........**	**69,195.8**	**90.4**	**72,664.4**
	Less Department of Defense	–17,780.0	....	–17,481.4	–88.4	–17,360.1
	Non-Defense Homeland Security BA	**50,805.8**	**.........**	**51,714.4**	**2.0**	**55,304.3**
	Less Fee-Funded Homeland Security Programs	6,051.8	....	6,412.2	....	7,258.2
	Less Mandatory Homeland Security Programs	–3,092.7	....	–3,349.4	....	–5,394.1
	Net Non-Defense Discretionary Homeland Security BA	**53,764.9**	**.........**	**54,777.2**	**2.0**	**57,168.4**

* One-time funding increase in 2014 authorized by the Middle Class Tax Relief and Job Creation Act of 2012 to build a nationwide broadband network for first responders.

** Funding for the Intelligence Community Management Account was moved under DoD beginning in 2013.

Data Collection Methodology and Adjustments

The Federal spending estimates in this analysis utilize funding and programmatic information collected on the Executive Branch's homeland security efforts. Throughout the budget formulation process, the Office of Management and Budget (OMB) collects three-year funding estimates and associated programmatic information from all Federal agencies with homeland security responsibilities. These estimates do not include the efforts of the Legislative or Judicial branches. Information in this chapter is augmented by a detailed appendix of account-level funding estimates, which is available on the Internet at *www.budget.gov/budget/analytical_perspectives* and on the Budget CD-ROM.

To compile this data, agencies report information using standardized definitions for homeland security. The data provided by the agencies are developed at the "activity level," which incorporates a set of like programs or projects, at a level of detail sufficient to consolidate the information to determine total Governmental spending on homeland security.

To the extent possible, this analysis maintains programmatic and funding consistency with previous estimates. Some discrepancies from data reported in earlier years arise due to agencies' improved ability to extract homeland security-related activities from host programs and refine their characterizations. As in the Budget, where appropriate, the data is also updated to reflect agency activities, Congressional action, and technical re-estimates. In addition, the Administration may refine definitions or mission area estimates over time based on additional analysis or changes in the way specific activities are characterized, aggregated, or disaggregated.

Federal Expenditures

Total funding for homeland security has grown significantly since the attacks of September 11, 2001. For 2014, the President's Budget includes $72.7 billion of gross budget authority for homeland security activities, a $4.1 billion (6 percent) increase above the 2012 enacted level. Excluding mandatory spending, fees, and the Department of Defense's (DOD) homeland security budget, the 2014 Budget proposes a net, non-Defense, discretionary budget authority level of $57.2 billion, which is an increase of $3.4 billion (6 percent) above the 2012 enacted level (see Table 23–1).

A total of 31 agency budgets include Federal homeland security funding in 2014. Six agencies—the Departments of Homeland Security (DHS), Defense (DOD), Health and Human Services (HHS), Justice (DOJ), State (DOS), and Commerce (DOC)—account for approximately $67.7 billion (93 percent) of total Government-wide gross discretionary homeland security funding in 2014.

As required by the Homeland Security Act, this analysis presents homeland security risk and spending in three broad categories: Prevent and Disrupt Terrorist Attacks; Protect the American People, Our Critical Infrastructure, and Key Resources; and Respond To and Recover From Incidents.

Prevent and Disrupt Terrorist Attacks

Activities in the areas of intelligence-and-warning and domestic counterterrorism aim to disrupt the ability of terrorists to operate within our borders and prevent the emergence of violent radicalization. Intelligence-and-warning funding covers activities designed to detect terrorist activity before it manifests itself in an attack so that proper preemptive, preventive, and protective action can be taken. Specifically, it is made up of efforts to identify, collect, analyze, and distribute source intelligence information or the resultant warnings from intelligence analysis. It also includes information sharing activities among Federal, State, and local governments, relevant private sector entities, and the public at large; it does not include most foreign intelligence collection, although the resulting intelligence may inform homeland security activities. In 2014, funding for intelligence-and-warning is distributed between DHS (50 percent), primarily in the Office of Intelligence and Analysis; and DOJ (48 percent), primarily in the Federal Bureau of Investigation (FBI). Activities to deny terrorists and terrorist-related weapons and materials entry into our country and across all international borders include measures to protect border and transportation systems, such as screening airport passengers, detecting dangerous materials at ports overseas and at U.S. ports-of-entry, and patrolling our coasts and the land between ports-of-entry. Securing our borders and transportation systems is a complex task. Security enhancements in one area may make another avenue more attractive to terrorists. Therefore, our border and transportation security strategy aims to make the U.S. borders "smarter" while facilitating the flow of legitimate visitors and commerce. Government programs do this by targeting layered resources toward the highest risks and sharing information so that frontline personnel can stay ahead of potential adversaries. The majority of funding for border and transportation security ($24.6 billion, or 88 percent, in 2014) is in DHS, largely for the U.S. Customs and Border Protection (CBP), the Transportation Security Administration (TSA), and the U.S Coast Guard. Other DHS bureaus and other Federal Departments, such as the Department of State, also play a significant role. Many of these activities support the Obama Administration's emphasis on reducing the illicit flow of drugs, currency, weapons, and people across our borders as well as targeting transnational criminal organizations operating along the Southwest border and elsewhere. The President's 2014 request would keep funding for border and transportation security activities at a level consistent with the 2012 enacted level.

Funding for domestic counterterrorism contains Federal and Federally-supported efforts to identify, thwart, and prosecute terrorists in the United States. It also includes pursuit not only of the individuals directly involved in terrorist activity, but also their sources of support: the people and organizations that knowingly fund the terrorists and those that provide them with logistical assistance. In today's world, preventing and interdicting terrorist activity within the United States is a priority

Table 23–2. PREVENT AND DISRUPT TERRORIST ATTACKS
(Budget authority in millions of dollars)

Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
Department of Agriculture	234.1	....	243.3	....	244.3
Department of Commerce	4.2	....	4.4	....	4.2
Department of Energy	....	....	....	....	0.5
Department of Homeland Security	27,657.7	....	27,799.8	2.0	27,042.7
Department of the Interior	0.4	....	0.4	....	0.4
Department of Justice	3,416.1	....	3,430.0	....	3,626.1
Department of State	2,587.5	....	2,688.1	....	2,896.5
Department of Transportation	42.8	....	33.7	....	33.9
Department of the Treasury	71.4	....	71.8	....	71.3
General Services Administration	....	....	....	....	288.0
Total, Prevent and Disrupt Terrorist Attacks	**34,014.1**	**.........**	**34,271.5**	**2.0**	**34,207.9**

for law enforcement at all levels of government. The largest contributors to the domestic counterterrorism goal are law enforcement organizations, with DOJ (largely for the FBI) and DHS (largely for ICE) accounting for 60 and 38 percent of funding for 2014, respectively.

Protect the American People, Our Critical Infrastructure, and Key Resources

Critical infrastructure includes the assets, systems, and networks, whether physical or virtual, so vital to the United States that their destruction would have a debilitating effect on national economic or homeland security, public health or safety, or any combination thereof. Key resources are publicly or privately controlled resources essential to the minimal operations of the economy and government whose disruption or destruction could have significant consequences across multiple dimensions, including national monuments and icons.

Efforts to protect the American people include defending against catastrophic threats through research, development, and deployment of technologies, systems, and medical measures to detect and counter the threat of chemical, biological, radiological, and nuclear (CBRN) weapons. Funding encompasses activities to protect against, detect, deter, or mitigate the possible terrorist use of CBRN weapons through detection systems and procedures, improving decontamination techniques, and the development of medical countermeasures, such as vaccines, drugs and diagnostics to protect the public from the threat of a CBRN attack or other public health emergency. The agencies with the most significant resources to help develop and field technologies to counter CBRN threats are: HHS, largely for research at the National Institutes of Health (NIH) and for advanced development of medical countermeasures ($2.7 billion, or 42 percent, of the 2014 total); DOD ($1.6 billion, or 24 percent, of the 2014 total); and DHS ($1.9 billion, or 29 percent, of the 2014 total).

Protecting the Nation's critical infrastructure and key resources (CI/KR) is a complex challenge for two reasons: (1) the diversity of infrastructure and (2) the high level of private ownership of the Nation's critical

Table 23–3. PROTECT THE AMERICAN PEOPLE, OUR CRITICAL INFRASTRUCTURE, AND KEY RESOURCES
(Budget authority in millions of dollars)

Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
Department of Agriculture	137.4	....	137.8	....	298.9
Department of Commerce	250.8	....	238.2	....	286.3
Department of Defense	16,210.7	....	15,956.9	25.6	15,698.6
Department of Energy	1,724.2	....	1,685.7	....	1,671.0
Department of Health and Human Services	2,154.3	....	2,175.0	....	2,843.0
Department of Homeland Security	5,287.5	....	5,525.2	....	6,321.4
Department of Justice	610.7	....	611.6	....	534.7
Department of Veterans Affairs	311.9	....	308.5	....	312.8
National Aeronautics and Space Administration	225.2	....	212.3	....	225.9
National Science Foundation	443.9	....	443.9	....	423.0
Social Security Administration	211.1	....	241.8	....	261.4
Other Agencies	698.8	....	676.0	....	706.9
Total, Protect the American People, Our Critical Infrastructure, and Key Resources	**28,266.5**	**.........**	**28,212.8**	**25.6**	**29,584.1**

infrastructure and key assets. Efforts to protect CI/KR include unifying disparate efforts to protect critical infrastructure across the Federal Government and with State, local, and private stakeholders; accurately assessing CI/KR and prioritizing protective action based on risk; and reducing threats and vulnerabilities in cyberspace. In fact, securing our cyberspace is a top priority of the Obama Administration both to protect Americans and our way of life and as a foundation for continuing to grow the Nation's economy. DOD continues to report the largest share of funding in this category for 2014 ($14.1 billion, or 61 percent), which includes programs focusing on physical security and improving the military's ability to prevent or mitigate the consequences of attacks against departmental personnel and facilities. DHS has overall responsibility for prioritizing and executing infrastructure protection activities at the national level and accounts for $4.5 billion (19 percent) of 2014 funding. Another 24 agencies also report funding to protect their own assets and work with States, localities, and the private sector to reduce vulnerabilities in their areas of expertise.

The President's 2014 request increases funding for activities to protect the Nation's people, critical infrastructure and key resources by $1.3 billion, or 5 percent.

Respond To and Recover From Incidents

The ability to respond to and recover from incidents requires efforts to bolster capabilities nationwide to prevent and protect against terrorist attacks, and also minimize the damage from attacks through effective response and recovery. This includes programs that help to plan, equip, train, and practice the capabilities of many different response units (including first responders, such as police officers, firefighters, emergency medical providers, public works personnel, and emergency management officials) that are instrumental in their preparedness to mobilize without warning for an emergency. Building this capability encompasses a broad range of agency incident management activities, as well as grants and other assistance to States and localities for first responder preparedness capabilities. Response to natural disasters and other major incidents, including catastrophic natural events such as Hurricane Katrina and chemical or oil spills, like Deepwater Horizon, do not directly fall within the definition of a homeland security activity for funding purposes, as defined by section 889 of the Homeland Security Act of 2002. Preparing for terrorism-related threats includes many activities that also support preparedness for catastrophic natural and man-made disasters, how-

Table 23–4. RESPOND TO AND RECOVER FROM INCIDENTS

(Budget authority in millions of dollars)

Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
Department of Agriculture	63.9	....	64.3	....	64.1
Department of Commerce*	83.4	....	299.9	....	2,277.0
Department of Defense	1,569.2	....	1,524.5	62.8	1,661.4
Department of Education	1.2	....	1.2	....	1.2
Department of Energy	213.9	....	240.4	....	248.9
Department of Health and Human Services	1,963.9	....	1,905.2	....	1,880.1
Department of Homeland Security	2,142.9	....	2,392.5	....	2,473.2
Department of Housing and Urban Development	2.0	....	2.0	....	1.0
Department of the Interior	4.4	....	4.4	....	4.7
Department of Justice	12.1	....	12.2	....	12.1
Department of Labor	18.1	....	18.1	....	18.3
Department of State	7.7	....	26.1	....	26.1
Department of Transportation	22.3	....	25.0	....	24.8
Department of the Treasury	34.9	....	34.8	....	34.9
Department of Veterans Affairs	69.1	....	59.1	....	62.7
Environmental Protection Agency	54.2	....	54.0	....	53.0
Executive Office of the President	5.2	....	2.1	....	2.3
General Services Administration	3.0	....	3.0	....	3.0
Office of Personnel Management	0.4	....	0.4	....	....
Social Security Administration	0.4	....	0.5	....	0.5
District of Columbia	15.0	....	25.0	....	15.0
Federal Communications Commission	2.6	....	1.6	....	1.6
Intelligence Community Management Account**	9.0	....	9.0	....	....
National Archives and Records Administration	1.3	....	1.3	....	1.3
Securities and Exchange Commission	5.0	....	5.0	....	5.0
Total, Respond To and Recover From Incidents	**6,305.0**	**.........**	**6,711.6**	**62.8**	**8,872.3**

* One-time funding increase in 2014 authorized by the Middle Class Tax Relief and Job Creation Act of 2012 to build a nationwide broadband network for first responders.

** Funding for the Intelligence Community Management Account was moved under DoD beginning in 2013.

ever. Additionally, lessons learned from the response to Hurricane Katrina have been used to revise and strengthen catastrophic response planning. The agencies with the most significant participation in this effort are: DHS ($2.5 billion, or 28 percent, of the 2014 total); DOC ($2.3 billion, or 26 percent of the 2014 total, which is new funding to build a nationwide broadband network for first responders); HHS ($1.9 billion, or 21 percent of the 2014 total); and DOD ($1.7 billion, or 19 percent of the 2014 total). Nineteen other agencies include emergency preparedness and response funding. The President's 2014 request would increase funding by $2.6 billion (41 percent) above the 2012 enacted level.

Continue to Strengthen the Homeland Security Foundation

Preventing and disrupting terrorist attacks; protecting the American people, critical infrastructure, and key resources; and responding to and recovering from incidents that do occur are enduring homeland security responsibilities. For the long-term fulfillment of these responsibilities it is necessary to continue to strengthen the principles, systems, structures, and institutions that cut across the homeland security enterprise and support our activities to secure the Nation. Long-term success across several cross-cutting areas is essential to protect the United States. In addition, an all-of-Nation integration of effort and the leveraging of resources that exist in local communities, as manifest in the Obama Administration's "Whole of Community" initiative, for example, are essential to effective preparedness and incident response capabilities. While these areas are not quantifiable in terms of budget figures, they are important elements in the management and budgeting processes. As the Administration sets priorities and determines funding for new and existing homeland security programs, consideration must be given to areas such as the assessment and management of risk, which underlie the full spectrum of homeland security activities. This includes decisions about when, where, and how to invest resources in capabilities or assets that eliminate, control, or mitigate risks. Likewise, research and development initiatives promote the application of science and technology to homeland security activities and can drive improvements in processes and efficiencies to reduce the vulnerability of the Nation.

Non-Federal Expenditures[1]

State and local governments and private-sector firms also have devoted resources of their own to the task of defending against terrorist threats. Some of the spending has been of a one-time nature, such as investment in new security equipment and infrastructure; some spending has been ongoing, such as hiring more personnel, and increasing overtime for existing security personnel. In many cases, own-source spending has supplemented the resources provided by the Federal Government.

Many governments and businesses, though not all, place a high priority on, and provide additional resources, for security. A 2004 survey conducted by the National Association of Counties found, that as a result of intergovernmental homeland security planning and funding processes, three out of four counties believed they were better prepared to respond to terrorist threats. Moreover, almost 40 percent of the surveyed counties had appropriated their own funds to assist with homeland security. Own-source resources supplemented funds provided by States and the Federal Government. However, the same survey revealed that 54 percent of counties had not used any of their own funds.[2] The survey's findings were based on the responses from 471 counties (15 percent) nationwide, out of 3,140 counties or equivalents.[3]

A study conducted by the Heritage Foundation, one of the few organizations to compile homeland security spending estimates from States and localities, provides data on State and local spending in support of homeland security activities.[4] The report surveyed 43 jurisdictions that are eligible for DHS' Urban Areas Security Initiative (UASI) grant funds due to the risk of a terrorist attack.[5] These jurisdictions are home to approximately 145 million people or 47 percent of the total United States population. According to the report, the 2007 homeland security budgets for the jurisdictions examined (which include 26 States and the District of Columbia, 50 primary cities, and 35 primary counties) totaled $37 billion, while the same entities received slightly more than $2 billion in Federal homeland security grants.[6] The report further states that from 2000 - 2007, these States and localities spent $220 billion on homeland security activities, which includes increases of three to six percent a year for law enforcement and fire services budgets, and received over $10 billion in Federal grants. California, the most populous State, is also the largest recipient of Federal homeland security funds, having received almost $1.5 billion from 2000 - 2007, while spending over $45 billion in State and local funding. Over the same time period, the top ten most populous States (including California) spent $148

[1] OMB does not collect detailed homeland security expenditure data from State, local, or private entities directly.

[2] Source: National Association of Counties, "Homeland Security Funding—2003 State Homeland Security Grants Programs I and II."

[3] The National Association of Counties conducted a survey through its various state associations (48), responses were received from 471 counties in 26 states.

[4] Source: Matt A. Mayer, "An Analysis of Federal, State, and Local Homeland Security Budgets," A Report of the Heritage Center for Data Analysis, CDA09-01, March 9, 2009, at *http://www.heritage.org/Research/HomelandSecurity/upload/ CDA_09_01.pdf*. Figures cited in this report have not been independently verified by the Office of Management and Budget.

[5] The Heritage Foundation report's methodology in selecting the states, cities, and counties to include in the report is as follows: the state had to possess a designated UASI jurisdiction and the city and county had to belong to a designated UASI jurisdiction that had received at least $15 million from 2003 to 2007 from the DHS.

[6] The Heritage Foundation report's budget data for homeland security included primary law enforcement agencies, fire departments, homeland security offices, and emergency management agencies. In some cases, state and local emergency management agency budget data was embedded in the fire department budget data and was not separately noted in its own category.

billion on State and local homeland security related activities.

There is also a diversity of responses in the businesses community. A 2003 survey of 199 corporate security directors conducted by the Conference Board showed that just over half of the companies reported that they had permanently increased security spending post-September 11, 2001.[7] About 15 percent of the companies surveyed had increased their security spending by 20 percent or more.[8] Large increases in spending were especially evident in critical industries, such as transportation, energy, financial services, media and telecommunications, information technology, and healthcare. However, about one-third of the surveyed companies reported that they had not increased their security spending after September 11th.[9] Given the difficulty of obtaining survey results that are representative of the universe of States, localities, and businesses, it is likely that there will be a wide range of estimates of non-Federal security spending for critical infrastructure protection.

[7] Source: Thomas E. Cavanagh and Meredith Whiting, "2003 Corporate Security Management: Organization and Spending Since 9/11," The Conference Board. R-1333-03-RR. July 2003. This report references sample size of 199 corporate security directors, of which 96 were in "critical industries", while the remaining 103 were in "non-critical industries." In the report, the Conference Board states that it followed the DHS usage of critical industries, "defined as the following: transportation; energy and utilities; financial services; media and telecommunications; information technology; and healthcare."

[8] The Conference Board survey cites the sample size for this statistic was 192 corporate security directors.

[9] The Conference Board survey cites the sample size for this statistic was 199 corporate security directors.

Additional Tables

The tables in the Federal expenditures section of this chapter present data based on the President's policy for the 2014 Budget. The tables below present additional policy and baseline data, as directed by the Homeland Security Act of 2002.

An appendix of account-level funding estimates is available on the Internet at *www.budget.gov/budget/analytical_perspectives* and on the Budget CD ROM.

Table 23–5. DISCRETIONARY FEE-FUNDED HOMELAND SECURITY ACTIVITIES BY AGENCY

(Budget authority in millions of dollars)

Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
Department of Commerce	....	....	....	....	–257.0
Department of Energy	–13.4	....	–17.8	....	–17.8
Department of Homeland Security	–3,297.2	....	–3,543.0	....	–3,551.0
Department of State	–2,489.0	....	–2,589.6	....	–2,798.0
General Services Administration	–30.0	....	–10.0	....	–363.0
Social Security Administration	–211.6	....	–242.2	....	–261.9
Federal Communications Commission	–2.6	....	–1.6	....	–1.6
Securities and Exchange Commission	–8.0	....	–8.0	....	–8.0
Total, Discretionary Homeland Security Fee-Funded Activities	**–6,051.8**	**.........**	**–6,412.2**	**.........**	**–7,258.2**

Table 23–6. MANDATORY HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency	2012 Actual	2012 Supplemental/ Emergency	2013 CR	2013 Supplemental	2014 Request
Department of Agriculture	199.0	....	208.0	....	211.6
Department of Commerce*	2.5	....	214.0	....	2,174.0
Department of Defense	266.5	....	273.6	....	266.2
Department of Energy	10.0	....	15.0	....	15.0
Department of Health and Human Services	0.3	....	0.3	....	0.3
Department of Homeland Security	2,603.8	....	2,636.8	....	2,725.3
Department of Labor	10.6	....	1.7	....	1.7
Total, Homeland Security Mandatory Programs	**3,092.7**	**.........**	**3,349.4**	**.........**	**5,394.1**

* Funding increase authorized to build a nationwide broadband network for first responders.

Table 23–7. BASELINE ESTIMATES—TOTAL HOMELAND SECURITY FUNDING BY AGENCY

(Budget authority in millions of dollars)

Agency	2013	Baseline				
		2014	2015	2016	2017	2018
Department of Agriculture	449	458	471	482	489	498
Department of Commerce	543	2,509	2,463	8,944	2,776	367
Department of Defense	17,253	17,566	17,895	18,232	18,570	18,918
Department of Education	31	32	32	33	33	34
Department of Energy	1,927	1,967	2,004	2,045	2,084	2,126
Department of Health and Human Services	4,079	4,157	4,242	4,324	4,413	4,499
Department of Homeland Security	35,461	36,505	37,534	38,573	39,638	40,721
Department of Housing and Urban Development	2	2	2	2	2	2
Department of the Interior	57	58	60	62	66	67
Department of Justice	4,054	4,182	4,304	4,435	4,566	4,705
Department of Labor	38	36	37	37	37	38
Department of State	2,796	2,852	2,911	2,969	3,032	3,093
Department of Transportation	236	244	254	261	271	282
Department of the Treasury	123	127	129	134	137	140
Department of Veterans Affairs	368	376	386	396	405	414
Corps of Engineers	15	15	16	16	16	16
Environmental Protection Agency	103	107	107	111	115	118
Executive Office of the President	9	9	9	10	10	10
General Services Administration	18	18	18	18	19	19
National Aeronautics and Space Administration	213	217	221	226	230	233
National Science Foundation	444	453	461	470	479	487
Office of Personnel Management	1	1	1	1	1	1
Social Security Administration	242	262	267	272	277	282
District of Columbia	25	25	26	26	27	27
Federal Communications Commission	2	2	2	2	2	2
Intelligence Community Management Account	9	9	9	10	10	10
National Archives and Records Administration	23	23	24	24	25	25
Nuclear Regulatory Commission	78	80	84	85	88	91
Securities and Exchange Commission	8	8	8	8	9	9
Smithsonian Institution	102	106	109	114	118	122
United States Holocaust Memorial Museum	11	11	11	12	12	12
Total, Homeland Security Budget Authority	**68,720**	**72,417**	**74,097**	**82,334**	**77,957**	**77,368**
Less Department of Defense	–17,253	–17,566	–17,895	–18,232	–18,570	–18,918
Non-Defense Homeland Security BA	**51,467**	**54,851**	**56,202**	**64,102**	**59,387**	**58,450**
Less Fee-Funded Homeland Security Programs	–6,443	–6,522	–6,645	–6,771	–6,900	–7,031
Less Mandatory Homeland Security Programs	–3,352	–5,393	–5,424	–11,953	–5,825	–3,450
Net Non-Defense, Discretionary Homeland Security BA	**41,672**	**42,936**	**44,133**	**45,378**	**46,662**	**47,969**
Obligations Limitations						
Department of Transportation Obligations Limitation	....	....	....	....	....	....

Table 23–8. HOMELAND SECURITY FUNDING BY BUDGET FUNCTION
(Budget authority in millions of dollars)

Budget Function	2012 Actual	2013 CR	2014 Request
National Defense	22,831	22,338	22,465
International Affairs	2,674	2,792	2,992
General Science Space and Technology	749	737	734
Energy	114	125	124
Natural Resources and the Environment	300	298	316
Agriculture	426	437	599
Commerce and Housing Credit	205	417	2,517
Transportation	11,233	11,400	10,825
Community and Regional Development	2,569	2,601	2,639
Education, Training, Employment and Social Services	167	175	177
Health	4,110	4,069	4,712
Medicare	24	26	25
Income Security	14	5	1
Social Security	212	242	262
Veterans Benefits and Services	381	368	376
Administration of Justice	21,143	21,167	22,091
General Government	1,429	1,539	1,906
Total, Homeland Security Budget Authority	**68,581**	**68,736**	**72,761**
Less National Defense, DoD	–17,778	–17,253	–17,357
Non-Defense Homeland Security BA	**50,803**	**51,483**	**55,404**
Less Fee-Funded Homeland Security Programs	–6,028	–6,384	–7,455
Less Mandatory Homeland Security Programs	–3,094	–3,352	–5,393
Net Non-Defense, Discretionary Homeland Security BA	**41,681**	**41,747**	**42,556**

Table 23–9. BASELINE ESTIMATES—HOMELAND SECURITY FUNDING BY BUDGET FUNCTION
(Budget authority in millions of dollars)

Budget Function	2013	Baseline				
		2014	2015	2016	2017	2018
National Defense	22,338	22,777	23,229	23,696	24,166	24,649
International Affairs	2,792	2,848	2,907	2,965	3,028	3,089
General Science Space and Technology	737	752	765	781	795	808
Energy	125	128	132	134	137	141
Natural Resources and the Environment	298	305	311	319	329	336
Agriculture	437	446	459	469	476	484
Commerce and Housing Credit	417	2,381	2,331	8,810	2,639	227
Transportation	11,384	11,694	12,031	12,378	12,740	13,106
Community and Regional Development	2,601	2,653	2,702	2,755	2,811	2,863
Education, Training, Employment and Social Services	175	180	184	191	195	201
Health	4,069	4,146	4,229	4,311	4,398	4,484
Medicare	26	27	29	30	32	33
Income Security	5	3	3	3	3	3
Social Security	242	262	267	272	277	282
Veterans Benefits and Services	368	376	386	396	405	414
Administration of Justice	21,167	21,875	22,538	23,200	23,871	24,563
General Government	1,539	1,564	1,594	1,624	1,655	1,685
Total, Homeland Security Budget Authority	**68,720**	**72,417**	**74,097**	**82,334**	**77,957**	**77,368**
Less National Defense, DoD	–17,253	–17,566	–17,895	–18,232	–18,570	–18,918
Non-Defense, Discretionary Homeland Security BA	**51,467**	**54,851**	**56,202**	**64,102**	**59,387**	**58,450**
Less Fee-Funded Homeland Security Programs	–6,443	–6,522	–6,645	–6,771	–6,900	–7,031
Less Mandatory Homeland Security Programs	–3,352	–5,393	–5,424	–11,953	–5,825	–3,450
Net Non-Defense, Discretionary Homeland Security BA	**41,672**	**42,936**	**44,133**	**45,378**	**46,662**	**47,969**
Obligations Limitations						
Department of Transportation Obligations Limitation	....	....	....	....	....	....

24. FEDERAL DRUG CONTROL FUNDING

In support of the 2013 National Drug Control Strategy (Strategy), the President requests $25.4 billion in Fiscal Year (FY) 2014 to reduce drug use and its consequences in the United States. The 2013 Strategy articulates the Administration's vision for a modern, balanced drug policy, one that is based on a sophisticated approach to a complicated problem, encompassing prevention, early intervention, treatment, recovery, criminal justice reform, effective law enforcement, and international cooperation. The budget will continue to support a balanced approach that brings all sectors of society together in a national effort to improve public health and public safety.

Consistent with the restructuring of the drug control budget in FY 2012, the FY 2014 request includes one new program. This new program is the Byrne Memorial Justice Assistance Grant program. This program provides critical assistance to state and local law enforcement in addressing community problems with narcotics and much needed support for their local efforts to reduce substance abuse.

Program evaluation and performance measurement are important tools for the Office of National Drug Control Policy (ONDCP) in its oversight of Federal agencies –enabling ONDCP to assess the extent to which the Strategy is meeting its goals and objectives, and the contributions of drug control agencies. A key performance tool for ONDCP is the Performance Reporting System which was designed to appraise the performance of the large and complex interagency Federal effort set forth in the Strategy. The first report using this data was published in April 2012, and was developed through an extensive interagency process that brought together subject matter experts, policy and program analysts, researchers, statisticians, and leadership from Federal drug control agencies to capture 25 measures for the seven objectives of the Strategy. The targets identified in the report were determined by interagency groups for each measure, based on baseline and trend data. The next report will be published in 2013 and will address progress to date.

Table 24–1. FEDERAL DRUG CONTROL FUNDING, 2012–2014 [1]
(Budget authority, in millions of dollars)

Department/Agency	2012 Enacted	2013 Continuing Resolution	2014 President's Budget
Department of Agriculture:			
U.S. Forest Service	15.2	15.2	13.2
Court Services and Offender Supervision Agency for D.C.:	56.3	57.5	60.6
Department of Defense: [2]			
Drug Interdiction and Counterdrug Activities	1,775.1	1,632.5	1,084.0
Defense Health Program	94.4	108.2	119.7
Total DOD	**1,869.4**	**1,740.7**	**1,203.6**
Department of Education:	63.7	58.9	137.1
Federal Judiciary:	1,118.1	1,125.4	1,153.2
Department of Health and Human Services:			
Administration for Children and Families	20.0	20.0	20.0
Centers for Medicare and Medicaid Services [3]	3,500.0	3,720.0	4,670.0
Health Resources and Services Administration	17.8	17.9	18.2
Indian Health Service	98.0	96.4	112.4
National Institute on Alcohol Abuse and Alcoholism	61.6	62.0	62.2
National Institute on Drug Abuse	1,051.4	1,058.6	1,071.6
Substance Abuse and Mental Health Services Administration [4]	2,479.3	2,447.0	2,415.8
Total HHS	**7,228.1**	**7,421.9**	**8,370.2**
Department of Homeland Security:			
Customs and Border Protection	2,280.3	2,280.3	2,344.6
Federal Law Enforcement Training Center	48.5	48.7	48.8
Immigration and Customs Enforcement	523.5	523.5	485.0
Office of Counternarcotics Enforcement	1.8	1.8	0.0
U.S. Coast Guard[5]	1,332.5	1,253.3	1,127.8
Total DHS	**4,186.6**	**4,107.6**	**4,006.2**

Table 24–1. FEDERAL DRUG CONTROL FUNDING, 2012–2014 [1]—Continued

(Budget authority, in millions of dollars)

Department/Agency	2012 Enacted	2013 Continuing Resolution	2014 President's Budget
Department of Housing and Urban Development:			
Continuum of Care	**446.0**	**446.0**	**570.0**
Department of the Interior:			
Bureau of Indian Affairs	10.0	9.5	9.5
Bureau of Land Management	5.1	5.1	5.1
National Park Service	3.3	3.3	3.3
Total DOI	**18.4**	**17.9**	**17.9**
Department of Justice:			
Asset Forfeiture Fund	230.3	232.8	244.5
Bureau of Prisons	3,396.9	3,377.7	3,517.7
Criminal Division	39.6	41.0	40.2
Drug Enforcement Administration	2,357.0	2,400.4	2,428.9
Interagency Crime and Drug Enforcement	527.5	530.7	523.0
Federal Prisoner Detention / [Office of Federal Detention Trustee]	580.1	580.1	656.3
Office of Justice Programs	243.4	237.5	380.9
National Drug Intelligence Center	20.0	20.1	0.0
U.S. Attorneys	78.8	75.0	76.4
U.S. Marshals Service	248.8	250.5	251.5
Total DOJ	**7,722.5**	**7,746.0**	**8,119.3**
Department of Labor:			
Employment and Training Administration	**6.6**	**6.6**	**6.6**
Office of National Drug Control Policy:			
Operations	24.5	24.7	22.6
High Intensity Drug Trafficking Area Program	238.5	240.0	193.4
Other Federal Drug Control Programs	105.6	106.2	95.4
Total ONDCP	**368.6**	**370.8**	**311.4**
Department of State: 6			
Bureau of International Narcotics and Law Enforcement Affairs	494.6	494.6	510.5
Economic Support and Development Assistance	173.7	173.7	134.6
Total DOS	**668.3**	**668.3**	**645.1**
Department of the Transportation:			
Federal Aviation Administration	28.7	27.6	28.1
National Highway Safety Administration	2.7	2.7	2.2
Total DOT	**31.4**	**30.3**	**30.3**
Small Business Administration:	0.0	0.0	0.0
Department of the Treasury:			
Internal Revenue Service	60.3	60.3	60.9
Department of Veterans Affairs:			
Veterans Health Administration [7]	637.8	663.0	687.4
Total Federal Drug Budget	**24,497.2**	**24,536.4**	**25,393.2**

[1] Detail may not add due to rounding.

[2] As the Overseas Contingency Operations (OCO) amounts have not yet been finalized, this amount includes FY 2014 base budget resources only.

[3] The estimates for the Centers for Medicare & Medicaid Services reflect Medicaid and Medicare benefit outlays for substance abuse treatment; they do not reflect budget authority. The estimates were developed by the CMS Office of the Actuary.

[4] Includes budget authority and funding through evaluation set-aside authorized by Section 241 of the Public Health Service (PHS) Act.

[5] The USCG budgets by appropriation rather than individual missions. The USCG projects resource allocations by mission through use of an activity-based costing system. Actual allocations will vary depending upon operational environment and mission need.

[6] State Department amounts include funding appropriated or requested for overseas contingency operations.

[7] VA Medical Care receives advance appropriations; FY 2014 funding was provided in the Consolidated and Furthering Continuing Appropriations Act, 2013 (Public Law 113-6).

25. CALIFORNIA BAY-DELTA FEDERAL BUDGET CROSSCUT

The California Bay-Delta program is a cooperative effort among the Federal Government, the State of California, local governments, and water users, to proactively address the water management and aquatic ecosystem needs of California's Central Valley. This valley, one of the most productive agricultural regions of the world, is drained by the Sacramento River in the north and the San Joaquin River in the south. The two rivers meet southwest of Sacramento, forming the Sacramento-San Joaquin Delta, and drain west into San Francisco Bay.

The Bay-Delta is the hub of the Nation's largest water delivery system, providing drinking water to 25 million Californians. According to the State of California, it supports about $400 billion of annual economic activity, including a $28 billion agricultural industry and a robust and diverse recreational industry.

The extensive development of the area's water resources has boosted agricultural production, but has also adversely affected the region's ecosystems. Bay-Delta program participants recognized the need to provide a high-quality, reliable and sustainable water supply for California, while at the same time restoring and maintaining the ecological integrity of the area and mitigating flood risks. This recognition resulted in the 1994 Bay-Delta Accord, which laid the foundation for the CALFED Bay-Delta Authorization Act of 2004 (P.L. 108-361). The program has since adapted and evolved into a broader Bay-Delta program that includes the Bay-Delta Conservation Plan, the Delta Science Program, and the soon-to-be-released Delta Plan. Federal activities are currently coordinated though the Interim Federal Action Plan (established in 2010), under the leadership of the White House Council on Environmental Quality, the Department of the Interior, and California's Delta Stewardship Council.

The Interim Federal Action Plan uses an adaptive management approach to water resources development and management, and continues to develop strategies to balance and achieve the program's four objectives: a renewed Federal-state partnership, smarter water supply and use, habitat restoration, and drought and floodplain management. The partners signed a Record of Decision in 2000 and a Memorandum of Understanding in 2009, detailing the different program components and goals. The program uses scientific monitoring to track progress made towards reaching near-term objectives and longer-range success. Federal agencies contributing to the Bay-Delta program include: the Department of the Interior's Bureau of Reclamation, U.S. Fish and Wildlife Service, and U.S. Geological Survey; the Department of Agriculture's Natural Resources Conservation Service; the Department of Defense's Army Corps of Engineers; the Department of Commerce's National Oceanic and Atmospheric Administration; and the Environmental Protection Agency.

The 2014 Budget includes a crosscut of estimated Federal funding by each of the participating agencies, fulfilling the reporting requirements of P.L. 108-361. Additional tables and narratives that further account for recent programmatic and funding changes are available online at *www.budget.gov/budget/analytical_perspectives* and on the Budget CD-ROM. Please note that some funding amounts included in previous budgets have been updated to align with the programs and activities outlined in the Interim Federal Action Plan. More information about the Interim Federal Action Plan can be found at this website: *http://www.doi.gov/documents/CAWaterWorkPlan.pdf*.

Table 25–1. BAY-DELTA FEDERAL FUNDING BUDGET CROSSCUT

(In millions of dollars)

Agency	Enacted															Pres. Budget	
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009[1]	2010	2011	2012	2013	2014
Bureau of Reclamation	153.4	114.7	138.5	79.8	103.3	74.2	75.7	81.1	99.8	101.3	66.1	156.8	94.7	185.5	175.2	110.8	153.7
Corps of Engineers	100.7	103.3	93.8	54.2	58.2	57.8	72.6	52.3	91.3	87.4	51.2	140.7	72.5	98.1	44.5	53.8	86.1
Natural Resources Conservation Service	0.0	14.5	12.9	17.0	39.1	38.4	48.8	36.4	34.6	26.9	40.9	44.4	39.7	56.1	56.1	44.1	52.2
NOAA Fisheries (NMFS)	0.3	0.4	0.5	0.6	0.6	0.8	0.8	0.8	0.8	0.5	0.5	0.5	0.5	1.5	1.4	1.4	1.3
Geological Survey	3.2	3.2	4.3	5.4	5.1	4.9	4.9	5.4	5.2	4.1	3.7	3.7	3.4	6.0	8.1	9.9	10.6
Fish and Wildlife Service	0.9	1.1	3.7	18.2	5.6	11.2	13.7	8.9	10.7	7.5	22.0	24.2	6.5	5.2	4.9	4.9	4.9
Environmental Protection Agency[2]	3.2	3.1	57.3	53.4	54.3	20.7	62.8	97.7	36.6	36.1	68.3	161.5	123.7	78.0	85.9	84.7	69.2
Totals:	**261.6**	**240.3**	**310.8**	**228.4**	**266.2**	**208.0**	**279.3**	**282.6**	**279.0**	**263.9**	**252.8**	**531.9**	**341.1**	**430.4**	**376.0**	**309.6**	**377.9**

[1] The FY 2009 total includes American Recovery and Reinvestment Act projects and activities.

[2] EPA's 2012-2014 figures include estimated projections of California's total State Revolving Fund (SRF) allocations. Prior year columns do not.

Note: The 2012-2014 columns reflect categories in the Bay-Delta Interim Federal Action Plan. In some cases it may include different projects.

TECHNICAL BUDGET ANALYSES

26. CURRENT SERVICES ESTIMATES

Current services, or "baseline," estimates are designed to provide a benchmark against which policy proposals can be measured. A baseline is not a prediction of the final outcome of the annual budget process, nor is it a proposed budget. It can be a useful tool in budgeting, however. It can be used as a benchmark against which to measure the magnitude of the policy changes in the President's Budget or other budget proposals, and it can also be used to warn of future problems if policy is not changed, either for the Government's overall fiscal health or for individual tax and spending programs.

Ideally, a current services baseline would provide a projection of estimated receipts, outlays, deficits or surpluses, and budget authority needed to reflect this year's enacted policies and programs for each year in the future. Defining this baseline is challenging because funding for many programs in operation today expires within the 10-year budget window. Most significantly, funding for discretionary programs is provided one year at a time in annual appropriations acts. Mandatory programs are not subject to annual appropriations, but many operate under multi-year authorizations that expire within the budget window. The framework used to construct the baseline must address whether and how to project forward the funding for these programs beyond their scheduled expiration dates.

Since the early 1970s, when the first requirements for the calculation of a "current services" baseline were enacted, the baseline has been constructed using a variety of concepts and measures. Shortly after a detailed set of rules for calculating a baseline was enacted through amendments to the Balanced Budget Emergency Deficit Control Act of 1985 (BBEDCA) made by the Budget Enforcement Act of 1990 (BEA), there was a consensus to define the current services estimates according to those rules. The BBEDCA baseline rules were recently reinstated through amendments to BBEDCA enacted in the Budget Control Act of 2011 (BCA).

The Administration believes adjustments to the BBEDCA baseline are needed to better represent the deficit outlook under current policy and to serve as a more appropriate benchmark for measuring policy changes. This section provides detailed estimates of an adjusted baseline that corrects for some of the shortcomings in the BBEDCA baseline. It also discusses alternative formulations for the baseline. Table 26–1 shows estimates of receipts, outlays, and deficits under the Administration's adjusted baseline for 2012 through 2023. The estimates are based on the economic assumptions described later in this chapter. They are shown on a unified budget basis; i.e., the off-budget receipts and outlays of the Social Security trust funds and the Postal Service Fund are added to the on-budget receipts and outlays to calculate the unified budget totals. The table also shows the Administration's estimates by major component of the Budget. Estimates based on the BBEDCA baseline rules are shown as a memorandum in the table.

Conceptual Basis for Estimates

Receipts and outlays are divided into two categories that are important for calculating the baseline: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending). Different estimating rules apply to each category. There are numerous alternative rules that could be used to develop current services estimates for both categories. The next section discusses some alternatives that might be considered.

Direct spending and receipts.—Direct spending includes the major entitlement programs, such as Social Security, Medicare, Medicaid, Federal employee retirement, unemployment compensation, and the Supplemental Nutrition Assistance Program (SNAP). It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent or longstanding authority, and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits.

The baseline generally—but not always—assumes that receipts and direct spending programs continue in the future as specified by current law. The budgetary effects of anticipated regulatory and administrative actions that are permissible under current law are also reflected in the estimates. Exceptions to this general rule are described below:

- Consistent with the BBEDCA, expiring excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2013 through 2023, the taxes affected by this exception are taxes deposited in the Airport and Airway Trust Fund, which expire on September 30, 2015; taxes deposited in the Highway Trust Fund, the Leaking Underground Storage Tank Trust Fund, and the Sport Fish Restoration and Boating Trust Fund, which expire on September 30, 2016; tobacco assessments deposited in the Tobacco Trust Fund, which expire on September 30, 2014; taxes deposited in the Oil Spill Liability Trust Fund, which expire on December 31, 2017; and taxes deposited in the Patient-Centered Outcomes Research Trust Fund, which expire on September 30, 2019.

- The BBEDCA requires temporary direct spending programs that were enacted before the Balanced Budget Act of 1997 to be extended if their current year outlays exceed $50 million. For example, the Supplemental Nutrition Assistance Program is scheduled to expire at the end of 2013. The baseline estimates provided here assume continuation of this program through the projection period. For programs enacted since the Balanced Budget Act of 1997, programs that are explicitly temporary in nature expire in the baseline even if their current year outlays exceed the $50 million threshold. For example, the tobacco buyout payments from the Tobacco Trust Fund enacted in the Fair and Equitable Tobacco Reform Act of 2004 are scheduled to expire in 2014 even though current year outlays are estimated to be $960 million, and even though the receipts used to finance these payments are assumed to be continued in the baseline as noted in the previous bullet.
- The following tax credits provided to individuals and families under the American Recovery and Reinvestment Act of 2009 (ARRA), which were extended through 2017 by the American Taxpayer Relief Act of 2012 (ATRA), are further extended through 2023 in the adjusted baseline: increased refundability of the child tax credit, expansions in the earned income tax credit (EITC) for larger families and married taxpayers filing a joint return, and the American opportunity tax credit (AOTC).
- Medicare payment updates to physicians are determined under a formula, commonly referred to as the "sustainable growth rate" (SGR). This formula has called for reductions in physician payment rates since 2002, which Congress has consistently overridden for over 10 years. Under the SGR formula, physician payment rates would be reduced by nearly 25 percent in 2014. Rather than the large cuts scheduled under current law, the adjusted baseline includes the costs of expected Medicare physician payments, assuming a zero percent update for physician payment rates.
- Under the Postal Accountability and Enhancement Act of 2006 (P.L. 109-435), the United States Postal Service (USPS) is required to make specified annual payments through 2016 to the Postal Service Retiree Health Benefits (RHB) Fund in the Office of Personnel Management. These payments are designed to prefund unfunded liabilities for health costs for future Postal retirees. Starting in 2017, the USPS's remaining unfunded liability is amortized over a 40-year period. Because of its current financial challenges, the USPS defaulted on two statutory RHB payments due in 2012, totaling $11.1 billion. In its notification letter to the White House and the Congress, the USPS also indicated that, absent changes to its financial forecast (largely dependent on legislative action), it would likely default on its $5.6 billion payment due September 30, 2013. While the BBEDCA baseline shows USPS making this $5.6 billion payment in 2013 as required, the adjusted baseline does not reflect the payment being made, given the likelihood of additional default. While defaulted payments remain as outstanding statutory liabilities, any default is factored into the 40-year amortization schedule mentioned above.

Discretionary spending.—Discretionary programs differ in one important aspect from direct spending programs: the Congress provides spending authority for almost all discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to operate after existing balances were spent. If the baseline were intended strictly to reflect current law, then a baseline would reflect only the expenditure of remaining balances from appropriations laws already enacted. Instead, the BBEDCA baseline provides a mechanical definition to reflect the continuing costs of discretionary programs. Under the BBEDCA, the baseline estimates for discretionary programs in the current year are based on enacted appropriations.[1] For the budget year and beyond, the spending authority enacted in the current year is adjusted for inflation, using specified inflation rates. [2] The definition attempts to keep discretionary spending roughly level in real terms. The Administration's baseline projection is based on the following modifications to the BBEDCA baseline:

- The adjusted baseline reflects the costs of continuing the annually appropriated portion of the Pell grant program for all eligible students at the maximum award amount of $4,860 specified in existing appropriations. While the Pell program has traditionally been funded largely through discretionary appropriations, this baseline treatment reflects the reality that the program has effectively operated as an entitlement, in which funding is provided to meet the specified award level for all eligible students.
- The adjusted baseline reflects the discretionary "caps" enacted in the BBEDCA, as amended by the BCA, which limit the amount of discretionary budget authority that can be provided through the annual appropriations process. (Chapter 12 of this volume, "Budget Concepts," provides more information on the effects of the BBEDCA, as amended by the BCA.)

[1] When current year appropriations have not been enacted, as was the case when this Budget was prepared, the BBEDCA requires the baseline estimates for discretionary spending and collections for the current year to be based on the levels provided in the full-year continuing resolution or the annualized level of the part-year continuing resolution.

[2] The Administration's baseline uses the same inflation rates for discretionary spending as required by the BBEDCA, despite the fact that this allows for an overcompensation for Federal pay inherent in the BBEDCA definition. At the time the BEA was enacted, it failed to account for the nearly contemporaneous enactment of the Federal Employees Compensation Act of 1991 that shifted the effective date of Federal employee pay raises from October to January. This oversight was not corrected when the baseline definition was reinstated by the BCA amendments to BBEDCA. Correcting for this error would have only a small effect on the discretionary baseline.

Table 26–1. CATEGORY TOTALS FOR THE ADJUSTED BASELINE
(In billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Receipts	2,450	2,712	3,000	3,277	3,476	3,660	3,865	4,097	4,325	4,559	4,785	5,045
Outlays:												
Discretionary:												
Defense	671	630	574	608	614	624	634	645	663	679	725	758
Non-defense	614	596	592	576	576	580	585	596	609	623	656	679
Subtotal, discretionary	1,285	1,226	1,166	1,184	1,190	1,204	1,219	1,241	1,272	1,302	1,381	1,438
Mandatory:												
Social Security	768	812	860	911	965	1,022	1,081	1,144	1,210	1,277	1,350	1,427
Medicare	466	498	519	546	597	614	639	702	756	813	902	941
Medicaid and CHIP	260	276	314	339	367	385	399	422	446	473	501	535
Other mandatory	539	595	543	572	598	612	629	670	692	729	789	804
Subtotal, mandatory	2,032	2,182	2,235	2,368	2,527	2,633	2,749	2,938	3,105	3,292	3,542	3,706
Disaster costs [1]	0	1	5	7	8	9	9	10	10	10	10	10
Net interest	220	222	222	252	298	370	459	544	616	677	741	804
Total, outlays	3,537	3,632	3,627	3,812	4,023	4,216	4,437	4,733	5,003	5,282	5,674	5,959
Unified deficit(+)/surplus(–)	1,087	919	627	536	547	556	571	637	678	723	889	913
On-budget	1,149	953	646	543	550	548	556	612	632	672	819	817
Off-budget	–62	–33	–19	–7	–3	8	16	25	46	52	70	96
Memorandum:												
BEA baseline deficit	1,087	912	687	655	698	728	764	815	869	928	1,041	1,041
Adjustments to reflect current tax policies	0	0	0	0	0	0	2	30	31	32	33	33
Adjustments to reflect current spending policies and disasters	0	7	19	27	36	36	34	38	40	42	45	45
Set discretionary budget authority at cap levels	0	*	–20	–34	–43	–48	–53	–57	–62	–68	–71	–74
Reflect Joint Committee enforcement	0	0	–50	–86	–101	–105	–107	–108	–108	–109	–48	–15
Remove non-recurring emergency costs	0	0	–9	–27	–40	–46	–50	–52	–55	–56	–58	–59
Related debt service	0	*	–*	–*	–2	–8	–18	–29	–37	–46	–53	–58
Adjusted baseline deficit	1,087	919	627	536	547	556	571	637	678	723	889	913

* $500 million or less.

[1] These amounts represent the probability of major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

- The BBEDCA caps also allow for adjustments for disaster relief spending and for emergency requirements. The adjusted baseline does not reflect funding under the disaster relief or emergency cap adjustments beyond what has already been enacted for 2013. (See discussion of additional disaster funding below.) While the BBEDCA baseline projects forward the enacted supplemental appropriations for Superstorm Sandy, increased by the BBEDCA inflation rates, the adjusted baseline removes this extrapolation.[3]

Reclassification of transportation spending. — To provide an appropriate baseline for assessing the budgetary impact of the Administration's proposal for a five-year, $40 billion rail reauthorization, the adjusted baseline reclassifies Federal subsidies for the National Railroad Passenger Corporation (Amtrak) that will be included in the more comprehensive rail reauthorization from discretionary to mandatory. The Administration proposes to fund this proposal with mandatory Contract Authority (with associated mandatory outlays) out of a new Rail Account of an expanded Transportation Trust Fund (formerly Highway Trust Fund). This reclassification, which is a zero-sum shift of outlays from the discretionary category to the mandatory category, provides a more transparent presentation of the difference between baseline levels and the rail proposal, and allows accounting for the proposal under the PAYGO system of budget enforcement.

Disaster funding. — An allowance for the possible future costs of major natural or man-made disasters during the remainder of 2013 and in subsequent years is assumed in the Administration's baseline in order to make budget totals more realistic. Baselines would be more meaningful if they did not project forward whatever disaster funding happened to have been provided in the current year. Rather, baselines should replace the projection of enacted current-year funding—which might be unusually low or unusually high—with plausible estimates of future costs.

Joint Committee Enforcement. — Because the Joint Select Committee process under Title IV of the BCA did

[3] The BBEDCA caps also allow for adjustments for program integrity activities and Overseas Contingency Operations (OCO). The adjusted baseline reflects enacted funding for these cap adjustments inflated at the specified inflation rates in the BBEDCA baseline.

not result in enactment of legislation that reduces the deficit by at least $1.2 trillion, the BCA stipulates that, absent intervening legislation, enforcement procedures will be invoked on an annual basis to reduce the levels of discretionary and mandatory spending to accomplish deficit reduction. The reductions pursuant to the sequestration orders for 2013 and 2014 are already reflected in the BBEDCA baseline for the affected accounts. The adjusted baseline reflects the future enforcement procedures for discretionary cap reductions in 2014 onward and mandatory sequestrations for 2015 and beyond in the form of an allowance in the amount of the required reductions in spending.

Economic Assumptions. — As discussed, baselines can be used as a benchmark against which policy proposals are measured. However, this purpose is achieved only if the policies and the baseline are constructed under the same set of economic and technical assumptions. For this reason, the Administration uses the same assumptions – for example, the same inflation assumptions – in preparing its current service estimates and its Budget.

Alternative Formulations of Baseline

Throughout much of U.S. history, congressional budget proposals were often compared with either the President's request or the previous year's budget. In the early 1970s, policymakers developed the concept of a baseline to provide a more neutral benchmark for comparisons. While the Congressional Budget Act of 1974 included a requirement that OMB and the Congressional Budget Office (CBO) provide estimates of a current services baseline, the definition of the baseline was very general and specific guidance was not provided.

Subsequent budget laws have specified in increasing detail the requirements for constructing baselines. Current services estimates for direct spending programs and receipts are generally estimated based on laws currently in place and most major programs are assumed to continue even past sunset dates set in law. In the case of receipts, the BBEDCA requires only the extension of trust fund excise taxes, but otherwise bases the estimates on current law. For discretionary programs, these acts instituted a precise definition of the baseline with numerous rules for its construction.

It is clear, however, that a number of baseline definitions could be developed that differ from those presented in this chapter:

- *Extend provisions affecting mandatory programs.* Currently, mandatory programs that have outlays of over $50 million in the current year are generally assumed to continue, unless the programs are explicitly temporary. With the exception of current Medicare physician payment rates, individual provisions of law that affect mandatory programs are assumed to expire as scheduled. If instead, these expiring provisions were extended, baseline outlays would be higher. For example, the cost of extending Qualified Individuals (QI), a component of the Medicaid program that pays Medicare Part B premiums for certain low-income seniors and is scheduled to expire at the end of December, 2013, would be $11.9 billion over 2014-2023.
- *Do not extend any authorizing laws that expire.* If all mandatory programs were assumed to expire as scheduled, deficits for 2014 through 2023 would be $1,443 billion lower than in the Administration's baseline, including debt service. (See the section below on major program assumptions for additional information on mandatory program extensions assumed in the estimates.) If excise taxes dedicated to trust funds were assumed to expire as scheduled under current law, the deficit would be $484 billion higher over the period 2014 through 2023, including debt service. If the tax relief provided to individuals and families that was extended only through taxable year 2017 under ATRA was assumed to expire, the deficit would be $177 billion lower over the 10 years.
- *Account for inflation and population growth.* While the baseline assumes that discretionary budgetary resources are constrained by the BBEDCA caps and Joint Committee enforcement, an alternative would

Table 26–2. ALTERNATIVE BASELINE ASSUMPTIONS
(In billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals	
												2014–2018	2014–2023
Adjusted baseline deficit	919	627	536	547	556	571	637	678	723	889	913	2,837	6,678
Alternative assumptions ("+" represents deficit increase): [1]													
Do not extend any authorizing laws:													
Mandatory spending	–20	–99	–108	–114	–128	–141	–152	–161	–171	–180	–189	–591	–1,443
Trust fund excise taxes	....	....	1	14	56	59	63	67	71	75	78	130	484
ATRA tax credit extensions	....	....	....	....	....	–2	–31	–33	–35	–37	–40	–2	–177
Medicare physician payment relief	0	–15	–21	–23	–24	–25	–30	–33	–37	–41	–43	–108	–292
Account for inflation and population growth	–*	77	127	159	187	217	249	281	315	300	309	766	2,221
Do not extend any appropriations	....	–571	–960	–1,104	–1,211	–1,328	–1,446	–1,551	–1,650	–1,801	–1,933	–5,173	–13,552

* $500 million or less.
[1] Includes costs or savings from debt service.

be to assume growth with inflation and population, so that real resources per person (or the real cost per person of funding these programs) remains constant over time. Such an alternative would increase total outlays by $77 billion in 2014 and $2,221 billion over the period 2014-2023 relative to the baseline, including costs from debt service.

- *Do not extend any appropriations*. Discretionary spending continues in the BBEDCA baseline whether there is authorization for the program or not and whether funds have already been provided or not. In nearly all cases, funds for discretionary programs have not been provided in advance for years beyond the current year. If instead the baseline were constructed using a strict "current law" approach, the only discretionary outlays that would be included in the baseline would be the lagged spending from budgetary resources already provided in the current year or past years; otherwise, no new budgetary resources would be provided. If this rule were followed, outlays in 2014 would be reduced by $571 billion relative to the Administration's baseline, which includes savings from debt service. However, clearly this would provide an unrealistic estimate of future spending and the Government's future fiscal position.

Table 26–2 provides estimates, including effects on debt service, for a variety of changes in baseline definitions that could be considered.

Economic Assumptions

The estimates for the baseline are prepared using the same economic assumptions as the President's Budget. These assumptions are based on enactment of the President's Budget proposals. The economy and the budget interact. Changes in economic conditions significantly alter the estimates of tax receipts, unemployment benefits, entitlement payments that receive automatic cost-of-living adjustments (COLAs), income support programs for low-income individuals, and interest on the Federal debt. In turn, Government tax and spending policies influence prices, economic growth, consumption, savings, and investment. Because of these interactions, it would be reasonable, from an economic perspective, to assume different economic paths for the baseline projection and the President's Budget. However, this would diminish the value of the baseline estimates as a benchmark for measuring proposed policy changes, because it would then be difficult to separate the effects of proposed policy changes from the effects of different economic assumptions. By using the same economic assumptions for the baseline and the President's Budget, this potential source of confusion is eliminated. The economic assumptions underlying the Budget and the Administration's baseline are summarized in Table 26–3. The economic outlook underlying these assumptions is discussed in greater detail in Chapter 2 of this volume.

Table 26–3. SUMMARY OF ECONOMIC ASSUMPTIONS
(Fiscal years; dollar amounts in billions)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Domestic Product (GDP):												
Levels, dollar amounts in billions:												
Current dollars	15,704.8	16,383.8	17,234.8	18,180.6	19,192.1	20,247.3	21,275.2	22,247.1	23,219.4	24,216.4	25,252.5	26,330.8
Real, chained (2005) dollars	13,600.0	13,907.1	14,357.5	14,863.7	15,398.8	15,943.4	16,441.4	16,872.6	17,282.6	17,691.6	18,103.8	18,525.7
Percent change, year over year:												
Current dollars	4.2	4.3	5.2	5.5	5.6	5.5	5.1	4.6	4.4	4.3	4.3	4.3
Real, chained (2005) dollars	2.3	2.3	3.2	3.5	3.6	3.5	3.1	2.6	2.4	2.4	2.3	2.3
Inflation measures (percent change, year over year):												
GDP chained price index	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Consumer price index (all urban)	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Unemployment rate, civilian (percent)	8.1	7.7	7.2	6.7	6.2	5.7	5.5	5.4	5.4	5.4	5.4	5.4
Interest rates (percent):												
91-day Treasury bills	0.1	0.1	0.2	0.4	1.3	2.3	3.2	3.6	3.7	3.7	3.7	3.7
10-year Treasury notes	1.8	2.0	2.6	3.1	3.7	4.1	4.4	4.6	4.8	5.0	5.0	5.0
MEMORANDUM:												
Related program assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions	3.6	1.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Federal employee retirement	3.6	1.7	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Food stamps [1]	0.0	0.0	–5.5	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Insured unemployment rate	2.7	2.6	2.5	2.4	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1

[1] Enhanced Thrifty Food Plan (TFP) benefits provided by the Recovery Act (P.L. 111–5) are set to expire on October 31, 2013. Benefits will return to regular levels and will be updated annually based on the TFP from the proceeding June.

Major Programmatic Assumptions

A number of programmatic assumptions must be made in order to calculate the baseline estimates. These include assumptions about annual cost-of-living adjustments in the indexed programs and the number of beneficiaries who will receive payments from the major benefit programs. Assumptions about various automatic cost-of-living-adjustments are shown in Table 26–3, and assumptions about baseline caseload projections for the major benefit programs are shown in Table 26–4. These assumptions affect baseline estimates of direct spending for each of these programs, and they also affect estimates of the discretionary baseline for a limited number of programs. For Pell Grants and the administrative expenses for Medicare, Railroad Retirement, and unemployment insurance, the discretionary baseline is increased (or decreased) for changes in the number of beneficiaries in addition to the adjustments for inflation described earlier.[4]

It is also necessary to make assumptions about the continuation of expiring programs and provisions. As explained above, in the baseline estimates provided here, expiring excise taxes dedicated to a trust fund are extended at current rates. Certain tax relief provided to individuals and families only through taxable year 2017 is assumed to be permanent for purposes of calculating revenue estimates. Medicare payments to physicians are assumed to be maintained at their current payment rates. In general, mandatory programs with spending of at least $50 million in the current year are also assumed to continue, unless the programs are explicitly temporary in nature. For example, under the Fair and Equitable Tobacco Reform Act of 2004, tobacco buyout payments will expire in 2014, even though current year outlays are $960 million. Table 26–5 provides a listing of mandatory programs and taxes assumed to continue in the baseline after their expiration. All discretionary programs with enacted non-emergency appropriations in the current year and the 2013 costs for overseas contingency operations in Iraq and Afghanistan and other recurring international activities are assumed to continue.

Many other important assumptions must be made in order to calculate the baseline estimates. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table 26–5 lists many of these assumptions and their effects on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important assumptions are shown.

[4] Although these adjustments are applied at the account level, they have no effect in the aggregate because baseline levels are constrained to the BBEDCA caps.

Current Services Receipts, Outlays, and Budget Authority

Receipts.—Table 26–6 shows the Administration's baseline receipts by major source. Total receipts are projected to increase by $288 billion from 2013 to 2014, by $865 billion from 2014 to 2018, and by $1,180 billion from 2018 to 2023. These increases are largely due to assumed increases in incomes resulting from both real economic growth and inflation.

Individual income taxes are estimated to increase by $124 billion from 2013 to 2014, by $542 billion from 2014 to 2018, and by $660 billion from 2018 to 2023 under baseline assumptions. This average annual rate of growth of 7.3 percent between 2014 and 2023 is primarily the effect of increased collections resulting from rising aggregate personal incomes.

Corporation income taxes are estimated to increase by $47 billion from 2013 to 2014, by $111 billion from 2014 to 2018, and by $76 billion from 2018 to 2023 under baseline assumptions. This average annual rate of growth of 5.1 percent between 2014 and 2023 is primarily attributable to growth in corporate profits.

Social insurance and retirement receipts are estimated to increase by $81 billion from 2013 to 2014, by an additional $235 billion between 2014 and 2018, and by an additional $325 billion between 2018 and 2023. These baseline estimates reflect expiration of the two-percentage point payroll tax holiday on December 31, 2012, increases in total wages and salaries paid, and scheduled increases in the Social Security taxable earnings base from $113,700 in 2013 to $134,400 in 2018 and to $165,000 in 2023, as shown in Table 26-7.

Other baseline receipts (excise taxes, estate and gift taxes, customs duties and miscellaneous receipts) are projected to increase by $36 billion between 2013 and 2014, and to rise to $371 billion by 2023.

Outlays.—Outlays in the Administration's baseline are estimated to decrease from $3,632 billion in 2013 to $3,627 billion in 2014, a 0.1 percent decrease. Between 2013 and 2018, the baseline outlays are projected to increase at an average annual rate of 4.1 percent, and between 2013 and 2023 are projected to increase at an average annual rate of 5.1 percent. Table 26–8 shows the growth from 2013 to 2014 and average annual growth over the five-year and ten-year periods for certain discretionary and major mandatory programs.

Discretionary budget authority is assumed to be capped at the levels specified in the BCA, including the limited upward adjustments specified in previous sections of this chapter, and reduced for estimated Joint Committee enforcement. Outlays for discretionary programs decrease by 4.9 percent from $1,226 billion in 2013 to $1,166 billion in 2014, largely due to the effects of Joint Committee enforcement in 2014, which are larger than the reductions for 2013, and reductions in OCO funding. Discretionary outlays decrease at an average annual rate of 0.1 percent from 2013 to 2018 and increase at an average annual rate of 1.6 percent from 2013 to 2023.

Entitlement and other mandatory programs are estimated to increase by 2.4 percent from $2,182 billion in 2013 to $2,235 billion in 2014. Several programs show notable outlay growth between 2013 and 2014: outlays for Medicaid, Medicare, and other health care programs increase by 11.5 percent; outlays for veterans programs increase by 6.2 percent; Social Security outlays increase by 5.8 percent; and Federal employee retirement and disability outlays increase by 4.2 percent. These increases are offset by reduced spending on unemployment compensation (29.4 percent), farm programs (19.1 percent), other income security programs (3.5 percent), and other mandatory programs (104.2 percent). The outlay reduction from 2013 to 2014 for other mandatory programs is largely due to projected increases in the dividends received by Treasury under Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac; a $5.7 billion projected refund of prepaid FDIC Deposit Insurance Fund assessments in 2013 followed by the revival of cash assessments following several years of prepaid Fund premiums in 2014; and elevated spending in 2013 for the National Flood Insurance Program to pay claims related to Superstorm Sandy.

Mandatory outlays increase each year after 2013, reaching $3,706 billion in 2023, which is due mostly to increased spending on Medicaid, Medicare, other health care programs, veterans programs and Social Security. Over the same time period, outlays for unemployment compensation decline at an average annual rate of 4.2 percent. Net interest payments are projected to increase at an average annual rate of 13.7 percent from $222 billion in 2013 to $804 billion in 2023 due to increases in the amount of debt outstanding and to the average interest rate on the debt.

Tables 26–9 and 26–10 show the Administration's baseline outlays by function and by agency, respectively. A more detailed presentation of outlays (by function, category, subfunction, and program) is available as Table 26–13 online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM.

Budget authority.—Tables 26–11 and 26–12 show estimates of budget authority in the Administration's baseline by function and by agency, respectively. A more detailed presentation of budget authority with program level estimates is also part of Table 26–13 online at *www.whitehouse.gov/omb/budget/Analytical_Perspectives* and on the Budget CD-ROM.

Table 26–4. BASELINE BENEFICIARY PROJECTIONS FOR MAJOR BENEFIT PROGRAMS

(Annual average, in thousands)

	Actual 2012	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Farmers receiving Federal payments	1,329	1,322	1,315	1,308	1,301	1,294	1,288	1,282	1,276	1,270	1,264	1,258
Federal direct student loans	11,270	11,089	11,420	11,773	12,139	12,517	12,908	13,314	13,735	14,171	14,622	15,090
Federal Pell Grants	8,965	9,171	9,373	9,515	9,660	9,771	9,874	10,044	10,153	10,276	10,390	10,515
Medicaid/Children's Health Insurance Program	63,155	63,276	71,658	76,997	79,939	79,963	78,868	79,167	80,362	80,901	81,448	82,005
Medicare-eligible military retiree health benefits	2,183	2,230	2,266	2,293	2,317	2,344	2,367	2,390	2,413	2,435	2,457	2,480
Medicare:												
Hospital insurance	49,856	51,490	53,109	54,742	56,361	57,998	59,665	61,370	63,122	64,908	66,729	68,576
Supplementary medical insurance:												
Part B	46,011	47,540	48,990	50,424	51,848	53,283	54,748	56,249	57,844	59,448	61,075	62,737
Part D	36,962	37,996	39,032	40,138	41,187	42,232	43,321	44,440	45,841	47,153	48,427	49,734
Prescription Drug Plans and Medicare Advantage:												
Prescription Drug Plans	31,230	34,541	36,736	38,477	40,203	41,403	42,468	43,563	44,939	46,226	47,474	48,755
Retiree Drug Subsidy	5,732	3,455	2,296	1,661	984	830	853	877	902	928	953	980
Managed Care Enrollment [1]	13,202	14,546	14,868	14,195	13,447	12,644	12,477	12,820	13,308	13,894	14,541	15,179
Railroad retirement	566	565	562	559	556	551	547	542	536	529	521	512
Federal civil service retirement	2,544	2,564	2,604	2,619	2,636	2,654	2,672	2,692	2,712	2,733	2,753	2,774
Military retirement	2,237	2,253	2,264	2,273	2,282	2,291	2,300	2,309	2,318	2,329	2,340	2,350
Unemployment insurance	8,893	8,970	9,172	9,095	8,940	8,740	8,561	8,475	8,464	8,481	8,503	8,525
Supplemental Nutrition Assistance Program (formerly Food Stamps)	46,609	47,105	44,734	42,629	40,656	38,755	36,979	35,373	34,046	33,173	32,616	32,274
Child nutrition	35,034	35,401	35,775	36,097	36,424	36,756	37,093	37,434	37,781	38,132	38,489	38,852
Foster care, Adoption Assistance and Guardianship Assistance	598	609	622	638	653	670	690	710	730	753	773	797
Supplemental security income (SSI):												
Aged	1,094	1,092	1,103	1,115	1,129	1,145	1,163	1,183	1,207	1,232	1,258	1,286
Blind/disabled	6,846	7,011	7,119	7,219	7,282	7,307	7,322	7,338	7,368	7,386	7,409	7,440
Total, SSI	7,940	8,103	8,222	8,334	8,411	8,452	8,485	8,521	8,575	8,618	8,667	8,726
Child care and development fund [2]	2,271	2,230	2,258	2,240	2,160	2,056	1,957	2,021	1,958	1,897	1,838	1,773
Social security (OASDI):												
Old age and survivor insurance	45,066	46,371	47,782	49,263	50,825	52,439	54,084	55,760	57,468	59,013	60,601	62,198
Disability insurance	10,700	10,946	11,125	11,280	11,415	11,526	11,607	11,670	11,726	11,840	11,969	12,087
Total, OASDI	55,766	57,318	58,907	60,543	62,240	63,965	65,691	67,430	69,194	70,853	72,571	74,285
Veterans compensation:												
Veterans	3,440	3,648	3,846	4,016	4,174	4,322	4,456	4,579	4,698	4,812	4,922	5,027
Survivors (non-veterans)	348	355	365	375	387	399	412	425	439	452	466	480
Total, Veterans compensation	3,788	4,003	4,211	4,391	4,561	4,721	4,868	5,004	5,137	5,264	5,388	5,507
Veterans pensions:												
Veterans	314	314	315	315	316	316	316	317	317	317	318	318
Survivors (non-veterans)	204	202	202	202	202	203	203	203	203	203	203	203
Total, Veterans pensions	518	516	517	517	518	519	519	520	520	520	521	521

[1] Enrollment figures include only beneficiaries who receive both Part A and Part B services through managed care.

[2] Assumes CCDF reauthorization proposed in President's Budget and includes children served through the CCDF (including TANF transfers) and through funds spent directly on child care in the Social Services Block Grant and TANF programs.

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE

(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EXPIRING AUTHORIZATIONS											
Programs Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Natural Resources Conservation Service (NRCS):											
Environmental Quality Incentives Program	....	....	1,625	1,684	1,723	1,745	1,750	1,750	1,750	1,750	1,750
Wildlife Habitat Incentives Program	....	....	69	74	78	80	82	84	85	85	85
Farm and Ranch Land Protection Program	....	....	187	193	199	200	200	200	200	200	200
Conservation Stewardship Program	....	....	1,177	1,585	1,830	2,110	2,377	2,643	2,429	2,437	2,454
Chesapeake Bay Watershed Initiative	....	18	11	3	....	....	....	....	....	....	....
Conservation Reserve Program	....	32	28	25	21	18	16	11	7	3	3
Farm Service Agency (FSA) Programs:											
Agricultural Commodity Marketing Loans	....	46	19	22	29	4	18	5	12	4	3
Conservation Reserve Program	....	11	59	201	315	423	556	623	709	920	1,080
Dairy Product Price Support Program	....	31	29	27	24	22	20	17	16	14	12
Agricultural Commodity Counter-Cyclical Program	....	....	....	40	32	25	20	15	12	7	....
Average Crop Revenue Election (ACRE) Program	....	....	....	1,818	184	11	14	11	13	10	12
Direct Crop Payments	....	....	4,945	4,945	4,944	4,989	4,978	4,975	4,971	4,967	4,991
Market Access Program -- FAS	....	32	178	200	200	200	200	200	200	200	200
Forest Service (FS):											
Federal Lands Recreation Enhancement Fund	....	....	....	....	....	....	....	....	....	....	....
Child Nutrition Programs:											
State Administrative Expenses	....	....	....	273	279	284	290	297	305	316	326
Summer Food Service Program	....	....	....	514	542	570	600	632	665	700	738
NSLP Commodity Support (Bonus - Section 6(e)(1)(B) of NSLA)	....	....	....	....	....	....	....	....	100	100	100
Supplemental Nutrition Assistance Program (SNAP) (formerly Food Stamps)	....	74,058	72,300	71,262	70,270	69,364	68,594	68,172	68,511	67,640	67,141
Education:											
Rehabilitation Services and Disability Research	....	3,302	3,375	3,449	3,525	3,602	3,682	3,763	3,845	3,930	4,016
Health and Human Services:											
Centers for Medicare & Medicaid Services:											
Children's Health Insurance Program	....	....	....	....	9,100	6,400	5,900	5,800	5,700	5,700	5,700
Administration for Children and Families:											
Child Care Entitlements to States	2,908	2,915	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917	2,917
Promoting Safe and Stable Families	....	....	....	....	93	270	317	338	345	345	345
TANF	16,835	16,981	17,182	16,817	16,722	16,722	16,722	16,722	16,722	16,722	16,722
Contingency Fund	....	....	612	612	612	612	612	612	612	612	612
Homeland Security:											
National Flood Insurance Fund	....	....	....	....	....	6,266	6,396	6,537	6,844	6,996	7,153
Interior:											
Federal Land Recreation and Enhancement Act	....	....	–17	1	1	0	–1	–1	0	–2	–1
Sport Fish Restoration and Boating Trust Fund [1]	460	427	443	454	473	497	522	547	574	600	627
Labor:											
Trade Adjustment Assistance for Workers	....	....	32	241	410	484	528	568	607	643	675
Veterans Affairs:											
Veterans Compensation Cost of Living Adjustment	....	1,033	2,385	3,870	5,469	7,183	9,006	10,942	12,996	15,169	17,448
Revenues:											
Airport and Airway Trust Fund Taxes	....	....	....	12,755	13,293	13,817	14,272	14,703	15,157	15,615	16,103
Highway Trust Fund Taxes	....	....	....	....	40,049	40,290	40,468	40,582	40,965	41,349	41,447
Leaking Underground Storage Tank (LUST) Trust Fund Taxes	....	....	....	....	183	183	181	179	178	179	177

Table 26–5. IMPACT OF REGULATIONS, EXPIRING AUTHORIZATIONS, AND OTHER ASSUMPTIONS IN THE BASELINE—Continued
(Outlays in millions of dollars)

	Estimate										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Oil Spill Liability Trust Fund Taxes	....	....	....	....	....	404	533	529	523	521	536
Sport Fish Restoration and Boating Safety Trust Fund Taxes [3]	....	....	....	....	634	663	694	725	754	785	816
Tobacco Assessment	....	....	960	960	960	960	960	960	960	960	960
Fee on Insured and Self Insured Plans	....	....	....	....	....	....	....	538	572	608	648
Programs and Provisions Not Extended in the Adjusted Baseline											
Spending:											
Agriculture:											
Departmental Management/Office of Advocacy and Outreach:											
Outreach and Technical Assistance for Socially Disadvantaged Farmers and Ranchers	20	20	20	20	20	20	20	20	20	20	20
Sec. 9002 Biobased Markets Program	....	2	2	2	2	2	2	2	2	2	2
Sec. 9006 Biodiesel Fuel Education Program	....	1	1	1	1	1	1	1	1	1	1
Farm Service Agency (FSA) Programs:											
Biomass Crop Assistance Program (BCAP)	....	20	20	20	20	20	20	20	20	20	20
Voluntary Public Access	....	10	10	10	10	10	10	10	10	10	10
Disaster Relief Fund	....	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Natural Resources Conservation Service (NRCS):											
Healthy Forests Reserve Program	....	11	12	13	13	13	13	13	13	13	13
Grasslands Reserve Program	....	67	67	67	67	67	67	67	67	67	67
Wetlands Reserve Program	....	386	218	123	77	68	84	65	65	65	45
National Institute of Food and Agriculture (NIFA):											
Beginning Farmers and Ranchers Development Program	....	2	10	19	19	19	19	19	19	19	19
Organic Agriculture Research and Extension Iniitative	....	1	8	13	20	20	20	20	20	20	20
Specialty Crop Research Initiative	....	3	20	33	50	50	50	50	50	50	50
Animal and Plant Health Inspection Service:											
National Clean Plant Network	....	2	5	5	5	5	5	5	5	5	5
Agricultural Marketing Service:											
Farmers Market Promotion Program (2008 Farm Bill, Sec. 10106)	....	10	10	10	10	10	10	10	10	10	10
Specialty Crop Block Grants Program (2008 Farm Bill, Sec. 10109)	....	55	55	55	55	55	55	55	55	55	55
Rural Business-Cooperative Service:											
Rural Energy for America Program	....	60	65	68	70	70	70	70	70	70	70
Bioenergy Program for Advanced Biofuels	....	105	105	105	105	105	105	105	105	105	105
Value Added Agricultural Market Development Program	....	10	13	14	14	15	15	15	15	15	15
Repowering Assistance Program	....	35	35	35	35	35	35	35	35	35	35
Biorefinery Assistance Program	....	164	245	245	245	245	245	245	245	245	245
Rural Microentrepreneur Assistance Program	....	1	2	2	3	3	3	3	3	3	3
Trade Assistance Programs:											
Foreign Market Development (Cooperator) Program	....	18	34	35	35	35	35	35	35	35	35
Technical Assistance Specialty Crops	....	....	4	8	9	9	9	9	9	9	9
Emerging Markets	....	....	6	8	10	10	10	10	10	10	10
Forest Service (FS):											
Forest County Safety Net Payments (Departments of Agriculture and the Interior)	....	279	262	246	231	217	203	190	178	166	155
Federal Land and Facility Enhancement Fund	....	....	....	....	23	19	20	20	20	21	21
Administration of Rights-of-Way and Other Land Uses Fund	8	9	9	9	9	9	9	10	10	10	10
Sect. 420 Sale of botanical products pilot program	....	....	2	2	2	2	2	2	2	2	2
Stewardship Contracting	....	10	10	10	10	10	10	10	10	10	10
Health and Human Services:											
TANF Supplemental Grants	....	257	319	319	319	319	319	319	319	319	319
Medicaid:											
Transitional Medical Assistance [4]	....	270	–45	–45	45	100	135	220	260	280	300
Medicare Low-Income Premium Assistance (Qualified Individuals) [4]	....	405	785	875	970	1,075	1,185	1,315	1,450	1,600	1,755

Table 26–8. CHANGE IN OUTLAY ESTIMATES BY CATEGORY IN THE ADJUSTED BASELINE

(Dollar amounts in billions)

	2013	2014	2018	2023	Change 2013 to 2014		Change 2013 to 2018		Change 2013 to 2023	
					Amount	Percent	Amount	Annual average rate	Amount	Annual average rate
Outlays:										
Discretionary:										
Defense	630	574	634	758	–56	–8.9%	4	0.1%	128	1.9%
Non-defense	596	592	585	679	–4	–0.7%	–11	–0.4%	83	1.3%
Subtotal, discretionary	1,226	1,166	1,219	1,438	–60	–4.9%	–7	–0.1%	212	1.6%
Mandatory:										
Farm programs	20	16	14	15	–4	–19.1%	–6	–6.5%	–5	–2.6%
Medicaid	267	304	392	529	37	14.0%	126	8.0%	263	7.1%
Other health care	42	78	146	195	35	83.1%	103	28.0%	153	16.5%
Medicare	498	519	639	941	21	4.2%	141	5.1%	443	6.6%
Federal employee retirement and disability	131	136	152	184	6	4.2%	21	3.1%	53	3.5%
Unemployment compensation	76	54	44	53	–22	–29.4%	–32	–10.3%	–23	–3.6%
Other income security programs	285	275	276	303	–10	–3.5%	–8	–0.6%	18	0.6%
Social Security	812	860	1,081	1,427	48	5.8%	269	5.9%	614	5.8%
Veterans programs	81	86	103	145	5	6.2%	22	5.0%	64	6.0%
Other mandatory programs	62	–3	5	36	–64	–104.2%	–57	–40.0%	–26	–5.2%
Undistributed offsetting receipts	–92	–89	–105	–122	2	–2.5%	–13	2.7%	–30	2.9%
Subtotal, mandatory	2,182	2,235	2,749	3,706	53	2.4%	567	4.7%	1,524	5.4%
Disaster costs [1]	1	5	9	10	3	241.8%	8	46.5%	9	21.9%
Net interest	222	222	459	804	–*	–0.1%	237	15.6%	582	13.7%
Total, outlays	3,632	3,627	4,437	5,959	–4	–0.1%	805	4.1%	2,327	5.1%

* $500 million or less.

[1] These amounts represent the statistical probability of a major disaster requiring federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table 26–9. OUTLAYS BY FUNCTION IN THE ADJUSTED BASELINE
(In billions of dollars)

Function	2012 Actual	Estimate									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
National Defense:												
Department of Defense—Military	650.9	613.1	555.3	591.3	598.0	607.6	616.7	627.8	644.8	660.9	704.9	736.9
Other	27.0	25.3	26.4	25.8	25.1	25.4	25.8	26.3	26.8	27.3	29.4	30.5
Total, National Defense	677.9	638.3	581.7	617.1	623.0	633.0	642.5	654.1	671.5	688.1	734.3	767.5
International Affairs	47.2	56.0	57.1	58.2	59.3	59.9	60.1	61.1	62.3	63.8	65.4	66.2
General Science, Space, and Technology	29.1	30.0	30.0	30.6	31.1	31.5	32.0	32.7	33.7	34.5	35.2	35.8
Energy	14.9	14.6	12.2	8.9	5.6	3.7	5.3	4.4	4.8	4.5	4.6	4.0
Natural Resources and Environment	41.6	38.2	41.4	43.0	45.9	47.1	47.9	49.0	50.5	51.2	52.1	53.5
Agriculture	17.8	26.6	22.9	20.4	22.2	20.8	21.0	21.4	21.9	22.2	22.6	23.0
Commerce and Housing Credit	40.8	16.5	–39.2	–40.7	–37.8	–26.6	–20.0	–20.0	–26.1	–18.1	–21.0	–23.2
On-Budget	(38.2)	(16.2)	(–39.5)	(–40.9)	(–38.1)	(–26.8)	(–20.3)	(–20.3)	(–26.3)	(–18.4)	(–21.3)	(–23.5)
Off-Budget	(2.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Transportation	93.0	93.8	98.4	99.7	99.4	99.8	99.5	99.9	101.7	103.6	105.9	108.2
Community and Regional Development	25.1	37.2	32.3	26.3	18.9	17.2	16.6	15.8	15.4	15.8	15.3	15.3
Education, Training, Employment, and Social Services	90.8	71.7	84.5	89.9	95.5	104.5	112.2	117.7	122.2	126.1	131.1	134.1
Health	346.7	368.0	438.6	512.1	555.7	582.4	599.8	634.6	671.2	706.6	746.5	792.7
Medicare	471.8	504.2	525.3	552.4	604.3	621.5	647.2	710.6	764.4	822.2	911.8	951.4
Income Security	541.3	556.0	530.0	527.7	542.5	542.2	541.3	561.5	575.1	590.0	614.3	616.1
Social Security	773.3	818.0	865.6	917.5	971.1	1,028.3	1,087.8	1,150.6	1,217.2	1,284.5	1,357.2	1,434.1
On-Budget	(140.4)	(56.3)	(28.6)	(32.6)	(36.0)	(39.6)	(43.3)	(47.3)	(51.3)	(55.5)	(59.8)	(64.5)
Off-Budget	(632.9)	(761.8)	(837.0)	(884.9)	(935.1)	(988.7)	(1,044.5)	(1,103.3)	(1,165.8)	(1,229.1)	(1,297.4)	(1,369.6)
Veterans Benefits and Services	124.6	140.7	149.0	157.8	171.0	172.4	174.2	190.0	198.9	208.0	226.0	226.5
Administration of Justice	56.3	57.6	62.8	61.1	62.0	60.2	61.8	63.5	65.3	67.1	71.5	73.7
General Government	28.0	29.3	26.4	25.6	25.7	25.2	25.7	26.5	27.7	28.3	29.1	30.0
Net Interest	220.4	221.9	221.8	252.3	297.9	370.2	459.1	544.5	615.9	677.2	740.9	804.4
On-Budget	(332.8)	(327.5)	(321.9)	(348.0)	(389.9)	(460.9)	(548.4)	(635.1)	(705.0)	(767.2)	(827.8)	(889.9)
Off-Budget	(–112.4)	(–105.6)	(–100.0)	(–95.6)	(–92.0)	(–90.7)	(–89.4)	(–90.6)	(–89.1)	(–89.9)	(–86.8)	(–85.5)
Allowances	....	4.6	–24.3	–52.1	–67.0	–70.3	–72.5	–73.9	–76.3	–79.5	–49.9	–32.7
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–68.3	–66.1	–65.6	–66.0	–67.4	–72.6	–74.7	–77.2	–79.8	–82.5	–85.3	–88.1
Employer share, employee retirement (off-budget)	–15.6	–16.2	–16.8	–17.7	–18.6	–19.4	–20.3	–21.3	–22.3	–23.3	–24.5	–25.5
Rents and royalties on the Outer Continental Shelf	–6.6	–6.8	–7.0	–7.2	–7.4	–7.3	–7.1	–7.6	–8.2	–8.4	–8.6	–8.3
Sale of major assets	–13.0	–2.6	....	....	....	....	....	....	....	....	....	....
Other undistributed offsetting receipts	....	....	....	–4.8	–9.4	–7.7	–2.6	–4.4	–4.4	....	....	....
Total, Undistributed Offsetting Receipts	–103.5	–91.7	–89.4	–95.6	–102.9	–107.0	–104.6	–110.6	–114.7	–114.3	–118.5	–122.0
On-Budget	(–87.9)	(–75.6)	(–72.6)	(–77.9)	(–84.3)	(–87.6)	(–84.3)	(–89.2)	(–92.4)	(–90.9)	(–93.9)	(–96.5)
Off-Budget	(–15.6)	(–16.2)	(–16.8)	(–17.7)	(–18.6)	(–19.4)	(–20.3)	(–21.3)	(–22.3)	(–23.3)	(–24.5)	(–25.5)
Total	**3,537.1**	**3,631.5**	**3,627.4**	**3,812.3**	**4,023.4**	**4,216.1**	**4,436.8**	**4,733.3**	**5,002.5**	**5,281.9**	**5,674.4**	**5,958.5**
On-Budget	(3,029.5)	(2,991.3)	(2,906.9)	(3,040.4)	(3,198.7)	(3,337.3)	(3,501.6)	(3,741.7)	(3,947.9)	(4,165.8)	(4,488.1)	(4,699.6)
Off-Budget	(507.6)	(640.3)	(720.4)	(771.9)	(824.7)	(878.8)	(935.1)	(991.6)	(1,054.7)	(1,116.1)	(1,186.3)	(1,258.9)

Table 27–10. OUTLAYS BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legislative Branch	4.4	4.8	4.9	5.0	5.0	5.1	5.2	5.4	5.5	5.7	5.9	6.0
Judicial Branch	7.2	7.3	7.7	7.8	8.0	8.2	8.4	8.6	8.9	9.1	9.4	9.6
Agriculture	139.7	154.2	141.8	137.3	139.6	138.4	139.0	140.3	142.1	144.0	145.1	146.7
Commerce	10.3	9.3	9.1	9.5	11.3	9.8	10.4	9.7	9.7	10.0	10.3	10.5
Defense—Military Programs	650.9	616.1	594.0	648.4	663.5	678.1	690.9	705.2	724.7	743.3	761.6	779.9
Education	57.2	36.7	48.1	53.4	58.9	67.3	74.2	79.1	82.8	85.8	90.0	92.2
Energy	32.5	27.3	30.2	28.8	26.3	26.0	28.1	26.9	27.5	28.0	28.5	29.2
Health and Human Services	848.1	900.1	959.2	1,033.1	1,113.8	1,146.2	1,184.1	1,274.4	1,357.4	1,441.7	1,561.3	1,637.0
Homeland Security	47.4	59.5	53.1	51.3	47.2	47.9	48.9	49.1	50.4	52.4	55.6	57.2
Housing and Urban Development	49.6	57.7	39.1	36.0	34.8	33.2	32.6	32.3	31.8	31.7	31.9	31.8
Interior	12.9	10.0	13.0	13.9	14.1	14.7	14.8	15.0	15.3	15.7	15.9	16.2
Justice	31.2	33.3	38.5	36.2	36.1	33.8	34.6	35.5	36.5	37.5	38.5	39.5
Labor	104.6	91.3	68.4	60.3	58.5	59.3	60.4	62.5	65.3	68.1	70.8	73.2
State	26.9	29.5	31.5	31.8	32.9	33.5	33.8	34.3	34.8	35.5	36.1	36.9
Transportation	75.1	79.4	81.5	81.4	81.1	81.1	80.3	80.6	81.8	83.1	84.7	86.3
Treasury	464.7	489.5	505.3	559.4	616.0	699.9	797.8	896.9	980.1	1,058.1	1,133.4	1,207.5
Veterans Affairs	124.1	140.3	148.5	157.3	170.5	171.9	173.7	189.5	198.4	207.5	225.5	225.9
Corps of Engineers—Civil Works	7.8	6.8	8.1	9.0	9.9	10.3	10.3	10.3	10.6	10.5	10.8	11.1
Other Defense Civil Programs	77.3	59.7	61.2	63.3	69.7	67.4	63.4	69.9	72.2	74.7	83.1	79.1
Environmental Protection Agency	12.8	9.1	8.5	8.7	9.0	8.8	9.1	9.4	9.7	9.9	10.2	10.4
Executive Office of the President	0.4	0.4	0.4	0.4	0.4	0.7	0.5	4.8	4.6	0.5	0.5	0.5
General Services Administration	1.8	0.9	0.1	–0.2	–0.8	–1.6	–1.7	–1.8	–1.8	–1.9	–1.9	–1.9
International Assistance Programs	20.0	25.5	25.3	26.1	26.1	26.1	26.1	26.6	27.3	28.1	28.9	29.0
National Aeronautics and Space Administration	17.2	17.3	18.3	18.8	19.3	19.5	19.9	20.3	20.8	21.3	21.7	22.1
National Science Foundation	7.3	8.3	7.2	7.2	7.2	7.3	7.2	7.4	7.9	8.1	8.3	8.4
Office of Personnel Management	79.5	84.3	83.6	87.9	92.1	103.6	107.2	112.1	117.0	121.8	126.9	132.2
Small Business Administration	2.9	0.9	1.2	1.4	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.4
Social Security Administration	821.1	872.0	921.7	977.0	1,037.9	1,092.7	1,149.3	1,219.0	1,287.7	1,357.2	1,437.6	1,511.3
On-Budget	(188.2)	(110.2)	(84.7)	(92.1)	(102.8)	(104.0)	(104.8)	(115.7)	(121.9)	(128.1)	(140.2)	(141.7)
Off-Budget	(632.9)	(761.8)	(837.0)	(884.9)	(935.1)	(988.7)	(1,044.5)	(1,103.3)	(1,165.8)	(1,229.1)	(1,297.4)	(1,369.6)
Other Independent Agencies	32.9	46.8	22.8	19.5	20.2	22.0	27.2	25.5	20.6	34.0	32.1	30.8
On-Budget	(30.2)	(46.5)	(22.5)	(19.2)	(19.9)	(21.8)	(26.9)	(25.2)	(20.3)	(33.7)	(31.8)	(30.5)
Off-Budget	(2.7)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Allowances	....	1.6	–65.0	–112.1	–135.8	–144.2	–150.1	–154.9	–159.9	–165.7	–108.8	–77.4
Undistributed Offsetting Receipts												
On-Budget	(–102.7)	(–126.5)	(–122.7)	(–132.1)	(–140.0)	(–142.0)	(–140.2)	(–150.1)	(–157.0)	(–162.0)	(–169.3)	(–173.4)
Off-Budget	(–128.0)	(–121.8)	(–116.8)	(–113.3)	(–110.7)	(–110.2)	(–109.6)	(–112.0)	(–111.5)	(–113.3)	(–111.4)	(–111.0)
Total	**3,537.1**	**3,631.5**	**3,627.4**	**3,812.3**	**4,023.4**	**4,216.1**	**4,436.8**	**4,733.3**	**5,002.5**	**5,281.9**	**5,674.4**	**5,958.5**
On-Budget	(3,029.5)	(2,991.3)	(2,906.9)	(3,040.4)	(3,198.7)	(3,337.3)	(3,501.6)	(3,741.7)	(3,947.9)	(4,165.8)	(4,488.1)	(4,699.6)
Off-Budget	(507.6)	(640.3)	(720.4)	(771.9)	(824.7)	(878.8)	(935.1)	(991.6)	(1,054.7)	(1,116.1)	(1,186.3)	(1,258.9)

Table 26–11. BUDGET AUTHORITY BY FUNCTION IN THE ADJUSTED BASELINE

(In billions of dollars)

Function	2012 Actual	Estimate 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
National Defense:												
Department of Defense—Military	655.4	581.3	571.5	586.7	599.0	613.3	627.7	642.3	657.8	673.4	743.4	761.6
Other	26.0	25.0	24.3	24.8	25.1	25.6	26.1	26.6	27.1	27.6	30.5	31.1
Total, National Defense	681.4	606.3	595.8	611.5	624.2	639.0	653.8	668.9	684.9	701.0	773.8	792.6
International Affairs	93.3	54.4	50.6	50.1	51.4	53.3	56.4	60.4	63.2	65.0	67.3	68.7
General Science, Space, and Technology	29.2	27.9	29.9	30.6	31.2	31.9	32.5	33.2	33.9	34.6	35.4	36.1
Energy	7.7	10.9	9.7	8.2	7.0	5.2	5.3	6.0	6.5	6.2	6.0	5.3
Natural Resources and Environment	37.0	41.0	41.9	43.4	44.6	46.8	48.4	49.4	50.9	52.0	53.1	54.5
Agriculture	20.9	24.1	22.0	20.1	22.2	21.0	21.2	21.6	22.1	22.4	22.8	23.2
Commerce and Housing Credit	12.4	52.4	–18.3	–12.5	–7.6	0.8	4.5	10.3	10.4	6.6	6.9	7.0
On-Budget	(10.2)	(52.4)	(–18.3)	(–12.5)	(–7.6)	(0.8)	(4.5)	(10.3)	(10.4)	(6.6)	(6.9)	(7.0)
Off-Budget	(2.3)	....	....	(0.0)	....	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)
Transportation	88.6	98.1	88.6	90.7	91.8	92.9	94.1	95.2	96.5	97.8	99.1	100.4
Community and Regional Development	18.5	55.8	13.4	14.1	13.9	14.1	15.1	15.4	15.7	16.2	16.6	16.9
Education, Training, Employment, and Social Services	91.7	68.3	75.0	89.3	97.6	106.4	113.7	119.7	123.5	127.8	132.9	136.0
Health	361.9	360.5	425.6	525.3	543.0	574.1	598.1	633.3	681.0	707.2	748.1	794.0
Medicare	484.3	504.1	525.5	552.4	604.2	621.8	647.4	710.8	764.8	822.5	911.9	951.9
Income Security	548.9	540.6	527.9	528.4	543.0	548.1	553.6	568.9	582.2	596.6	614.7	622.5
Social Security	777.6	822.4	869.6	921.4	975.5	1,032.8	1,092.6	1,155.7	1,222.6	1,290.0	1,363.0	1,440.4
On-Budget	(140.4)	(56.1)	(28.4)	(32.5)	(36.0)	(39.6)	(43.3)	(47.3)	(51.3)	(55.5)	(59.8)	(64.5)
Off-Budget	(637.2)	(766.4)	(841.3)	(888.9)	(939.5)	(993.2)	(1,049.3)	(1,108.4)	(1,171.3)	(1,234.6)	(1,303.2)	(1,375.9)
Veterans Benefits and Services	124.5	137.6	149.9	157.6	166.3	173.8	182.9	191.5	200.5	209.6	219.0	228.3
Administration of Justice	55.3	51.9	66.7	57.3	60.7	60.6	62.2	64.0	65.8	67.6	72.0	74.2
General Government	26.5	28.2	25.2	25.1	25.7	26.3	27.0	27.7	28.5	29.3	30.2	31.1
Net Interest	219.9	221.9	221.8	252.3	297.9	370.2	459.1	544.5	615.9	677.2	740.9	804.4
On-Budget	(332.3)	(327.5)	(321.9)	(348.0)	(389.9)	(460.9)	(548.4)	(635.1)	(705.0)	(767.2)	(827.8)	(889.9)
Off-Budget	(–112.4)	(–105.6)	(–100.0)	(–95.6)	(–92.0)	(–90.7)	(–89.4)	(–90.6)	(–89.1)	(–89.9)	(–86.8)	(–85.5)
Allowances	....	10.9	–43.0	–68.2	–71.3	–72.0	–74.1	–75.6	–78.4	–81.9	–28.1	–29.0
Undistributed Offsetting Receipts:												
Employer share, employee retirement (on-budget)	–68.3	–66.1	–65.6	–66.0	–67.4	–72.6	–74.7	–77.2	–79.8	–82.5	–85.3	–88.1
Employer share, employee retirement (off-budget)	–15.6	–16.2	–16.8	–17.7	–18.6	–19.4	–20.3	–21.3	–22.3	–23.3	–24.5	–25.5
Rents and royalties on the Outer Continental Shelf	–6.6	–6.8	–7.0	–7.2	–7.4	–7.3	–7.1	–7.6	–8.2	–8.4	–8.6	–8.3
Sale of major assets	–13.0	–2.6	....	....	....	....	....	....	....	....	....	....
Other undistributed offsetting receipts	....	....	....	–4.8	–9.4	–7.7	–2.6	–4.4	–4.4	....	....	....
Total, Undistributed Offsetting Receipts	–103.5	–91.7	–89.4	–95.6	–102.9	–107.0	–104.6	–110.6	–114.7	–114.3	–118.5	–122.0
On-Budget	(–87.9)	(–75.6)	(–72.6)	(–77.9)	(–84.3)	(–87.6)	(–84.3)	(–89.2)	(–92.4)	(–90.9)	(–93.9)	(–96.5)
Off-Budget	(–15.6)	(–16.2)	(–16.8)	(–17.7)	(–18.6)	(–19.4)	(–20.3)	(–21.3)	(–22.3)	(–23.3)	(–24.5)	(–25.5)
Total	**3,576.2**	**3,625.4**	**3,588.4**	**3,801.6**	**4,018.3**	**4,240.1**	**4,489.1**	**4,790.4**	**5,075.7**	**5,333.7**	**5,767.2**	**6,036.6**
On-Budget	(3,064.7)	(2,980.8)	(2,864.0)	(3,026.0)	(3,189.5)	(3,357.0)	(3,549.5)	(3,794.0)	(4,015.8)	(4,212.4)	(4,575.3)	(4,771.8)
Off-Budget	(511.5)	(644.6)	(724.4)	(775.6)	(828.8)	(883.1)	(939.7)	(996.5)	(1,059.8)	(1,121.3)	(1,191.8)	(1,264.8)
MEMORANDUM												
Discretionary budget authority:												
National Defense	669.6	598.0	588.1	603.1	615.8	630.6	645.4	660.3	676.2	692.1	764.9	783.5
International affairs	54.3	51.9	56.3	57.6	58.8	60.1	61.5	62.8	64.2	65.6	67.0	68.5
Domestic	472.3	476.0	422.6	435.8	445.6	455.9	467.5	480.7	492.7	504.9	550.1	564.2
Total, discretionary	1196.2	1125.8	1067.0	1096.4	1120.2	1146.6	1174.4	1203.7	1233.1	1262.5	1382.0	1416.2

Table 26–12. BUDGET AUTHORITY BY AGENCY IN THE ADJUSTED BASELINE

(In billions of dollars)

Agency	2012 Actual	Estimate										
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Legislative Branch	4.5	4.3	4.7	4.8	5.0	5.1	5.3	5.5	5.6	5.8	6.0	6.1
Judicial Branch	7.2	7.0	7.5	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.8
Agriculture	151.8	152.4	145.2	143.6	145.9	144.9	145.6	146.5	148.1	150.3	151.0	152.5
Commerce	8.0	7.8	10.3	9.5	13.1	9.1	9.4	9.6	9.9	10.1	10.4	10.7
Defense—Military Programs	655.4	586.3	640.6	656.7	672.4	688.5	705.2	722.4	740.1	758.3	776.8	796.0
Education	57.5	33.1	38.7	53.3	60.9	68.9	75.4	80.6	83.6	87.1	91.4	93.7
Energy	22.7	21.5	25.7	26.1	26.5	26.8	27.5	28.0	28.6	29.1	29.6	30.3
Health and Human Services	874.5	892.2	946.4	1,046.3	1,101.5	1,138.4	1,182.5	1,274.2	1,368.0	1,442.8	1,563.0	1,638.8
Homeland Security	45.9	67.1	42.4	44.4	45.4	46.7	48.7	50.2	51.6	53.2	57.3	59.1
Housing and Urban Development	40.1	67.9	44.1	45.1	46.1	47.1	48.1	49.3	50.5	51.6	52.9	54.2
Interior	11.5	11.7	12.4	12.8	13.1	13.9	14.3	14.7	15.3	15.4	15.8	16.2
Justice	31.4	28.2	41.7	32.3	34.9	34.0	34.8	35.8	36.7	37.7	38.7	39.7
Labor	105.4	89.3	68.4	60.6	60.3	60.1	60.3	61.6	63.7	65.9	68.2	70.1
State	30.1	28.7	31.0	31.6	32.3	33.0	33.8	34.5	35.3	36.1	36.9	37.7
Transportation	70.1	82.7	72.1	73.6	74.1	74.6	75.2	75.8	76.4	77.0	77.7	78.3
Treasury	442.6	530.3	498.1	553.9	613.9	699.8	799.0	898.5	981.2	1,059.4	1,134.7	1,208.9
Veterans Affairs	124.0	137.2	149.5	157.1	165.8	173.3	182.4	191.0	200.0	209.1	218.5	227.8
Corps of Engineers—Civil Works	6.8	9.8	8.7	9.0	9.3	9.6	9.9	10.2	10.6	10.9	11.3	11.6
Other Defense Civil Programs	81.1	59.3	61.4	63.5	65.5	67.5	68.1	70.2	72.5	74.9	77.5	79.3
Environmental Protection Agency	10.8	8.5	8.6	8.8	9.0	9.3	9.5	9.8	10.0	10.2	10.5	10.8
Executive Office of the President	0.4	0.4	0.4	0.4	0.4	0.7	0.5	4.8	4.6	0.5	0.5	0.6
General Services Administration	–1.0	0.3	–1.5	–1.6	–1.6	–1.6	–1.6	–1.7	–1.7	–1.7	–1.7	–1.7
International Assistance Programs	63.2	25.1	19.1	17.9	18.5	19.7	22.0	25.3	27.2	28.3	29.6	30.1
National Aeronautics and Space Administration	17.8	17.0	18.3	18.7	19.1	19.5	20.0	20.4	20.9	21.3	21.8	22.3
National Science Foundation	7.2	6.8	7.3	7.5	7.6	7.7	7.9	8.0	8.2	8.4	8.5	8.7
Office of Personnel Management	83.6	86.9	85.3	89.3	93.4	105.3	109.8	114.6	119.5	124.7	130.3	135.7
Small Business Administration	2.7	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4
Social Security Administration	826.0	876.4	925.7	981.0	1,042.0	1,097.3	1,154.4	1,224.2	1,293.2	1,362.7	1,443.1	1,517.6
On-Budget	(188.8)	(110.0)	(84.4)	(92.0)	(102.5)	(104.1)	(105.2)	(115.7)	(122.0)	(128.1)	(139.9)	(141.7)
Off-Budget	(637.2)	(766.4)	(841.3)	(888.9)	(939.5)	(993.2)	(1,049.3)	(1,108.4)	(1,171.3)	(1,234.6)	(1,303.2)	(1,375.9)
Other Independent Agencies	25.6	28.5	29.9	33.1	33.4	34.2	36.1	38.0	38.7	39.6	39.9	39.8
On-Budget	(23.3)	(28.5)	(29.9)	(33.1)	(33.4)	(34.2)	(36.2)	(38.0)	(38.7)	(39.6)	(39.9)	(39.8)
Off-Budget	(2.3)	....	....	(0.0)	....	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)	(–0.0)
Allowances	....	5.9	–115.3	–141.4	–148.0	–150.6	–155.0	–159.4	–164.4	–170.6	–63.1	–65.0
Undistributed Offsetting Receipts												
On-Budget	(–102.7)	(–126.5)	(–122.7)	(–132.1)	(–140.0)	(–142.0)	(–140.2)	(–150.1)	(–157.0)	(–162.0)	(–169.3)	(–173.4)
Off-Budget	(–128.0)	(–121.8)	(–116.8)	(–113.3)	(–110.7)	(–110.2)	(–109.6)	(–112.0)	(–111.5)	(–113.3)	(–111.4)	(–111.0)
Total	**3,576.2**	**3,625.4**	**3,588.4**	**3,801.6**	**4,018.3**	**4,240.1**	**4,489.1**	**4,790.4**	**5,075.7**	**5,333.7**	**5,767.2**	**6,036.6**
On-Budget	(3,064.7)	(2,980.8)	(2,864.0)	(3,026.0)	(3,189.5)	(3,357.0)	(3,549.5)	(3,794.0)	(4,015.8)	(4,212.4)	(4,575.3)	(4,771.8)
Off-Budget	(511.5)	(644.6)	(724.4)	(775.6)	(828.8)	(883.1)	(939.7)	(996.5)	(1,059.8)	(1,121.3)	(1,191.8)	(1,264.8)

29. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes estimates of the surplus or deficit for a particular fiscal year. Initially, the year appears as an outyear projection at the end of the budget horizon. In each subsequent budget, the year advances in the estimating horizon until it becomes the "budget year." One year later, the year becomes the "current year" then in progress, and the following year, it becomes the just-completed "actual year."

The budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. Part I of this chapter meets that requirement by comparing the actual results for 2012 with the current services estimates shown in the 2012 Budget, published in February 2011.

Part II of the chapter presents a broader comparison of estimates and actual outcomes. This part first discusses the historical record of budget year estimates versus actual results over the last three decades. Second, it lengthens the focus to estimates made for each year of the budget horizon, extending four years beyond the budget year. This longer focus shows that the differences between estimates and the eventual actual results grow as the estimates extend further into the future.

PART I: COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 2012

This part of the chapter compares the actual receipts, outlays, and deficit for 2012 with the current services estimates shown in the 2012 Budget, published in February 2011.[1] This part also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2012 previously published by the Department of the Treasury.

[1] The current services concept is discussed in Chapter 26, "Current Services Estimates." For mandatory programs and receipts, the February 2011 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring tax provisions. For discretionary programs the current services estimate was based on the current year enacted appropriations, adjusted to reflect full-year funding of Overseas Contingency Operations and increased for inflation. The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this chapter for comparability. For a detailed explanation of the 2012 estimate, see "Current Services Estimates," Chapter 27 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2012*.

Receipts

Actual receipts for 2012 were $2,450 billion, $158 billion less than the $2,609 billion current services estimate in the 2012 Budget. As shown in Table 29–1, this decrease was the net effect of legislative and administrative changes that differed from what was assumed in the current services estimate, economic conditions that differed from what had been expected, and technical factors that resulted in different tax liabilities and collection patterns than had been assumed.

Policy differences. The February 2011 current services estimate of 2012 receipts reflected permanent extension of estate, gift, and generation-skipping transfer taxes at parameters in effect for calendar year 2009 (a top rate of 45 percent and an exemption amount of $3.5 million); annual indexation of the 2011 parameters of the AMT as enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; and permanent extension of most of the income tax reductions for middle-income taxpayers enacted in 2001 and 2003 (as amended by subsequent legislation) that were scheduled to expire on December 31, 2012.

Table 29–1. COMPARISON OF ACTUAL 2012 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Estimate (February 2011)	Changes			Total changes	Actual
		Policy	Economic	Technical		
Individual income taxes	1,145	32	–24	–20	–12	1,132
Corporation income taxes	327	–1	–22	–62	–85	242
Social insurance and retirement receipts	927	–84	–11	13	–82	845
Excise taxes	80	1	–1	–*	–1	79
Estate and gift taxes	13	....	*	1	1	14
Customs duties	31	–2	–*	1	–1	30
Miscellaneous receipts	86	....	3	18	21	107
Total receipts	2,609	–55	–54	–50	–158	2,450

*$500 million or less.

Those provisions were estimated to reduce 2012 receipts by a net $36 billion relative to then-current law; however, they were not enacted before October 1, 2012 and had no effect on 2012 receipts. Several laws were enacted after February 2011 that reduced 2012 receipts by a net $91 billion, $55 billion more than the net tax reductions reflected in the current services estimate. The bulk of the legislated tax reductions enacted after February 2011 that affected 2012 receipts were provided in the Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012, which reduced 2012 receipts by an estimated $21 billion and $64 billion, respectively. The major provisions of these two laws extended the two-percentage point reduction in the Social Security payroll tax rate for employees and self-employed individuals to apply to taxable wages and self-employment earnings received during calendar year 2012. Other legislation enacted after February 2011 that affected 2012 receipts included the Trade Adjustment Assistance Extension Act of 2011, the Moving Ahead for Progress in the 21st Century (MAP-21) Act, and the FAA Modernization and Reform Act of 2012.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2012 receipts by a net $54 billion below the February 2011 estimate. These differences had the greatest effect on individual income taxes, corporation income taxes, and social insurance and retirement receipts, reducing those sources of receipts by $24 billion, $22 billion, and $11 billion, respectively. The reduction in individual income tax receipts was primarily attributable to lower-than-anticipated wages and salaries and other sources of taxable personal income than assumed in February 2011. Lower-than-anticipated wages and salaries and proprietors' income—the tax base for Social Security and Medicare payroll taxes—were in large part responsible for the reduction in social insurance and retirement receipts. Corporations were less profitable than initially projected, which reduced collections of corporation income taxes below the February 2011 estimate. Reductions in these three sources of receipts were partially offset by a net $2 billion increase in other sources of receipts. An increase in deposits of earnings of the Federal Reserve System of $3 billion, attributable to different interest rates and other economic factors than projected in February 2011, was in large part responsible for the net increase in other sources of receipts.

Technical factors. Technical factors reduced receipts by a net $50 billion relative to the February 2011 current services estimate. These factors had the greatest effect on individual and corporation income taxes, reducing collections by $20 billion and $62 billion, respectively. The models used to prepare the February 2011 estimates of individual and corporation income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, differed from what was expected at the time the February 2011 estimates were prepared; (2) for most sources of income subject to individual and corporation income taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax differed from what was anticipated; and (3) the timing of the payment of tax liability was different from what had been assumed. These reductions in corporation and individual income taxes were partially offset by increases in social insurance and retirement receipts and miscellaneous receipts of $13 billion and $18 billion, respectively. An increase in deposits by States to the unemployment insurance trust fund to replenish depleted balances accounted for $9 billion of the $13 billion increase in social insurance and retirement receipts relative to the February 2011 estimate. The additional $4 billion increase in social insurance and retirement receipts—primarily Social Security and Medicare payroll taxes—was attributable in large part to models based on historical economic data and then-current data from employer returns that underestimated the percentage of wages and salaries and self-employment earnings subject to payroll taxes. Changes in the size and composition of the investments of the Federal Reserve System from what was assumed in February 2011 were primarily responsible for the $18 billion increase in miscellaneous receipts.

Outlays

Outlays for 2012 were $3,537 billion, $162 billion less than the $3,699 billion current services estimate in the 2012 Budget. Table 29–2 distributes the $162 billion net decrease in outlays among discretionary and mandatory programs and net interest.[2] The table also shows rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy differences. Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves reflect responses to changed economic conditions. For 2012, policy changes decreased outlays by less than $1 billion relative to the initial current services estimates. Final 2011 discretionary appropriations were not enacted at the time of the 2012 Budget, so the February 2011 estimate of discretionary outlays was based on an annualized continuing resolution rate that was higher than the final bill. The combined policy changes from final 2011 and 2012 appropriations, including Overseas Contingency Operations, reduced discretionary outlays by $47 billion.

Policy changes increased mandatory outlays by a net $46 billion above current law. Much of this increase was the result of changes in unemployment compensation enacted in 2011 and 2012 that increased 2012 outlays by $31 billion. The extension of relief from scheduled re-

[2] Discretionary programs are controlled by annual appropriations, while mandatory programs are generally controlled by authorizing legislation. Mandatory programs are primarily formula benefit or entitlement programs with permanent spending authority that depends on eligibility criteria, benefit levels, and other factors.

Table 29–2. COMPARISON OF ACTUAL 2012 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Estimate	Changes			Total changes	Actual
		Policy	Economic	Technical		
Discretionary:						
Defense	735	–23	....	–42	–65	671
Nondefense [1]	662	–23	....	–25	–48	614
Subtotal, discretionary	1,398	–47	....	–67	–113	1,285
Mandatory:						
Social Security	761	–*	15	–8	7	768
Medicare and Medicaid	737	13	1	–35	–21	717
Other programs [1]	557	33	–7	–35	–9	548
Subtotal, mandatory	2,055	46	10	–78	–23	2,032
Disaster costs [2]	7	....	....	–7	–7	....
Net interest	240	*	–28	9	–20	220
Total outlays	3,699	–*	–19	–143	–162	3,537

* $500 million or less.

[1] The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this table for comparability.

[2] These amounts were included in the 2012 Budget to represent the statistical probability of a major disaster requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary, or mandatory outlays or tax relief. These amounts were included as outlays for convenience.

ductions in Medicare physician payments enacted in the Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012 increased outlays by an additional $13 billion. Debt service costs associated with the policy changes increased outlays by less than $1 billion.

Economic differences. There was a net decrease in outlays of $19 billion as a result of differences between actual economic conditions and those forecast in February 2011. The greatest change was in net interest, where lower-than-anticipated inflation and other changes in economic factors decreased outlays by $28 billion. Unemployment compensation spending was $7 billion lower than the current services estimate due to economic factors. However, these reductions were partially offset by increases in Social Security spending of $15 billion due to differences in economic conditions: the cost of living adjustment for January 2012 projected in the 2012 Budget was 0.9 percent but the actual adjustment was 3.6 percent.

Technical factors. Technical estimating factors resulted in a net decrease in outlays of $143 billion. Technical changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Outlays for discretionary programs decreased by $67 billion, as agencies spent resources more slowly than assumed in February 2011, particularly following enactment of lower spending caps for discretionary programs as part of the Budget Control Act of 2011. Outlays for mandatory programs decreased a net $78 billion; the largest change was a $26 billion decrease in unemployment compensation due to a reduction in the insured unemployment rate relative to the broader civilian unemployment rate and a lower-than-anticipated portion of the unemployed receiving benefits. There were also $18 billion and $17 billion decreases in Medicare and Medicaid spending, respectively. This was partially offset by a $15 billion upward reestimate of the cost of the Troubled Asset Relief Program (TARP).[3] Net interest outlays increased by $9 billion due to technical factors.

[3] For more information on TARP costs, please see Chapter 3 of this volume, "Financial Stabilization Efforts and their Budgetary Effects."

Table 29–3. COMPARISON OF THE ACTUAL 2012 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE

(In billions of dollars)

	Estimate	Changes			Total changes	Actual
		Policy	Economic	Technical		
Receipts	2,609	–55	–54	–50	–158	2,450
Outlays	3,699	–*	–19	–143	–162	3,537
Deficit	1,090	55	35	–93	–4	1,087

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.

* $500 million or less.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal government receipts and outlays for 2012. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 29–3, the 2012 current services deficit was initially estimated to be $1,090 billion. The actual deficit was $1,087 billion, which was a $4 billion decrease from the initial estimates. Receipts and outlays were $158 billion and $162 billion less than the initial estimate, respectively. The table shows the distribution of the changes according to the categories in the preceding two sections. The net effect of policy changes for receipts and outlays increased the deficit by $55 billion. Economic conditions that differed from the initial assumptions in February 2011 increased the deficit by $35 billion. Technical factors decreased the deficit by an estimated $93 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2012

This section compares the original 2012 outlay estimates for mandatory and related programs in the current services estimates of the Budget with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, Medicaid and unemployment compensation payments, and deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the Budget and the actual mandatory outlays. For example, legislation may change benefit rates or coverage, the actual number of beneficiaries may differ from the number estimated, or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 29–4 shows the differences between the actual outlays for these programs in 2012 and the current services estimates included in the 2012 Budget.[4] Actual outlays for mandatory spending and net interest in 2012 were $2,252 billion, which was $42 billion less than the current services estimate of $2,295 billion in February 2011.

As Table 29–4 shows, actual outlays for mandatory human resources programs were $2,059 billion, $28 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. Most significantly, outlays for Medicaid decreased by $19 billion. Outlays for programs in other functions were $11 billion more than originally estimated, largely due to upward reestimates in the Troubled Asset Relief Program, and net outlays for undistributed offsetting receipts were $6 billion lower than expected.

Outlays for net interest were $220 billion, or $20 billion less than the original estimate. As shown on Table 29–4, interest payments on Treasury debt securities decreased by $115 billion, offset by reduced interest earnings. This difference is chiefly due to a large adjustment to reflect a change in the accounting method for interest transactions with Defense Civil Programs from an accrual basis to a cash basis. This accounting change resulted in a $75 billion reduction of Treasury intragovernmental interest outlays to reflect the premiums that would have been recorded at the time of purchase under the cash-based method. The change resulted in offsetting increases in net outlays for interest received by trust funds and other interest of $49 billion and $26 billion respectively. This intragovernmental interest adjustment had no net effect on the deficit.

Reconciliation of Differences with Amounts Published by the Treasury for 2012

Table 29–5 provides a reconciliation of the receipts, outlays, and deficit totals for 2012 published by the Department of the Treasury in the September 2012 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which decreased outlays by $160 million. Additional adjustments for the 2014 Budget increased receipts by $1,071 million and decreased outlays by $1,159 million. The largest adjustment relates to a conceptual difference in reporting for the National Railroad Retirement Investment Trust (NRRIT). NRRIT reports to the Department of the Treasury with a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2011 through August 2012. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. Because the returns on NRRIT's investments in private securities are highly volatile, this adjustment can lead to large changes in the reported fiscal year outlay totals, in this case $2,040 million for 2012. Aside from this timing difference, the Budget includes a number of financial transactions that are not reported to the Department of the Treasury, including those for the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, the Standard Setting Body, and the United Mine Workers of America benefit funds. The Budget also reflects agency adjustments to 2012 outlays reported to Treasury after preparation of the Treasury Combined Statement.

[4] See footnote 1 for an explanation of the current services concept.

Table 29–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2012		
	Estimate	Actual	Change
Mandatory outlays:[1]			
Human resources programs:			
Education, training, employment, and social services:			
Higher education	–9	–14	–5
Other	12	10	–2
Total, education, training, employment, and social services	3	–5	–8
Health:			
Medicaid	269	251	–19
Other	38	36	–2
Total, health	307	286	–20
Medicare	468	466	–2
Income security:			
Retirement and disability	129	130	1
Unemployment compensation	93	91	–2
Food and nutrition assistance	100	99	–1
Other	160	156	–4
Total, income security	482	476	–6
Social Security	761	768	7
Veterans benefits and services:			
Income security for veterans	55	56	1
Other	11	12	1
Total, veterans benefits and services	66	68	2
Total, mandatory human resources programs	2,087	2,059	–28
Other functions:			
Agriculture	12	12	–*
International	–1	–3	–1
Mortgage credit	6	–2	–8
Deposit insurance	4	7	2
Other advancement of commerce (includes the Troubled Asset Relief Program)	12	34	21
Other functions	31	29	–3
Total, other functions	65	77	11
Undistributed offsetting receipts:			
Employer share, employee retirement	–81	–84	–3
Rents and royalties on the Outer Continental Shelf	–7	–7	1
Other undistributed offsetting receipts	–9	–13	–4
Total, undistributed offsetting receipts	–97	–104	–6
Total, mandatory	2,055	2,032	–23
Net interest:			
Interest on Treasury debt securities (gross)	474	359	–115
Interest received by trust funds	–181	–127	53
Other interest	–54	–12	42
Total, net interest	240	220	–20
Total, outlays for mandatory and net interest	2,295	2,252	–42

* $500 million or less.

[1] The current services estimates published in the 2012 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was $608 billion and $2,115 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are excluded from this table for comparability.

Table 29–5. RECONCILIATION OF FINAL AMOUNTS FOR 2012
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September MTS)	2,449,093	3,538,446	1,089,353
Miscellaneous Treasury adjustments	....	–160	–160
Totals published by Treasury in Combined Statement	2,449,093	3,538,286	1,089,193
National Railroad Retirement Investment Trust	....	–2,040	–2,040
Standard Setting Body	39	39	....
Public Company Accounting Oversight Board	215	229	14
Affordable Housing Program	286	286	....
Securities Investor Protection Corporation	396	220	–176
Electric Reliability Organization	100	100	....
United Mine Workers of America benefit funds	35	35	....
Federal Retirement Thrift Investment Board program expenses	....	–13	–13
Other	....	–15	–15
Total adjustments, net	1,071	–1,159	–2,230
Totals in the Budget	2,450,164	3,537,127	1,086,963
MEMORANDUM:			
Total change since year-end statement	1,071	–1,319	–2,390

PART II: HISTORICAL COMPARISON OF ACTUAL TO ESTIMATED SURPLUSES OR DEFICITS

This part of the chapter compares estimated surpluses or deficits to actual outcomes over the last three decades. The first section compares the estimate for the budget year of each budget with the subsequent actual result. The second section extends the comparison to the estimated surpluses or deficits for each year of the budget window: that is, for the current year through the fourth year following the budget year. This part concludes with some observations on the historical record of estimates of the surplus or deficit versus the subsequent actual outcomes.

Historical Comparison of Actual to Estimated Results for the Budget Year

Table 29–6 compares the estimated and actual surpluses or deficits since the deficit estimated for 1982 in the 1982 Budget. The estimated surpluses or deficits for each Budget include the Administration's policy proposals. Therefore, the original deficit estimate for 2012 differs from that shown in Table 29–3, which is on a current services basis. Earlier comparisons of actual and estimated surpluses or deficits were on a policy basis, so for consistency the figures in Table 29–6 are on this basis.

On average, the estimates for the budget year underestimated actual deficits (or overestimated actual surpluses) by $51 billion over the 31-year period. Policy outcomes that differed from the original proposals increased the deficit by an average of $68 billion. Differences between economic assumptions and actual economic performance increased the deficit an average of $25 billion. Differences due to these two factors were partly offset by technical revisions, which reduced the deficit an average of $42 billion.

The relatively small average difference between actual and estimated deficits conceals a wide variation in the differences from budget to budget. The differences ranged from a $1,005 billion underestimate of the deficit to a $192 billion overestimate. The $1,005 billion underestimate in the 2009 Budget was due largely to enactment of housing, economic stabilization, emergency unemployment assistance, and economic recovery legislation in response to a weak economy, lower 2009 receipts due to weak economic performance, and emergency supplemental appropriations for combat operations in Iraq and Afghanistan in 2008 and 2009. The $192 billion overestimate of the deficit in the 2007 Budget stemmed largely from higher-than-anticipated collections of individual and corporation income taxes due to different collection patterns and effective tax rates than initially assumed, as well as lower-than-expected outlays due to technical factors.

Because the average deficit difference obscures the degree of under- and over-estimation in the historical data, a more appropriate statistic to measure the magnitude of the differences is the average absolute difference. This statistic measures the difference without regard to whether it was an under- or overestimate. Since 1982, the average absolute difference has been $129 billion.

Other measures of variability include the standard deviation and the root mean squared error. These measures calculate the dispersion of the data around the average value. As shown in Table 29–6, the standard deviation of the deficit differences since 1982 is $218 billion and the root mean squared error is $224 billion. Similar to the average absolute difference, these measures illustrate the high degree of variation in the difference between estimates and actual deficits.

One challenge in looking at historical values is adjusting for the relative size of the economy and the Federal Government. When total change in the deficit is expressed as a percent of GDP in the budget year, the average underestimation of the deficit is 0.6 percent of GDP over the 31-year period. The change from the 2009 Budget to the actual is still the greatest deficit increase over this period on this basis. The 1998 Budget had the largest downward revision to the deficit as a percent of GDP, going from deficit to surplus.

The large variability in errors in estimates of the surplus or deficit for the budget year underscores the inherent uncertainties in estimating the future path of the Federal budget. Some estimating errors are unavoidable, because of differences between the President's original budget proposals and the legislation that Congress subsequently enacts. Occasionally such differences are very large, such as additional spending in 2002 for disaster recovery, homeland security, and military operations in Afghanistan in response to the terrorist attacks of September 11, 2001, which could not have been anticipated in the Budget submitted in February 2001. Even aside from differences in policy outcomes, errors in budget estimates can arise from new economic developments, unexpected changes in program costs, shifts in taxpayer behavior, and other factors. The budget impact of changes in economic assumptions is discussed further in Chapter 2 of this volume, "Economic Assumptions and Interactions with the Budget."

Five-Year Comparison of Actual to Estimated Surpluses or Deficits

The substantial difference between actual surpluses or deficits and the budget year estimates made less than

Table 29–6. COMPARISON OF ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS SINCE 1982

(In billions of dollars)

Budget	Surplus (–) or deficit (+) estimated for budget year [1]	Differences due to			Total difference	Actual surplus (–) or deficit (+)	Total difference as a percent of GDP
		Enacted legislation	Economic factors	Technical factors			
1982	62	–15	70	11	66	128	2.1
1983	107	12	67	22	101	208	2.9
1984	203	21	–38	*	–17	185	–0.5
1985	195	12	17	–12	17	212	0.4
1986	180	8	27	7	41	221	0.9
1987	144	–2	16	–8	6	150	0.1
1988	111	9	19	16	44	155	0.9
1989	130	22	–10	11	23	153	0.4
1990	91	21	31	79	131	221	2.3
1991	63	–21	85	143	206	269	3.5
1992	281	36	21	–48	9	290	0.2
1993	350	8	13	–115	–95	255	–1.4
1994	264	8	–16	–52	–61	203	–0.9
1995	165	18	–1	–18	–1	164	–0.0
1996	197	–6	–53	–30	–89	107	–1.2
1997	140	–1	4	–121	–118	22	–1.4
1998	121	9	–48	–151	–190	–69	–2.2
1999	–10	22	–56	–82	–116	–126	–1.3
2000	–117	42	–88	–73	–119	–236	–1.2
2001	–184	129	–32	–41	56	–128	0.5
2002	–231	104	201	84	389	158	3.7
2003	80	86	34	177	297	378	2.7
2004	307	122	22	–39	105	413	0.9
2005	364	67	11	–123	–45	318	–0.4
2006	390	141	–6	–277	–142	248	–1.1
2007	354	85	–7	–270	–192	162	–1.4
2008	239	165	98	–44	219	459	1.5
2009	407	595	234	176	1,005	1,413	7.2
2010	1,258	75	121	–160	36	1,294	0.3
2011	1,267	295	–*	–261	33	1,300	0.2
2012	1,101	44	35	–93	–14	1,087	–0.1
Average		68	25	–42	51		0.6
Absolute average [2]		71	48	88	129		1.4
Standard deviation		116	68	111	218		1.9
Root mean squared error		135	72	119	224		2.0

* $500 million or less.

[1] Surplus or deficit estimate includes the effect of the Budget's policy proposals.

[2] Absolute average is the average without regard to sign.

Table 29–7. DIFFERENCES BETWEEN ESTIMATED AND ACTUAL SURPLUSES OR DEFICITS FOR FIVE-YEAR BUDGET ESTIMATES SINCE 1982

(Dollar amounts in billions)

	Current year estimate	Budget year estimate	Estimate for budget year plus: One year (BY+1)	Two years (BY+2)	Three years (BY+3)	Four years (BY+4)
In dollars:						
Average difference	62	–51	–154	–224	–275	–297
Average absolute difference [1]	91	128	231	313	368	396
Standard deviation	120	218	337	407	435	428
Root mean squared error	135	224	370	464	515	521
As a percent of GDP:						
Average difference	0.5	–0.6	–1.5	–2.0	–2.5	–2.7
Average absolute difference	0.9	1.4	2.3	3.0	3.5	3.8
Standard deviation	1.0	1.9	2.8	3.2	3.4	3.4
Root mean squared error	1.1	2.0	3.2	3.8	4.2	4.3

Note: A positive figure represents an overestimate of the deficit or an underestimate of the surplus.
[1] Average absolute difference is the difference without regard to sign.

two years earlier raises questions about the degree of variability for estimates of years beyond the budget year. Table 29–7 shows the summary statistics for the differences for the current year, budget year, and the four succeeding years. These are the years that are required to be estimated in the budget by the Balanced Budget and Emergency Deficit Control Act, as amended.

On average, the budget estimates since 1982 overstated the deficit in the current year by $62 billion, but underestimated the deficit in the budget year by $51 billion. The budget estimates on average understated the deficit in the years following, by amounts growing from $154 billion one year beyond the budget year to $297 billion four years beyond the budget year. While these results suggest a tendency to underestimate deficits toward the end of the budget horizon, the averages are not statistically different from zero in light of the high variation in the data. Chapter 2 of this volume, “Economic Assumptions and Interactions with the Budget,” further discusses the variability in the difference between estimated and actual deficits over the budget horizon and includes Chart 2–2, which is based on the variability measures shown in Table 29–7.

FISCAL YEAR 2014

APPENDIX

BUDGET OF THE U.S. GOVERNMENT

OFFICE OF MANAGEMENT AND BUDGET

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GENERAL PROVISIONS GOVERNMENT-WIDE

GENERAL PROVISIONS

DEPARTMENTS, AGENCIES, AND CORPORATIONS

SEC. 701. No department, agency, or instrumentality of the United States receiving appropriated funds under this or any other Act for fiscal year 2014 shall obligate or expend any such funds, unless such department, agency, or instrumentality has in place, and will continue to administer in good faith, a written policy designed to ensure that all of its workplaces are free from the illegal use, possession, or distribution of controlled substances (as defined in the Controlled Substances Act (21 U.S.C. 802)) by the officers and employees of such department, agency, or instrumentality.

SEC. 702. Unless otherwise specifically provided, the maximum amount allowable during the current fiscal year in accordance with subsection 1343(c) of title 31, United States Code, for the purchase of any passenger motor vehicle (exclusive of buses, ambulances, law enforcement, and undercover surveillance vehicles), is hereby fixed at $13,197 except station wagons for which the maximum shall be $13,631: Provided, That these limits may be exceeded by not to exceed $3,700 for police-type vehicles, and by not to exceed $4,000 for special heavy-duty vehicles: Provided further, That the limits set forth in this section may not be exceeded by more than 5 percent for electric or hybrid vehicles purchased for demonstration under the provisions of the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976: Provided further, That the limits set forth in this section may be exceeded by the incremental cost of clean alternative fuels vehicles acquired pursuant to Public Law 101–549 over the cost of comparable conventionally fueled vehicles: Provided further, That the limits set forth in this section shall not apply to any vehicle that is a commercial item and which operates on emerging motor vehicle technology, including but not limited to electric, plug-in hybrid electric, and hydrogen fuel cell vehicles.

SEC. 703. Appropriations of the executive departments and independent establishments for the current fiscal year available for expenses of travel, or for the expenses of the activity concerned, are hereby made available for quarters allowances and cost-of-living allowances, in accordance with 5 U.S.C. 5922–5924.

SEC. 704. Unless otherwise specified during the current fiscal year, no part of any appropriation contained in this or any other Act shall be used to pay the compensation of any officer or employee of the Government of the United States (including any agency the majority of the stock of which is owned by the Government of the United States) whose post of duty is in the continental United States unless such person: (1) is a citizen of the United States; (2) is a person who is lawfully admitted for permanent residence and is seeking citizenship as outlined in 8 U.S.C. 1324b(a)(3)(B); (3) is a person who is admitted as a refugee under 8 U.S.C. 1157 or is granted asylum under 8 U.S.C. 1158 and has filed a declaration of intention to become a lawful permanent resident and then a citizen when eligible; or (4) is a person who owes allegiance to the United States: Provided, That for purposes of this section, affidavits signed by any such person shall be considered prima facie evidence that the requirements of this section with respect to his or her status are being complied with: Provided further, That for purposes of subsections (2) and (3) such affidavits shall be submitted prior to employment and updated thereafter as necessary: Provided further, That any person making a false affidavit shall be guilty of a felony, and upon conviction, shall be fined no more than $4,000 or imprisoned for not more than 1 year, or both: Provided further, That the above penal clause shall be in addition to, and not in substitution for, any other provisions of existing law: Provided further, That any payment made to any officer or employee contrary to the provisions of this section shall be recoverable in action by the Federal Government: Provided further, That this section shall not apply to any person who is an officer or employee of the Government of the United States on the date of enactment of this Act, or to international broadcasters employed by the Broadcasting Board of Governors, or to temporary employment of translators, or to temporary employment in the field service (not to exceed 60 days) as a result of emergencies: Provided further, That this section does not apply to the employment as Wildland firefighters for not more than 120 days of nonresident aliens employed by the Department of the Interior or the USDA Forest Service pursuant to an agreement with another country.

SEC. 705. Appropriations available to any department or agency during the current fiscal year for necessary expenses, including maintenance or operating expenses, shall also be available for payment to the General Services Administration for charges for space and services and those expenses of renovation and alteration of buildings and facilities which constitute public improvements performed in accordance with the Public Buildings Act of 1959 (73 Stat. 479), the Public Buildings Amendments of 1972 (86 Stat. 216), or other applicable law.

SEC. 706. In addition to funds provided in this or any other Act, all Federal agencies are authorized to receive and use funds resulting from the sale of materials, including Federal records disposed of pursuant to a records schedule recovered through recycling or waste prevention programs. Such funds shall be available until expended for the following purposes:

(1) Acquisition, waste reduction and prevention, and recycling programs as described in Executive Order No. 13423 (January 24, 2007), including any such programs adopted prior to the effective date of the Executive order.

(2) Other Federal agency environmental management programs, including, but not limited to, the development and implementation of hazardous waste management and pollution prevention programs.

(3) Other employee programs as authorized by law or as deemed appropriate by the head of the Federal agency.

SEC. 707. Funds made available by this or any other Act for administrative expenses in the current fiscal year of the corporations and agencies subject to chapter 91 of title 31, United States Code, shall be available, in addition to objects for which such funds are otherwise available, for rent in the District of Columbia; services in accordance with 5 U.S.C. 3109; and the objects specified under this head, all the provisions of which shall be applicable to the expenditure of such funds unless otherwise specified in the Act by which they are made available: Provided, That in the event any functions budgeted as administrative expenses are subsequently transferred to or paid from other funds, the limitations on administrative expenses shall be correspondingly reduced.

SEC. 708. No part of any appropriation contained in this or any other Act shall be available for interagency financing of boards (except Federal Executive Boards), commissions, councils, committees, or similar groups (whether or not they are interagency entities) which do not have a prior and specific statutory approval to receive financial support from more than one agency or instrumentality.

SEC. 709. None of the funds made available pursuant to the provisions of this Act shall be used to implement, administer, or enforce any regulation which has been disapproved pursuant to a joint resolution duly adopted in accordance with the applicable law of the United States.

SEC. 710. During the period in which the head of any department or agency, or any other officer or civilian employee of the Federal Government appointed by the President of the United States, holds office, no funds may be obligated or expended in excess of $5,000 to furnish or redecorate the office of such department head, agency head, officer, or employee, or to purchase furniture or make improvements for any such office, unless advance notice of such furnishing or redecoration is transmitted to the Committees on Appropriations of the House of Representatives and the Senate. For the purposes of this section, the term "office'' shall include the entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual.

SEC. 711. Notwithstanding 31 U.S.C. 1346, or section 708 of this Act, funds made available for the current fiscal year by this or any other Act shall be available for the interagency funding of national security and emergency preparedness telecommunications initiatives which benefit multiple Federal departments, agencies, or entities, as provided by Executive Order No. 13618 (July 6, 2012).

SEC. 712. (a) None of the funds appropriated by this or any other Act may be obligated or expended by any Federal department, agency, or other instrumentality for the salaries or expenses of any employee appointed to a position of a confidential or policy-determining character excepted from the competitive service pursuant to 5 U.S.C. 3302, without a certification to the Office of Personnel Management from the head of the Federal department, agency, or other instrumentality employing the Schedule C appointee that the Schedule C position was not created solely or primarily in order to detail the employee to the White House.

(b) The provisions of this section shall not apply to Federal employees or members of the armed forces detailed to or from—

(1) the Central Intelligence Agency;

(2) the National Security Agency;

(3) the Defense Intelligence Agency;

(4) the National Geospatial-Intelligence Agency;

(5) the offices within the Department of Defense for the collection of specialized national foreign intelligence through reconnaissance programs;

(6) the Bureau of Intelligence and Research of the Department of State;

(7) any agency, office, or unit of the Army, Navy, Air Force, or Marine Corps, the Department of Homeland Security, the Federal Bureau of Investigation or the Drug Enforcement Administration of the Department of Justice, the Department of Transportation, the Department of the Treasury, or the Department of Energy performing intelligence functions; or

(8) the Director of National Intelligence or the Office of the Director of National Intelligence.

SEC. 713. None of the funds appropriated by this or any other Act may be used by an agency to provide a Federal employee's home address to any labor organization except when the employee has authorized such disclosure or when such disclosure has been ordered by a court of competent jurisdiction.

SEC. 714. (a) In this section, the term "agency''—

(1) means an Executive agency, as defined under 5 U.S.C. 105; and

(2) includes a military department, as defined under section 102 of such title, the Postal Service, and the Postal Regulatory Commission.

(b) Unless authorized in accordance with law or regulations to use such time for other purposes, an employee of an agency shall use official time in an honest effort to perform official duties. An employee not under a leave system, including a Presidential appointee exempted under 5 U.S.C. 6301(2), has an obligation to expend an honest effort and a reasonable proportion of such employee's time in the performance of official duties.

SEC. 715. Notwithstanding 31 U.S.C. 1346 and section 708 of this Act, funds made available for the current fiscal year by this or any other Act to any department or agency, which is a member of the Federal Accounting Standards Advisory Board (FASAB), shall be available to finance an appropriate share of FASAB administrative costs.

SEC. 716. Notwithstanding 31 U.S.C. 1346 and section 708 of this Act, the head of each Executive department and agency is hereby authorized to transfer to or reimburse "General Services Administration, Government-wide Policy'' with the approval of the Director of the Office of Management and Budget, funds made available for the current fiscal year by this or any other Act, including rebates from charge card and other contracts: Provided, That these funds shall be administered by the Administrator of General Services to support Government-wide and other multi-agency financial, information technology, procurement, and other management innovations, initiatives, and activities, as approved by the Director of the Office of Management and Budget, in consultation with the appropriate interagency and multi-agency groups designated by the Director (including the President's Management Council for overall management improvement initiatives, the Chief Financial Officers Council for financial management initiatives, the Chief Information Officers Council for information technology initiatives, the Chief Human Capital Officers Council for human capital initiatives, the Chief Acquisition Officers Council for procurement initiatives, and the Performance Improvement Council for performance improvement initiatives): Provided further, That the total funds transferred or reimbursed shall not exceed $17,000,000 for Government-Wide innovations, initiatives, and activities: Provided further, That the funds transferred to or for reimbursement of "General Services Administration, Government-wide Policy'' during fiscal year 2014 shall remain available for obligation through September 30, 2015: Provided further, That such transfers or reimbursements may only be made after 15 days following notification of the Committees on Appropriations by the Director of the Office of Management and Budget.

SEC. 717. Notwithstanding any other provision of law, a woman may breastfeed her child at any location in a Federal building or on Federal property, if the woman and her child are otherwise authorized to be present at the location.

SEC. 718. Notwithstanding 31 U.S.C. 1346, or section 708 of this Act, funds made available for the current fiscal year by this or any other Act shall be available for the interagency funding of specific projects, workshops, studies, and similar efforts to carry out the purposes of the National Science and Technology Council (authorized by Executive Order No. 12881), which benefit multiple Federal departments, agencies, or entities: Provided, That the Office of Management and Budget shall provide a report describing the budget of and resources connected with the National Science and Technology Council to the Committees on Appropriations, the House Committee on Science and Technology, and the Senate Committee on Commerce, Science, and Transportation 90 days after enactment of this Act.

SEC. 719. Any request for proposals, solicitation, grant application, form, notification, press release, or other publications involving the distribution of Federal funds shall indicate the agency providing the funds, the Catalog of Federal Domestic Assistance Number, as applicable, and the amount provided: Provided, That this provision shall apply to direct payments, formula funds, and grants received by a State receiving Federal funds.

SEC. 720. (a) PROHIBITION OF FEDERAL AGENCY MONITORING OF INDIVIDUALS' INTERNET USE.—None of the funds made available in this or any other Act may be used by any Federal agency—

(1) to collect, review, or create any aggregation of data, derived from any means, that includes any personally identifiable information relating to an individual's access to or use of any Federal Government Internet site of the agency; or

(2) to enter into any agreement with a third party (including another government agency) to collect, review, or obtain any aggregation of data, derived from any means, that includes any personally identifiable information relating to an individual's access to or use of any nongovernmental Internet site.

(b) EXCEPTIONS.—The limitations established in subsection (a) shall not apply to—

(1) any record of aggregate data that does not identify particular persons;

(2) any voluntary submission of personally identifiable information;

(3) any action taken for law enforcement, regulatory, or supervisory purposes, in accordance with applicable law; or

(4) any action described in subsection (a)(1) that is a system security action taken by the operator of an Internet site and is necessarily incident to providing the Internet site services or to protecting the rights or property of the provider of the Internet site.

(c) DEFINITIONS.—For the purposes of this section:

(1) The term "regulatory'' means agency actions to implement, interpret or enforce authorities provided in law.

(2) The term "supervisory'' means examinations of the agency's supervised institutions, including assessing safety and soundness, overall financial condition, management practices and policies and compliance with applicable standards as provided in law.

SEC. 721. (a) None of the funds appropriated by this Act may be used to enter into or renew a contract which includes a provision providing prescription drug coverage, except where the contract also includes a provision for contraceptive coverage.

(b) Nothing in this section shall apply to a contract with—

(1) any of the following religious plans:

(A) Personal Care's HMO; and

(B) OSF HealthPlans, Inc.; and

(2) any existing or future plan, if the carrier for the plan objects to such coverage on the basis of religious beliefs.

(c) In implementing this section, any plan that enters into or renews a contract under this section may not subject any individual to discrimination on the basis that the individual refuses to prescribe or otherwise provide for contraceptives because such activities would be contrary to the individual's religious beliefs or moral convictions.

(d) Nothing in this section shall be construed to require coverage of abortion or abortion-related services.

SEC. 722. The United States is committed to ensuring the health of its Olympic, Pan American, and Paralympic athletes, and supports the strict adherence to anti-doping in sport through testing, adjudication, education, and research as performed by nationally recognized oversight authorities.

SEC. 723. Notwithstanding any other provision of law, funds appropriated for official travel by Federal departments and agencies may be used *by such departments and agencies, if consistent with Office of Management and Budget Circular A–126 regarding official travel for Government personnel, to participate in the fractional aircraft ownership pilot program.*

SEC. 724. Notwithstanding any other provision of law, none of the funds appropriated or made available under this Act or any other appropriations Act may be used to implement or enforce restrictions or limitations on the Coast Guard Congressional Fellowship Program, or to implement the proposed regulations of the Office of Personnel Management to add sections 300.311 through 300.316 to part 300 of title 5 of the Code of Federal Regulations, published in the Federal Register, volume 68, number 174, on September 9, 2003 (relating to the detail of executive branch employees to the legislative branch).

SEC. 725. Notwithstanding any other provision of law, no executive branch agency shall purchase, construct, and/or lease any additional facilities, except within or contiguous to existing locations, to be used for the purpose of conducting Federal law enforcement training without advance notice to the Committees on Appropriations of the House of Representatives and the Senate, except that the Federal Law Enforcement Training Center is authorized to obtain the temporary use of additional facilities by lease, contract, or other agreement for training which cannot be accommodated in existing Center facilities.

SEC. 726. None of the funds appropriated or otherwise made available by this or any other Act may be used to begin or announce a study or public-private competition regarding the conversion to contractor performance of any function performed by Federal employees pursuant to Office of Management and Budget Circular A–76 or any other administrative regulation, directive, or policy.

SEC. 727. Unless otherwise authorized by existing law, none of the funds provided in this Act or any other Act may be used by an executive branch agency to produce any prepackaged news story intended for broadcast or distribution in the United States, unless the story includes a clear notification within the text or audio of the prepackaged news story that the prepackaged news story was prepared or funded by that executive branch agency.

SEC. 728. Each executive department and agency shall evaluate the creditworthiness of an individual before issuing the individual a government travel charge card. Such evaluations for individually billed travel charge cards shall include an assessment of the individual's consumer report from a consumer reporting agency as those terms are defined in section 603 of the Fair Credit Reporting Act (Public Law 91–508): Provided, That the department or agency may not issue a government travel charge card to an individual that either lacks a credit history or is found to have an unsatisfactory credit history as a result of this evaluation: Provided further, That this restriction shall not preclude issuance of a restricted-use charge, debit, or stored value card made in accordance with agency procedures to: (1) an individual with an unsatisfactory credit history where such card is used to pay travel expenses and the agency determines there is no suitable alternative payment mechanism available before issuing the card; or (2) an individual who lacks a credit history. Each executive department and agency shall establish guidelines and procedures for disciplinary actions to be taken against agency personnel for improper, fraudulent, or abusive use of government charge cards, which shall include appropriate disciplinary actions for use of charge cards for purposes, and at establishments, that are inconsistent with the official business of the Department or agency or with applicable standards of conduct.

SEC. 729. (a) IN GENERAL.—None of the funds appropriated or otherwise made available by this or any other Act may be used for any Federal Government contract with any foreign incorporated entity which is treated as an inverted domestic corporation under section 835(b) of the Homeland Security Act of 2002 (6 U.S.C. 395(b)) or any subsidiary of such an entity.

(b) WAIVERS.—

(1) IN GENERAL.—Any Secretary shall waive subsection (a) with respect to any Federal Government contract under the authority of such Secretary if the Secretary determines that the waiver is required in the interest of national security.

(2) REPORT TO CONGRESS.—Any Secretary issuing a waiver under paragraph (1) shall report such issuance to Congress.

(c) EXCEPTION.—This section shall not apply to any Federal Government contract entered into before the date of the enactment of this Act, or to any task order issued pursuant to such contract.

SEC. 730. None of the funds made available by this or any other Act may be used to implement, administer, enforce, or apply the rule entitled "Competitive Area'' published by the Office of Personnel Management in the Federal Register on April 15, 2008 (73 Fed. Reg. 20180 et seq.).

SEC. 731. During fiscal year 2014, for each employee who—

(1) retires under section 8336(d)(2) or 8414(b)(1)(B) of title 5, United States Code, or

(2) retires under any other provision of subchapter III of chapter 83 or chapter 84 of such title 5 and receives a payment as an incentive to separate, the separating agency shall remit to the Civil Service Retirement and Disability Fund an amount equal to the Office of Personnel Management's average unit cost of processing a retirement claim for the preceding fiscal year. Such amounts shall be available until expended to the Office of Personnel Management and shall be deemed to be an administrative expense under section 8348(a)(1)(B) of title 5, United States Code.

SEC. 732. (a) The Vice President may not receive a pay raise in calendar year 2013, notwithstanding section 104 of title 3, United States Code, or any other provision of law.

(b) An individual serving in an Executive Schedule position, or in a position for which the rate of pay is fixed by statute at an Executive Schedule rate, may not receive a pay rate increase in calendar year 2014, notwithstanding schedule adjustments made under section 5318 of title 5, United States Code, or any other provision of law, except as provided in subsection (g) or (h). The preceding sentence applies only to individuals who are holding a position in which they serve at the pleasure of the President or other appointing official.

(c) A chief of mission or ambassador at large may not receive a pay rate increase in calendar year 2014, notwithstanding section 401 of the Foreign Service Act of 1980 (Public Law 96–465) or any other provision of law, except as provided in subsection (g) or (h).

(d) A noncareer appointee in the Senior Executive Service may not receive a pay rate increase in calendar year 2014, notwithstanding sections 5382 and 5383 of title 5, United States Code.

(e) Any employee paid a rate of basic pay (including locality-based payments under section 5304 of title 5, United States Code, or similar authority) at or above level IV of the Executive Schedule who serves at the pleasure of the appointing official may not receive a pay rate increase in calendar year 2014, notwithstanding any other provision of law, except as provided in subsection (g) or (h). This subsection does not apply to employees in the General Schedule pay system or the Foreign Service pay system, or to employees appointed under 5 U.S.C. 3161, or to employees in another pay system whose position would be classified at GS–15 or below if chapter 51 of title 5, United States Code, applied to them.

(f) Nothing in this section shall prevent employees who do not serve at the pleasure of the appointing official from receiving pay increases as otherwise provided under applicable law.

(g) A career appointee in the Senior Executive Service who receives a Presidential appointment and who makes an election to retain Senior Executive Service basic pay entitlements under section 3392 of title 5, United States Code, is not subject to this section.

(h) A member of Senior Foreign Service who receives a Presidential appointment to any position in the executive branch and who makes an election to retain Senior Foreign Service pay entitlements under section 302(b)of the Foreign Service Act of 1980 (Public Law 96–465) is not subject to this section.

SEC. 733. (a) Notwithstanding any other provision of law, and except as otherwise provided in this section, no part of any of the funds appropriated for fiscal year 2014, by this or any other Act, may be used to pay any prevailing rate employee described in section 5342(a)(2)(A) of title 5, United States Code—

(1) during the period from the date of expiration of the limitation imposed by the comparable section for previous fiscal years until the normal effective date of the applicable wage survey adjustment that is to take effect in fiscal year 2014, in an amount that exceeds the rate payable for the applicable grade and step of the applicable wage schedule in accordance with such section; and

(2) during the period consisting of the remainder of fiscal year 2014, in an amount that exceeds, as a result of a wage survey adjustment, the rate payable under paragraph (1) by more than the sum of

(A) the percentage adjustment taking effect in fiscal year 2014 under section 5303 of title 5, United States Code, in the rates of pay under the General Schedule; and

(B) the difference between the overall average percentage of the locality-based comparability payments taking effect in fiscal year 2014 under section 5304 of such title (whether by adjustment or otherwise), and the overall average percentage of such payments which was effective in the previous fiscal year under such section.

(b) Notwithstanding any other provision of law, no prevailing rate employee described in subparagraph (B) or (C) of section 5342(a)(2) of title 5, United States Code, and no employee covered by section 5348 of such title, may be paid during the periods for which subsection (a) is in effect at a rate that exceeds the rates that would be payable under subsection (a) were subsection (a) applicable to such employee.

(c) For the purposes of this section, the rates payable to an employee who is covered by this section and who is paid from a schedule not in existence on September 30, 2013, shall be determined under regulations prescribed by the Office of Personnel Management.

(d) Notwithstanding any other provision of law, rates of premium pay for employees subject to this section may not be changed from the rates in effect on September 30, 2013, except to the extent determined by the Office of Personnel Management to be consistent with the purpose of this section.

(e) This section shall apply with respect to pay for service performed after September 30, 2013.

(f) For the purpose of administering any provision of law (including any rule or regulation that provides premium pay, retirement, life insurance, or any other employee benefit) that requires any deduction or contribution, or that imposes any requirement or limitation on the basis of a rate of salary or basic pay, the rate of salary or basic pay payable after the application of this section shall be treated as the rate of salary or basic pay.

(g) Nothing in this section shall be considered to permit or require the payment to any employee covered by this section at a rate in excess of the rate that would be payable were this section not in effect.

(h) The Office of Personnel Management may provide for exceptions to the limitations imposed by this section if the Office determines that such exceptions are necessary to ensure the recruitment or retention of qualified employees.

SEC. 734. (a) Funds made available and used for Pay for Success projects in this or any other Act:

(1) shall support performance-based awards that—

(A) are designed to—

(i) promote innovative strategies to reduce the aggregate level of government investment needed to achieve successful outcomes; and

(ii) impose minimal administrative requirements on service providers, so as to allow for maximum flexibility to improve efficiency and effectiveness;

(B) are between the agency administering the appropriated funds and—

(i) a not-for-profit or other entity that is a provider of services;

(ii) a not-for-profit or other entity that arranges for the provision of services; or

(iii) a State, local, or tribal government that is providing services or contracting for the provision of services;

(C) specify—

(i) that the administering agency will disburse funds to the recipient of the award upon a determination by such agency that one or more outcomes (as specified in the award) have been achieved, and that such determination shall be made through the use of reliable, objective outcome-measurement methodologies that are set forth in the award;

(ii) the affected population, the outcomes to be achieved, and the reliable, objective outcome-measurement methodologies that will be used to determine whether the specified outcomes have been achieved;

(D) where appropriate, are accompanied by waivers of non statutory administrative requirements; and

(E) are issued and administered by an agency under any existing authority (such as in the form of a grant, cooperative agreement, or other type of assistance), based on a pre-award assessment by the agency, taking into account the amount of the proposed award, the likelihood of achieving the specified outcomes, the anticipated return on investment, and other relevant factors;

(2) may be used for the expenses of a neutral evaluation of outcome measures, outcome-measurement methodologies, or achievement of outcomes under a Pay for Success project or other expenses that support achievement of outcomes; and

(3) shall, upon obligation, remain available for disbursement until expended, notwithstanding 31 U.S.C. 1552.

(A) If later deobligated, in whole or in part, such deobligated amounts shall be available until expended for obligation for new Pay for Success projects, except to the extent that this or any other Act specifies another purpose for such deobligated amounts

(B) The Director of the Office of Management and Budget shall issue guidance to Federal agencies on carrying out Pay for Success projects.

SEC. 735. The Director of the Office of Management and Budget shall report on at least a quarterly basis to the Committees on Appropriations of the House of Representatives and Senate on the status of unexpired, unobligated balances of budget authority in executive branch agencies: Provided, That the Director shall submit the reports not later than 30 days after the end of a fiscal-year quarter: Provided further, That the reports shall, to the extent practicable, separately identify unexpired, unobligated balances of budget authority for discretionary appropriations and direct spending, as those terms are defined in section 250(c)(7) and (8) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (2 U.S.C. 900(c)(7), (8)): Provided further, That, with respect to unexpired, unobligated balances of budget authority for discretionary appropriations, the reports shall, to the extent practicable, separately identify (1) those balances that are available to fund reimbursable obligations as defined by OMB Circular No. A–11; and (2) all other balances of discretionary budget authority: Provided further, That each agency shall submit to the Director such information as the Director requires for these reports, at such time and in such manner as the Director shall specify.

SEC. 736. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that has any unpaid Federal tax liability that has been assessed for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability, where the awarding agency is aware of the unpaid tax liability, unless a federal agency has considered suspension or debarment of the corporation and made a determination that this further action is not necessary to protect the interests of the Government.

SEC. 737. None of the funds made available by this or any other Act may be used to enter into a contract, memorandum of understanding, or cooperative agreement with, make a grant to, or provide a loan or loan guarantee to, any corporation that was convicted of a felony criminal violation under any Federal law within the preceding 24 months, where the awarding agency is aware of the conviction, unless a federal agency has considered suspension or debarment of the corporation and made a determination that this further action is not necessary to protect the interests of the Government.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

Federal Funds

PRODUCTION, PROCESSING AND MARKETING

OFFICE OF THE SECRETARY

For necessary expenses of the Office of the Secretary of Agriculture, $5,086,000: Provided, That not to exceed $11,000 of this amount shall be available for official reception and representation expenses, not otherwise provided for, as determined by the Secretary.

OFFICE OF THE ASSISTANT SECRETARY FOR CIVIL RIGHTS

For necessary expenses of the Office of the Assistant Secretary for Civil Rights, $898,000.

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION

For necessary expenses of the Office of the Assistant Secretary for Administration, $809,000.

OFFICE OF TRIBAL RELATIONS

For necessary expenses of the Office of Tribal Relations, $502,000, to support communication and consultation activities with Federally Recognized Tribes, as well as other requirements established by law.

OFFICE OF THE ASSISTANT SECRETARY FOR CONGRESSIONAL RELATIONS

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses of the Office of the Assistant Secretary for Congressional Relations to carry out the programs funded by this Act, including programs involving intergovernmental affairs and liaison within the executive branch, $3,897,000: Provided, That these funds may be transferred to agencies of the Department of Agriculture funded by this Act to maintain personnel at the agency level.

OFFICE OF THE UNDER SECRETARY FOR RESEARCH, EDUCATION AND ECONOMICS

For necessary expenses of the Office of the Under Secretary for Research, Education and Economics, $898,000.

OFFICE OF THE UNDER SECRETARY FOR MARKETING AND REGULATORY PROGRAMS

For necessary expenses of the Office of the Under Secretary for Marketing and Regulatory Programs, $898,000.

OFFICE OF THE UNDER SECRETARY FOR FOOD SAFETY

For necessary expenses of the Office of the Under Secretary for Food Safety, $816,000.

OFFICE OF THE UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES

For necessary expenses of the Office of the Under Secretary for Farm and Foreign Agricultural Services, $898,000.

OFFICE OF THE UNDER SECRETARY FOR NATURAL RESOURCES AND ENVIRONMENT

For necessary expenses of the Office of the Under Secretary for Natural Resources and Environment, $898,000.

OFFICE OF THE UNDER SECRETARY FOR RURAL DEVELOPMENT

For necessary expenses of the Office of the Under Secretary for Rural Development, $898,000.

OFFICE OF THE UNDER SECRETARY FOR FOOD, NUTRITION AND CONSUMER SERVICES

For necessary expenses of the Office of the Under Secretary for Food, Nutrition and Consumer Services, $816,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–9913–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Office of the Secretary	4	4	4
0002	Under/Assistant Secretaries	9	11	12
0003	Trade negotiations and biotechnology resources	1	1	1
0799	Total direct obligations	14	16	17
0802	Reimbursable program	10	10	10
0900	Total new obligations	24	26	27
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	1	2
1021	Recoveries of prior year unpaid obligations	....	1	1
1050	Unobligated balance (total)	1	2	3
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	14	16	17
1160	Appropriation, discretionary (total)	14	16	17
	Spending authority from offsetting collections, discretionary:			
1700	Collected	2	5	5
1701	Change in uncollected payments, Federal sources	10	5	5
1750	Spending auth from offsetting collections, disc (total)	12	10	10
1900	Budget authority (total)	26	26	27
1930	Total budgetary resources available	27	28	30
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–2	....	....
1941	Unexpired unobligated balance, end of year	1	2	3
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	7	6	3
3010	Obligations incurred, unexpired accounts	24	26	27
3011	Obligations incurred, expired accounts	3	....	....
3020	Outlays (gross)	–25	–28	–27
3040	Recoveries of prior year unpaid obligations, unexpired	....	–1	–1
3041	Recoveries of prior year unpaid obligations, expired	–3	....	....
3050	Unpaid obligations, end of year	6	3	2
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–19	–25	–30
3070	Change in uncollected pymts, Fed sources, unexpired	–10	–5	–5
3071	Change in uncollected pymts, Fed sources, expired	4	....	....
3090	Uncollected pymts, Fed sources, end of year	–25	–30	–35
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–12	–19	–27
3200	Obligated balance, end of year	–19	–27	–33
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	26	26	27
	Outlays, gross:			
4010	Outlays from new discretionary authority	21	23	24
4011	Outlays from discretionary balances	4	5	3
4020	Outlays, gross (total)	25	28	27
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–10	–5	–5
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–10	–5	–5
4052	Offsetting collections credited to expired accounts	8	....	....
4060	Additional offsets against budget authority only (total)	–2	–5	–5
4070	Budget authority, net (discretionary)	14	16	17
4080	Outlays, net (discretionary)	15	23	22
4180	Budget authority, net (total)	14	16	17
4190	Outlays, net (total)	15	23	22

The Office of the Secretary is responsible for the overall planning, coordination and administration of the Department's programs. This includes the Secretary, Deputy Secretary, Under Secretaries, Assistant Secretaries, and their immediate staffs, who provide top policy guidance for the Department; maintain

PRODUCTION, PROCESSING AND MARKETING—Continued

relationships with agricultural organizations and others in the development of farm programs; and provide liaison with the Executive Office of the President and Members of Congress on all matters pertaining to agricultural policy.

Funds are proposed for the Office of the Secretary's account for (1) negotiating and monitoring trade agreements; and (2) for technical trade support in the areas of biotechnology, sanitary and phyto-sanitary issues. The 2014 Budget requests $17 million.

Object Classification (in millions of dollars)

Identification code 12–9913–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	8	10	11
12.1	Civilian personnel benefits	2	3	3
21.0	Travel and transportation of persons	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	2	1	1
99.0	Direct obligations	14	16	17
99.0	Reimbursable obligations	10	10	10
99.9	Total new obligations	24	26	27

Employment Summary

Identification code 12–9913–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	62	62	65
2001	Reimbursable civilian full-time equivalent employment	60	62	62

Trust Funds

GIFTS AND BEQUESTS

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8203–0–7–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	1
	Receipts:			
0220	Gifts and Bequests, Departmental Administration	1	1	1
0400	Total: Balances and collections	1	1	2
	Appropriations:			
0500	Gifts and Bequests	–1	....	....
0799	Balance, end of year	....	1	2

Program and Financing (in millions of dollars)

Identification code 12–8203–0–7–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Gifts and bequests	1	1	1
0900	Total new obligations (object class 99.5)	1	1	1
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	3	3	2
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	1	....	....
1260	Appropriations, mandatory (total)	1	....	....
1900	Budget authority (total)	1	....	....
1930	Total budgetary resources available	4	3	2
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3	2	1
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	1	1	1
3020	Outlays (gross)	–1	–1	–1
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	1	....	....
	Outlays, gross:			
4101	Outlays from mandatory balances	1	1	1
4180	Budget authority, net (total)	1	....	....
4190	Outlays, net (total)	1	1	1

The Secretary is authorized to accept and administer gifts and bequests of real and personal property to facilitate the work of the Department. Property and the proceeds thereof are used in accordance with the terms of the gift or bequest (7 U.S.C. 2269).

EXECUTIVE OPERATIONS

Federal Funds

COMMON COMPUTING ENVIRONMENT

Program and Financing (in millions of dollars)

Identification code 12–0113–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Direct program activity	....	1	....
0900	Total new obligations (object class 99.5)	....	1	....
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	1	....
1930	Total budgetary resources available	1	1	....
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	....	....
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	....	1	....
3020	Outlays (gross)	....	–1	....
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4011	Outlays from discretionary balances	....	1	....
4190	Outlays, net (total)	....	1	....

The Common Computing Environment provides the shared information technology platform for the three Service Center Agencies (the Farm Service Agency, the Natural Resources Conservation Service, and the Rural Development agencies).

WORKING CAPITAL FUND

Program and Financing (in millions of dollars)

Identification code 12–4609–0–4–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0801	Administration	48	47	51
0802	Communications	5	6	6
0803	Finance and management	344	281	306
0804	Information technology	450	379	413
0805	Executive secretariat	4	3	4
0809	Reimbursable program activities, subtotal	851	716	780
0811	Administration	....	4	2
0813	Finance and management	36	22	17
0814	Information technology	3	6	9
0819	Reimbursable program activities - Purchase of Equipment (Capital), subtotal	39	32	28
0900	Total new obligations	890	748	808
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	117	132	110
1021	Recoveries of prior year unpaid obligations	32	....	....
1050	Unobligated balance (total)	149	132	110

	Budget authority:			
	Appropriations, discretionary:			
1121	Appropriations transferred from other accts RD [12–2081]	2		
1121	Appropriations transferred from other accts OBPA [12–9915]	1		
1121	Appropriations transferred from other accts RD [12–1230]	1		
1121	Appropriations transferred from other accts APHIS [12–1600]	3		
1160	Appropriation, discretionary (total)	7		
	Spending authority from offsetting collections, discretionary:			
1700	Collected	906	726	790
1701	Change in uncollected payments, Federal sources	–40		
1750	Spending auth from offsetting collections, disc (total)	866	726	790
1900	Budget authority (total)	873	726	790
1930	Total budgetary resources available	1,022	858	900
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	132	110	92
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	241	288	66
3010	Obligations incurred, unexpired accounts	890	748	808
3020	Outlays (gross)	–811	–970	–859
3040	Recoveries of prior year unpaid obligations, unexpired	–32		
3050	Unpaid obligations, end of year	288	66	15
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–269	–229	–229
3070	Change in uncollected pymts, Fed sources, unexpired	40		
3090	Uncollected pymts, Fed sources, end of year	–229	–229	–229
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–28	59	–163
3200	Obligated balance, end of year	59	–163	–214
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	873	726	790
	Outlays, gross:			
4010	Outlays from new discretionary authority	617	628	683
4011	Outlays from discretionary balances	194	342	176
4020	Outlays, gross (total)	811	970	859
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–894	–726	–790
4033	Non-Federal sources	–12		
4040	Offsets against gross budget authority and outlays (total)	–906	–726	–790
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	40		
4070	Budget authority, net (discretionary)	7		
4080	Outlays, net (discretionary)	–95	244	69
4180	Budget authority, net (total)	7		
4190	Outlays, net (total)	–95	244	69

This fund finances, by advances or reimbursements, certain central services in the Department of Agriculture, including duplicating and other visual information services; broadcast media services; supply services; centralized financial management systems; centralized automated data processing systems for payroll, personnel, and related services; voucher payments services; telecommunications services; and information technology systems.

Object Classification (in millions of dollars)

Identification code 12–4609–0–4–352		2012 actual	2013 CR	2014 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent - OCFO	87	95	107
11.1	Full-time permanent - OCIO	78	86	88
11.1	Full-time permanent - DA OES OC	18	20	20
11.5	Other personnel compensation - OCFO	4	3	3
11.5	Other personnel compensation - OCIO	2	1	2
11.5	Other personnel compensation - DA OES OC	1		
11.9	Total personnel compensation	190	205	220
12.1	Civilian personnel benefits OCFO	29	30	34
12.1	Civilian personnel benefits OCIO	25	25	25
12.1	Civilian personnel benefits - DA OES OC	6	6	7
21.0	Travel and transportation of persons OCFO	1	1	1
21.0	Travel and transportation of persons - OCIO	3	3	3
22.0	Transportation of things - DA OES OC	1	1	1
23.1	Rental payments to GSA - OCFO	1	1	1
23.1	Rental payments to GSA - OCIO	4	6	6
23.1	Rental payments to GSA - DA OES OC	1	1	1
23.2	Rental payments to others - OCFO	12	12	12
23.2	Rental payments to others - OCIO	11	11	11
23.3	Communications, utilities, and miscellaneous charges - OCFO	4	10	4
23.3	Communications, utilities, and miscellaneous charges - OCIO	70	69	70
23.3	Communications, utilities, and miscellaneous charges - DA OES OC	3	3	3
24.0	Printing and reproduction	1		
25.2	Other services from non-Federal sources	1	1	1
25.3	Other goods and services from Federal sources - OCFO	170	85	94
25.3	Other goods and services from Federal sources - OCIO	150	104	137
25.3	Other goods and services from Federal sources - DA OES OC	23	20	22
25.4	Operation and maintenance of facilities	2	2	2
25.7	Operation and maintenance of equipment - OCFO	24	30	36
25.7	Operation and maintenance of equipment - OCIO	47	52	60
25.7	Operation and maintenance of equipment - DA OES OC	2	1	2
26.0	Supplies and materials - OCFO	2	1	1
26.0	Supplies and materials - OCIO	8	5	3
26.0	Supplies and materials - DA OES OC	3	3	3
31.0	Equipment - OCFO	42	34	29
31.0	Equipment - DA OES OC	54	4	2
31.0	Equipment - OCIO		22	17
99.9	Total new obligations	890	748	808

Employment Summary

Identification code 12–4609–0–4–352		2012 actual	2013 CR	2014 est.
2001	Reimbursable civilian full-time equivalent employment	2,293	2,295	2,417

OFFICE OF CHIEF ECONOMIST

Federal Funds

Executive Operations

Office of the Chief Economist

For necessary expenses of the Office of the Chief Economist, $12,854,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0123–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Direct program activity	11	11	13
0801	Reimbursable program activity - other	2	1	1
0802	Reimbursable program activity (Biodiesel Fuel Education Program)	1		
0899	Total reimbursable obligations	3	1	1
0900	Total new obligations	14	12	14
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1			1
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	11	11	13
1160	Appropriation, discretionary (total)	11	11	13
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	1		
1260	Appropriations, mandatory (total)	1		
	Spending authority from offsetting collections, discretionary:			
1700	Collected		2	2
1701	Change in uncollected payments, Federal sources	3		
1750	Spending auth from offsetting collections, disc (total)	3	2	2
1900	Budget authority (total)	15	13	15
1930	Total budgetary resources available	15	13	16

EXECUTIVE OPERATIONS—Continued

Program and Financing—Continued

Identification code 12–0123–0–1–352		2012 actual	2013 CR	2014 est.
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–1		
1941	Unexpired unobligated balance, end of year		1	2
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	5	8	6
3010	Obligations incurred, unexpired accounts	14	12	14
3011	Obligations incurred, expired accounts	2		
3020	Outlays (gross)	–13	–14	–16
3050	Unpaid obligations, end of year	8	6	4
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–2	–4	–4
3070	Change in uncollected pymts, Fed sources, unexpired	–3		
3071	Change in uncollected pymts, Fed sources, expired	1		
3090	Uncollected pymts, Fed sources, end of year	–4	–4	–4
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3	4	2
3200	Obligated balance, end of year	4	2	
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	14	13	15
	Outlays, gross:			
4010	Outlays from new discretionary authority	9	12	14
4011	Outlays from discretionary balances	4	2	2
4020	Outlays, gross (total)	13	14	16
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–1	–2	–2
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–3		
4052	Offsetting collections credited to expired accounts	1		
4060	Additional offsets against budget authority only (total)	–2		
4070	Budget authority, net (discretionary)	11	11	13
4080	Outlays, net (discretionary)	12	12	14
	Mandatory:			
4090	Budget authority, gross	1		
4180	Budget authority, net (total)	12	11	13
4190	Outlays, net (total)	12	12	14

The Office of the Chief Economist advises the Secretary of Agriculture on the economic implications of Department policies, programs and proposed legislation. The Office serves as a focal point for USDA's economic intelligence and analysis; projections related to agricultural commodity markets; risk assessment and cost-benefit analysis related to domestic and international food and agriculture; policy direction for renewable energy development; coordination, analysis and advice on climate change and environmental market activities; and is responsible for coordination and review of all commodity and aggregate agricultural and food-related data used to develop outlook and situation material within the Department. The 2014 Budget requests $13 million, which includes a $700,000 increase for oversight of USDA-wide efforts to integrate climate change adaptation planning and actions into USDA programs and policies, and a $900,000 increase to fund staff to evaluate and quantify the environmental services produced by conservation practices.

Object Classification (in millions of dollars)

Identification code 12–0123–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	7	6	7
12.1	Civilian personnel benefits	2	2	2
25.2	Other services from non-Federal sources	2	3	4
99.0	Direct obligations	11	11	13
99.0	Reimbursable obligations	3	1	1
99.9	Total new obligations	14	12	14

Employment Summary

Identification code 12–0123–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	49	53	56

NATIONAL APPEALS DIVISION

Federal Funds

NATIONAL APPEALS DIVISION

For necessary expenses of the National Appeals Division, $12,940,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0706–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	National Appeals Division	12	13	13
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1		1	1
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	13	13	13
1160	Appropriation, discretionary (total)	13	13	13
1930	Total budgetary resources available	13	14	14
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	1	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	3	2	2
3010	Obligations incurred, unexpired accounts	12	13	13
3011	Obligations incurred, expired accounts	2		
3020	Outlays (gross)	–13	–13	–13
3041	Recoveries of prior year unpaid obligations, expired	–2		
3050	Unpaid obligations, end of year	2	2	2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3	2	2
3200	Obligated balance, end of year	2	2	2
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	13	13	13
	Outlays, gross:			
4010	Outlays from new discretionary authority	11	10	10
4011	Outlays from discretionary balances	2	3	3
4020	Outlays, gross (total)	13	13	13
4180	Budget authority, net (total)	13	13	13
4190	Outlays, net (total)	13	13	13

The National Appeals Division (NAD) is responsible for listening to farmers and other rural program participants concerning their disputes with certain agencies within the Department of Agriculture through fair and impartial administrative hearings and appeals. The 2014 Budget requests $13 million.

Object Classification (in millions of dollars)

Identification code 12–0706–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	8	9	9
12.1	Civilian personnel benefits	2	2	2
25.1	Advisory and assistance services	2	1	1
99.0	Direct obligations	12	12	12
99.5	Below reporting threshold		1	1

99.9	Total new obligations	12	13	13

Employment Summary

Identification code 12–0706–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	86	92	92

OFFICE OF CIVIL RIGHTS

Federal Funds

Office of Civil Rights

For necessary expenses of the Office of Civil Rights, $21,550,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3800–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Direct program activity	21	21	22
0801	Reimbursable program activity	2	2	2
0900	Total new obligations	23	23	24
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	21	21	22
1160	Appropriation, discretionary (total)	21	21	22
	Spending authority from offsetting collections, discretionary:			
1700	Collected		2	2
1701	Change in uncollected payments, Federal sources	2		
1750	Spending auth from offsetting collections, disc (total)	2	2	2
1900	Budget authority (total)	23	23	24
1930	Total budgetary resources available	23	23	24
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	5	3	1
3010	Obligations incurred, unexpired accounts	23	23	24
3011	Obligations incurred, expired accounts	1		
3020	Outlays (gross)	–23	–25	–24
3041	Recoveries of prior year unpaid obligations, expired	–3		
3050	Unpaid obligations, end of year	3	1	1
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–7	–6	–6
3070	Change in uncollected pymts, Fed sources, unexpired	–2		
3071	Change in uncollected pymts, Fed sources, expired	3		
3090	Uncollected pymts, Fed sources, end of year	–6	–6	–6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–2	–3	–5
3200	Obligated balance, end of year	–3	–5	–5
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	23	23	24
	Outlays, gross:			
4010	Outlays from new discretionary authority	20	22	23
4011	Outlays from discretionary balances	3	3	1
4020	Outlays, gross (total)	23	25	24
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–3	–2	–2
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–2		
4052	Offsetting collections credited to expired accounts	3		
4060	Additional offsets against budget authority only (total)	1		
4070	Budget authority, net (discretionary)	21	21	22
4080	Outlays, net (discretionary)	20	23	22
4180	Budget authority, net (total)	21	21	22
4190	Outlays, net (total)	20	23	22

The Office of Civil Rights provides overall leadership responsibility for all Department-wide civil rights activities, including employment opportunity and program non-discrimination policy development, analysis, coordination, and compliance. The Office is responsible for providing leadership in the implementation of best practices that will create an environment where a diverse workforce is valued as a source of strength. The Office has the responsibility for monitoring program activities to ensure that all USDA programs are delivered in a non-discriminatory manner. The 2014 Budget requests $22 million.

Object Classification (in millions of dollars)

Identification code 12–3800–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	13	13	14
12.1	Civilian personnel benefits	4	4	4
25.2	Other services from non-Federal sources	1	3	3
25.3	Other goods and services from Federal sources	3	1	1
99.0	Direct obligations	21	21	22
99.0	Reimbursable obligations	1	2	2
99.5	Below reporting threshold	1		
99.9	Total new obligations	23	23	24

Employment Summary

Identification code 12–3800–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	123	134	134

DEPARTMENTAL MANAGEMENT

Federal Funds

Departmental Administration

(including transfers of funds)

For Departmental Administration, $22,993,000, to provide for necessary expenses for management support services to offices of the Department and for general administration, security, repairs and alterations, and other miscellaneous supplies and expenses not otherwise provided for and necessary for the practical and efficient work of the Department: Provided, That this appropriation shall be reimbursed from applicable appropriations in this Act for travel expenses incident to the holding of hearings as required by 5 U.S.C. 551–558.

Office of the Chief Information Officer

For necessary expenses of the Office of the Chief Information Officer, $44,159,000.

Office of the Chief Financial Officer

For necessary expenses of the Office of the Chief Financial Officer, $6,243,000: Provided, That no funds made available by this appropriation may be obligated for FAIR Act or Circular A-76 activities until the Secretary has submitted to the Committees on Appropriations of both Houses of Congress and the Committee on Oversight and Government Reform of the House of Representatives a report on the Department's contracting out policies, including agency budgets for contracting out.

Office of Budget and Program Analysis

For necessary expenses of the Office of Budget and Program Analysis, $11,129,000.

Office of Homeland Security and Emergency Coordination

For necessary expenses of the Office of Homeland Security and Emergency Coordination, $1,507,000.

Office of Advocacy and Outreach

For necessary expenses of the Office of Advocacy and Outreach, $1,217,000.

DEPARTMENTAL ADMINISTRATION—Continued

Program and Financing (in millions of dollars)

Identification code 12–9915–0–1–350	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Office of Advocacy and Outreach	1	1	1
0004 Office of the Chief Financial Officer	6	6	6
0005 Office of Budget and Program Analysis	8	9	11
0006 Office of the Chief Information Officer	42	44	44
0007 Departmental Administration	26	24	23
0008 Office of Homeland Security and Emergency Coordination	1	2	2
0009 Outreach and Technical Assistance Program	20		
0799 Total direct obligations	104	86	87
0801 Reimbursable program activity	112	83	82
0900 Total new obligations	216	169	169
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	6	1	1
1001 Discretionary unobligated balance brought fwd, Oct 1	6	1	
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	85	86	87
1120 Appropriations transferred to other accts [12–4609]	–1		
1131 Unobligated balance of appropriations permanently reduced	–4		
1160 Appropriation, discretionary (total)	80	86	87
Appropriations, mandatory:			
1221 Appropriations transferred from other accts [12–4336]	22		
1260 Appropriations, mandatory (total)	22		
Spending authority from offsetting collections, discretionary:			
1700 Collected	50	83	83
1701 Change in uncollected payments, Federal sources	72		
1750 Spending auth from offsetting collections, disc (total)	122	83	83
1900 Budget authority (total)	224	169	170
1930 Total budgetary resources available	230	170	171
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–13		
1941 Unexpired unobligated balance, end of year	1	1	2
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	104	116	10
3010 Obligations incurred, unexpired accounts	216	169	169
3011 Obligations incurred, expired accounts	10		
3020 Outlays (gross)	–202	–275	–170
3041 Recoveries of prior year unpaid obligations, expired	–12		
3050 Unpaid obligations, end of year	116	10	9
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	–142	–148	–148
3070 Change in uncollected pymts, Fed sources, unexpired	–72		
3071 Change in uncollected pymts, Fed sources, expired	66		
3090 Uncollected pymts, Fed sources, end of year	–148	–148	–148
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	–38	–32	–138
3200 Obligated balance, end of year	–32	–138	–139
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	202	169	170
Outlays, gross:			
4010 Outlays from new discretionary authority	132	166	167
4011 Outlays from discretionary balances	62	109	3
4020 Outlays, gross (total)	194	275	170
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	–138	–83	–83
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	–72		
4052 Offsetting collections credited to expired accounts	88		
4060 Additional offsets against budget authority only (total)	16		
4070 Budget authority, net (discretionary)	80	86	87
4080 Outlays, net (discretionary)	56	192	87
Mandatory:			
4090 Budget authority, gross	22		
Outlays, gross:			
4100 Outlays from new mandatory authority	1		
4101 Outlays from mandatory balances	7		
4110 Outlays, gross (total)	8		
4180 Budget authority, net (total)	102	86	87
4190 Outlays, net (total)	64	192	87

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	102	86	87
Outlays	64	192	87
Legislative proposal, subject to PAYGO:			
Outlays			–1
Total:			
Budget Authority	102	86	87
Outlays	64	192	86

Departmental Management comprises the following offices:

Departmental Administration includes offices that provide staff support to policy officials and overall direction and coordination of the Department. These activities include Department-wide programs for human resources management, occupational safety and health management, real and personal property management, acquisitions and contracting, motor vehicle and aircraft management, supply management, participation of small and disadvantaged businesses, service-disabled veterans programs, and the regulatory hearing and administrative proceedings conducted by the Administrative Law Judges, and Judicial Officer. The 2014 Budget requests $23 million.

The Clinger-Cohen Act of 1996 required the establishment of a Chief Information Officer (CIO) for all major Federal agencies. The Act requires USDA to maximize the value of information technology acquisitions to improve the efficiency and effectiveness of USDA programs. To meet the intent of the law and to provide a Departmental focus for information resources management issues, Secretary's Memorandum 1030–30, dated August 8, 1996, established the Office of the Chief Information Officer (OCIO). The CIO serves as the primary advisor to the Secretary on Information Technology (IT) issues. OCIO provides leadership for the Department's information and IT management activities in support of USDA program delivery. The 2014 Budget requests $44 million for OCIO.

The Office of the Chief Financial Officer (OCFO) was established in 1995 under authority provided in Reorganization Plan Number 2 of 1953 (7 U.S.C. 2201) to comply with the Chief Financial Officers Act of 1990. The OCFO focuses on the Department's financial and performance management activities to improve program delivery and assure maximum contribution to the Secretary's Strategic Goals. The 2014 Budget requests $6 million.

The Office of Budget and Program Analysis (OBPA) coordinates the preparation of Departmental budget estimates, regulations, and legislative reports; administers systems for the allotment and apportionment of funds; provides analysis of USDA program issues, draft regulations, and budget proposals; participates in strategic planning; and provides assistance to USDA policy makers in the development and execution of desired policies and programs. The 2014 Budget requests $11 million. To support evidence-based policy-making, $2 million is requested in the Budget to provide support for the establishment of a Chief Evaluation Officer within USDA to work closely with program offices and agencies to develop and implement evaluation agendas and priorities set by policy officials.

The Office of Homeland Security and Emergency Coordination formulates emergency preparedness policies and objectives for USDA. The Staff directs and coordinates all of the Department's program activities that support USDA emergency programs and liaison functions with the Congress, the Department of Homeland

Security, and other Federal Departments and agencies involving homeland security, natural disasters, other emergencies, and agriculture-related international civil emergency planning and intelligence activities. The 2014 Budget requests $1.5 million.

The Office of Advocacy and Outreach (OAO) improves access to USDA programs and enhances the viability and profitability of small farms and ranches, beginning farmers and ranchers, and socially disadvantaged farmers and ranchers ensuring that the Department and its programs are open and transparent. The Department is committed to ensuring that all USDA constituents, including historically underserved groups, have the opportunity to participate in and benefit from the programs offered by the Department. The 2014 Budget requests $1 million.

Object Classification (in millions of dollars)

Identification code 12–9915–0–1–350		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	35	39	37
12.1	Civilian personnel benefits	12	12	12
21.0	Travel and transportation of persons	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	41	21	22
25.3	Other goods and services from Federal sources	13	11	13
26.0	Supplies and materials	1	1	1
99.0	Direct obligations	104	86	87
99.0	Reimbursable obligations	112	83	82
99.9	Total new obligations	216	169	169

Employment Summary

Identification code 12–9915–0–1–350		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	360	400	397
2001	Reimbursable civilian full-time equivalent employment	183	132	130

Departmental Administration

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–9915–4–1–350		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected			1
1850	Spending auth from offsetting collections, mand (total)			1
1930	Total budgetary resources available			1
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year			1
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			1
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources			–1
4190	Outlays, net (total)			–1

USDA's BioPreferred Program is charged with administering the voluntary USDA Certified Biobased Product label, which was mandated by both the 2002 and 2008 Farm Bills. In 2011, USDA authorized the use of a label for biobased products that producers can use in advertising their products. To ensure the integrity of the label, the Budget requests authority for USDA to: (1) impose civil penalties on companies who misuse the label; and (2) assess each producer who applies to use the label a fee to fund a program audit. This fee, which will begin to be collected once authorizing legislation is enacted, has been given broad support by potential users who commented on the labels proposed rule, which was issued in May 2010.

Hazardous Materials Management

(including transfers of funds)

For necessary expenses of the Department of Agriculture, to comply with the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9601 et seq.) and the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), $3,600,000, to remain available until expended: Provided, That appropriations and funds available herein to the Department for Hazardous Materials Management may be transferred to any agency of the Department for its use in meeting all requirements pursuant to the above Acts on Federal and non-Federal lands.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0500–0–1–304		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Hazardous materials management	4	4	4
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	1	1
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	4	4	4
1160	Appropriation, discretionary (total)	4	4	4
1930	Total budgetary resources available	5	5	5
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	1	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	16	16	1
3010	Obligations incurred, unexpired accounts	4	4	4
3020	Outlays (gross)	–4	–19	–4
3050	Unpaid obligations, end of year	16	1	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	16	16	1
3200	Obligated balance, end of year	16	1	1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	4	4	4
	Outlays, gross:			
4010	Outlays from new discretionary authority	3	4	4
4011	Outlays from discretionary balances	1	15	
4020	Outlays, gross (total)	4	19	4
4180	Budget authority, net (total)	4	4	4
4190	Outlays, net (total)	4	19	4

Under the Comprehensive Environmental Response, Compensation, and Liability Act and the Resource Conservation and Recovery Act, the Department has the responsibility to meet the same standards for environmental cleanup and regulatory compliance regarding hazardous wastes and hazardous substances as private businesses. With substantial commitments under these Acts, the Hazardous Materials Management account was established as a central fund so that the Department's agencies may be reimbursed for their cleanup efforts. The Department determines what projects to fund by using objective criteria that identify what sites pose the greatest threats to public health and the environment. The 2014 Budget requests $4 million.

Hazardous Materials Management—Continued

Object Classification (in millions of dollars)

Identification code 12–0500–0–1–304	2012 actual	2013 CR	2014 est.
Direct obligations:			
11.1 Personnel compensation: Full-time permanent	1	1	1
25.3 Other goods and services from Federal sources	3	3	3
99.9 Total new obligations	4	4	4

Employment Summary

Identification code 12–0500–0–1–304	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	6	7	7

Agriculture Buildings and Facilities and Rental Payments

(including transfers of funds)

For payment of space rental and related costs pursuant to Public Law 92–313, including authorities pursuant to the 1984 delegation of authority from the Administrator of General Services to the Department of Agriculture under 40 U.S.C. 486, for programs and activities of the Department which are included in this Act, and for alterations and other actions needed for the Department and its agencies to consolidate unneeded space into configurations suitable for release to the Administrator of General Services, and for the operation, maintenance, improvement, and repair of Agriculture buildings and facilities, and for related costs, $233,095,000, to remain available until expended, of which $178,270,000 shall be available for payments to the General Services Administration for rent and for payments to the Department of Homeland Security for building security activities; and of which $54,825,000 is for buildings operations and maintenance expenses: Provided, That the Secretary may use unobligated prior year balances of an agency or office that are no longer available for new obligation to cover shortfalls incurred in prior year rental payments for such agency or office: Provided further, That the Secretary is authorized to transfer funds from a Departmental agency to this account to recover the full cost of the space and security expenses of that agency that are funded by this account when the actual costs exceed the agency estimate which will be available for the activities and payments described herein.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0117–0–1–352	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Rental payments to GSA: Non-recurring repairs	168	171	164
0002 Building operations and maintenance	33	50	43
0003 Homeland Security	12	12	12
0004 DHS building security	16	14	14
0799 Total direct obligations	229	247	233
0802 Reimbursable program	5	5	5
0900 Total new obligations	234	252	238
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	11	23	8
1021 Recoveries of prior year unpaid obligations	9		
1050 Unobligated balance (total)	20	23	8
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	230	232	233
1160 Appropriation, discretionary (total)	230	232	233
Spending authority from offsetting collections, discretionary:			
1700 Collected	5	5	5
1701 Change in uncollected payments, Federal sources	2		
1750 Spending auth from offsetting collections, disc (total)	7	5	5
1900 Budget authority (total)	237	237	238
1930 Total budgetary resources available	257	260	246
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	23	8	8
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	69	39	20
3010 Obligations incurred, unexpired accounts	234	252	238
3020 Outlays (gross)	–255	–271	–238
3040 Recoveries of prior year unpaid obligations, unexpired	–9		
3050 Unpaid obligations, end of year	39	20	20
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	–6	–8	–8
3070 Change in uncollected pymts, Fed sources, unexpired	–2		
3090 Uncollected pymts, Fed sources, end of year	–8	–8	–8
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	63	31	12
3200 Obligated balance, end of year	31	12	12
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	237	237	238
Outlays, gross:			
4010 Outlays from new discretionary authority	218	234	235
4011 Outlays from discretionary balances	37	37	3
4020 Outlays, gross (total)	255	271	238
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	–5	–5	–5
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	–2		
4070 Budget authority, net (discretionary)	230	232	233
4080 Outlays, net (discretionary)	250	266	233
4180 Budget authority, net (total)	230	232	233
4190 Outlays, net (total)	250	266	233
Unfunded deficiencies:			
7000 Unfunded deficiency, start of year	–6	–8	
Change in deficiency during the year:			
7012 New budget authority used to liquidate deficiencies	–2	8	
7020 Unfunded deficiency, end of year	–8		

This account finances the General Services Administration's fees for rental of space and the Department of Homeland Security's security-related fees. The appropriation covers all fees for all regular appropriated accounts within the Department of Agriculture with the exception of the Forest Service. This account also finances the day to day operations, repair, improvement and maintenance activities of two buildings in the Headquarters complex and the George Washington Carver Center in Beltsville, Md.

Deficiency in Rental Payments

$ Millions	2012	FY2013	FY2014
Deficiency, start of year	–6	–8	....
Unobligated balances applied to deficiency	–2	8	....
Adjusted deficiency	–8	....	....
Deficiency, end of year	–8	....	....

The 2014 Budget requests $233 million. This account has a deficiency due to prior year shortfalls in rental payments incurred between 2004 and 2008. USDA successfully reduced the deficiency from $24 million to $6 million in 2011; due to accounting adjustments in 2012, the deficiency at the end of 2012 was -$8 million. USDA anticipates paying off the remainder of the deficiency in 2013.

Object Classification (in millions of dollars)

Identification code 12–0117–0–1–352	2012 actual	2013 CR	2014 est.
Direct obligations:			
11.1 Personnel compensation: Full-time permanent	9	9	9
12.1 Civilian personnel benefits	2	3	3

		2012 actual	2013 CR	2014 est.
23.1	Rental payments to GSA	168	171	164
23.3	Communications, utilities, and miscellaneous charges	3	10	10
25.2	Other services from non-Federal sources	30	21	18
25.3	Other goods and services from Federal sources	16	14	14
25.4	Operation and maintenance of facilities		19	15
99.0	Direct obligations	228	247	233
99.0	Reimbursable obligations	5	5	5
99.5	Below reporting threshold	1		
99.9	Total new obligations	234	252	238

Employment Summary

Identification code 12–0117–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	92	92	92

OFFICE OF COMMUNICATIONS

Federal Funds

Office of Communications

For necessary expenses of the Office of Communications, $8,137,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0150–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Public affairs	8	8	8
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	8	8	8
1160	Appropriation, discretionary (total)	8	8	8
1930	Total budgetary resources available	8	8	8
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	1	1
3010	Obligations incurred, unexpired accounts	8	8	8
3020	Outlays (gross)	–8	–8	–8
3050	Unpaid obligations, end of year	1	1	1
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–1	–1	–1
3090	Uncollected pymts, Fed sources, end of year	–1	–1	–1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	8	8	8
	Outlays, gross:			
4010	Outlays from new discretionary authority	7	8	8
4011	Outlays from discretionary balances	1		
4020	Outlays, gross (total)	8	8	8
4180	Budget authority, net (total)	8	8	8
4190	Outlays, net (total)	8	8	8

The mission of the Office of Communications (OC) is to provide leadership, expertise, management and coordination to develop and implement successful communication strategies and products that advance the mission of the USDA and priorities of the government, while serving and engaging the public in a fair, equal, transparent and easily accessible manner. OC delivers information about USDA programs and policies in a consistent, timely fashion. The 2014 Budget requests $8 million.

Object Classification (in millions of dollars)

Identification code 12–0150–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	7	7	7
12.1	Civilian personnel benefits	1	1	1
99.9	Total new obligations	8	8	8

Employment Summary

Identification code 12–0150–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	59	62	62

OFFICE OF INSPECTOR GENERAL

Federal Funds

Office of Inspector General

For necessary expenses of the Office of Inspector General, including employment pursuant to the Inspector General Act of 1978, $89,902,000, including such sums as may be necessary for contracting and other arrangements with public agencies and private persons pursuant to section 6(a)(9) of the Inspector General Act of 1978, and including not to exceed $125,000 for certain confidential operational expenses, including the payment of informants, to be expended under the direction of the Inspector General pursuant to Public Law 95–452 and section 1337 of Public Law 97–98.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0900–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Office of the Inspector General	95	86	90
0801	Reimbursable program	5	3	3
0900	Total new obligations	100	89	93
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	12	8	9
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	86	86	90
1160	Appropriation, discretionary (total)	86	86	90
	Spending authority from offsetting collections, discretionary:			
1700	Collected	5	4	4
1701	Change in uncollected payments, Federal sources	5		
1750	Spending auth from offsetting collections, disc (total)	10	4	4
1900	Budget authority (total)	96	90	94
1930	Total budgetary resources available	108	98	103
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	8	9	10
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	12	19	5
3010	Obligations incurred, unexpired accounts	100	89	93
3011	Obligations incurred, expired accounts	2		
3020	Outlays (gross)	–92	–103	–94
3041	Recoveries of prior year unpaid obligations, expired	–3		
3050	Unpaid obligations, end of year	19	5	4
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1		–3	–3
3070	Change in uncollected pymts, Fed sources, unexpired	–5		
3071	Change in uncollected pymts, Fed sources, expired	2		
3090	Uncollected pymts, Fed sources, end of year	–3	–3	–3
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	12	16	2

OFFICE OF INSPECTOR GENERAL—Continued

Program and Financing—Continued

Identification code 12–0900–0–1–352		2012 actual	2013 CR	2014 est.
3200	Obligated balance, end of year	16	2	1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	96	90	94
	Outlays, gross:			
4010	Outlays from new discretionary authority	75	82	86
4011	Outlays from discretionary balances	17	21	8
4020	Outlays, gross (total)	92	103	94
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–6	–4	–4
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–5		
4052	Offsetting collections credited to expired accounts	1		
4060	Additional offsets against budget authority only (total)	–4		
4070	Budget authority, net (discretionary)	86	86	90
4080	Outlays, net (discretionary)	86	99	90
4180	Budget authority, net (total)	86	86	90
4190	Outlays, net (total)	86	99	90

The Office of Inspector General provides the Secretary and Congress with information or intelligence about fraud, other serious problems, mismanagement, and deficiencies in Department programs and operations, recommends corrective action, and reports on the progress made in correcting the problems. The Office reviews existing and proposed legislation and regulations and makes recommendations to the Secretary and Congress regarding the impact these laws have on the Department's programs and the prevention and detection of fraud and mismanagement in such programs. The Office provides policy direction and conducts, supervises, and coordinates all audits and investigations. The Office supervises and coordinates other activities in the Department and between the Department and other Federal, State and local government agencies whose purposes are to: (a) promote economy and efficiency; (b) prevent and detect fraud and mismanagement; and (c) identify and prosecute people involved in fraud or mismanagement.

OIG's $90 million request includes $468,000 to support the Council of the Inspector General on Integrity and Efficiency, established under the authority of the Inspector General Reform Act of 2008 to coordinate Federal efforts to improve program delivery.

Object Classification (in millions of dollars)

Identification code 12–0900–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	59	53	54
12.1	Civilian personnel benefits	21	19	19
21.0	Travel and transportation of persons	4	3	3
23.3	Communications, utilities, and miscellaneous charges	2	2	3
25.2	Other services from non-Federal sources	5	5	6
25.3	Other goods and services from Federal sources	1	2	2
26.0	Supplies and materials	1	1	1
31.0	Equipment	2	1	2
99.0	Direct obligations	95	86	90
99.0	Reimbursable obligations	5	3	3
99.9	Total new obligations	100	89	93

Employment Summary

Identification code 12–0900–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	558	558	558

OFFICE OF THE GENERAL COUNSEL

Federal Funds

OFFICE OF THE GENERAL COUNSEL

For necessary expenses of the Office of the General Counsel, $45,014,000, of which $3,451,000 is for the Office of Ethics.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2300–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Office of the General Counsel	39	40	45
0801	Reimbursable program activity	5	4	4
0900	Total new obligations	44	44	49
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	39	40	45
1160	Appropriation, discretionary (total)	39	40	45
	Spending authority from offsetting collections, discretionary:			
1700	Collected	4	4	4
1701	Change in uncollected payments, Federal sources	1		
1750	Spending auth from offsetting collections, disc (total)	5	4	4
1900	Budget authority (total)	44	44	49
1930	Total budgetary resources available	44	44	49
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	5	4	4
3010	Obligations incurred, unexpired accounts	44	44	49
3020	Outlays (gross)	–45	–44	–49
3050	Unpaid obligations, end of year	4	4	4
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–3	–3	–3
3070	Change in uncollected pymts, Fed sources, unexpired	–1		
3071	Change in uncollected pymts, Fed sources, expired	1		
3090	Uncollected pymts, Fed sources, end of year	–3	–3	–3
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	1	1
3200	Obligated balance, end of year	1	1	1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	44	44	49
	Outlays, gross:			
4010	Outlays from new discretionary authority	40	42	47
4011	Outlays from discretionary balances	5	2	2
4020	Outlays, gross (total)	45	44	49
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–5	–4	–4
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–1		
4052	Offsetting collections credited to expired accounts	1		
4070	Budget authority, net (discretionary)	39	40	45
4080	Outlays, net (discretionary)	40	40	45
4180	Budget authority, net (total)	39	40	45
4190	Outlays, net (total)	40	40	45

The Office of the General Counsel of the Department of Agriculture provides all legal advice, counsel, and services to the Secretary and to all agencies, offices, and corporations of the Department on all aspects of their operations. It represents the Department in administrative proceedings; non-litigation debt collection proceedings; State water rights adjudications; proceedings before the Civilian Board of Contract Appeal, the Merit System Protection Board, the Equal Employment Opportunity Commision, the USDA Office of Administrative Law Judges, and other Federal agencies; and, in conjunction with the Department of Justice, in judicial proceedings and litigation in the Federal and State courts. All attorneys and related support personnel devoted to those efforts are under the supervision of the General Counsel. The 2014 Budget requests $41.5 million, including an increase of $2 million for 10 FTEs to handle an increased workload, to support current staff, and for computerized legal research.

The Office of Ethics provides ethics advice, counsel and training to all USDA officials and employees, and conducts annual financial disclosure reviews. The work of the Office of Ethics promotes employee compliance with Federal conflict of interest laws and regulations. The 2014 Budget requests $3.4 million and 29 FTEs, and is shown in this account beginning in 2014.

Object Classification (in millions of dollars)

Identification code 12–2300–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	28	29	33
12.1	Civilian personnel benefits	8	8	9
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	1	1	1
26.0	Supplies and materials	1	1	1
99.0	Direct obligations	39	40	45
99.0	Reimbursable obligations	5	4	4
99.9	Total new obligations	44	44	49

Employment Summary

Identification code 12–2300–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	253	245	282
2001	Reimbursable civilian full-time equivalent employment	28	26	28

ECONOMIC RESEARCH SERVICE

Federal Funds

ECONOMIC RESEARCH SERVICE

For necessary expenses of the Economic Research Service, $78,506,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1701–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Economic Research Service	77	78	79
0801	Reimbursable program activity	2	1	1
0900	Total new obligations	79	79	80
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	78	78	79
1160	Appropriation, discretionary (total)	78	78	79
	Spending authority from offsetting collections, discretionary:			
1700	Collected		1	1
1701	Change in uncollected payments, Federal sources	2		
1750	Spending auth from offsetting collections, disc (total)	2	1	1
1900	Budget authority (total)	80	79	80
1930	Total budgetary resources available	80	79	80
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–1		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	40	37	33
3010	Obligations incurred, unexpired accounts	79	79	80
3011	Obligations incurred, expired accounts	5		
3020	Outlays (gross)	–82	–83	–89
3041	Recoveries of prior year unpaid obligations, expired	–5		
3050	Unpaid obligations, end of year	37	33	24
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–6	–6	–6
3070	Change in uncollected pymts, Fed sources, unexpired	–2		
3071	Change in uncollected pymts, Fed sources, expired	2		
3090	Uncollected pymts, Fed sources, end of year	–6	–6	–6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	34	31	27
3200	Obligated balance, end of year	31	27	18
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	80	79	80
	Outlays, gross:			
4010	Outlays from new discretionary authority	61	64	64
4011	Outlays from discretionary balances	21	19	25
4020	Outlays, gross (total)	82	83	89
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–2	–1	–1
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–2		
4052	Offsetting collections credited to expired accounts	2		
4070	Budget authority, net (discretionary)	78	78	79
4080	Outlays, net (discretionary)	80	82	88
4180	Budget authority, net (total)	78	78	79
4190	Outlays, net (total)	80	82	88

The Economic Research Service provides economic and other social science research and analysis to inform public and private decision-making on food, agriculture, natural resources, and rural America. The Agency's mission is to anticipate issues that are on the horizon, and to conduct sound, peer-reviewed economic research. ERS is also the primary source of statistical indicators that, among other things, gauge the health of the farm sector (including farm income estimates and projections), assess the current and expected performance of the agricultural sector (including trade), and provide measures of food security here and abroad. Most of the Agency's research is conducted by a highly trained staff of economists and social scientists through an intramural program of research, market outlook, and analysis.

Five principles characterize ERS' core program: (1) Research that builds on unique or confidential data sources at the Federal level and is inherent in the role of a Federal Statistical Agency, including the Agricultural Resource Management Survey (ARMS) and associated farm and farm household finance estimates, consumer data and related research on food consumption, and development of USDA's commodity market outlook; (2) Research that provides coordination for a national perspective or framework, setting a single standard; (3) Research that requires a sustained investment and large teams; (4) Research that directly services the U.S. Government or USDA's long-term national goals such as the cost to the economy of sickness and premature death due to foodborne illnesses for FSIS, rural definition analysis for Rural development, and conservation program options for FSA and NCRS; and (5) Research that addresses questions with short-run payoff or has immediate policy implications.

ERS draws on the expertise of external collaborators through grants and cooperative research agreements for issues that re-

ECONOMIC RESEARCH SERVICE—Continued

quire expertise beyond the scope of the current program or that require knowledge of state or regional issues. The 2014 budget request of $78,506,000 continues to fund ERS core program of research, data analysis, and market outlook, and in addition, supports a new program enhancement, Research Innovations for Improving Policy Effectiveness, which will strengthen ERS' ability to conduct research through two innovative strategies—the use of behavioral economics and the statistical use of administrative data—to address critical information gaps that hinder policy effectiveness. Results of the initiative will provide science-based evidence that informs decision making by policy makers and program managers in the USDA, across Federal and State Governments, and in the Congress. In addition, ERS proposes an initiative for 2014 that will fund enhancements of its general information technology support through the redirection of IT funding. Additional funds received from other Governmental agencies may also be available for support of economic research and analysis.

Object Classification (in millions of dollars)

Identification code 12–1701–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	38	38	39
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	40	40	41
12.1	Civilian personnel benefits	10	10	10
21.0	Travel and transportation of persons	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	4	4	4
25.3	Other goods and services from Federal sources	14	15	15
25.5	Research and development contracts	5	5	5
26.0	Supplies and materials	1	1	1
41.0	Grants, subsidies, and contributions	1	1	1
99.0	Direct obligations	77	78	79
99.0	Reimbursable obligations	2	1	1
99.9	Total new obligations	79	79	80

Employment Summary

Identification code 12–1701–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	374	385	385
2001	Reimbursable civilian full-time equivalent employment	1	1	1

NATIONAL AGRICULTURAL STATISTICS SERVICE

Federal Funds

NATIONAL AGRICULTURAL STATISTICS SERVICE

For necessary expenses of the National Agricultural Statistics Service, $159,601,000, of which up to $42,295,000 shall be available until expended for the Census of Agriculture.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1801–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Agricultural estimates	110	111	111
0002	Statistical research and service	7	7	7
0003	Census of agriculture	52	42	42
0799	Total direct obligations	169	160	160
0801	Reimbursable program	27	22	22
0900	Total new obligations	196	182	182
	Budgetary Resources:			
	Unobligated balance:			
1021	Recoveries of prior year unpaid obligations	11		
1050	Unobligated balance (total)	11		
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	159	160	160
1120	Appropriations transferred to other accts [12–1801]	–42	–42	–42
1121	Appropriations transferred from other accts [12–1801]	42	42	42
1160	Appropriation, discretionary (total)	159	160	160
	Spending authority from offsetting collections, discretionary:			
1700	Collected	21	22	22
1701	Change in uncollected payments, Federal sources	5		
1750	Spending auth from offsetting collections, disc (total)	26	22	22
1900	Budget authority (total)	185	182	182
1930	Total budgetary resources available	196	182	182
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	44	42	39
3010	Obligations incurred, unexpired accounts	196	182	182
3011	Obligations incurred, expired accounts	13		
3020	Outlays (gross)	–196	–185	–198
3040	Recoveries of prior year unpaid obligations, unexpired	–11		
3041	Recoveries of prior year unpaid obligations, expired	–4		
3050	Unpaid obligations, end of year	42	39	23
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–7	–6	–6
3070	Change in uncollected pymts, Fed sources, unexpired	–5		
3071	Change in uncollected pymts, Fed sources, expired	6		
3090	Uncollected pymts, Fed sources, end of year	–6	–6	–6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	37	36	33
3200	Obligated balance, end of year	36	33	17
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	185	182	182
	Outlays, gross:			
4010	Outlays from new discretionary authority	124	164	164
4011	Outlays from discretionary balances	72	21	34
4020	Outlays, gross (total)	196	185	198
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–38	–20	–20
4033	Non-Federal sources	6	–2	–2
4040	Offsets against gross budget authority and outlays (total)	–32	–22	–22
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–5		
4052	Offsetting collections credited to expired accounts	11		
4060	Additional offsets against budget authority only (total)	6		
4070	Budget authority, net (discretionary)	159	160	160
4080	Outlays, net (discretionary)	164	163	176
4180	Budget authority, net (total)	159	160	160
4190	Outlays, net (total)	164	163	176

The National Agricultural Statistics Service (NASS) provides the official National and State estimates of acreage, yield, and production of crops, stocks, value and expenditures associated with farm commodities, and inventory, values, and expenditures of livestock items. Data on approximately 120 crops and 45 livestock products are covered in over 400 reports issued each year. In addition, the Census of Agriculture, which is conducted every five years for years ending in 2 and 7, takes a snapshot of America's agriculture and provides comprehensive data on the Nation's agricultural industry down to the county level. NASS' responsibilities are authorized under the Agricultural Marketing Act of 1946 (7 U.S.C 1621–1627) and the Census of Agriculture Act of 1997, Public Law 105–113 (7 U.S.C. 2204g).

Agricultural Estimates.—According to the USDA Chief Economist the Agricultural Estimates program is vital to for producers, agricultural commodity markets in the U.S. and the world, policy makers in government, and people involved in making planning, investment, price discovery mechanisms, and marketing decisions. Billions of dollars could be put at risk without these essential Agricultural Estimates statistical reports. The work under this activity is conducted through 46 field offices serving the 50 States and Puerto Rico; most of these offices are operated as joint State and Federal services. Cooperative arrangements with State agencies provide additional State and county data. In order to support Administration priorities and improve efficiency, NASS has carefully completed a comprehensive review of existing programs to determine which programs are most critical to serving agency goals, with evaluations based on the following priorities: 1) Principal Economic Indicator data; 2) data which directly impact commodity markets; 3) data necessary to implement the USDA programs which provide payments to farmers and are used to administer the farm safety net for producers; and 4) data for which there are no other publicly available sources of information. In 2012 NASS achieved several accomplishments: 1) conducted a survey of hogs for USDA's Animal and Plant Health Inspection Service's National Animal Health Monitoring System; 2) centralized processing of the Objective Yield samples at the National Operations Center; 3) developed several vegetation indexes to improve crop growth models to determine crop stages; 4) obtained system code for Computer Audio Recorded Interview system from the U. S. Census Bureau and started testing to improve the quality of data collection; and 5) completed its third 48 state Cropland Data Layer for the 2011 reference year with high resolution and improved accuracy of the classifications and the precision of the acreage estimates generated.

Census of Agriculture.—The Census of Agriculture provides the only source of comparable and consistent detailed data about agriculture down to the county level. The Census of Agriculture is critical because it provides comprehensive data on the agriculture economy, land use, production expenses, value of land and buildings, farm size and characteristics of farm operators, market value of agricultural production sold, acreage of major crops, inventory of livestock and poultry, and farm irrigation practices. The Census of Agriculture helps to measure trends and new developments in the agricultural sector of our Nation's economy. In 2012 NASS achieved several accomplishments: 1) finalized the mail list for the 2012 Census of Agriculture; 2) completed the online reporting system through exhaustive testing to improve data quality and reduce respondent burden; 3) finished the forms design process for the preparation of mail packets; 4) enhanced critical programming and tested to automate and streamline the correction of omitted and erroneous data in order to minimize analyst intervention; and 5) continued a vigorous marketing campaign to encourage producers to be represented in the 2012 Census of Agriculture. The 2014 Budget request is for a level to reflect the expected activity related to completing and releasing the results of the 2012 Census of Agriculture and conducting scheduled Follow-on surveys.

The 2014 request of $159,601,000 for NASS includes $42.3 million for the Census of Agriculture. NASS will do two much needed Follow-on surveys: 1) the Farm and Ranch Irrigation Survey, and 2) the Census of Aquaculture. At the request of the USDA Chief Economist, NASS will start producing four of the Current Industrial Reports (CIR) formerly compiled by the U.S. Census Bureau. The CIRs include: 1) Oilseeds, Beans, & Nuts; 2) Fats and Oils (Production, Consumption, & Stocks); 3) Cotton, Manmade Fiber Staple, & Raw Linters (Consumption, & Stocks, & Spindle Activity); and 4) Flour Milling Products. Funding for Agricultural Estimates will continue at the 2012 base level of about $117 million. NASS continues to review its programs to improve efficiency.

Miscellaneous funds received from local organizations, commodity groups, and others are available for dissemination of reports and for survey work conducted under cooperative agreements (7 U.S.C. 450b, 450h, 3318b). NASS also provides technical consultation, support, and assistance for international programs under participating agency service agreements.

Object Classification (in millions of dollars)

Identification code 12–1801–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	65	76	71
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	67	78	73
12.1	Civilian personnel benefits	23	27	25
21.0	Travel and transportation of persons	7	5	5
22.0	Transportation of things	2	3	2
23.3	Communications, utilities, and miscellaneous charges	8	8	8
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	26	20	28
25.3	Other goods and services from Federal sources	24	14	14
25.7	Operation and maintenance of equipment	6	1	1
26.0	Supplies and materials	1	1	1
31.0	Equipment	4	2	2
99.0	Direct obligations	169	160	160
99.0	Reimbursable obligations	27	22	22
99.9	Total new obligations	196	182	182

Employment Summary

Identification code 12–1801–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	946	1,104	1,084
2001	Reimbursable civilian full-time equivalent employment	106	106	106

AGRICULTURAL RESEARCH SERVICE

Federal Funds

SALARIES AND EXPENSES

For necessary expenses of the Agricultural Research Service and for acquisition of lands by donation, exchange, or purchase at a nominal cost not to exceed $100, and for land exchanges where the lands exchanged shall be of equal value or shall be equalized by a payment of money to the grantor which shall not exceed 25 percent of the total value of the land or interests transferred out of Federal ownership, $1,124,003,000: Provided, That appropriations hereunder shall be available for the operation and maintenance of aircraft and the purchase of not to exceed one for replacement only: Provided further, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250 for the construction, alteration, and repair of buildings and improvements, but unless otherwise provided, the cost of constructing any one building shall not exceed $375,000, except for headhouses or greenhouses which shall each be limited to $1,200,000, and except for 10 buildings to be constructed or improved at a cost not to exceed $750,000 each, and the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building or $375,000, whichever is greater: Provided further, That the limitations on alterations contained in this Act shall not apply to modernization or replacement of existing facilities at Beltsville, Maryland: Provided further, That appropriations hereunder shall be available for granting easements at the Beltsville Agricultural Research Center: Provided further, That the foregoing limitations shall not apply to replacement of buildings needed to carry out the Act of April 24, 1948 (21 U.S.C. 113a): Provided further, That funds may be received from any State, other political subdivision, organization, or individual for the purpose of establishing or operating any research facility or research project of the Agricultural Research Service, as authorized by law.

SALARIES AND EXPENSES—Continued

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1400–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Product quality/value added	100	101	85
0002	Livestock production	76	77	73
0003	Crop production	228	230	229
0004	Food safety	96	97	109
0005	Livestock protection	59	60	63
0006	Crop protection	184	186	171
0007	Human nutrition research	85	86	96
0008	Environmental stewardship	188	190	219
0009	National Agricultural Library	21	21	26
0010	Repair and maintenance of facilities	17	17	17
0012	Homeland security	36	36	36
0014	Miscellaneous Fees/Supplementals		9	
0799	Total direct obligations	1,090	1,110	1,124
0881	Reimbursable program activity	141	141	141
0889	Reimbursable program activities, subtotal	141	141	141
0900	Total new obligations	1,231	1,251	1,265
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	7	10	4
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1,095	1,101	1,124
1160	Appropriation, discretionary (total)	1,095	1,101	1,124
	Spending authority from offsetting collections, discretionary:			
1700	Collected	31	144	144
1701	Change in uncollected payments, Federal sources	113		
1750	Spending auth from offsetting collections, disc (total)	144	144	144
1900	Budget authority (total)	1,239	1,245	1,268
1930	Total budgetary resources available	1,246	1,255	1,272
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–5		
1941	Unexpired unobligated balance, end of year	10	4	7
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	406	420	364
3010	Obligations incurred, unexpired accounts	1,231	1,251	1,265
3011	Obligations incurred, expired accounts	22		
3020	Outlays (gross)	–1,212	–1,307	–1,294
3041	Recoveries of prior year unpaid obligations, expired	–27		
3050	Unpaid obligations, end of year	420	364	335
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–154	–180	–180
3070	Change in uncollected pymts, Fed sources, unexpired	–113		
3071	Change in uncollected pymts, Fed sources, expired	87		
3090	Uncollected pymts, Fed sources, end of year	–180	–180	–180
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	252	240	184
3200	Obligated balance, end of year	240	184	155
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1,239	1,245	1,268
	Outlays, gross:			
4010	Outlays from new discretionary authority	938	939	957
4011	Outlays from discretionary balances	274	368	337
4020	Outlays, gross (total)	1,212	1,307	1,294
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–82	–86	–86
4033	Non-Federal sources	–35	–58	–58
4040	Offsets against gross budget authority and outlays (total)	–117	–144	–144
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–113		
4052	Offsetting collections credited to expired accounts	86		
4060	Additional offsets against budget authority only (total)	–27		
4070	Budget authority, net (discretionary)	1,095	1,101	1,124
4080	Outlays, net (discretionary)	1,095	1,163	1,150
4180	Budget authority, net (total)	1,095	1,101	1,124
4190	Outlays, net (total)	1,095	1,163	1,150

The Agricultural Research Service (ARS) is the principal in-house research agency of the U.S. Department of Agriculture (USDA). ARS conducts scientific research to develop and transfer solutions to agricultural problems of high national priority and to provide information access and dissemination to: ensure high-quality, safe food, and other agricultural products; assess the nutritional needs of Americans; sustain a competitive agricultural economy; enhance the natural resource base and the environment; and provide economic opportunities for rural citizens, communities, and society as a whole. This mission is carried out through ARS' major research program areas and other activities listed below (in italics).

The major research programs in ARS address and support the Department's priorities and are: New Products/Product Quality/Value Added; Environmental Stewardship; Livestock/Crop Production; Livestock/Crop Protection; Food Safety; and Human Nutrition.

The 2014 Salaries and Expenses budget for ARS requests $1,124 million, which includes increases for new and expanded research initiatives in environmental stewardship; animal/crop breeding and protection; food safety; child and human nutrition; priority initiatives in the earth sciences area including, sustainable agriculture, climate change, and bioenergy; and the National Agricultural Library, as well as salary increases. ARS will finance these new and expanded initiatives almost entirely through the redirection of $125.2 million in existing lines of research including the consolidation or closure of some research locations. The proposed reductions will provide necessary funding for the critical research priorities proposed by the agency for 2014.

New Products / Product Quality / Value Added.—ARS has active research programs directed toward 1) improving the efficiency and reducing the cost for the conversion of agricultural products into biobased products and biofuels, 2) developing new and improved products for domestic and foreign markets, and 3) providing higher quality, healthy foods that satisfy consumer needs in the United States and abroad.

Environmental Stewardship—ARS research programs in environmental stewardship span the areas of water availability and watershed management; climate change, soil, and emissions; agricultural and industrial byproducts; agricultural system competitiveness and sustainability; and pasture, forage, and rangeland systems. Emphasis is given to developing technologies and systems that support profitable production and enhance the Nation's vast renewable natural resource base. ARS is currently developing the scientific knowledge and technologies needed to meet the challenges and opportunities facing U.S. agriculture in managing water resource quality and quantity under different climatic regimes, production systems, and environmental conditions. ARS research programs also focus on developing measurement, prediction, and control technologies for emissions of greenhouse gases, particulate matter, ammonia, hydrogen sulfide, and volatile organic compounds affecting air quality and land surface climate interactions. The agency is a leader in developing measurement and modeling techniques for characterizing gaseous and particulate matter emissions from agriculture. In addition, ARS is evaluating strategies for enhancing the health and productivity of soils, including developing predictive tools to assess the sustainability of alternative land management practices. Finding mechanisms to aid agriculture in adapting to changes in atmospheric composition and climatic variations is also an important component of ARS research. ARS range and grazing land research includes the conservation and restoration of the Nation's range land and pasture ecosystems and agroecosystems through improved management of fire, invasive weeds, grazing, global change, and other agents of ecological change. The agency is currently developing improved grass and forage legume germplasm for livestock, conservation, bioenergy, and bioproduct systems as well as grazing-based livestock systems that reduce risk and increase profitability. In addition, ARS is developing whole system management strategies to reduce production costs and risks.

Livestock Production.—ARS' livestock production program is directed toward fostering an abundant, safe, nutritionally wholesome, and competitively priced supply of animal products produced in a viable, competitive, and sustainable animal agriculture sector of the economy by: 1) safeguarding and utilizing animal genetic resources, associated genetic and genomic databases, and bioinformatic tools; 2) developing a basic understanding of food animal physiology for food animal industry issues related to animal production, animal well-being, and product quality and healthfulness; and 3) developing information, best management practices, novel and innovative tools, and technologies that improve animal production systems, enhance human health, and ensure domestic food security.

Crop Production.—ARS' crop production program focuses on developing and improving ways to reduce crop losses while protecting and ensuring a safe and affordable food supply. The research program concentrates on effective production strategies that are environmentally friendly, safe to consumers, and compatible with sustainable and profitable crop production systems. Research activities are directed at safeguarding and utilizing plant genetic resources and their associated genetic, genomic, and bioinformatic databases that facilitate selection of varieties and/or germplasm with significantly improved traits. Current research activities minimize the impacts of crop pests while maintaining healthy crops and safe commodities that can be sold in markets throughout the world. ARS is conducting research to discover and exploit naturally occurring and engineered genetic mechanisms for plant pest control, develop agronomic germplasm with durable defensive traits, and transfer genetic resources for commercial use. ARS provides taxonomic information on invasive species that strengthens prevention techniques, aids in detection/identification of invasive pests, and increases control through management tactics that restore habitats and biological diversity.

Livestock Protection.—ARS' research on livestock protection is directed at protecting and ensuring the safety of the Nation's agriculture and food supply through improved disease detection, prevention, control, and treatment. Basic and applied research approaches are used to solve animal health problems of high national priority. Emphasis is given to methods and procedures to control animal diseases through the discovery and development of diagnostics, vaccines, biotherapeutics, animal genomics applications, disease management systems, animal disease models, and farm biosecurity measures. The research program has ten strategic objectives: 1) establish ARS laboratories into a fluid, highly effective research network to maximize use of core competencies and resources; 2) ensure access to specialized high containment facilities to study zoonotic and emerging diseases; 3) develop an integrated animal and microbial genomics research program; 4) establish core competencies in bovine, swine, ovine, and avian immunology; 5) launch a biotherapeutic discovery program providing alternatives to animal drugs; 6) build a technology-driven vaccine and diagnostic discovery research program; 7) develop core competencies in field epidemiology and predictive biology; 8) develop internationally recognized expert collaborative research laboratories; 9) establish a best-in-class training center for our Nation's veterinarians and scientists; and 10) develop a model technology transfer program to achieve the full impact of ARS research discoveries.

Crop Protection.—ARS' research on crop protection is directed toward epidemiological investigations to understand pest and disease transmission mechanisms, and to identify and apply new technologies that increase understanding of virulence factors and host defense mechanisms. Currently, ARS research priorities include: 1) identification of genes that convey virulence traits in pathogens and pests; 2) factors that modulate infectivity, gene functions, and mechanisms; 3) genetic profiles that provide specified levels of disease and insect resistance under field conditions; and 4) mechanisms that facilitate the spread of pests and infectious diseases. ARS is developing new knowledge and integrated pest management approaches to control pest and disease outbreaks as they occur. Its research will improve the knowledge and understanding of the ecology, physiology, epidemiology, and molecular biology of emerging diseases and pests. This knowledge will be incorporated into pest risk assessments and management strategies to minimize chemical inputs and increase production. Strategies and approaches will be available to producers to control emerging crop diseases and pest outbreaks.

Food Safety.—Assuring that the United States has the highest levels of affordable, safe food requires that the food system be protected at each stage from production through processing and consumption from pathogens, toxins, and chemical contaminants that cause diseases in humans. The U.S. food supply is very diverse, extensive, easily accessible, and thus vulnerable to the introduction of biological and chemical contaminants through natural processes, intentional means, or by global commerce. ARS' current food safety research is designed to yield science-based knowledge on the safe production, storage, processing, and handling of plant and animal products, and on the detection and control of toxin producing and/or pathogenic bacteria and fungi, parasites, chemical contaminants, and plant toxins. All of ARS' research activities involve a high degree of cooperation and collaboration with USDA's Research, Education, and Economics agencies, as well as with FSIS, APHIS, FDA, CDC, DHS, and the EPA. ARS also collaborates on international research programs to address and resolve global food safety issues. Specific research efforts are directed toward developing new technologies that assist ARS stakeholders and customers, that is, regulatory agencies, industry, and commodity and consumer organizations, in detecting, identifying, and controlling foodborne diseases that affect human health.

Human Nutrition.—Maintenance of health throughout life along with prevention of obesity and chronic diseases via food-based recommendations are the major emphases of ARS human nutrition research program. These health-related goals are based on the knowledge that deficiency diseases are no longer important public health concerns. Excessive consumption has become the primary nutrition problem in the American population. This is reflected by increased emphasis on prevention of obesity from basic science through intervention studies to assessments of large populations. ARS' research program also actively studies bioactive components of foods that have no known requirement but have health promoting activities. Four specific areas of research are currently emphasized: 1) nutrition monitoring and the food supply, e.g., a national diet survey and the food composition databank; 2) dietary guidance f'or health promotion and disease prevention, i.e., specific foods, nutrients, and dietary patterns

SALARIES AND EXPENSES—Continued

that maintain health and prevent disease; 3) prevention of obesity and related diseases, including research as to why so few of the population follow the Dietary Guidelines for Americans; and 4) life stage nutrition and metabolism, in order to better define the role of nutrition in pregnancy and growth of children, and for healthier aging.

Library and Information Services (NAL).—The National Agricultural Library (NAL) is the largest and most accessible agricultural research library in the world. It provides services directly to the staff of USDA and to the public, primarily via the NAL web site, *http://www.nal.usda.gov*. NAL was created with the USDA in 1862 and was named in 1962 a national library by Congress, as the primary agricultural information resource of the United States. NAL is the premier library for collecting, managing, and disseminating agricultural knowledge. The Library is the repository of our Nation's agricultural heritage, the provider of world class information, and the wellspring for generating new fundamental knowledge and advancing scientific discovery. It is a priceless national resource that, through its services, programs, information products, and web-based tools and technologies, serves anyone who needs agricultural information. The Library's vision is "advancing access to global information for agriculture."

Repair and Maintenance of Facilities.—Funds are used to restore, upgrade, and maintain ARS' facilities to meet Occupational Safety and Health Administration and EPA requirements, provide suitable workspace for in-house research programs, and to retrofit existing structures for better energy utilization.

Reimbursements.—ARS performs research activities and services for other USDA, Federal, and non-Federal agencies. These activities and services are paid for on a reimbursable basis.

Object Classification (in millions of dollars)

Identification code 12–1400–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	503	505	511
11.3	Other than full-time permanent	10	10	10
11.5	Other personnel compensation	13	14	14
11.9	Total personnel compensation	526	529	535
12.1	Civilian personnel benefits	175	176	178
21.0	Travel and transportation of persons	12	13	13
22.0	Transportation of things	1	1	1
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	41	42	41
24.0	Printing and reproduction	1	1	1
25.1	Advisory and assistance services	1	1	1
25.2	Other services from non-Federal sources	6	11	8
25.4	Operation and maintenance of facilities	33	34	33
25.5	Research and development contracts	147	152	153
25.7	Operation and maintenance of equipment	15	13	16
26.0	Supplies and materials	82	87	86
31.0	Equipment	36	36	45
32.0	Land and structures	3	3	3
41.0	Grants, subsidies, and contributions	10	10	9
99.0	Direct obligations	1,090	1,110	1,124
99.0	Reimbursable obligations	141	141	141
99.9	Total new obligations	1,231	1,251	1,265

Employment Summary

Identification code 12–1400–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	6,986	6,986	6,986
2001	Reimbursable civilian full-time equivalent employment	502	502	502

BUILDINGS AND FACILITIES

For acquisition of land, construction, repair, improvement, extension, alteration, and purchase of fixed equipment or facilities as necessary to carry out the agricultural research programs of the Department of Agriculture, where not otherwise provided, $155,000,000 to remain available until expended.

Program and Financing (in millions of dollars)

Identification code 12–1401–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Building and facilities projects	5	5	32
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	10	5	
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation			155
1160	Appropriation, discretionary (total)			155
1930	Total budgetary resources available	10	5	155
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	5		123
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	82	30	14
3010	Obligations incurred, unexpired accounts	5	5	32
3011	Obligations incurred, expired accounts	1		
3020	Outlays (gross)	–58	–21	–18
3050	Unpaid obligations, end of year	30	14	28
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	82	30	14
3200	Obligated balance, end of year	30	14	28
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross			155
	Outlays, gross:			
4010	Outlays from new discretionary authority			8
4011	Outlays from discretionary balances	58	21	10
4020	Outlays, gross (total)	58	21	18
4180	Budget authority, net (total)			155
4190	Outlays, net (total)	58	21	18

This account provides funds for the acquisition of land, construction, repair, improvement, extension, alterations, and purchases of fixed equipment or facilities of or used by the Agricultural Research Service. The 2014 Budget request includes $155 million to fully fund the planning, design, and construction of a new consolidated poultry research facility at the Southeast Poultry Research Laboratory in Athens, Georgia, and would address highly virulent poultry diseases that require increased biocontainment capabilities and state-of-the-art facilities.

Object Classification (in millions of dollars)

Identification code 12–1401–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.2	Other services from non-Federal sources			10
25.4	Operation and maintenance of facilities	4	5	22
32.0	Land and structures	1		
99.9	Total new obligations	5	5	32

Trust Funds

MISCELLANEOUS CONTRIBUTED FUNDS

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8214–0–7–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year			

		2012 actual	2013 CR	2014 est.
	Receipts:			
0220	Deposits of Miscellaneous Contributed Funds, Science and Education Administration	30	30	24
0400	Total: Balances and collections	30	30	24
	Appropriations:			
0500	Miscellaneous Contributed Funds	–30	–30	–24
0799	Balance, end of year	....	....	....

Program and Financing (in millions of dollars)

Identification code 12–8214–0–7–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Miscellaneous contributed funds	24	24	24
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	21	28	34
1021	Recoveries of prior year unpaid obligations	1	....	....
1050	Unobligated balance (total)	22	28	34
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	30	30	24
1260	Appropriations, mandatory (total)	30	30	24
1930	Total budgetary resources available	52	58	58
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	28	34	34
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	7	7	3
3010	Obligations incurred, unexpired accounts	24	24	24
3020	Outlays (gross)	–23	–28	–26
3040	Recoveries of prior year unpaid obligations, unexpired	–1	....	....
3050	Unpaid obligations, end of year	7	3	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	7	7	3
3200	Obligated balance, end of year	7	3	1
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	30	30	24
	Outlays, gross:			
4100	Outlays from new mandatory authority	....	21	17
4101	Outlays from mandatory balances	23	7	9
4110	Outlays, gross (total)	23	28	26
4180	Budget authority, net (total)	30	30	24
4190	Outlays, net (total)	23	28	26

Miscellaneous contributed funds received from States, local organizations, individuals, and others are available for work under cooperative agreements on research activities.

Object Classification (in millions of dollars)

Identification code 12–8214–0–7–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	5	5	5
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	7	7	7
12.1	Civilian personnel benefits	2	2	2
21.0	Travel and transportation of persons	1	1	1
25.2	Other services from non-Federal sources	2	2	2
25.5	Research and development contracts	6	6	6
26.0	Supplies and materials	3	3	3
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	2	2	2
99.9	Total new obligations	24	24	24

Employment Summary

Identification code 12–8214–0–7–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	108	108	108

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE

Federal Funds

Integrated Activities

For the integrated research, education, and extension grants programs, including necessary administrative expenses, $28,129,000, as follows: for competitive grants programs authorized under section 406 of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7626), $21,143,000, including $4,000,000 for the organic transition program and $17,143,000 for crop protection; $998,000 for the regional rural development centers program; and $5,988,000 for the Food and Agriculture Defense Initiative authorized under section 1484 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, to remain available until September 30, 2015.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1502–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Organic research and extension init.	20	....	....
0020	Water quality	5	5	....
0040	Regional pest management centers	4	4	....
0050	Crop Protection	....	....	17
0070	Methyl bromide transition program	2	2	....
0071	Homeland Security	6	6	6
0085	Specialty Crop Research Initiative	50	....	....
0087	Regional Rural development centers	1	1	1
0088	Organic transition	4	4	4
0900	Total new obligations	92	22	28
	Budgetary Resources:			
	Unobligated balance:			
1021	Recoveries of prior year unpaid obligations	1	....	....
1050	Unobligated balance (total)	1	....	....
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	21	22	28
1160	Appropriation, discretionary (total)	21	22	28
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	70	....	....
1260	Appropriations, mandatory (total)	70	....	....
1900	Budget authority (total)	91	22	28
1930	Total budgetary resources available	92	22	28
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	267	280	178
3010	Obligations incurred, unexpired accounts	92	22	28
3011	Obligations incurred, expired accounts	68	....	....
3020	Outlays (gross)	–100	–124	–96
3040	Recoveries of prior year unpaid obligations, unexpired	–1	....	....
3041	Recoveries of prior year unpaid obligations, expired	–46	....	....
3050	Unpaid obligations, end of year	280	178	110
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	267	280	178
3200	Obligated balance, end of year	280	178	110
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	21	22	28
	Outlays, gross:			
4010	Outlays from new discretionary authority	1	4	4

INTEGRATED ACTIVITIES—Continued

Program and Financing—Continued

Identification code 12–1502–0–1–352		2012 actual	2013 CR	2014 est.
4011	Outlays from discretionary balances	39	54	61
4020	Outlays, gross (total)	40	58	65
	Mandatory:			
4090	Budget authority, gross	70		
	Outlays, gross:			
4100	Outlays from new mandatory authority	3		
4101	Outlays from mandatory balances	57	66	31
4110	Outlays, gross (total)	60	66	31
4180	Budget authority, net (total)	91	22	28
4190	Outlays, net (total)	100	124	96

Under the Integrated Activities account, research, education and/or extension grants are awarded for competitive and non-competitive programs.

Organic Transition Program.—This program supports the development and implementation of biologically based pest management practices that mitigate the ecological, agronomic, and economic risks associated with the transition from conventional to organic agricultural production systems. The 2014 Budget includes $4.0 million, which is the same as the 2012 enacted level.

Crop Protection/Pest Management Program.—This program supports projects that respond to pest management challenges with coordinated region-wide and national research, education, and extension programs, and serves as a catalyst for promoting further development and use of integrated pest management approaches. The program also fosters regional and national team building efforts, communication networks, and enhanced stakeholder participation. The 2014 Budget includes $17.1 million, which reflects combined pest management funding transferred from Research and Education and Extension Activities.

Regional rural development centers.—Funding supports activities that pursue a holistic development strategy that tailors programming to meet regional and local needs and addresses areas of opportunity arising from a consumer-driven agricultural economy. The 2014 Budget includes $1.0 million, which is the same as the 2012 enacted level.

Food and agriculture defense initiative (homeland security).—The program provides support and enhancement of nationally-coordinated plant and animal disease diagnostic networks and supports activities to identify and respond to high risk biological pathogens in the food and agricultural system. The 2014 Budget includes 6.0 million. Additional funding for these laboratories is included in the Animal and Plant Health Inspection Service.

Organic Agriculture Research and Extension Initiative.—This mandatory program, authorized by section 7206 of the Food, Conservation, and Energy Act of 2008 (FCEA), 2008 Farm Bill, supports research and extension programs that enhance the ability of producers and processors who have already adopted organic standards to grow and market high quality organic agricultural products. Mandatory funding for the program expired at the end of September 2012.

Specialty Crop Research Initiative.—This mandatory program, authorized by section 7311 of the FCEA, 2008 Farm Bill, provides funding to solve critical industry issues through research and extension activities that focus on research in plant breeding, genetics, and genomics to improve crop characteristics; efforts to identify and address threats from pests and diseases, including threats to specialty crop pollinators; efforts to improve production efficiency, productivity, and profitability over the long term; new innovations and technology, including improved mechanization and technologies that delay or inhibit ripening; and methods to prevent, detect, monitor, control, and respond to potential food safety hazards in the production and processing of specialty crops. Mandatory funding for the program expired at the end of September 2012.

Object Classification (in millions of dollars)

Identification code 12–1502–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	2	2	1
41.0	Grants, subsidies, and contributions	90	20	27
99.9	Total new obligations	92	22	28

Employment Summary

Identification code 12–1502–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	8	8	9

BIOMASS RESEARCH AND DEVELOPMENT

Program and Financing (in millions of dollars)

Identification code 12–1003–0–1–271		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Biomass research and development	72	1	
0900	Total new obligations (object class 41.0)	72	1	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	31	1	
1021	Recoveries of prior year unpaid obligations	2		
1050	Unobligated balance (total)	33	1	
	Budget authority:			
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	40		
1260	Appropriations, mandatory (total)	40		
1930	Total budgetary resources available	73	1	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	45	95	63
3010	Obligations incurred, unexpired accounts	72	1	
3020	Outlays (gross)	–20	–33	–33
3040	Recoveries of prior year unpaid obligations, unexpired	–2		
3050	Unpaid obligations, end of year	95	63	30
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	45	95	63
3200	Obligated balance, end of year	95	63	30
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	40		
	Outlays, gross:			
4100	Outlays from new mandatory authority	5		
4101	Outlays from mandatory balances	15	33	33
4110	Outlays, gross (total)	20	33	33
4180	Budget authority, net (total)	40		
4190	Outlays, net (total)	20	33	33

Biomass Research and Development is authorized by the Biomass Research and Development Act of 2000. The program provides competitive grants for research, development, and demonstration to encourage innovation and development related to biomass, and improved commercialization of biobased products and energy. USDA and the Department of Energy jointly administer the program.

Current priorities focus on the following: feedstock development and production; biobased products emphasizing environmental and economic performance and gasification of animal manure; integrated resource management and biomass use; demonstration projects that use biodiesel for all operations in the supply chain to produce corn grain ethanol; and effective and targeted incentive systems for biomass commercialization and adoption. Mandatory funding for the program expired at the end of September 2012.

National Institute of Food and Agriculture

Research and Education Activities

For payments to agricultural experiment stations, for cooperative forestry and other research, for facilities, and for other expenses, $801,140,000, as follows: to carry out the provisions of the Hatch Act of 1887 (7 U.S.C. 361a-i), $236,334,000; for grants for cooperative forestry research (16 U.S.C. 582a through a-7), $32,934,000; for payments to eligible institutions (7 U.S.C. 3222), $50,898,000, provided that each institution receives no less than $1,000,000; for special grants (7 U.S.C. 450i(c)), $1,405,000; for competitive grants on improved pest control (7 U.S.C. 450i(c)), $11,913,000; for competitive grants (7 U.S.C. 450(i)(b)), $383,376,000, to remain available until expended; for the 1994 research grants program for 1994 institutions pursuant to section 536 of Public Law 103–382 (7 U.S.C. 301 note), $1,801,000, to remain available until expended; for the veterinary medicine loan repayment program under section 1415A of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3151a), $4,790,000, to remain available until expended; for an education grants program for Hispanic-serving Institutions (7 U.S.C. 3241), $9,219,000; for competitive grants for the purpose of carrying out all provisions of 7 U.S.C. 3156 to individual eligible institutions or consortia of eligible institutions in Alaska and in Hawaii, with funds awarded equally to each of the States of Alaska and Hawaii, $3,194,000; for aquaculture grants (7 U.S.C. 3322), $3,920,000; for sustainable agriculture research and education (7 U.S.C. 5811 and 7 U.S.C. 5832), $22,667,000; for a program of capacity building grants (7 U.S.C. 3152(b)(4)) to institutions eligible to receive funds under 7 U.S.C. 3221 and 3222, $19,336,000, to remain available until expended (7 U.S.C. 2209b); for payments to the 1994 Institutions pursuant to section 534(a)(1) of Public Law 103–382, $3,335,000; for grants for insular areas under sections 1490 and 1491 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3362 and 3363), $1,650,000; and for necessary expenses of Research and Education Activities, $14,368,000, of which $7,830,000, to remain available until expended, are to provide partial support for grants management systems.

Hispanic Serving Agricultural Colleges and Universities Endowment Fund

For the Hispanic-Serving Agricultural Colleges and Universities Endowment Fund under section 1456(b) (7 U.S.C. 3243(b)) of the National Agricultural Research, Extension and Teaching Policy Act of 1977, $10,000,000, to remain available until expended.

Native American Institutions Endowment Fund

For the Native American Institutions Endowment Fund authorized by Public Law 103–382 (7 U.S.C. 301 note), $11,880,000, to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–1500–0–1–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	136	148	160
	Receipts:			
0240	Earnings on Investments, Native American Institutions Endowment Fund	5	5	5
0400	Total: Balances and collections	141	153	165
	Appropriations:			
0500	Research and Education Activities	–5	–5	–5
0501	Research and Education Activities	12	12	22
0599	Total appropriations	7	7	17
0799	Balance, end of year	148	160	182

Program and Financing (in millions of dollars)

Identification code 12–1500–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Payments under the Hatch Act	236	237	236
0002	Cooperative forestry research	33	33	33
0003	Payments to 1890 colleges and Tuskegee Univ. and West Virginia State University	51	51	51
0004	Special research grants	42	43	42
0005	Agriculture Food and Research Initiative	279	463	383
0006	Animal health and disease research	4	4	
0007	Federal Administration	11	11	14
0008	Higher education	48	52	37
0009	Native American Institutions Endowment Fund	5	5	5
0012	Veterinary Medical Services Act	5	5	5
0015	Sun Grant Program	2	2	
0016	Farm Business Management and Benchmarking	1	1	
0017	Competitive Grants for Policy Research	4	4	
0799	Total direct obligations	721	911	806
0801	Reimbursable program activity	14	14	14
0900	Total new obligations	735	925	820
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	179	197	
1021	Recoveries of prior year unpaid obligations	28		
1050	Unobligated balance (total)	207	197	
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	717	721	823
1101	Appropriation (Native American Endowment Interest)	5	5	5
1134	Portion precluded from obligation (-) (N.A. Endowment Fund)	–12	–12	–22
1160	Appropriation, discretionary (total)	710	714	806
	Spending authority from offsetting collections, discretionary:			
1700	Collected	1	14	14
1701	Change in uncollected payments, Federal sources	14		
1750	Spending auth from offsetting collections, disc (total)	15	14	14
1900	Budget authority (total)	725	728	820
1930	Total budgetary resources available	932	925	820
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	197		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,136	1,077	1,167
3010	Obligations incurred, unexpired accounts	735	925	820
3011	Obligations incurred, expired accounts	28		
3020	Outlays (gross)	–742	–835	–1,007
3040	Recoveries of prior year unpaid obligations, unexpired	–28		
3041	Recoveries of prior year unpaid obligations, expired	–52		
3050	Unpaid obligations, end of year	1,077	1,167	980
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–43	–31	–31
3070	Change in uncollected pymts, Fed sources, unexpired	–14		
3071	Change in uncollected pymts, Fed sources, expired	26		
3090	Uncollected pymts, Fed sources, end of year	–31	–31	–31
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1,093	1,046	1,136
3200	Obligated balance, end of year	1,046	1,136	949
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	725	728	820
	Outlays, gross:			
4010	Outlays from new discretionary authority	157	379	427
4011	Outlays from discretionary balances	585	456	580
4020	Outlays, gross (total)	742	835	1,007
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–13	–14	–14
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–14		
4052	Offsetting collections credited to expired accounts	13		

RESEARCH AND EDUCATION ACTIVITIES—Continued

Program and Financing—Continued

Identification code 12–1500–0–1–352	2012 actual	2013 CR	2014 est.
4060 Additional offsets against budget authority only (total)	–1	....	....
4070 Budget authority, net (discretionary)	711	714	806
4080 Outlays, net (discretionary)	729	821	993
4180 Budget authority, net (total)	711	714	806
4190 Outlays, net (total)	729	821	993
Memorandum (non-add) entries:			
5000 Total investments, SOY: Federal securities: Par value	134	142	154
5001 Total investments, EOY: Federal securities: Par value	142	154	176

The National Institute of Food and Agriculture (NIFA) participates in a nationwide system of agricultural research and education program planning and coordination between State institutions and the U.S. Department of Agriculture. It assists in maintaining cooperation among the State institutions, and between the State institutions and their Federal research partners. The agency administers grants and payments to State institutions to supplement State and local funding for agricultural research and higher education.

Agriculture and Food Research Initiative competitive grants.—Section 7406 of FCEA establishes the Agriculture and Food Research Initiative (AFRI). AFRI is the core competitive grant program for fundamental and applied research, extension, and education to address food and agricultural sciences. AFRI projects will address critical issues in U.S. agriculture in the areas of agricultural and food production and security ; agricultural production and climate variability; sustainable bioenergy; nutrition and health; food safety; foundational science; food, agricultural, natural resources, and human sciences education initiative; and water and water resources. Addressing these critical issues will engage scientists and educators with expertise in plant health and production and plant products; animal health and production and animal products; food safety, nutrition, and health; renewable energy, natural resources, and environment; agricultural systems and technology; and agriculture economics and rural communities. AFRI allows greater flexibility in the types of projects funded to include: single function projects in research, education, and extension, and integrated research, education and/or extension awards. The 2014 Budget proposes to increase funding for AFRI from $266 million to $383 million, a 44 percent increase in this program from the 2013 estimate.

Payments under the Hatch Act.—Funds under the Hatch Act are allocated on a formula basis to agricultural experiment stations of the land-grant colleges in the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, Micronesia, and Northern Mariana Islands. The 2014 Budget is funded at the same level as the 2012 enacted level, $236.3 million.

Cooperative forestry research.—These funds are allocated by formula to land-grant colleges or agricultural experiment stations in the 50 States, Puerto Rico, Guam, the Virgin Islands, and other State-supported colleges and universities having a forestry school and offering graduate training in forestry sciences. The 2014 Budget is funded at the same level as the 2012 enacted level, $32.9 million.

Payments to 1890 colleges and Tuskegee University and West Virginia State University.—Funds allocated on a formula basis support agricultural research and broaden the curricula at the eighteen 1890 land-grant colleges, including Tuskegee University and West Virginia State University. The 2014 Budget is funded at the same level as the 2012 enacted level, $50.9 million.

Special research grants.—This program addresses research areas of national interest. The 2014 Budget includes $22.7 million for sustainable agriculture. Funding is proposed for IR-4 minor crop pest management at $11.9 million to address the growing need for registration of safe pesticides for minor crops and lead to a reduction by half in the levels of chemical residues in food prooducts. Funding for agroclimatology (global change) is proposed at $1.4 million for research at universities as part of a coordinated Federal initiative. The 2014 Budget also includes funding for aquaculture centers at the same level as 2012 enacted, $3.9 million.

1994 Institutions Research.—The 2014 Budget maintains funding at the 2012 enacted level of $1.8 million for the competitive research grants program to build research capacity at the thirty-four 1994 institutions by supporting agricultural research activities that address tribal, national and multistate priorities.

Federal administration.—A coordinating and review staff assists in maintaining cooperation within and among the States, and between the States and their Federal research partners. This staff also administers research and education grants and payments to States. Federal administration is funded from a combination of program set-asides from formula and grant programs and from direct appropriation for administration. The 2014 Budget includes $14.4 million, which is $3.8 million over the 2013 annualized CR level. Most of the increase will support the Electronic Grants Administration System.

Higher education.—2014 funding is proposed for Hispanic-serving institutions education grants program at $9.2 million. Funding is also proposed for Native American institutions at $3.3 million, Alaska Native-serving and Native Hawaiian-serving Institutions at $3.2 million, and Grants for Insular Areas programs at $1.7 million. These programs enable universities to broaden their curricula; and increase faculty development, student research projects, and the number of new scholars recruited in the food and agricultural sciences. In addition, an increased number of graduate students, including minority graduate students, will be enrolled in the agricultural sciences. The 2014 Budget proposes $19.3 million for a capacity building program at the 1890 institutions as part of the USDA initiative to strengthen these institutions through a broadening of curricula, and increased faculty development and student research projects. Funding is also proposed in the 2014 Budget, at $4.8 million, for the Veterinary Medical Services Act to provide incentives to hire Federal veterinarians to work in shortage areas.

Reimbursable program.—Funds support basic and applied agriculture research and activities performed for other USDA, Federal, and non-Federal agencies.

Native American Institutions Endowment Fund.— The 2014 Budget includes the same level as 2012 enacted, $11.9 million, for an endowment for the 1994 land-grant institutions (34 Tribally controlled colleges) to strengthen the infrastructure of these institutions and develop Indian expertise for the food and agricultural sciences and businesses and their own communities. At the termination of each fiscal year, the Secretary withdraws the income from the endowment fund for the fiscal year, and after making adjustments for the cost of administering the fund, distributes the adjusted income on a formula basis to the 1994 land-grant institutions.

Hispanic-Serving Agricultural Colleges and Universities Endowment Fund.—This endowment fund for Hispanic-Serving Agricultural Colleges and Universities will launch the production of skilled and marketable Hispanic student population for employment in the food and agriculture sector. Over the next ten years, the Endowment will lead to significant and measurable enhanced competence and marketability of Hispanic students in the food and agricultural sciences. The 2014 Budget includes $10 million for this proposed fund.

Object Classification (in millions of dollars)

Identification code 12–1500–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	37	20	20
12.1	Civilian personnel benefits	7	5	5
21.0	Travel and transportation of persons	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	6	4	4
25.5	Research and development contracts	17	9	9
41.0	Grants, subsidies, and contributions	652	871	766
99.0	Direct obligations	721	911	806
99.0	Reimbursable obligations	14	14	14
99.9	Total new obligations	735	925	820

Employment Summary

Identification code 12–1500–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	242	245	254

Buildings and Facilities

Program and Financing (in millions of dollars)

Identification code 12–1501–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Direct program activity	2		
0900	Total new obligations (object class 41.0)	2		
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2		
1930	Total budgetary resources available	2		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	3	2
3010	Obligations incurred, unexpired accounts	2		
3020	Outlays (gross)		–1	–1
3050	Unpaid obligations, end of year	3	2	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	3	2
3200	Obligated balance, end of year	3	2	1
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4011	Outlays from discretionary balances		1	1
4190	Outlays, net (total)		1	1

Funds provide grants to States and other eligible recipients for the acquisition of land, construction, repair, improvement, extension, alteration and purchase of fixed equipment or facilities to carry out agricultural research, extension, and teaching programs. No funding has been appropriated to this account since 1997.

Extension Activities

For payments to States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, Micronesia, the Northern Marianas, and American Samoa, $459,037,000, as follows: payments for cooperative extension work under the Smith-Lever Act, to be distributed under sections 3(b) and 3(c) of said Act, and under section 208(c) of Public Law 93–471, for retirement and employees' compensation costs for extension agents, $294,000,000; payments for extension work at the 1994 Institutions under the Smith-Lever Act (7 U.S.C. 343(b)(3)), $4,312,000; payments for the nutrition and family education program for low-income areas under section 3(d) of the Act, $67,934,000; payments for the farm safety program and youth farm safety education and certification extension grants under section 3(d) of the Act, $4,610,000; payments for New Technologies for Agriculture Extension under section 3(d) of the Act, $1,750,000; payments to upgrade research, extension, and teaching facilities at institutions eligible to receive funds under 7 U.S.C. 3221 and 3222, $19,730,000, to remain available until expended; payments for youth-at-risk programs under section 3(d) of the Smith-Lever Act, $8,395,000; payments for carrying out the provisions of the Renewable Resources Extension Act of 1978 (16 U.S.C. 1671 et seq.), $4,060,000; payments for the federally recognized Tribes Extension Program under section 3(d) of the Smith-Lever Act, $3,039,000; payments for cooperative extension work by eligible institutions (7 U.S.C. 3221), $42,592,000, provided that each institution receives no less than $1,000,000; and for necessary expenses of Extension Activities, $8,615,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0502–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Smith-Lever Act, 3(b) and 3(c)	294	295	294
0002	Youth at risk	8	8	8
0004	Expanded food and nutrition education program (EFNEP)	68	68	68
0005	Pest management	10	10	
0006	Farm Safety	5	5	5
0009	Federally Recognized Tribes Extension Program	3	3	3
0013	Payments to 1890 colleges and Tuskegee Univ. and West Virginia State University	43	43	43
0015	Renewable resources extension act	4	4	4
0016	Federal administration	8	8	8
0019	1890 facilities (section 1447)	21	23	20
0021	Sustainable agriculture	5	5	
0022	1994 institutions activities	4	4	4
0024	Rural health and safety education	2	2	
0025	Grants to youth serving organizations	1	1	
0026	Risk management education	5	5	5
0027	New technologies for ag. extension	2	2	2
0029	Beginning Farmers and Ranchers Development Program	19		
0030	Food Animal Residue Avoidance Database	1	1	
0799	Total direct obligations	503	487	464
0801	Reimbursable program activity	22	22	22
0900	Total new obligations	525	509	486
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	9	4	
1001	Discretionary unobligated balance brought fwd, Oct 1	9	4	
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	475	478	459
1160	Appropriation, discretionary (total)	475	478	459
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4085]	5	5	5
1221	Appropriations transferred from other accts [12–4336]	19		
1260	Appropriations, mandatory (total)	24	5	5
	Spending authority from offsetting collections, discretionary:			
1700	Collected	2	22	22
1701	Change in uncollected payments, Federal sources	19		
1750	Spending auth from offsetting collections, disc (total)	21	22	22
1900	Budget authority (total)	520	505	486
1930	Total budgetary resources available	529	509	486
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	695	642	624
3010	Obligations incurred, unexpired accounts	525	509	486
3011	Obligations incurred, expired accounts	30		
3020	Outlays (gross)	–541	–527	–755
3041	Recoveries of prior year unpaid obligations, expired	–67		
3050	Unpaid obligations, end of year	642	624	355

EXTENSION ACTIVITIES—Continued

Program and Financing—Continued

Identification code 12–0502–0–1–352		2012 actual	2013 CR	2014 est.
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–127	–100	–100
3070	Change in uncollected pymts, Fed sources, unexpired	–19		
3071	Change in uncollected pymts, Fed sources, expired	46		
3090	Uncollected pymts, Fed sources, end of year	–100	–100	–100
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	568	542	524
3200	Obligated balance, end of year	542	524	255
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	496	500	481
	Outlays, gross:			
4010	Outlays from new discretionary authority	163	220	297
4011	Outlays from discretionary balances	351	285	434
4020	Outlays, gross (total)	514	505	731
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–13	–22	–22
4033	Non-Federal sources	–1		
4040	Offsets against gross budget authority and outlays (total)	–14	–22	–22
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–19		
4052	Offsetting collections credited to expired accounts	12		
4060	Additional offsets against budget authority only (total)	–7		
4070	Budget authority, net (discretionary)	475	478	459
4080	Outlays, net (discretionary)	500	483	709
	Mandatory:			
4090	Budget authority, gross	24	5	5
	Outlays, gross:			
4100	Outlays from new mandatory authority	1	3	3
4101	Outlays from mandatory balances	26	19	21
4110	Outlays, gross (total)	27	22	24
4180	Budget authority, net (total)	499	483	464
4190	Outlays, net (total)	527	505	733

The Cooperative Extension System, a national educational network, is a dynamic organization pledged to meeting the country's needs for research-based educational programs that will enable people to make practical decisions to improve their lives. To accomplish its mission, the Cooperative Extension System adjusts programs to meet the shifting needs and priorities of the people it serves.

The non-formal educational network combines the expertise and resources of Federal, State, and local partners. The partners in this unique System are: a) The National Institute of Food and Agriculture at the U.S. Department of Agriculture; b) Extension professionals at land-grant universities throughout the United States and its territories; and c) Extension professionals in nearly all of the Nation's 3,150 counties. Thousands of paraprofessionals and nearly 3 million volunteers support this partnership and magnify its impact. Strong linkages with both public and private external groups are also crucial to the Cooperative Extension System's strength and vitality.

Programs supported with Smith-Lever 3(b) and (c) legislated formula funds are the major educational efforts central to the mission of the System and common to most Extension units. These programs are the foundation of the Extension organization and partnership that are intended to increase the number of community-based projects, families, and individuals reached to disseminate research findings as widely and quickly as possible. The use of electronic mail, satellite transmission of courses, and computer-assisted instruction are encouraged to communicate ideas. The 2014 Budget proposes Smith-Lever 3(b) and (c) programs to be funded at $294.0 million, which is the same as the 2012 enacted level.

Extension resources are provided to the States by these formula funds and competitively-awarded programs such as sustainable agriculture. Smith-Lever 3(b) and (c) provides payments to the 1890 colleges and Tuskegee University and West Virginia State University, funded at $42.6 million in the 2014 Budget request, the same as the 2012 enacted level, and provides funds to support the Extension's infrastructure.

Designated programs funded by Smith-Lever 3(d) include the Expanded Food and Nutrition Education Program (EFNEP); New Technologies for Agricultural Extension; Children, Youth and Families at Risk; AgrAbility/Farm Safety (Farm Safety Program and Youth Farm Safety Education and Certification); and Federally-Recognized Tribes Extension Program. The 2014 Budget includes $85.7 million for these programs. Other Extension programs supported in the 2014 Budget include Extension Services at 1994 Institutions at $4.3 million, Renewable Resources Extension Act at $4.1 million, and 1890 Facilities Grants at $19.7 million.

Federal administration.—A coordinating and review staff assists in maintaining cooperation within and among the States, and between the States and their Federal partners. This staff also administers extension grants and payments to States. Federal administration is funded from direct appropriation for administration. The 2014 Budget proposes $8.6 million in funding, which includes $0.5 million for support of risk management education.

Beginning Farmer and Rancher Development Program.—This mandatory program, authorized by section 7410 of the Food, Conservation, and Energy Act of 2008 (FCEA), 2008 Farm Bill, provides funding to support the development of education, outreach, curricula, workshops, educational teams, training, and technical assistance programs to assist beginning farmers and ranchers in the United States and its territories in entering, building, and managing successful farm and ranch enterprises. This program also provides support for an online electronic and library clearinghouse to provide associated support to individually funded projects, and the overall program. Mandatory funding for the program expired at the end of September 2012.

Object Classification (in millions of dollars)

Identification code 12–0502–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	11	11	11
11.5	Other personnel compensation	1		
11.9	Total personnel compensation	12	11	11
12.1	Civilian personnel benefits	4	3	3
21.0	Travel and transportation of persons	1	1	1
25.2	Other services from non-Federal sources	2	2	2
25.4	Operation and maintenance of facilities		2	2
25.5	Research and development contracts	1	1	1
41.0	Grants, subsidies, and contributions	484	467	444
99.0	Direct obligations	504	487	464
99.0	Reimbursable obligations	21	22	22
99.9	Total new obligations	525	509	486

Employment Summary

Identification code 12–0502–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	155	157	154

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

Federal Funds

SALARIES AND EXPENSES

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses of the Animal and Plant Health Inspection Service, including up to $30,000 for representation allowances and for expenses pursuant to the Foreign Service Act of 1980 (22 U.S.C. 4085), $797,601,000, of which $1,507,000, to remain available until expended, shall be available for the control of outbreaks of insects, plant diseases, animal diseases and for control of pest animals and birds ("contingency fund'') to the extent necessary to meet emergency conditions; of which $8,944,000, to remain available until expended, shall be used for the cotton pests program for cost share purposes or for debt retirement for active eradication zones; of which $37,891,000, to remain available until expended, shall be for Animal Health Technical Services; of which $893,000 shall be for activities under the authority of the Horse Protection Act of 1970, as amended (15 U.S.C. 1831); of which $49,840,000, to remain available until expended, shall be used to support avian health; of which $4,335,000, to remain available until expended, shall be for information technology infrastructure; of which $147,419,000, to remain available until expended, shall be for specialty crop pests; of which, $8,877,000, to remain available until expended, shall be for field crop and rangeland ecosystem pests; of which $48,290,000, to remain available until expended, shall be for tree and wood pests; of which $3,723,000, to remain available until expended, shall be for the National Veterinary Stockpile; of which up to $1,500,000, to remain available until expended, shall be for the scrapie program for indemnities; of which $1,500,000, to remain available until expended, shall be for the wildlife damage management program for aviation safety: Provided, That, of amounts available under this heading for wildlife services methods development, $1,000,000 shall remain available until expended: Provided further, That, of amounts available under this heading for the screwworm program, $4,990,000 shall remain available until expended: Provided further, That no funds shall be used to formulate or administer a brucellosis eradication program for the current fiscal year that does not require minimum matching by the States of at least 40 percent: Provided further, That this appropriation shall be available for the operation and maintenance of aircraft and the purchase of not to exceed four, of which two shall be for replacement only: Provided further, That, in addition, in emergencies which threaten any segment of the agricultural production industry of this country, the Secretary may transfer from other appropriations or funds available to the agencies or corporations of the Department such sums as may be deemed necessary, to be available only in such emergencies for the arrest and eradication of contagious or infectious disease or pests of animals, poultry, or plants, and for expenses in accordance with sections 10411 and 10417 of the Animal Health Protection Act (7 U.S.C. 8310 and 8316) and sections 431 and 442 of the Plant Protection Act (7 U.S.C. 7751 and 7772), and any unexpended balances of funds transferred for such emergency purposes in the preceding fiscal year shall be merged with such transferred amounts: Provided further, That appropriations hereunder shall be available pursuant to law (7 U.S.C. 2250) for the repair and alteration of leased buildings and improvements, but unless otherwise provided the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

In fiscal year 2014, the agency is authorized to collect fees to cover the total costs of providing technical assistance, goods, or services requested by States, other political subdivisions, domestic and international organizations, foreign governments, or individuals, provided that such fees are structured such that any entity's liability for such fees is reasonably based on the technical assistance, goods, or services provided to the entity by the agency, and such fees shall be reimbursed to this account, to remain available until expended, without further appropriation, for providing such assistance, goods, or services.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–1600–0–1–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year			
	Receipts:			
0200	1990 Food, Agricultural Quarantine Inspection Fees	548	558	566
0220	Fees, Animal and Plant Health Inspection User Fee Account			20
0299	Total receipts and collections	548	558	586
0400	Total: Balances and collections	548	558	586
	Appropriations:			
0500	Salaries and Expenses	–548	–558	–566
0799	Balance, end of year			20

Program and Financing (in millions of dollars)

Identification code 12–1600–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Animal Health	290	296	283
0002	Plant Health	349	324	293
0003	Wildlife Services	87	91	104
0004	Regulatory Management	35	35	35
0005	Emergency Management	18	19	19
0006	Safe Trade and International Technical Assistance	33	34	34
0007	Animal Welfare	28	28	29
0008	Agency Management	10	10	10
0010	Emergency Program Funding	25	11	
0011	Agricultural Quarantine Inspection User Fees	188	193	193
0012	H1N1 Transfer From HHS	5	4	4
0013	2008 Farm Bill, Sections 10201 and 10202	52	50	50
0100	Total direct program	1,120	1,095	1,054
0799	Total direct obligations	1,120	1,095	1,054
0801	Reimbursable program	157	160	160
0900	Total new obligations	1,277	1,255	1,214
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	280	308	287
1001	Discretionary unobligated balance brought fwd, Oct 1	185	201	
1021	Recoveries of prior year unpaid obligations	22		
1050	Unobligated balance (total)	302	308	287
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	817	822	798
1120	Appropriations transferred to other accts [12–4609]	–3		
1121	Appropriations transferred from other accts [12–4336]	21		
1160	Appropriation, discretionary (total)	835	822	798
	Appropriations, mandatory:			
1201	Appropriation (AQI User Fees)	548	558	566
1220	Appropriations transferred to other accts [70–0530]	–349	–350	–355
1221	Appropriations transferred from other accts [12–4336]	55	50	50
1260	Appropriations, mandatory (total)	254	258	261
	Spending authority from offsetting collections, discretionary:			
1700	Collected	131	154	154
1701	Change in uncollected payments, Federal sources	74		
1750	Spending auth from offsetting collections, disc (total)	205	154	154
1900	Budget authority (total)	1,294	1,234	1,213
1930	Total budgetary resources available	1,596	1,542	1,500
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–11		
1941	Unexpired unobligated balance, end of year	308	287	286
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	413	418	230
3010	Obligations incurred, unexpired accounts	1,277	1,255	1,214
3011	Obligations incurred, expired accounts	18		
3020	Outlays (gross)	–1,252	–1,443	–1,240
3040	Recoveries of prior year unpaid obligations, unexpired	–22		
3041	Recoveries of prior year unpaid obligations, expired	–16		
3050	Unpaid obligations, end of year	418	230	204
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–75	–140	–140
3070	Change in uncollected pymts, Fed sources, unexpired	–74		
3071	Change in uncollected pymts, Fed sources, expired	9		
3090	Uncollected pymts, Fed sources, end of year	–140	–140	–140

SALARIES AND EXPENSES—Continued

Program and Financing—Continued

Identification code 12–1600–0–1–352		2012 actual	2013 CR	2014 est.
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	338	278	90
3200	Obligated balance, end of year	278	90	64
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1,040	976	952
	Outlays, gross:			
4010	Outlays from new discretionary authority	722	853	833
4011	Outlays from discretionary balances	300	311	146
4020	Outlays, gross (total)	1,022	1,164	979
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–26	–32	–32
4033	Non-Federal sources	–111	–122	–122
4040	Offsets against gross budget authority and outlays (total)	–137	–154	–154
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–74		
4052	Offsetting collections credited to expired accounts	6		
4060	Additional offsets against budget authority only (total)	–68		
4070	Budget authority, net (discretionary)	835	822	798
4080	Outlays, net (discretionary)	885	1,010	825
	Mandatory:			
4090	Budget authority, gross	254	258	261
	Outlays, gross:			
4100	Outlays from new mandatory authority	168	216	218
4101	Outlays from mandatory balances	62	63	43
4110	Outlays, gross (total)	230	279	261
4180	Budget authority, net (total)	1,089	1,080	1,059
4190	Outlays, net (total)	1,115	1,289	1,086

The Secretary of Agriculture established the Animal and Plant Health Inspection Service (APHIS) on April 2, 1972, under the authority of Reorganization Plan No. 2 of 1953 and other authorities. The mission of the Agency is to protect the health and value of American agriculture and natural resources and is carried out using three major areas of activity, as follows:

Safeguarding and Emergency Preparedness/Response.—APHIS monitors plant and animal health throughout the world and uses the information to set effective agricultural import policies to prevent the introduction of foreign plant and animal pests and diseases. Should a pest or disease enter the United States, APHIS works cooperatively with other Federal, State, and industry partners to conduct plant and animal health monitoring programs to rapidly diagnose them and determine if there is a need to establish new pest or disease management programs. APHIS, in conjunction with States, industry, and other stakeholders, protects American agriculture by eradicating harmful pests and diseases or, where eradication is not feasible, by minimizing their economic impact. APHIS makes judicious use of resources by identifying instances when neither eradication nor management may be possible. The Agency monitors endemic pests and diseases through surveys to detect their locations and works with States and other programs to enact regulatory controls and conduct outreach to prevent the spread of pests and diseases into non-infested parts of the country. The Agency maintains a cadre of trained professionals prepared to respond immediately to potential animal and plant health emergencies. Program personnel investigate reports of suspected exotic pests and diseases and take emergency action if necessary. Through its Wildlife Services program, APHIS protects agriculture from damage caused by animal predators through identification, demonstration, and application of the most appropriate methods of control. The Agency's regulations also allow the benefits of genetic research to safely enter the marketplace, while protecting against the release of potentially harmful organisms into the environment. APHIS also conducts diagnostic laboratory activities that support the Agency's veterinary disease and plant pest prevention, detection, control, and eradication programs. The Agency also provides and directs technology development to support plant and animal protection programs of the Agency and its cooperators at the State, national, and international levels.

Safe Trade and International Technical Assistance.—Sanitary (animal) and phytosanitary (plant) (SPS) regulations can have a significant impact on market access for the United States as an exporter of agricultural products. APHIS plays a central role in resolving technical trade issues to ensure the smooth and safe movement of agricultural commodities into and out of the United States. APHIS helps to protect the United States from emerging plant and animal pests and diseases while meeting obligations under the World Trade Organization's SPS agreement by assisting developing countries in improving their safeguarding systems. APHIS develops and implements programs designed to identify and reduce agricultural pest and disease threats while still outside of U.S. borders, to enhance safe agricultural trade, and to strengthen emergency response preparedness.

Animal Welfare.—The Agency conducts regulatory activities to ensure the humane care and treatment of animals, including horses, as required by the Animal Welfare Act of 1966 as amended (7 U.S.C. 2131–2159), and the Horse Protection Act of 1970 as amended (15 U.S.C. 1821–1831). These activities include inspection of certain establishments that handle animals intended for research, exhibition, and sale as pets, and monitoring of certain horse shows.

APHIS' 2014 budget request of $798 million is an overall reduction of $24 million from the 2013 estimate. The budget request includes funding to continue implementation of the refocused Animal Disease Traceability program that will enable us to detect animal disease faster, minimize disease spread, and assist in keeping global trade markets open to U.S. animals and animal products. The Agency is also requesting funding to enforce the Animal Welfare retail pet store rule, which closes a loophole of pets being sold over the Internet, phone, and by mail, that are currently exempt from the regulatory process. The requested funding levels will help support these important regulatory efforts.

APHIS also is requesting $20 million to implement a national control program for feral swine. Feral swine are a harmful and destructive invasive species whose increase in population and expanding range is having significant impact on animal and human health; crops and livestock; rural, suburban and even urban areas; and, natural resources and native resources, causing an estimated $1.5 billion in damages annually. The overall objective of the program will be to minimize the damage inflicted by feral swine. The Agency proposed an increase to support the efforts, while proposing reductions in other areas. These reductions include programs where we have achieved success, such as nearing eradication for the cotton pests pink bollworm and boll weevil, and the Agency's enhanced ability to prepare for, detect, and respond to avian health issues. Other reductions are for programs which we have determined as lower priority, where the Federal role could be smaller, and where cooperators who benefit directly from activities should increase their contributions. The budget request also includes decreases for programs where activities are concluding or progress is slower than anticipated.

Object Classification (in millions of dollars)

Identification code 12–1600–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	428	432	435
11.3	Other than full-time permanent	5	5	5
11.5	Other personnel compensation	3	3	3
11.9	Total personnel compensation	436	440	443
12.1	Civilian personnel benefits	141	142	146
13.0	Benefits for former personnel	7	4	5
21.0	Travel and transportation of persons	23	25	26
22.0	Transportation of things	2	2	2
23.1	Rent, Communications, and Utilities	35	35	35
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	395	368	319
26.0	Supplies and materials	52	50	50
31.0	Equipment	21	22	21
32.0	Land and structures		1	1
41.0	Other grants, subsidies, and contributions	4	4	4
42.0	Other insurance claims and indemnities	3	1	1
99.0	Direct obligations	1,120	1,095	1,054
99.0	Reimbursable obligations	157	160	160
99.9	Total new obligations	1,277	1,255	1,214

Employment Summary

Identification code 12–1600–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	6,023	6,020	6,010
2001	Reimbursable civilian full-time equivalent employment	1,280	1,550	1,550

Buildings and Facilities

For plans, construction, repair, preventive maintenance, environmental support, improvement, extension, alteration, and purchase of fixed equipment or facilities, as authorized by 7 U.S.C. 2250, and acquisition of land as authorized by 7 U.S.C. 428a, $3,175,000, to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1601–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Buildings and facilities	4	3	3
0900	Total new obligations (object class 25.2)	4	3	3
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1		
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	3	3	3
1160	Appropriation, discretionary (total)	3	3	3
1930	Total budgetary resources available	4	3	3
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	8	5	2
3010	Obligations incurred, unexpired accounts	4	3	3
3020	Outlays (gross)	–7	–6	–5
3050	Unpaid obligations, end of year	5	2	
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	8	5	2
3200	Obligated balance, end of year	5	2	
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	3	3	3
	Outlays, gross:			
4010	Outlays from new discretionary authority		1	1
4011	Outlays from discretionary balances	7	5	4
4020	Outlays, gross (total)	7	6	5
4180	Budget authority, net (total)	3	3	3
4190	Outlays, net (total)	7	6	5

The buildings and facilities account provides for plans, construction, repair, preventive maintenance, environmental support, improvement, extension, alteration, purchase of fixed equipment or facilities, and acquisition of land, as needed, for Animal and Plant Health Inspection Service (APHIS) operated facilities, which include animal quarantine stations, border inspection stations, sterile insect rearing facilities, and laboratories.

For these activities, the 2014 Budget proposes $3.175 million which includes funding to address safety issues with several facilities.

Trust Funds

Miscellaneous Trust Funds

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–9971–0–7–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year			
	Receipts:			
0220	Deposits of Miscellaneous Contributed Funds, APHIS	10	9	9
0400	Total: Balances and collections	10	9	9
	Appropriations:			
0500	Miscellaneous Trust Funds	–10	–9	–9
0799	Balance, end of year			

Program and Financing (in millions of dollars)

Identification code 12–9971–0–7–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Miscellaneous trust funds	12	12	9
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	13	11	8
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	10	9	9
1260	Appropriations, mandatory (total)	10	9	9
1930	Total budgetary resources available	23	20	17
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	11	8	8
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	2	3
3010	Obligations incurred, unexpired accounts	12	12	9
3020	Outlays (gross)	–11	–11	–9
3050	Unpaid obligations, end of year	2	3	3
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	2	3
3200	Obligated balance, end of year	2	3	3
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	10	9	9
	Outlays, gross:			
4100	Outlays from new mandatory authority	8	8	8
4101	Outlays from mandatory balances	3	3	1
4110	Outlays, gross (total)	11	11	9
4180	Budget authority, net (total)	10	9	9
4190	Outlays, net (total)	11	11	9

MISCELLANEOUS TRUST FUNDS—Continued

The following services are financed by fees and miscellaneous contributions advanced by importers, manufacturers, States, organizations, individuals, and others:

Miscellaneous contributed funds.—Funds are received from States, local organizations, individuals, and others and are available for plant and animal quarantine inspection and cooperative plant and animal disease and pest control activities (7 U.S.C. 450b, 2220).

Object Classification (in millions of dollars)

Identification code 12–9971–0–7–352	2012 actual	2013 CR	2014 est.
Direct obligations:			
11.1 Personnel compensation: Full-time permanent	6	6	5
12.1 Civilian personnel benefits	2	1	1
21.0 Travel and transportation of persons	2	2	1
25.2 Other services from non-Federal sources	1	2	1
26.0 Supplies and materials	1	1	1
99.9 Total new obligations	12	12	9

Employment Summary

Identification code 12–9971–0–7–352	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	150	150	150

FOOD SAFETY AND INSPECTION SERVICE

Federal Funds

FOOD SAFETY AND INSPECTION SERVICE

For necessary expenses to carry out services authorized by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act, including not to exceed $50,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), $1,008,473,000; and in addition, $1,000,000 may be credited to this account from fees collected for the cost of laboratory accreditation as authorized by section 1327 of the Food, Agriculture, Conservation and Trade Act of 1990 (7 U.S.C. 138f): Provided, That funds provided for the Public Health Data Communication Infrastructure system shall remain available until expended: Provided further, That no fewer than 148 full-time equivalent positions shall be employed during fiscal year 2014 for purposes dedicated solely to inspections and enforcement related to the Humane Methods of Slaughter Act: Provided further, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–3700–0–1–554	2012 actual	2013 CR	2014 est.
0100 Balance, start of year			
Receipts:			
0220 Fees, Food Safety Inspection User Fee Account			4
0400 Total: Balances and collections			4
0799 Balance, end of year			4

Program and Financing (in millions of dollars)

Identification code 12–3700–0–1–554	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Salaries and expenses	1,004	1,011	1,008
0801 Reimbursable program	156	153	153
0900 Total new obligations	1,160	1,164	1,161
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	7	22	22
1021 Recoveries of prior year unpaid obligations	1		
1050 Unobligated balance (total)	8	22	22
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	1,004	1,011	1,008
1120 Appropriations transferred to other accts [12–3700]	–104		
1121 Appropriations transferred from other accts [12–3700]	104		
1160 Appropriation, discretionary (total)	1,004	1,011	1,008
Spending authority from offsetting collections, discretionary:			
1700 Collected	167	153	153
1701 Change in uncollected payments, Federal sources	4		
1750 Spending auth from offsetting collections, disc (total)	171	153	153
1900 Budget authority (total)	1,175	1,164	1,161
1930 Total budgetary resources available	1,183	1,186	1,183
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–1		
1941 Unexpired unobligated balance, end of year	22	22	22
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	185	183	184
3010 Obligations incurred, unexpired accounts	1,160	1,164	1,161
3011 Obligations incurred, expired accounts	2		
3020 Outlays (gross)	–1,154	–1,163	–1,162
3040 Recoveries of prior year unpaid obligations, unexpired	–1		
3041 Recoveries of prior year unpaid obligations, expired	–9		
3050 Unpaid obligations, end of year	183	184	183
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	–28	–31	–31
3070 Change in uncollected pymts, Fed sources, unexpired	–4		
3071 Change in uncollected pymts, Fed sources, expired	1		
3090 Uncollected pymts, Fed sources, end of year	–31	–31	–31
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	157	152	153
3200 Obligated balance, end of year	152	153	152
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	1,175	1,164	1,161
Outlays, gross:			
4010 Outlays from new discretionary authority	1,006	993	991
4011 Outlays from discretionary balances	148	170	171
4020 Outlays, gross (total)	1,154	1,163	1,162
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	–2	–1	–1
4033 Non-Federal sources	–166	–152	–152
4040 Offsets against gross budget authority and outlays (total)	–168	–153	–153
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	–4		
4052 Offsetting collections credited to expired accounts	1		
4060 Additional offsets against budget authority only (total)	–3		
4070 Budget authority, net (discretionary)	1,004	1,011	1,008
4080 Outlays, net (discretionary)	986	1,010	1,009
4180 Budget authority, net (total)	1,004	1,011	1,008
4190 Outlays, net (total)	986	1,010	1,009

The primary objective of the Food Safety and Inspection Service (FSIS) is to ensure that meat, poultry, and egg products are wholesome, unadulterated, and properly labeled and packaged, as required by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act. In carrying out this mission, FSIS oversight responsibility covers a significant percentage of American spending on food. Providing adequate resources for Federal food safety agencies is a priority of the Administration. The 2014 Budget proposes $1,008.5 million for inspection of meat, poultry and egg products, which is a $2.1 million decrease from the annualized 2013 Continuing Resolution level. The proposed budget contains an increase for sufficient funding to implement the Cooperative Interstate Shipment program. There is a decrease for implementation of new methods in poultry slaughter inspection. In addition, the budget proposes a performance-based user fee, which will be charged to plants that have sample failures or require additional inspection activities due to regulatory non-compliance.

FEDERALLY FUNDED INSPECTION ACTIVITIES

	2012 actual	2013 est.	2014 est.
Federally inspected establishments:			
Slaughter Plants	13	13	13
Processing Plants	3,976	4,016	4,016
Combination slaughter and processing plants	1,065	1,076	1,076
Talmadge-Aiken plants	343	346	346
Import Establishments	117	118	118
Egg plants	83	84	84
Other plants	666	673	673
Federally inspected and passed production (millions of pounds):			
Meat Slaughter	48,557	49,043	49,533
Poultry Slaughter	56,383	56,947	57,516
Egg products	4,052	4,093	4,134
Import/export activity (millions of pounds):			
Meat and poultry imported	3,074	3,200	3,400
Meat and poultry exported	16,855	16,500	16,750
Intrastate inspection[1]			
Intrastate inspection	27	27	27
Talmadge-Aiken inspection	9	9	9
Number of slaughter and/or processing plants (excludes exempt plants)	1,700	1,720	1,720
Compliance activities:			
Investigations and surveillance activities	11,505	12,500	12,750
Enforcement actions completed	1,254	1,265	1,275
Product Testing (samples analyzed):			
Food Chemistry	1,304	1,304	1,304
Food Microbiology	110,164	110,164	110,164
Chemical Residues	23,739	23,739	23,739
Antibiotic Residues	202,200	202,200	202,200
Pathology Samples	5,282	5,282	5,282
Egg Products:			
Food microbiology	1,563	1,563	1,563
Consumer Education and public outreach:			
Meat and poultry hotline calls received	74,437	67,839	71,231
Website visits	14,594,233	16,500,000	18,500,000
Electronic messages received	8,331	4,427	4,468
Publications distributed	819,609	842,877	844,884
E-mail alert service subscribers	112,287	120,000	140,000
Epidemiological Investigations:			
Cooperative efforts with State and public health offices	31	31	31
Illnesses reported and treated [2]	1,520	1,520	1,520

[1]States with cooperative agreements which are operating programs.

[2]Data must be collected over a number of years to chart national trends and estimate the incidence of foodborne illness and treatment.

Object Classification (in millions of dollars)

Identification code 12–3700–0–1–554		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	552	542	528
11.3	Other than full-time permanent	11	12	12
11.5	Other personnel compensation	25	39	39
11.9	Total personnel compensation	588	593	579
12.1	Civilian personnel benefits	211	213	208
13.0	Benefits for former personnel	1	1	9
21.0	Travel and transportation of persons	38	40	46
22.0	Transportation of things	4	3	4
23.1	Rental payments to GSA	1	1	1
23.3	Communications, utilities, and miscellaneous charges	12	13	13
24.0	Printing and reproduction	1	1	1
25.1	Advisory and assistance services	3	3	3
25.2	Other services from non-Federal sources	50	46	46
25.3	Other goods and services from Federal sources	21	21	21
25.4	Operation and maintenance of facilities	1	1	1
25.7	Operation and maintenance of equipment	1	2	2
26.0	Supplies and materials	12	12	12
31.0	Equipment	9	10	10
32.0	Land and structures	1	....	....
41.0	Grants, subsidies, and contributions	48	51	52
42.0	Insurance claims and indemnities	2	....	....
99.0	Direct obligations	1,004	1,011	1,008
99.0	Reimbursable obligations	155	153	153
99.5	Below reporting threshold	1	....	....
99.9	Total new obligations	1,160	1,164	1,161

Employment Summary

Identification code 12–3700–0–1–554		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	9,351	9,360	9,122
2001	Reimbursable civilian full-time equivalent employment	29	27	27

Trust Funds

Expenses and Refunds, Inspection and Grading of Farm Products

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8137–0–7–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	....
	Receipts:			
0220	Deposits of Fees, Inspection and Grading of Farm Products, Food Safety and Quality Service	11	10	10
0400	Total: Balances and collections	11	10	10
	Appropriations:			
0500	Expenses and Refunds, Inspection and Grading of Farm Products	–11	–10	–10
0799	Balance, end of year	....	....	....

Program and Financing (in millions of dollars)

Identification code 12–8137–0–7–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Expenses and refunds, inspection and grading of farm products	10	10	10
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2	3	3
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	11	10	10
1260	Appropriations, mandatory (total)	11	10	10
1900	Budget authority (total)	11	10	10
1930	Total budgetary resources available	13	13	13
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3	3	3
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	1	1
3010	Obligations incurred, unexpired accounts	10	10	10
3020	Outlays (gross)	–10	–10	–10
3050	Unpaid obligations, end of year	1	1	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	1	1
3200	Obligated balance, end of year	1	1	1
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	11	10	10
	Outlays, gross:			
4100	Outlays from new mandatory authority	6	10	10
4101	Outlays from mandatory balances	4	....	....
4110	Outlays, gross (total)	10	10	10
4180	Budget authority, net (total)	11	10	10
4190	Outlays, net (total)	10	10	10

Under authority of the Agricultural Marketing Act of 1946, Federal meat and poultry inspection services are provided upon request and for a fee in cases where inspection is not mandated by statute. This service includes: certifying products for export beyond the requirements of export certificates; inspecting certain animals and poultry intended for human food where inspection

Expenses and Refunds, Inspection and Grading of Farm Products—Continued

is not required by statute, such as buffalo, rabbit, and quail; and inspecting products intended for animal consumption.

Object Classification (in millions of dollars)

Identification code 12–8137–0–7–352	2012 actual	2013 CR	2014 est.
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent	5	5	5
11.5 Other personnel compensation	3	3	3
11.9 Total personnel compensation	8	8	8
12.1 Civilian personnel benefits	2	2	2
99.9 Total new obligations	10	10	10

Employment Summary

Identification code 12–8137–0–7–352	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	80	81	81

GRAIN INSPECTION, PACKERS AND STOCKYARDS ADMINISTRATION

Federal Funds

Salaries and Expenses

For necessary expenses of the Grain Inspection, Packers and Stockyards Administration, $40,531,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–2400–0–1–352	2012 actual	2013 CR	2014 est.
0100 Balance, start of year	....	....	....
Receipts:			
0220 Fees, Grain Inspection, Packers and Stockyards User Fee Account	....	....	27
0400 Total: Balances and collections	....	....	27
0799 Balance, end of year	....	....	27

Program and Financing (in millions of dollars)

Identification code 12–2400–0–1–352	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Packers and stockyards program	21	21	23
0002 Grain regulatory program	16	17	18
0900 Total new obligations	37	38	41
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	....	....	3
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	38	38	41
1160 Appropriation, discretionary (total)	38	38	41
Spending authority from offsetting collections, discretionary:			
1700 Collected	....	3	3
1750 Spending auth from offsetting collections, disc (total)	....	3	3
1900 Budget authority (total)	38	41	44
1930 Total budgetary resources available	38	41	47
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–1	....	....
1941 Unexpired unobligated balance, end of year	....	3	6
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	6	5	2
3010 Obligations incurred, unexpired accounts	37	38	41
3020 Outlays (gross)	–37	–41	–44
3041 Recoveries of prior year unpaid obligations, expired	–1	....	....
3050 Unpaid obligations, end of year	5	2	–1
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	6	5	2
3200 Obligated balance, end of year	5	2	–1
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	38	41	44
Outlays, gross:			
4010 Outlays from new discretionary authority	32	34	37
4011 Outlays from discretionary balances	5	7	7
4020 Outlays, gross (total)	37	41	44
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	....	–3	–3
4180 Budget authority, net (total)	38	38	41
4190 Outlays, net (total)	37	38	41

The Grain Inspection, Packers and Stockyards Administration's (GIPSA) Grain Regulatory Program promotes and enforces the accurate and uniform application of the United States Grain Standards Act (USGSA) and applicable provisions of the Agricultural Marketing Act of 1946. GIPSA identifies, evaluates, and implements new or improved techniques for measuring grain quality. GIPSA also establishes and updates testing and grading standards to facilitate the marketing of U.S. grain, oilseeds, and related products. GIPSA briefs foreign buyers, assesses foreign inspection and weighing techniques, and responds to foreign quality and quantity complaints.

GIPSA's Packers and Stockyards Program (P&SP) promotes fair business practices, financial integrity, and competitive environments to market livestock, meat, and poultry. Through its oversight activities, including monitoring programs, reviews, and investigations, P&SP fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices that affect the movement and price of meat animals and their products. P&SP's work protects consumers and members of the livestock, meat, and poultry industries. P&SP enforces the Packers and Stockyards (P&S) Act, which prohibits unfair, deceptive, and unjust discriminatory practices by market agencies, dealers, stockyards, packers, swine contractors, and live poultry dealers in the livestock, meat packing, and poultry industries. The P&S Act provides an important safety net for livestock producers and poultry growers in rural America. P&SP conducts routine and ongoing regulatory inspections and audits to assess whether subject entities are operating in compliance with the Act, and conducts investigations of potential P&S Act violations identified by either industry complaints or previous GIPSA regulatory inspections. The 2014 Budget requests $40.5 million, an increase of $2.55 million above the annualized 2013 Continuing Resolution level to purchase necessary equipment, including scientific equipment, supplies, and other support expenses.

MAIN WORKLOAD FACTORS

Grain Regulatory Program:	2012 actual	2013 est.	2014 est.
U.S. standards and factors (attribute tests) in effect at end of year	129	129	129
Standards reviews and factors in progress	4	7	6
Standards reviews and factors completed	2	4	3
On-site investigations	6	6	6
Designations renewed	20	17	16
Registration certificates issued	130	135	135
Packers and Stockyards Program:			
Investigations	3280	3800	4000

Regulatory Activities	2218	2800	3000
Livestock market agencies/dealers registered	5853	5900	6000
Stockyards posted	1238	1200	1150
Slaughtering and processing packers subject to the Act (estimated)	4400	4350	4300
Meat distributors, brokers, and dealers subject to the Act (estimated)	2759	2700	2600
Poultry operations subject to the Act	133	130	130

Object Classification (in millions of dollars)

Identification code 12–2400–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	22	23	24
12.1	Civilian personnel benefits	6	6	7
21.0	Travel and transportation of persons	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	3	2	3
26.0	Supplies and materials	1	1	1
31.0	Equipment		1	1
99.0	Direct obligations	34	35	38
99.0	Reimbursable obligations	3	3	3
99.9	Total new obligations	37	38	41

Employment Summary

Identification code 12–2400–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	295	291	285
2001	Reimbursable civilian full-time equivalent employment	8	8	8

Limitation on Inspection and Weighing Services Expenses

Not to exceed $50,000,000 (from fees collected) shall be obligated during the current fiscal year for inspection and weighing services: Provided, That if grain export activities require additional supervision and oversight, or other uncontrollable factors occur, this limitation may be exceeded by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–4050–0–3–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0801	Limitation on inspection and weighing services	54	50	50
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	18	14	16
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	48	52	50
1801	Change in uncollected payments, Federal sources	2		
1850	Spending auth from offsetting collections, mand (total)	50	52	50
1930	Total budgetary resources available	68	66	66
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	14	16	16
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	4	7	1
3010	Obligations incurred, unexpired accounts	54	50	50
3020	Outlays (gross)	–51	–56	–50
3050	Unpaid obligations, end of year	7	1	1
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–5	–7	–7
3070	Change in uncollected pymts, Fed sources, unexpired	–2		
3090	Uncollected pymts, Fed sources, end of year	–7	–7	–7
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–1		–6
3200	Obligated balance, end of year		–6	–6
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	50	52	50
	Outlays, gross:			
4100	Outlays from new mandatory authority	48	50	50
4101	Outlays from mandatory balances	3	6	
4110	Outlays, gross (total)	51	56	50
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Federal sources	–9	–2	
4123	Non-Federal sources	–39	–50	–50
4130	Offsets against gross budget authority and outlays (total)	–48	–52	–50
	Additional offsets against gross budget authority only:			
4140	Change in uncollected pymts, Fed sources, unexpired	–2		
4170	Outlays, net (mandatory)	3	4	
4190	Outlays, net (total)	3	4	

The Grain Inspection, Packers and Stockyards Administration (GIPSA) provides a uniform system for the inspection and weighing of grain. Services provided under this system are financed through a fee-supported revolving fund. Fee-supported programs include direct services, supervision activities and administrative functions. Direct services include official grain inspection and weighing by GIPSA employees at certain export ports as well as the inspection of U.S. grain shipped through Canada. GIPSA supervises the inspection and weighing activities performed by its own employees. FGIS supervises 55 official private and state agencies: 43 official private agencies and seven official state agencies that are designated to provide official inspection and/or weighing services in domestic markets; four official state agencies that are delegated to provide mandatory official export inspection and weighing services and designated to provide official domestic inspection and weighing services within the state; and one official state agency that is delegated to provide mandatory official export inspection and weighing services within the state. GIPSA provides an appeal service of original grain inspections and a registration system for the grain exporting firms. Through support from the Association of American Railroads and user fees, GIPSA conducts a railroad track scale testing program. In addition, GIPSA provides grading services, on request, for rice and grain related products under the authority of the Agricultural Marketing Act of 1946.

	2012 actual	2013 est.	2014 est.
Export grain inspected and/or weighed (million metric tons):			
By Federal personnel	63.9	59.4	74.3
By delegated states/official agencies	41	40.6	41.6
Quantity of grain inspected (official inspections) domestically (million metric tons)	175.1	185.3	213.7
Number of official grain inspections and reinspections:			
By Federal personnel	104,758	97,956	122,527
By delegated states/official agencies	3,114,680	3,120,635	3,197,498
Number of appeals (Grain, Rice, and Pulses)	2,037	3,030	3,030
Number of appeals to the Board of Appeals and Review (Grain, Rice, and Pulses)	182	266	266
Quantity of rice inspected (million metric tons)	3.6	3.7	3.8
Quantity of rice exports (million metric tons)	3.6	3.7	3.8

Object Classification (in millions of dollars)

Identification code 12–4050–0–3–352		2012 actual	2013 CR	2014 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	31	33	33
11.3	Other than full-time permanent	1	1	1
11.9	Total personnel compensation	32	34	34
12.1	Civilian personnel benefits	6	8	8
21.0	Travel and transportation of persons	1	2	2
23.3	Communications, utilities, and miscellaneous charges	1	1	1
25.2	Other services from non-Federal sources	3	4	4
25.3	Other goods and services from Federal sources	10		
26.0	Supplies and materials	1	1	1
99.9	Total new obligations	54	50	50

LIMITATION ON INSPECTION AND WEIGHING SERVICES EXPENSES—Continued

Employment Summary

Identification code 12–4050–0–3–352	2012 actual	2013 CR	2014 est.
2001 Reimbursable civilian full-time equivalent employment	383	380	379

AGRICULTURAL MARKETING SERVICE

Federal Funds

MARKETING SERVICES

For necessary expenses of the Agricultural Marketing Service, $82,792,000: Provided, That this appropriation shall be available pursuant to law (7 U.S.C. 2250) for the alteration and repair of buildings and improvements, but the cost of altering any one building during the fiscal year shall not exceed 10 percent of the current replacement value of the building.

Fees may be collected for the cost of standardization activities, as established by regulation pursuant to law (31 U.S.C. 9701).

LIMITATION ON ADMINISTRATIVE EXPENSES

Not to exceed $60,435,000 (from fees collected) shall be obligated during the current fiscal year for administrative expenses: Provided, That if crop size is understated and/or other uncontrollable events occur, the agency may exceed this limitation by up to 10 percent with notification to the Committees on Appropriations of both Houses of Congress.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2500–0–1–352	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Market news service	32	33	33
0002 Inspection and standardization	7	8	8
0003 Market protection and promotion	36	36	32
0004 Transportation and market development	6	6	10
0005 Farmers market promotion program	10		
0799 Total direct obligations	91	83	83
0801 Reimbursable program	88	67	64
0900 Total new obligations	179	150	147
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	38	37	37
1021 Recoveries of prior year unpaid obligations	2		
1050 Unobligated balance (total)	40	37	37
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	82	83	83
1160 Appropriation, discretionary (total)	82	83	83
Appropriations, mandatory:			
1221 Appropriations transferred from other accts [12–4336]	10		
1260 Appropriations, mandatory (total)	10		
Spending authority from offsetting collections, discretionary:			
1700 Collected	77	67	64
1701 Change in uncollected payments, Federal sources	10		
1750 Spending auth from offsetting collections, disc (total)	87	67	64
1900 Budget authority (total)	179	150	147
1930 Total budgetary resources available	219	187	184
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–3		
1941 Unexpired unobligated balance, end of year	37	37	37
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	46	55	42
3010 Obligations incurred, unexpired accounts	179	150	147
3011 Obligations incurred, expired accounts	5		
3020 Outlays (gross)	–166	–163	–156
3040 Recoveries of prior year unpaid obligations, unexpired	–2		
3041 Recoveries of prior year unpaid obligations, expired	–7		
3050 Unpaid obligations, end of year	55	42	33
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	–3	–13	–13
3070 Change in uncollected pymts, Fed sources, unexpired	–10		
3090 Uncollected pymts, Fed sources, end of year	–13	–13	–13
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	43	42	29
3200 Obligated balance, end of year	42	29	20
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	169	150	147
Outlays, gross:			
4010 Outlays from new discretionary authority	116	140	137
4011 Outlays from discretionary balances	43	13	14
4020 Outlays, gross (total)	159	153	151
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	–36	–4	–4
4033 Non-Federal sources	–41	–63	–60
4040 Offsets against gross budget authority and outlays (total)	–77	–67	–64
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	–10		
4070 Budget authority, net (discretionary)	82	83	83
4080 Outlays, net (discretionary)	82	86	87
Mandatory:			
4090 Budget authority, gross	10		
Outlays, gross:			
4100 Outlays from new mandatory authority	1		
4101 Outlays from mandatory balances	6	10	5
4110 Outlays, gross (total)	7	10	5
4180 Budget authority, net (total)	92	83	83
4190 Outlays, net (total)	89	96	92
Memorandum (non-add) entries:			
5000 Total investments, SOY: Federal securities: Par value			2
5001 Total investments, EOY: Federal securities: Par value		2	2

Agricultural Marketing Service activities assist producers and handlers of agricultural commodities by providing a variety of marketing-related services. These services continue to become more complex as the volume of agricultural commodities increases, as greater numbers of new processed commodities are developed, and as the agricultural market structure undergoes extensive changes. Marketing changes include increased concentration in food retailing, direct buying, decentralization of processing, growth of interregional competition, vertical integration, and contract farming.

The 2014 Budget requests $82,792,000 for Marketing Services, approximately $0.8 million above the annualized 2013 Continuing Resolution level. The individual Marketing Services activities include:

Market news service.—The market news program provides the agricultural community with information pertaining to the movement of agricultural products. This nationwide service provides daily reports on the supply, demand, and price of over 700 commodities on domestic and foreign markets.

Inspection, grading and standardization.—Nationally uniform standards of quality for agricultural products are established and applied to specific lots of products to: promote confidence between buyers and sellers; reduce hazards in marketing due to misunderstandings and disputes arising from the use of nonstandard descriptions; and encourage better preparation of uniform quality products for market. Grading services are provided on request for cotton and tobacco.

Quarterly inspection of egg handlers and hatcheries is conducted to ensure the proper disposition of shell eggs unfit for human consumption.

MARKET NEWS PROGRAM

	2012 actual	2013 est.	2014 est.
Percentage of reports released on time	98%	98%	98%

COTTON AND TOBACCO USER FEE PROGRAM

	2012 actual	2013 est.	2014 est.
Cotton classed (bales in millions)	14.8	15	11.1
Domestic and Imported tobacco graded (million pounds)	10	8.8	8.8
Domestic and Imported tobacco inspected (million kilograms)	63.1	0.13	0.26

FEDERALLY FUNDED INSPECTION AND MARKETING ACTIVITIES

	2012 actual	2013 est.	2014 est.
States and Commonwealths with cooperative agreements	30	30	30
Percentage of noncomplying shell egg lots that are reprocessed or diverted	100%	100%	100%

STANDARDIZATION ACTIVITIES

	2012 actual	2013 est.	2014 est.
International and U.S. standards in effect, end of fiscal year	545	548	552
Number of commodities covered	227	227	228

Market protection and promotion.—This program consists of: 1) the research and promotion programs which are designed to improve the competitive position and expand markets for cotton, eggs and egg products, honey, pork, beef, dairy products, potatoes, watermelons, mushrooms, soybeans, fluid milk, popcorn, blueberries, avocados, lamb, mangos and peanuts; 2) the Federal Seed Act; and 3) the administration of the Capper-Volstead Act and the Agricultural Fair Practices Act.

The Pesticide Recordkeeping program monitors compliance of private certified applicators with Federal regulations requiring them to keep records of restricted pesticides used in agricultural production. Of the total funds provided for Marketing Services pursuant to the Continuing Resolution (CR) for 2013, $1,842,000 is for Pesticide Recordkeeping (PRK) program activities for the full term of the CR. No funding is included in the 2014 Budget for this program.

The Pesticide Data program develops comprehensive, statistically defensible information on pesticide residues in food to improve government dietary risk procedures.

Federal seed inspectors conduct tests on seed samples to help ensure truthful labeling of agricultural and vegetable seeds sold in interstate commerce.

The Capper-Volstead Act and the Agricultural Fair Practices Act protect producers against discriminatory practices by handlers, permit producers to engage in cooperative efforts, and ensure that such cooperatives do not engage in practices that monopolize or restrain trade.

The National Organic Program certifies that organically produced food products meet national standards.

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MARKET PROTECTION AND PROMOTION ACTIVITIES

	2012 actual	2013 est.	2014 est.
Pesticide data program (PDP):			
Number of children's food commodities included in PDP	21	21	21
Number of compounds reported by PDP labs	447	430	447
Seed Act:			
Interstate investigations:			
Completed	255	250	250
Pending	242	250	250
Seed samples tested	219	250	250
Percentage of cases submitted that are completed	100%	100%	100%
Plant Variety Protection Act:			
Number of applications received	491	450	450
Certificates of protection issued and abandoned	590	760	750
Percentage of board budgets and marketing plans approved within time frame goal	100%	100%	100%
Country of Origin Labeling			
Retail compliance reviews	3974	2441	4000
Complaints investigated	12	12	12
State and Commonwealths with cooperative agreements	49	50	50

Transportation and Market Development.—This program is designed to enhance the marketing of domestic agricultural commodities by conducting research into more efficient marketing methods and by providing technical assistance to areas interested in improving their food distribution facilities, and by helping to ensure that the Nation's transportation systems will adequately serve the needs of agriculture and rural areas of the United States.

WHOLESALE MARKET DEVELOPMENT ACTIVITIES

	2012 actual	2013 est.	2014 est.
Number of projects completed	12	12	15

TRANSPORTATION SERVICES ACTIVITIES

	2012 actual	2013 est.	2014 est.
Number of projects completed	16	14	13

Object Classification (in millions of dollars)

Identification code 12–2500–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	31	30	31
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	2	3	3
11.9	Total personnel compensation	34	34	35
12.1	Civilian personnel benefits	11	11	11
21.0	Travel and transportation of persons	1	1	2
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	1	1	1
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	20	21	20
25.3	Other goods and services from Federal sources	10	11	10
26.0	Supplies and materials	1	1	1
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	10		
99.0	Direct obligations	91	83	83
99.0	Reimbursable obligations	88	67	64
99.9	Total new obligations	179	150	147

Employment Summary

Identification code 12–2500–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	421	428	432
2001	Reimbursable civilian full-time equivalent employment	366	448	448

Payments to States and Possessions

For payments to departments of agriculture, bureaus and departments of markets, and similar agencies for marketing activities under section 204(b) of the Agricultural Marketing Act of 1946 (7 U.S.C. 1623(b)), $1,363,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2501–0–1–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Payments to states and possessions	1	1	1
0002	Specialty crop block grants	55	55	
0900	Total new obligations (object class 41.0)	56	56	1
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1	1	1
1160	Appropriation, discretionary (total)	1	1	1
	Appropriations, mandatory:			
1221	Transferred from other accounts for the Specialty Crop Block Grant Program [12–4336]	55	55	

PAYMENTS TO STATES AND POSSESSIONS—Continued

Program and Financing—Continued

Identification code 12–2501–0–1–352		2012 actual	2013 CR	2014 est.
1260	Appropriations, mandatory (total)	55	55	....
1900	Budget authority (total)	56	56	1
1930	Total budgetary resources available	56	56	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	120	127	128
3010	Obligations incurred, unexpired accounts	56	56	1
3011	Obligations incurred, expired accounts	1	....	....
3020	Outlays (gross)	–47	–55	–56
3041	Recoveries of prior year unpaid obligations, expired	–3	....	....
3050	Unpaid obligations, end of year	127	128	73
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	120	127	128
3200	Obligated balance, end of year	127	128	73
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1	1	1
	Outlays, gross:			
4011	Outlays from discretionary balances	15	1	1
	Mandatory:			
4090	Budget authority, gross	55	55	....
	Outlays, gross:			
4100	Outlays from new mandatory authority	1	....	....
4101	Outlays from mandatory balances	31	54	55
4110	Outlays, gross (total)	32	54	55
4180	Budget authority, net (total)	56	56	1
4190	Outlays, net (total)	47	55	56

Federal-State Marketing Improvement Program grants are made on a matching fund basis to State departments of agriculture to carry out specifically approved value-added programs designed to spotlight local marketing initiatives and enhance marketing efficiency. Under this activity, specialists work with farmers, marketing firms, and other agencies in solving marketing problems and in using research results.

Specialty Crop Block Grant-Farm Bill grants are block grants made to State departments of agriculture to enhance the competitiveness of specialty crops.

Employment Summary

Identification code 12–2501–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	4	4	....

PERISHABLE AGRICULTURAL COMMODITIES ACT FUND

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–5070–0–2–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	1
	Receipts:			
0200	License Fees and Defaults, Perishable Agricultural Commodities Act Fund	12	12	12
0400	Total: Balances and collections	12	12	13
	Appropriations:			
0500	Perishable Agricultural Commodities Act Fund	–12	–11	–11
0799	Balance, end of year	....	1	2

Program and Financing (in millions of dollars)

Identification code 12–5070–0–2–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Perishable Agricultural Commodities Act	10	11	11
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	5	7	7
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	12	11	11
1260	Appropriations, mandatory (total)	12	11	11
1930	Total budgetary resources available	17	18	18
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	7	7	7
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	1	1
3010	Obligations incurred, unexpired accounts	10	11	11
3020	Outlays (gross)	–10	–11	–12
3050	Unpaid obligations, end of year	1	1	....
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	1	1
3200	Obligated balance, end of year	1	1	....
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	12	11	11
	Outlays, gross:			
4100	Outlays from new mandatory authority	7	10	10
4101	Outlays from mandatory balances	3	1	2
4110	Outlays, gross (total)	10	11	12
4180	Budget authority, net (total)	12	11	11
4190	Outlays, net (total)	10	11	12
	Memorandum (non-add) entries:			
5000	Total investments, SOY: Federal securities: Par value	....	....	1
5001	Total investments, EOY: Federal securities: Par value	....	1	....

License fees are deposited in this special fund and are used to meet the costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 U.S.C. 491–497, 499a-499s).

The Acts are intended to ensure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by a) informal agreements between the two parties, b) formal decisions involving payment of reparation awards, and/or c) suspension or revocation of license and/or publication of the facts.

The Perishable Agricultural Commodities Act requires traders to have trust assets on hand to meet their obligations to fruit and vegetable suppliers. To preserve their trust and establish their rights ahead of other creditors, unpaid suppliers file notice with both the Department and their debtors that payment is due. The Act provides permanent authority to the Secretary of Agriculture to set license and reparation complaint filing fees.

PERISHABLE AGRICULTURAL COMMODITIES ACT ACTIVITIES

	2012 actual	2013 est.	2014 est.
Percentage of informal reparation complaints completed within time frame goal	90%	90%	90%

Object Classification (in millions of dollars)

Identification code 12–5070–0–2–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	6	6	6
12.1	Civilian personnel benefits	2	2	2
25.3	Other goods and services from Federal sources	2	3	3
99.9	Total new obligations	10	11	11

Employment Summary

Identification code 12–5070–0–2–352	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	72	77	77

Funds for Strengthening Markets, Income, and Supply (Section 32)

(including transfers of funds)

Funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c), shall be used only for commodity program expenses as authorized therein, including up to $500,000 to pay for eligible small businesses' first pre-award audits, and other related operating expenses, except for: (1) transfers to the Department of Commerce as authorized by the Fish and Wildlife Act of August 8, 1956; (2) transfers otherwise provided in this Act; and (3) not more than $20,181,000 for formulation and administration of marketing agreements and orders pursuant to the Agricultural Marketing Agreement Act of 1937 and the Agricultural Act of 1961.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–5209–0–2–605	2012 actual	2013 CR	2014 est.
0100 Balance, start of year	16,107	17,450	17,355
Receipts:			
0200 30 Percent of Customs Duties, Funds for Strengthening Markets, Income and Supply (section 32)	9,181	8,812	11,784
0240 General Fund Payment, Funds for Strengthening Markets, Income, and Supply (section 32)		1	1
0299 Total receipts and collections	9,181	8,813	11,785
0400 Total: Balances and collections	25,288	26,263	29,140
Appropriations:			
0500 Funds for Strengthening Markets, Income, and Supply (section 32)		150	166
0501 Funds for Strengthening Markets, Income, and Supply (section 32)		150	
0502 Funds for Strengthening Markets, Income, and Supply (section 32)	–7,947	–8,990	–9,211
0503 Funds for Strengthening Markets, Income, and Supply (section 32)	–260	–219	–151
0504 Funds for Strengthening Markets, Income, and Supply (section 32)	150		
0505 Funds for Strengthening Markets, Income, and Supply (section 32)	219	1	119
0599 Total appropriations	–7,838	–8,908	–9,077
0799 Balance, end of year	17,450	17,355	20,063

Program and Financing (in millions of dollars)

Identification code 12–5209–0–2–605	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Child nutrition program purchases	462	465	465
0002 Emergency surplus removal	171	101	201
0004 State option contract		5	5
0005 Removal of defective commodities		3	3
0006 Disaster Relief		5	5
0007 2008 Farm Bill Specialty Crop Purchases	162	165	206
0008 Small Business Support			1
0091 Subtotal, Commodity program payments	795	744	886
0101 Administrative expenses	47	48	55
0192 Total direct program	842	792	941
0799 Total direct obligations	842	792	941
0811 Reimbursable program	1	1	1
0900 Total new obligations	843	793	942
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1		1	
1021 Recoveries of prior year unpaid obligations	1		
1050 Unobligated balance (total)	1	1	
Budget authority:			
Appropriations, discretionary:			
1132 Appropriations temporarily reduced		–150	–166
1134 Appropriations precluded from obligation		–150	
1160 Appropriation, discretionary (total)		–300	–166
Appropriations, mandatory:			
1201 Appropriation (special or trust fund)	7,947	8,990	9,211
1203 Appropriation (previously unavailable)	260	219	151
1220 Transferred to Food and Nutrition Service [12–3539]	–6,887	–7,986	–8,005
1220 Transferred to Department of Commerce [13–5139]	–109	–131	–131
1232 Appropriations and/or unobligated balance of appropriations temporarily reduced	–150		
1235 Appropriations precluded from obligation	–219	–1	–119
1260 Appropriations, mandatory (total)	842	1,091	1,107
Spending authority from offsetting collections, mandatory:			
1800 Collected	1	1	1
1850 Spending auth from offsetting collections, mand (total)	1	1	1
1900 Budget authority (total)	843	792	942
1930 Total budgetary resources available	844	793	942
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	1		
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	24	28	1
3010 Obligations incurred, unexpired accounts	843	793	942
3020 Outlays (gross)	–838	–820	–942
3040 Recoveries of prior year unpaid obligations, unexpired	–1		
3050 Unpaid obligations, end of year	28	1	1
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	–1	–1	–1
3090 Uncollected pymts, Fed sources, end of year	–1	–1	–1
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	23	27	
3200 Obligated balance, end of year	27		
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross		–300	–166
Outlays, gross:			
4010 Outlays from new discretionary authority		–300	–166
Mandatory:			
4090 Budget authority, gross	843	1,092	1,108
Outlays, gross:			
4100 Outlays from new mandatory authority	828	1,092	1,108
4101 Outlays from mandatory balances	10	28	
4110 Outlays, gross (total)	838	1,120	1,108
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4120 Federal sources	–1	–1	–1
4180 Budget authority, net (total)	842	791	941
4190 Outlays, net (total)	837	819	941

The Agriculture Appropriations Act of 1935 (7 U.S.C. 612c) established the Section 32 program which provides that 30 percent of U.S. Customs receipts for each calendar year are transferred to this account within the Department of Agriculture. The purpose of the Section 32 program is three-fold: to encourage the exportation of agricultural commodities and products, to encourage domestic consumption of agricultural products by diverting them, and to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption. There is also a requirement that the funds available under Section 32 shall be principally devoted to perishable agricultural commodities (e.g., fruits and vegetables). Program funds are used for a variety of purposes in support of the three primary purposes specified in the program's authorizing legislation. Funds may be used to stabilize market conditions through purchasing surplus commodities which are in turn, distributed to nutrition assistance programs. Program funds are also used to purchase commodities that are distributed to schools as part of Child Nutrition Programs entitlements. Furthermore, funds are transferred to the Food

FUNDS FOR STRENGTHENING MARKETS, INCOME, AND SUPPLY (SECTION 32)—Continued

and Nutrition Service for commodity purchases under section 6 of the National School Lunch Act and other authorities specified in the Child Nutrition Programs statutes.

Object Classification (in millions of dollars)

Identification code 12–5209–0–2–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	16	17	18
12.1	Civilian personnel benefits	5	5	5
21.0	Travel and transportation of persons		1	1
22.0	Transportation of things		4	5
23.3	Communications, utilities, and miscellaneous charges	1	1	1
24.0	Printing and reproduction		1	1
25.2	Other services from non-Federal sources	15	15	18
25.3	Other goods and services from Federal sources	19	19	26
26.0	Supplies and materials: Grants of commodities to States		1	1
26.0	Supplies and materials: Grants of commodities to States	786	727	864
31.0	Equipment		1	1
99.0	Direct obligations	842	792	941
99.0	Reimbursable obligations	1	1	1
99.9	Total new obligations	843	793	942

Employment Summary

Identification code 12–5209–0–2–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	171	171	173
2001	Reimbursable civilian full-time equivalent employment	9	9	9

Trust Funds

EXPENSES AND REFUNDS, INSPECTION AND GRADING OF FARM PRODUCTS

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8015–0–7–352		2012 actual	2013 CR	2014 est.
0100	Balance, start of year			2
	Receipts:			
0220	Deposits of Fees, Inspection and Grading of Farm Products, AMS	144	148	155
0240	Payments from General Fund, Wool Research, Development, and Promotion Trust Fund	2	2	2
0299	Total receipts and collections	146	150	157
0400	Total: Balances and collections	146	150	159
	Appropriations:			
0500	Expenses and Refunds, Inspection and Grading of Farm Products	–146	–148	–155
0799	Balance, end of year		2	4

Program and Financing (in millions of dollars)

Identification code 12–8015–0–7–352		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Dairy products	5	6	7
0002	Fruits and vegetables	62	64	65
0003	Meat grading	31	31	32
0004	Poultry products	41	34	35
0005	Miscellaneous agricultural commodities	20	15	18
0900	Total new obligations	159	150	157
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	73	68	68
1021	Recoveries of prior year unpaid obligations	6		
1050	Unobligated balance (total)	79	68	68
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	146	148	155
1221	Appropriations transferred from other accts [12–4336]	2	2	2
1260	Appropriations, mandatory (total)	148	150	157
1930	Total budgetary resources available	227	218	225
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	68	68	68
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	30	29	
3010	Obligations incurred, unexpired accounts	159	150	157
3020	Outlays (gross)	–154	–179	–133
3040	Recoveries of prior year unpaid obligations, unexpired	–6		
3050	Unpaid obligations, end of year	29		24
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	30	29	
3200	Obligated balance, end of year	29		24
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	148	150	157
	Outlays, gross:			
4100	Outlays from new mandatory authority	95	128	110
4101	Outlays from mandatory balances	59	51	23
4110	Outlays, gross (total)	154	179	133
4180	Budget authority, net (total)	148	150	157
4190	Outlays, net (total)	154	179	133
	Memorandum (non-add) entries:			
5000	Total investments, SOY: Federal securities: Par value			35
5001	Total investments, EOY: Federal securities: Par value		35	

Expenses and refunds, inspection and grading of farm products.—The Agricultural Marketing Service's commodity grading programs provide grading, examination, and certification services for a wide variety of fresh and processed food commodities using federally approved grade standards and purchase specifications. Commodities graded include poultry, livestock, meat, dairy products, and fresh and processed fruits and vegetables. These programs use official grade standards which reflect the relative quality of a particular food commodity based on laboratory testing and characteristics such as taste, color, weight, and physical condition. Producers voluntarily request grading and certification services which are provided on a fee for service basis.

Object Classification (in millions of dollars)

Identification code 12–8015–0–7–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	72	75	76
11.3	Other than full-time permanent	6	7	8
11.5	Other personnel compensation	11	11	11
11.9	Total personnel compensation	89	93	95
12.1	Civilian personnel benefits	31	28	29
13.0	Benefits for former personnel	1		
21.0	Travel and transportation of persons	10	4	4
23.2	Rental payments to others	3	1	2
23.3	Communications, utilities, and miscellaneous charges	2	4	4
25.2	Other services from non-Federal sources	6	7	7
25.3	Other goods and services from Federal sources	7	6	9
26.0	Supplies and materials	2	2	2
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	7	4	4
99.9	Total new obligations	159	150	157

Employment Summary

Identification code 12–8015–0–7–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	1,328	1,338	1,342

Milk Market Orders Assessment Fund

Program and Financing (in millions of dollars)

Identification code 12–8412–0–8–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0801	Administration	46	48	50
0802	Marketing service	7	7	8
0900	Total new obligations	53	55	58
	Budgetary Resources:			
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	53	55	58
1850	Spending auth from offsetting collections, mand (total)	53	55	58
1930	Total budgetary resources available	53	55	58
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	53	55	58
3020	Outlays (gross)	–53	–55	–58
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	53	55	58
	Outlays, gross:			
4100	Outlays from new mandatory authority	53	55	58
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–53	–55	–58

The Secretary of Agriculture is authorized by the Agricultural Marketing Agreement Act of 1937, as amended under certain conditions to issue Federal milk marketing orders establishing minimum prices which handlers are required to pay for milk purchased from producers. There are currently 10 Federally-sanctioned milk market orders in operation.

Market administrators are appointed by the Secretary and are responsible for carrying out the terms of specific marketing orders. Their operating expenses, partly financed by assessments on regulated handlers and partly by deductions from producers, are reported to the Agricultural Marketing Service. The majority of these funds are collected and deposited in checking and savings accounts in local banks, and disbursed directly by the market administrator. A portion of the funds collected are invested in securities such as certificates of deposit.

Expenses of local offices are met from an administrative fund and a marketing service fund, which are prescribed in each order. The administrative fund is derived from prorated handler assessments. The marketing service fund of the individual order disseminates market information to producers who are not members of a qualified cooperative. It also provides for the verification of the weights, sampling, and testing of milk from these producers. The cost of these services is borne by such producers.

The maximum rates for administrative assessment and for marketing services are set forth in each order and adjustments below these rates are made from time to time upon recommendations by the market administrator and upon approval of the Agricultural Marketing Service to provide reserves at about a six month operating level. Upon termination of any order, the statute provides for distributing the proceeds from net assets pro rata to contributing handlers or producers, as the case may be.

Object Classification (in millions of dollars)

Identification code 12–8412–0–8–351		2012 actual	2013 CR	2014 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	31	32	32
11.3	Other than full-time permanent	....	....	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	32	33	34
12.1	Civilian personnel benefits	9	10	11
21.0	Travel and transportation of persons	3	3	3
23.2	Rental payments to others	4	4	4
23.3	Communications, utilities, and miscellaneous charges	2	2	2
25.2	Other services from non-Federal sources	1	1	1
26.0	Supplies and materials	1	1	2
31.0	Equipment	1	1	1
99.9	Total new obligations	53	55	58

Employment Summary

Identification code 12–8412–0–8–351		2012 actual	2013 CR	2014 est.
2001	Reimbursable civilian full-time equivalent employment	370	370	370

RISK MANAGEMENT AGENCY

Federal Funds

Risk Management Agency

For necessary expenses of the Risk Management Agency, $71,496,000: Provided, That not to exceed $1,000 shall be available for official reception and representation expenses, as authorized by 7 U.S.C. 1506(i).

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2707–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Administrative and operating expenses	75	75	71
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	75	75	71
1160	Appropriation, discretionary (total)	75	75	71
1930	Total budgetary resources available	75	75	71
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	19	17	17
3010	Obligations incurred, unexpired accounts	75	75	71
3020	Outlays (gross)	–77	–75	–72
3050	Unpaid obligations, end of year	17	17	16
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	19	17	17
3200	Obligated balance, end of year	17	17	16
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	75	75	71
	Outlays, gross:			
4010	Outlays from new discretionary authority	60	60	57
4011	Outlays from discretionary balances	17	15	15
4020	Outlays, gross (total)	77	75	72
4180	Budget authority, net (total)	75	75	71
4190	Outlays, net (total)	77	75	72

The Risk Management Agency (RMA) was established under provisions of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104–127, approved April 4, 1996. RMA is responsible for administration and oversight of programs authorized under the Federal Crop Insurance Act (7 U.S.C. 1501 et seq.) and promotes the National welfare by improving the economic stability of agriculture through a secure system of crop insurance. This administrative expense account includes resources to maintain ongoing operations of the Federal crop insur-

RISK MANAGEMENT AGENCY—Continued

ance program and other functions assigned to RMA such as risk management education. This account covers expenses of national, regional and compliance offices located across the United States. The 2014 Budget requests $71.496 million.

The Federal crop insurance program is delivered through private insurance companies. Certain administrative expenses incurred by the companies are reimbursed through mandatory funding that is reflected in the Federal Crop Insurance Corporation Fund account. The funding in this account appropriately covers administrative activities for RMA where mandatory funding is not available and cannot be funded with funds from the Federal Crop Insurance Corporation Fund account.

Object Classification (in millions of dollars)

Identification code 12–2707–0–1–351	2012 actual	2013 CR	2014 est.
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent	41	40	40
11.3 Other than full-time permanent	1	1	1
11.9 Total personnel compensation	42	41	41
12.1 Civilian personnel benefits	12	12	12
21.0 Travel and transportation of persons	1	1	1
23.2 Rental payments to others	1	1	1
23.3 Communications, utilities, and miscellaneous charges	1	1	1
25.2 Other services from non-Federal sources	18	19	15
99.9 Total new obligations	75	75	71

Employment Summary

Identification code 12–2707–0–1–351	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	470	455	455

CORPORATIONS

The following corporations and agencies are hereby authorized to make expenditures, within the limits of funds and borrowing authority available to each such corporation or agency and in accord with law, and to make contracts and commitments without regard to fiscal year limitations as provided by section 104 of the Government Corporation Control Act as may be necessary in carrying out the programs set forth in the budget for the current fiscal year for such corporation or agency, except as hereinafter provided.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

FEDERAL CROP INSURANCE CORPORATION FUND

For payments as authorized by section 516 of the Federal Crop Insurance Act (7 U.S.C. 1516), such sums as may be necessary, to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–4085–0–3–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Indemnities	4,532	8,867	6,888
0002 Delivery Expenses	1,373	1,313	1,315
0003 Underwriting Gains	1,669	....	1,261
0004 Federal Crop Insurance Act Initiatives	31	39	39
0799 Total direct obligations	7,605	10,219	9,503
0801 Reimbursable program - indemnities	4,981	8,105	4,144
0802 Reimbursable program - program related IT	20	20	20
0899 Total reimbursable obligations	5,001	8,125	4,164
0900 Total new obligations	12,606	18,344	13,667
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	561	564	564
1021 Recoveries of prior year unpaid obligations	2	....	....
1050 Unobligated balance (total)	563	564	564
Budget authority:			
Appropriations, discretionary:			
1134 Appropriations precluded from obligation	....	–75	....
1160 Appropriation, discretionary (total)	....	–75	....
Appropriations, mandatory:			
1200 Appropriation	7,605	10,219	9,503
1220 Appropriations transferred to other accts [12–0502]	–5	–5	–5
1221 Appropriations transferred from other accts [12–4336]	6	6	6
1260 Appropriations, mandatory (total)	7,606	10,220	9,504
Spending authority from offsetting collections, mandatory:			
1800 Collected	5,001	8,199	4,164
1850 Spending auth from offsetting collections, mand (total)	5,001	8,199	4,164
1900 Budget authority (total)	12,607	18,344	13,668
1930 Total budgetary resources available	13,170	18,908	14,232
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	564	564	565
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	441	3,234	3,238
3010 Obligations incurred, unexpired accounts	12,606	18,344	13,667
3020 Outlays (gross)	–9,811	–18,340	–13,880
3040 Recoveries of prior year unpaid obligations, unexpired	–2	....	....
3050 Unpaid obligations, end of year	3,234	3,238	3,025
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	441	3,234	3,238
3200 Obligated balance, end of year	3,234	3,238	3,025
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	....	–75	....
Outlays, gross:			
4010 Outlays from new discretionary authority	....	–75	....
Mandatory:			
4090 Budget authority, gross	12,607	18,419	13,668
Outlays, gross:			
4100 Outlays from new mandatory authority	9,537	17,498	12,784
4101 Outlays from mandatory balances	274	917	1,096
4110 Outlays, gross (total)	9,811	18,415	13,880
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4123 Non-Federal sources	–5,001	–8,199	–4,164
4180 Budget authority, net (total)	7,606	10,145	9,504
4190 Outlays, net (total)	4,810	10,141	9,716

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	7,606	10,145	9,504
Outlays	4,810	10,141	9,716
Legislative proposal, subject to PAYGO:			
Budget Authority	....	....	–513
Outlays	....	....	–513
Total:			
Budget Authority	7,606	10,145	8,991
Outlays	4,810	10,141	9,203

The Federal Crop Insurance Corporation (FCIC) is a wholly owned government corporation created February 16, 1938 (7 U.S.C. 1501.) The program was amended by P.L. 96–365, dated September 26, 1980, to provide for nationwide expansion of a comprehensive crop insurance plan. The crop insurance program includes products involving yield and revenue insurance, pasture, rangeland and forage, livestock, and other educational and risk mitigation initiatives/tools to manage risk. FCIC is administered by the Risk Management Agency (RMA), and provides economic stability to agriculture through a secure system of crop insurance. FCIC provides to farmers a risk management program that protects against agricultural production losses due to unavoidable causes such as drought, excessive moisture, hail, wind, hurricane, tornado, lightning, and insects. In addition to these causes, revenue insurance programs are available to protect against loss of revenue stemming from low prices, poor yields, or a combination of both. Federal crop insurance is available through private insurance companies that market and service policies and also share in the risk. Thus, the program delivery is a joint effort between the Federal government and the private insurance industry. There were over 1.1 million policies written in crop year 2012 with over $11 billion in premiums and indemnities projected at about $17 billion. Crop insurance is available for more than 350 different commodities in over 3,162 counties covering all 50 states, and Puerto Rico. RMA continues to pursue initiatives to make higher levels of crop insurance protection more affordable and useful to producers and improve program integrity.

The 2014 Budget requests funding to support $13.7 billion in obligations, a decrease of over $4.7 billion from the 2013 estimated obligations of $18.3 billion. Estimates for the 2013 fiscal year are based on 2012 crop year projected loss ratio of 1.5, factoring in some actuals with estimates for the year. In fiscal year 2014, funding level estimates are based on a 1.0 loss ratio, which is the statutory target loss ratio used for estimating future crop insurance costs.

In fiscal year 2013 the appropriations request appears lower than what might be expected in a 1.5 loss ratio year, but that is due to a timing shift in premium collections. Policy changes made by the 2008 Farm Bill were intended to accelerate premium collections originally due in fiscal year 2013 into fiscal year 2012. However, in response to the severe drought conditions the USDA used its discretionary authority to waive interest penalties for one month on late paid premiums. This effectively shifted some premium collections back into fiscal year 2013 and reduced the overall need for additional appropriations. This is a one-time shift, and the funding returns to normal beginning in fiscal year 2014.

Commercial insurance companies deliver crop insurance. For producers who obtain Catastrophic Crop Insurance (CAT), which compensates the farmer for losses exceeding 50 percent of the individual's average yield at 55 percent of the expected market price, the premium is entirely subsidized. The cost to the producer for this type of coverage is an annual administrative fee of $300 per crop per county.

Additional coverage is available to producers and is commonly referred to as "buy-up" coverage. Policyholders can elect to be paid up to 100 percent of the market price established by FCIC for each unit of production their actual yield is less than the individual yield guarantee. Premium rates for additional coverage depend on the level of protection selected and vary from crop to crop and county to county. Producers are assessed a fee of $30 per crop, per county, in addition to a share of the premium. The additional levels of insurance coverage are more attractive to farmers due to availability of optional units, other policy provisions not available with CAT coverage, and the ability to obtain a level of protection that permits them to use crop insurance as loan collateral and to achieve greater financial security.

Revenue protection for specified products is provided by extending traditional multi-peril crop insurance protection, based on actual production history, to include price variability based on futures market prices. Producers have a choice of revenue protection (protection against loss of revenue caused by low prices, low yields, or a combination of both) or yield protection (protection for production losses only) within one Basic Provision and the applicable Crop Provision.

The following table illustrates Crop Year statistics as of September 30, 2012. Crop Year is generally all activity for crops from July 1-June 30 of a given year.

	2012 est.	2013 est.	2014 est.
Number of States	50	50	50
Number of counties	3,162	3,162	3,162
Insurance in force (millions)	116,647	116,086	94,095
Insured acreage (millions)	282	279	270
Producer premium (millions)	4,116	4,111	3,249
Premium subsidy (millions)	6,940	6,902	5,485
Total premium (millions)	11,056	11,013	8,734
Indemnities (millions)	17,064	11,013	8,734
Loss ratio	1.54	1.00	1.00

Financing.—The Corporation is authorized under the Federal Crop Insurance Act, as amended, to use funds from the issuance of capital stock which provides working capital for the Corporation.

Receipts, which are for deposit to this fund, mainly come from premiums paid by farmers. The principal payments from this fund are for indemnities to insured farmers, and administrative expenses for approved insurance providers.

Premium subsidies are authorized by section 508(b) of the Federal Crop Insurance Act, as amended, and are received through appropriations.

The following table illustrates premium subsidies and indemnities for all crop years as expected to occur during the period of October 1-September 30 for fiscal years 2013 and 2014 .

PREMIUM AND SUBSIDY

[In millions of dollars]

	2013 est.	2014 est.
Premiums:		
Additional coverage premium subsidy	12,131	6,607
Catastrophic coverage premium subsidy	264	261
Subtotal, premium subsidy	12,395	6,868
Producer premium	4,116	4,111
Total premiums	16,511	10,979
Indemnities:		
Additional coverage	16,621	10,752
Catastrophic coverage	406	261
Total indemnities	17,027	11,013

NET INCOME OR LOSS (-) ON INSURANCE OPERATIONS

[In millions of dollars]

	2013 est.	2014 est.
Producer premium less indemnities	–12,911	–6,902
Interest expense, net	0	0
Delivery expenses[1]	1,313	1,315
Other income or expense, net (CAT fees)	53	53
Federal Crop Insurance Act Initiatives	59	59
Reinsurance underwriting gain (+) or loss (-)	0	1,262
Net income or loss (-)	–11,486	–4,213

[1] Figures reflect delivery expenses borne by the Fund in accordance with the Food, Conservation, and Energy Act of 2008, P.L. 110–246.

Balance Sheet (in millions of dollars)

Identification code 12–4085–0–3–351	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	755	3,613
1206 Non-Federal assets: Receivables, net	4,109	5,540

FEDERAL CROP INSURANCE CORPORATION FUND—Continued

Balance Sheet—Continued

Identification code 12–4085–0–3–351	2011 actual	2012 actual
1999 Total assets	4,864	9,153
LIABILITIES:		
2105 Federal liabilities: Other	1	1
Non-Federal liabilities:		
2201 Accounts payable	138	1,330
2207 Other	11,352	20,821
2999 Total liabilities	11,491	22,152
NET POSITION:		
3100 Unexpended appropriations	538	564
3300 Cumulative results of operations	–7,165	–13,563
3999 Total net position	–6,627	–12,999
4999 Total liabilities and net position	4,864	9,153

Object Classification (in millions of dollars)

Identification code 12–4085–0–3–351	2012 actual	2013 CR	2014 est.
Direct obligations:			
25.2 Other services-Agriculture Risk Protection Act of 2000 Initiatives	53	59	59
25.2 Other services from non-Federal sources	3,020	1,312	2,576
42.0 Insurance claims and indemnities (reinsured buyup)	4,532	8,848	6,868
99.0 Direct obligations	7,605	10,219	9,503
Reimbursable obligations:			
42.0 Insurance claims, indemnities and program related IT	5,001	8,125	4,164
99.0 Reimbursable obligations	5,001	8,125	4,164
99.9 Total new obligations	12,606	18,344	13,667

FEDERAL CROP INSURANCE CORPORATION FUND

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–4085–4–3–351	2012 actual	2013 CR	2014 est.
Budgetary Resources:			
Budget authority:			
Appropriations, mandatory:			
1200 Appropriation			–513
1260 Appropriations, mandatory (total)			–513
1930 Total budgetary resources available			–513
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year			–513
Change in obligated balance:			
Unpaid obligations:			
3020 Outlays (gross)			513
3050 Unpaid obligations, end of year			513
Memorandum (non-add) entries:			
3200 Obligated balance, end of year			513
Budget authority and outlays, net:			
Mandatory:			
4090 Budget authority, gross			–513
Outlays, gross:			
4100 Outlays from new mandatory authority			–513
4180 Budget authority, net (total)			–513
4190 Outlays, net (total)			–513

As part of the President's commitment to fiscal responsibility the Budget includes five proposals. The proposals include programmatic changes that:

1. Establish a reasonable rate of return to participating crop insurance companies. A USDA commissioned study found that when compared to other private companies, crop insurance companies rate of return on investment (ROI) should be around 12 percent, but that it is currently expected to be 14 percent. The Administration is proposing to lower the crop insurance companies' ROI to meet the 12 percent target. This proposal is expected to save about $1.2 billion over 10 years.

2. Reduce the reimbursement rate of administrative and operating expenses. The current cap on administrative expenses to be paid to participating crop insurance companies is based on the 2010 premiums, which were among the highest ever. A more appropriate level for the cap would be based on 2006 premiums, neutralizing the spike in commodity prices over the last few years, but not harming the delivery system. The Administration, therefore, proposes setting the cap at $0.9 billion adjusted annually for inflation. This proposal is expected to save about $2.8 billion over 10 years.

3. Decrease the premium subsidy paid on behalf of producers by 3 percentage points. The proposal would reduce the premium subsidy levels by 3 percentage points for those policies that are currently subsidized by more than 50 percent. This proposal is expected to save about $4.2 billion over 10 years.

4. Decrease the premium subsidy paid on behalf of producers by 2 percentage points on policies where the producer elects the harvest price option (HPO). This reduction is in addition to the 3 percentage point reduction on policies currently subsidized by more than 50 percent. The HPO provides upward price protection which provides a higher indemnity if the commodity prices are higher at harvest time than when the policy was purchased. This proposal is expected to save about $3.2 billion over 10 years.

5. Decrease the premium rate on catastrophic coverage to better reflect historical performance. This proposal would require that USDA reset premium rates to more accurately reflect the performance of the catastrophic portfolio. The proposal is expected to save about $292 million over 10 years.

FARM SERVICE AGENCY

Federal Funds

SALARIES AND EXPENSES

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses of the Farm Service Agency, $1,176,460,000: Provided, That the Secretary is authorized to use the services, facilities, and authorities (but not the funds) of the Commodity Credit Corporation to make program payments for all programs administered by the Agency: Provided further, That other funds made available to the Agency for authorized activities may be advanced to and merged with this account: Provided further, That funds made available to county committees shall remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0600–0–1–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Conservation	307	308	301
0002 Income support	869	872	850
0005 Commodity operations	26	26	25
0300 Subtotal, direct program	1,202	1,206	1,176
0799 Total direct obligations	1,202	1,206	1,176
0801 Farm loans	291	292	307
0802 Other programs	125	92	92
0899 Total reimbursable obligations	416	384	399
0900 Total new obligations	1,618	1,590	1,575

	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	16	22	22
1012	Unobligated balance transfers between expired and unexpired accounts	10		
1021	Recoveries of prior year unpaid obligations	2		
1050	Unobligated balance (total)	28	22	22
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1,199	1,206	1,176
1160	Appropriation, discretionary (total)	1,199	1,206	1,176
	Spending authority from offsetting collections, discretionary:			
1700	Collected	405	384	399
1701	Change in uncollected payments, Federal sources	35		
1750	Spending auth from offsetting collections, disc (total)	440	384	399
1900	Budget authority (total)	1,639	1,590	1,575
1930	Total budgetary resources available	1,667	1,612	1,597
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–27		
1941	Unexpired unobligated balance, end of year	22	22	22
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	242	280	207
3010	Obligations incurred, unexpired accounts	1,618	1,590	1,575
3011	Obligations incurred, expired accounts	11		
3020	Outlays (gross)	–1,571	–1,663	–1,603
3040	Recoveries of prior year unpaid obligations, unexpired	–2		
3041	Recoveries of prior year unpaid obligations, expired	–18		
3050	Unpaid obligations, end of year	280	207	179
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–125	–62	–62
3070	Change in uncollected pymts, Fed sources, unexpired	–35		
3071	Change in uncollected pymts, Fed sources, expired	98		
3090	Uncollected pymts, Fed sources, end of year	–62	–62	–62
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	117	218	145
3200	Obligated balance, end of year	218	145	117
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1,639	1,590	1,575
	Outlays, gross:			
4010	Outlays from new discretionary authority	1,371	1,397	1,387
4011	Outlays from discretionary balances	200	266	216
4020	Outlays, gross (total)	1,571	1,663	1,603
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–503	–384	–399
4033	Non-Federal sources	–2		
4040	Offsets against gross budget authority and outlays (total)	–505	–384	–399
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–35		
4052	Offsetting collections credited to expired accounts	100		
4060	Additional offsets against budget authority only (total)	65		
4070	Budget authority, net (discretionary)	1,199	1,206	1,176
4080	Outlays, net (discretionary)	1,066	1,279	1,204
4180	Budget authority, net (total)	1,199	1,206	1,176
4190	Outlays, net (total)	1,066	1,279	1,204

The Farm Service Agency (FSA) was established October 3, 1994, pursuant to the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, P.L. 103–354. The Department of Agriculture Reorganization Act of 1994 was amended on April 4, 1996, by the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act), P.L. 104–127. The FSA administers a variety of activities, such as farm income support programs through various loans and payments; the Conservation Reserve Program (CRP); the Emergency Conservation Program; the Hazardous Waste Management Program; the Commodity Operation Programs including the warehouse examination function; farm ownership, farm operating, emergency disaster, and other loan programs; and the Noninsured Crop Disaster Assistance Program (NAP), which provides crop loss protection for growers of many crops for which crop insurance is not available. The American Taxpayer Relief Act of 2012 extended the 2008 Farm Bill through the 2013 crop year. FSA also assists in the administration of several conservation cost-share programs financed by the Commodity Credit Corporation (CCC), including the Grasslands Reserve Program (GRP). In addition, FSA currently provides certain administrative support services to the Foreign Agricultural Service (FAS) and to the Risk Management Agency (RMA).

This consolidated administrative expenses account includes funds to cover expenses of programs administered by, and functions assigned to, FSA. The funds consist of a direct appropriation, transfers from program loan accounts under credit reform procedures, user fees, and advances and reimbursements from other sources. This is a consolidated account for administrative expenses of national, regional, State, and county offices. The 2014 Budget decreases the direct appropriation by $22 million and increases the transfers by $17 million, providing about $1.5 billion in total (approximately the same level as the 2012 enacted level).

USDA's FSA, Natural Resources Conservation Service, and Rural Development offices act as separate franchises, with offices often located adjacent to each other. Prior efforts to improve the efficiency of USDA's county-based offices have resulted in significant co-location and introduction of new information technology to simplify customer transactions.

Farm programs.—These programs provide an economic safety net through farm income support to eligible producers, cooperatives, and associations to help improve the economic stability and viability of the agricultural sector and to ensure the production of an adequate and reasonably priced supply of food and fiber. Activities of the Agency include providing direct and counter-cyclical and average crop revenue election payments, providing marketing assistance loans and loan deficiency payments enabling recipients to continue farming operations without marketing their product immediately after harvest, and providing a financial safety net to eligible producers when natural disasters adversely affect their farming operation. These programs range from covering losses of; grazing under the Livestock Forage Disaster Program, orchard trees and nursery to help replant or rehabilitate trees under the Tree Assistance Program, crop production and quality under the Supplemental Revenue Assistance Payments Program, production under the Noninsured Crop Disaster Assistance Program, livestock under the Livestock Indemnity Program, livestock, honeybees and farm raised fish for losses that are not covered under the previously listed programs under the Emergency Assistance for Livestock, Honeybees, and Farm Raised Fish.

Farm program activities include the following functions dealing with the administration of programs carried out through the farmer committee system of the FSA: (a) developing program regulations and procedures; (b) collecting and compiling basic data for individual farms; (c) establishing individual farm base acres for farm planting history; (d) notifying producers of established base acres and farm planting histories; (e) conducting referendums and certifying results; (f) accepting farmer certifications and checking compliance for specific purposes; (g) processing commodity loan documents and issuing checks; (h) processing direct and counter-cyclical and average crop revenue election (ACRE) payments and issuing checks; (i) certifying payment eligibility and monitoring payment limitations; and (j) processing farm storage facility loans and issuing checks.

Conservation and environment.—These programs assist agricultural producers and landowners in implementing practices to conserve soil, water, air, and wildlife resources on America's farmland and ranches to help protect the human and natural

SALARIES AND EXPENSES—Continued

environment. Objectives of the Agency include improving environmental quality, protecting natural resources, and enhancing habitat for fish and wildlife, including threatened and endangered species; providing Emergency Conservation Program funding for farmers and ranchers to rehabilitate damaged farmland and for carrying out emergency conservation measures during periods of severe drought or flooding; protecting the public health of communities through implementation of the Hazardous Waste Management Program; and implementing contracting, financial reporting, and other administrative operations processes. These activities include: (a) processing producer requests for conservation cost-sharing and issuing conservation reserve rental payments; and (b) transferring funds to the Natural Resources Conservation Service and other agencies for other conservation programs.

Commodity operations.—This activity includes: (a) overall management of CCC-owned commodities; (b) purchasing commodities; (c) donating commodities; (d) selling commodities; (e) accounting for loans and commodities; and (f) commercial warehouse activities, which include improving the effectiveness and efficiency of FSA's commodity acquisition, procurement, storage, and distribution activities to support domestic and international food assistance programs and administering the U.S. Warehouse Act (USWA). FSA provides for the examination of warehouses licensed under the USWA and non-licensed warehouses storing CCC-owned or pledged commodities. Examiners perform periodic examinations of the facilities and the warehouse records to ensure protection of depositors against potential losses of the stored commodities and to ensure compliance with the USWA and any CCC storage agreements.

Farm loans (reimbursable).—Provides for administering the direct and guaranteed loan programs covered under the Agricultural Credit Insurance Fund (ACIF). Objectives of the Agency include improving the economic viability of farmers and ranchers, reducing losses in direct loan programs, responding to loan making and servicing requests, and maximizing financial and technical assistance to underserved groups. Activities include reviewing applications, servicing the loan portfolio, and providing technical assistance and guidance to borrowers. Funding for farm loan administrative expenses is transferred to this consolidated account from the ACIF. Appropriations representing subsidy amounts necessary to support the individual program loan levels under Federal Credit Reform are made to the ACIF account.

Other reimbursable activities.—FSA collects a fee or is reimbursed for performing a variety of services for other Federal agencies, CCC, industry, and others, including certain administrative support services for the Risk Management Agency and the Foreign Agricultural Service, and for county office services provided to Federal and non-Federal entities, including a variety of services to producers.

Object Classification (in millions of dollars)

Identification code 12–0600–0–1–351		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	157	150	151
11.3	Other than full-time permanent	1		
11.5	Other personnel compensation	1		
11.9	Total personnel compensation	159	150	151
12.1	Civilian personnel benefits	46	44	44
13.0	Benefits for former personnel	3		
21.0	Travel and transportation of persons	5	7	4
22.0	Transportation of things	2	3	1
23.3	Communications, utilities, and miscellaneous charges	17	8	6
24.0	Printing and reproduction	1	1	
25.2	Other services from non-Federal sources	325	327	310
26.0	Supplies and materials	3	3	2
31.0	Equipment	3	3	3
41.0	Grants, subsidies, and contributions	637	660	655
42.0	Insurance claims and indemnities	1		
99.0	Direct obligations	1,202	1,206	1,176
99.0	Reimbursable obligations	416	384	399
99.9	Total new obligations	1,618	1,590	1,575

Employment Summary

Identification code 12–0600–0–1–351		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	1,862	1,814	1,814
2001	Reimbursable civilian full-time equivalent employment	2,626	2,622	2,622

STATE MEDIATION GRANTS

For grants pursuant to section 502(b) of the Agricultural Credit Act of 1987, as amended (7 U.S.C. 5101–5106), $3,782,000.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0170–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	State mediation grants	4	4	4
0900	Total new obligations (object class 41.0)	4	4	4
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	4	4	4
1160	Appropriation, discretionary (total)	4	4	4
1930	Total budgetary resources available	4	4	4
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2	2	2
3010	Obligations incurred, unexpired accounts	4	4	4
3020	Outlays (gross)	–4	–4	–4
3050	Unpaid obligations, end of year	2	2	2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	2	2
3200	Obligated balance, end of year	2	2	2
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	4	4	4
	Outlays, gross:			
4010	Outlays from new discretionary authority	2	2	2
4011	Outlays from discretionary balances	2	2	2
4020	Outlays, gross (total)	4	4	4
4180	Budget authority, net (total)	4	4	4
4190	Outlays, net (total)	4	4	4

This grant program is authorized by Title V of the Agricultural Credit Act of 1987, P.L. 100–233, as amended. Originally designed to address agricultural credit disputes, the program was expanded by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (P.L. 103–354) to include other agricultural issues such as wetland determinations, conservation compliance, rural water loan programs, grazing on National Forest System lands, and pesticide use. Grants are made to States whose agricultural mediation programs have been certified by the Farm Service Agency. A grant will not exceed 69 percent of the total fiscal year funds that a qualifying State requires to operate and administer its agricultural mediation program. In no case will the total amount of a grant exceed $500,000 annually. Current authority for the program under P.L. 111–233 expires September 10, 2015. The 2014 Budget requests $3.8 million for the program, which is the same as the 2013 estimated level.

GRANT OBLIGATIONS

	2012 actual	2013 est.	2014 est.
Number of States receiving grants	34	37	38
Amount of grants (in millions of dollars)	4	4	4

Discrimination Claims Settlement

Program and Financing (in millions of dollars)

Identification code 12–1144–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Discrimination Claims Settlement		1,150	
0900	Total new obligations (object class 42.0)		1,150	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1,150	1,150	
1930	Total budgetary resources available	1,150	1,150	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1,150		
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts		1,150	
3020	Outlays (gross)		–1,150	
	Budget authority and outlays, net:			
	Mandatory:			
	Outlays, gross:			
4101	Outlays from mandatory balances		1,150	
4190	Outlays, net (total)		1,150	

The Claims Resolution Act of 2010, P.L. 111–291 that was signed into law on December 8, 2010 provides funding to settle claims of prior discrimination brought by black farmers against the Department of Agriculture. These funds supplement funding previously provided to USDA for this purpose by section 14012 of P.L. 110–246. Claimants that suffered discrimination between 1989 and 1997 and submitted a late-filing request can seek fast-track payments of up to $50,000 plus debt relief, or choose a longer, more rigorous review and documentation process for damages of up to $250,000. The actual value of awards may be reduced based on the total amount of funds made available and the number of successful claims.

USDA Supplemental Assistance

Program and Financing (in millions of dollars)

Identification code 12–2701–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Geographically disadvantaged farmers and ranchers program	2	2	
0900	Total new obligations (object class 41.0)	2	2	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	782	3	3
1020	Adjustment of unobligated bal brought forward, Oct 1	–962		
1021	Recoveries of prior year unpaid obligations	183		
1050	Unobligated balance (total)	3	3	3
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	2	2	
1160	Appropriation, discretionary (total)	2	2	
1930	Total budgetary resources available	5	5	3
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3	3	3
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	186	3	2
3010	Obligations incurred, unexpired accounts	2	2	
3020	Outlays (gross)	–2	–3	–2
3040	Recoveries of prior year unpaid obligations, unexpired	–183		
3050	Unpaid obligations, end of year	3	2	
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	186	3	2
3200	Obligated balance, end of year	3	2	
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	2	2	
	Outlays, gross:			
4011	Outlays from discretionary balances	2	3	2
4180	Budget authority, net (total)	2	2	
4190	Outlays, net (total)	2	3	2

Sec. 1621 of the Food, Conservation, and Energy Act of 2008, Public Law 110–246 Section 1621, enacted June 18, 2008, (2008 Farm Bill) authorized reimbursement payments to geographicaly disadvantaged farmers or ranchers to transport agricultural commodities or inputs used to produce agricultural commodities; and the Department of Defense and Full-Year Continuing Appropriations Act, 2012, Public Law 112–55 Section 724, provided $1,996,000 to the Farm Service Agency to administer a program to assist farmers and ranchers in Hawaii, Alaska, Puerto Rico, Virgin Islands and insular areas who paid to transport either an agricultural commodity or an input used to produce an agricultural commodity during 2012.

Reforestation Pilot Program

Program and Financing (in millions of dollars)

Identification code 12–3305–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Reforestation pilot program	1	1	
0900	Total new obligations (object class 41.0)	1	1	
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1	1	
1160	Appropriation, discretionary (total)	1	1	
1930	Total budgetary resources available	1	1	
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	1	1	
3020	Outlays (gross)	–1	–1	
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1	1	
	Outlays, gross:			
4010	Outlays from new discretionary authority	1	1	
4180	Budget authority, net (total)	1	1	
4190	Outlays, net (total)	1	1	

In 2012, $600,000 was appropriated by Section 727 of the 2012 Consolidated and Further Continuing Appropriations Act, P.L. 112–55. The program's purpose is to demonstrate the use of new technologies that increase the rate of growth of re-forested hardwood trees on private non-industrial forest lands, enrolling lands on the coast of the Gulf of Mexico that were damaged by

REFORESTATION PILOT PROGRAM—Continued

Hurricane Katrina in 2005. The 2014 Budget proposes no funding for this program.

EMERGENCY CONSERVATION PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–3316–0–1–453	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Emergency conservation program	75	188	
0900 Total new obligations (object class 41.0)	75	188	
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	106	173	
1011 Unobligated balance transfer from other accts [12–5531]	14		
1021 Recoveries of prior year unpaid obligations	5		
1050 Unobligated balance (total)	125	173	
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	123	15	
1160 Appropriation, discretionary (total)	123	15	
1930 Total budgetary resources available	248	188	
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	173		
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	32	46	144
3010 Obligations incurred, unexpired accounts	75	188	
3020 Outlays (gross)	–56	–90	–93
3040 Recoveries of prior year unpaid obligations, unexpired	–5		
3050 Unpaid obligations, end of year	46	144	51
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	32	46	144
3200 Obligated balance, end of year	46	144	51
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	123	15	
Outlays, gross:			
4010 Outlays from new discretionary authority	24		
4011 Outlays from discretionary balances	32	90	93
4020 Outlays, gross (total)	56	90	93
4180 Budget authority, net (total)	123	15	
4190 Outlays, net (total)	56	90	93

The Emergency Conservation Program (ECP) was authorized by the Agricultural Credit Act of 1978 (16 U.S.C. 2201–05). It provides funds for sharing the cost of emergency measures to deal with cases of severe damage to farmlands and rangelands resulting from natural disasters.

During 2012, 45 States and 1 Territory participated in the Emergency Conservation Program (ECP), involving an estimated 1,900,000 acres and approximately $56,113,938 in cost-share and technical assistance outlays. In 2012, the Consolidated and Further Continuing Appropriations Act, P.L. 112–55, provided $122,700,000 for ECP. Use of this appropriation is limited to major disasters declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.). These funds continue to help agricultural producers remove debris from farmland, restore livestock fences and conservation structures, provide water for livestock during periods of severe drought, and grade and shape farmland damaged by natural disasters. The Disaster Relief Appropriations Act, 2013 provided $15 million for ECP and, as in 2012, limits the use of funds for major disasters declared pursuant to the Stafford Act. The 2014 Budget does not propose funding for this program.

EMERGENCY FOREST RESTORATION PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–0171–0–1–453	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 EFRP	17	51	
0900 Total new obligations (object class 41.0)	17	51	
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	16	28	
1021 Recoveries of prior year unpaid obligations	1		
1050 Unobligated balance (total)	17	28	
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	28	23	
1160 Appropriation, discretionary (total)	28	23	
1930 Total budgetary resources available	45	51	
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	28		
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	2	16	59
3010 Obligations incurred, unexpired accounts	17	51	
3020 Outlays (gross)	–2	–8	–22
3040 Recoveries of prior year unpaid obligations, unexpired	–1		
3050 Unpaid obligations, end of year	16	59	37
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	2	16	59
3200 Obligated balance, end of year	16	59	37
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	28	23	
Outlays, gross:			
4011 Outlays from discretionary balances	2	8	22
4180 Budget authority, net (total)	28	23	
4190 Outlays, net (total)	2	8	22

The Emergency Forest Restoration Program (EFRP) provides payments to eligible owners of non-industrial private forest (NIPF) for implementation of emergency measures to restore land damaged by a natural disaster. A total of $18 million was appropriated by the Supplemental Appropriations Act of 2010, P.L. 111–212 and an additional $28.4 million was appropriated in 2012 by the Consolidated and Further Continuing Appropriations Act, P.L. 112–55. During 2012, 9 States participated in the EFRP involving an estimated 1,360 acres and approximately $1,991,152 in cost-share and technical assistance outlays. The 2014 Budget does not include funding for EFRP.

GRASSROOTS SOURCE WATER PROTECTION PROGRAM

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3304–0–1–302	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Grassroots source water payments	4	4	
0900 Total new obligations (object class 41.0)	4	4	

	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	4	4	....
1160	Appropriation, discretionary (total)	4	4	....
1930	Total budgetary resources available	4	4	....
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	4	4	....
3020	Outlays (gross)	–4	–4	....
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	4	4	....
	Outlays, gross:			
4010	Outlays from new discretionary authority	4	4	....
4180	Budget authority, net (total)	4	4	....
4190	Outlays, net (total)	4	4	....

The Grassroots Source Water Protection Program (GSWPP) is a joint project by USDA's Farm Service Agency and the nonprofit National Rural Water Association. It is designed to help prevent source water pollution in States through voluntary practices installed by producers at the local level. GSWPP uses onsite technical assistance capabilities of each State rural water association that operates a wellhead or groundwater protection program in the State. State rural water associations can deliver assistance in developing source water protection plans within priority watersheds for the common goal of preventing the contamination of drinking water supplies. The 2008 Farm Bill authorized this program to continue through 2012. The Taxpayer Relief Act of 2012 extended this program through September 30, 2013. The 2012 enacted level provided $3.8 million for GSWPP, and the 2014 Budget proposes no funding for this program.

Agricultural Credit Insurance Fund Program Account

(INCLUDING TRANSFERS OF FUNDS)

For gross obligations for the principal amount of direct and guaranteed farm ownership (7 U.S.C. 1922 et seq.) and operating (7 U.S.C. 1941 et seq.) loans, emergency loans (7 U.S.C. 1961 et seq.), Indian tribe land acquisition loans (25 U.S.C. 488), boll weevil loans (7 U.S.C. 1989), guaranteed conservation loans (7 U.S.C. 1924 et seq.), Indian highly fractionated land loans (25 U.S.C. 488), and individual development account grants (7 U.S.C. 1981–2008r) to be available from funds in the Agricultural Credit Insurance Fund, as follows: farm ownership loans, $2,575,000,000, of which $2,000,000,000 shall be for unsubsidized guaranteed loans and $575,000,000 shall be for direct loans; operating loans, $2,723,686,000, of which $1,500,000,000 shall be for unsubsidized guaranteed loans and $1,223,686,000 shall be for direct loans; emergency loans, $34,658,000; Indian tribe land acquisition loans, $2,000,000; guaranteed conservation loans, $150,000,000; Indian highly fractionated land loans, $10,000,000; and for boll weevil eradication program loans, $60,000,000: Provided, That the Secretary shall deem the pink bollworm to be a boll weevil for the purpose of boll weevil eradication program loans.

For the cost of direct and guaranteed loans and grants, including the cost of modifying loans as defined in section 502 of the Congressional Budget Act of 1974, as follows: farm ownership loans, $4,428,000 for direct loans; operating loans, $85,358,000, of which $18,300,000 shall be for unsubsidized guaranteed loans, and $67,058,000 shall be for direct loans; emergency loans, $1,698,000, to remain available until expended; and Indian highly fractionated land loans, $68,000.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, $314,918,000 of which $306,998,000 shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses''.

Funds appropriated by this Act to the Agricultural Credit Insurance Program Account for farm ownership, operating and conservation direct loans and guaranteed loans may be transferred among these programs: Provided, That the Committees on Appropriations of both Houses of Congress are notified at least 15 days in advance of any transfer.

Dairy Indemnity Program

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses involved in making indemnity payments to dairy farmers and manufacturers of dairy products under a dairy indemnity program, such sums as may be necessary, to remain available until expended: Provided, That such program is carried out by the Secretary in the same manner as the dairy indemnity program described in the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2001 (Public Law 106–387, 114 Stat. 1549A-12).

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1140–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Administrative expenses - PLCE	7	8	8
	Credit program obligations:			
0701	Direct loan subsidy	93	85	73
0702	Loan guarantee subsidy	16	26	18
0705	Reestimates of direct loan subsidy	135	86	....
0706	Interest on reestimates of direct loan subsidy	31	41	....
0707	Reestimates of loan guarantee subsidy	18	23	....
0708	Interest on reestimates of loan guarantee subsidy	16	26	....
0709	Administrative expenses	290	291	307
0791	Direct program activities, subtotal	599	578	398
0900	Total new obligations	606	586	406
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4	2	....
1001	Discretionary unobligated balance brought fwd, Oct 1	4	2	....
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	406	408	406
1160	Appropriation, discretionary (total)	406	408	406
	Appropriations, mandatory:			
1200	Appropriation	199	176	....
1260	Appropriations, mandatory (total)	199	176	....
1900	Budget authority (total)	605	584	406
1930	Total budgetary resources available	609	586	406
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–1	....	....
1941	Unexpired unobligated balance, end of year	2	....	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	98	21	12
3010	Obligations incurred, unexpired accounts	606	586	406
3020	Outlays (gross)	–679	–595	–412
3041	Recoveries of prior year unpaid obligations, expired	–4	....	....
3050	Unpaid obligations, end of year	21	12	6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	98	21	12
3200	Obligated balance, end of year	21	12	6
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	406	408	406
	Outlays, gross:			
4010	Outlays from new discretionary authority	386	401	400
4011	Outlays from discretionary balances	94	18	12
4020	Outlays, gross (total)	480	419	412
	Mandatory:			
4090	Budget authority, gross	199	176	....
	Outlays, gross:			
4100	Outlays from new mandatory authority	199	176	....
4180	Budget authority, net (total)	605	584	406
4190	Outlays, net (total)	679	595	412

AGRICULTURAL CREDIT INSURANCE FUND PROGRAM ACCOUNT—Continued

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1140–0–1–351		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115001	Farm Ownership	530	541	575
115002	Farm Operating	1,169	1,068	1,224
115003	Emergency Disaster	31	36	35
115004	IndianTribe Land Acquisition		2	2
115005	Boll Weevil Eradication	21	100	60
115010	Indian Highly Fractionated Land		11	10
115999	Total direct loan levels	1,751	1,758	1,906
	Direct loan subsidy (in percent):			
132001	Farm Ownership	4.80	4.24	0.77
132002	Farm Operating	5.63	5.57	5.48
132003	Emergency Disaster	5.01	5.62	4.90
132004	IndianTribe Land Acquisition		–14.85	–35.53
132005	Boll Weevil Eradication	–2.16	–2.54	–2.69
132010	Indian Highly Fractionated Land		1.73	0.68
132999	Weighted average subsidy rate	5.27	4.65	3.72
	Direct loan subsidy budget authority:			
133001	Farm Ownership	25	23	4
133002	Farm Operating	66	59	67
133003	Emergency Disaster	2	2	2
133004	IndianTribe Land Acquisition			–1
133005	Boll Weevil Eradication		–3	–2
133999	Total subsidy budget authority	93	81	70
	Direct loan subsidy outlays:			
134001	Farm Ownership	30	25	7
134002	Farm Operating	62	70	69
134003	Emergency Disaster	2	2	3
134004	IndianTribe Land Acquisition			–1
134005	Boll Weevil Eradication		–2	–2
134999	Total subsidy outlays	94	95	76
	Direct loan upward reestimates:			
135001	Farm Ownership	56	27	
135002	Farm Operating	83	69	
135003	Emergency Disaster	15	17	
135005	Boll Weevil Eradication	1	10	
135008	Credit Sales of Acquired Property	2	2	
135011	Conservation - Direct	1		
135012	Farm Operating - ARRA	7	1	
135999	Total upward reestimate budget authority	165	126	
	Direct loan downward reestimates:			
137001	Farm Ownership	–28	–63	
137002	Farm Operating	–33	–48	
137003	Emergency Disaster	–17	–16	
137005	Boll Weevil Eradication	–7	–2	
137008	Credit Sales of Acquired Property	–3	–3	
137999	Total downward reestimate budget authority	–88	–132	
	Guaranteed loan levels supportable by subsidy budget authority:			
215001	Farm Ownership—Unsubsidized	1,500	1,500	2,000
215002	Farm Operating—Unsubsidized	934	2,209	1,500
215005	Conservation - Guaranteed		150	150
215999	Total loan guarantee levels	2,434	3,859	3,650
	Guaranteed loan subsidy (in percent):			
232001	Farm Ownership—Unsubsidized	–0.01	–0.07	–0.16
232002	Farm Operating—Unsubsidized	1.74	1.19	1.22
232005	Conservation - Guaranteed		–0.28	–0.36
232999	Weighted average subsidy rate	0.66	0.64	0.40
	Guaranteed loan subsidy budget authority:			
233001	Farm Ownership—Unsubsidized		–1	–3
233002	Farm Operating—Unsubsidized	16	26	18
233005	Conservation - Guaranteed			–1
233999	Total subsidy budget authority	16	25	14
	Guaranteed loan subsidy outlays:			
234001	Farm Ownership—Unsubsidized		–1	–3
234002	Farm Operating—Unsubsidized	15	24	18
234999	Total subsidy outlays	15	23	15
	Guaranteed loan upward reestimates:			
235001	Farm Ownership—Unsubsidized	10	11	
235002	Farm Operating—Unsubsidized	15	26	
235003	Farm Operating—Subsidized	8	13	
235999	Total upward reestimate budget authority	33	50	
	Guaranteed loan downward reestimates:			
237001	Farm Ownership—Unsubsidized	–16	–20	
237002	Farm Operating—Unsubsidized	–76	–35	
237003	Farm Operating—Subsidized	–28	–15	
237999	Total downward reestimate subsidy budget authority	–120	–70	
	Administrative expense data:			
3510	Budget authority	298	298	315
3590	Outlays from new authority	296	298	315

The Agricultural Credit Insurance Fund program account's loans are authorized by Title III of the Consolidated Farm and Rural Development Act, as amended.

This program account includes subsidies to provide direct and guaranteed loans for farm ownership, farm operating, conservation, and emergency loans to individuals. This account also includes funding for individual development account grants. Indian tribes and tribal corporations are eligible for Indian land acquisition loans, while individual Native Americans are eligible for loans for the purchase of highly fractionated Indian lands. Boll weevil eradication loans are available to eliminate the cotton boll weevil pest from infested areas. The 2014 Budget does not provide funding for guaranteed subsidized farm operating loans or direct conservation loans. The 2013 estimated level is $108.9 million for loan subsidies, and the 2014 Budget requests $91.6 million for loan subsidies and grants, which is a decrease of $17.3 million. However, the 2014 Budget request is sufficient to support about the same loan levels as those in 2013. The 2014 Budget also provides an increase in loan level of $34.7 million for Emergency Loans, which have been funded through the use of carryover funds for the past several years.

As required by the Federal Credit Reform Act of 1990, this account records for this program the subsidy costs associated with the direct loans obligated and loan guarantees committed in 1992 and beyond (including credit sales of acquired property), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis. For administrative costs, the 2013 estimated level provides $299.4 million, and the 2014 Budget requests $314.9 million, which is an increase of $15.5 million.

Under the Dairy Indemnity Program, payments are made to farmers and manufacturers of dairy products who are directed to remove their milk or milk products from commercial markets because they contain residues of chemicals that have been registered and approved by the Federal Government, other chemicals, nuclear radiation, or nuclear fallout. Indemnification may also be paid for cows producing such milk. In 2012, $286,777 was paid to producers who filed claims under the program and the 2014 Budget requests such sums as may be necessary, which are estimated to be $250,000 for this program.

Object Classification (in millions of dollars)

Identification code 12–1140–0–1–351		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.3	Other goods and services from Federal sources	297	299	315
41.0	Grants, subsidies, and contributions	309	287	91
99.9	Total new obligations	606	586	406

AGRICULTURAL CREDIT INSURANCE FUND DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4212–0–3–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0003	Capitalized costs	6	7	7
0005	Civil rights settlements		3	3

0091	Direct program by activities - subtotal (1 level)	6	10	10
	Credit program obligations:			
0710	Direct loan obligations	1,751	1,758	1,906
0713	Payment of interest to Treasury	289	265	250
0740	Negative subsidy obligations	....	3	3
0742	Downward reestimate paid to receipt account	42	85	....
0743	Interest on downward reestimates	47	48	....
0791	Direct program activities, subtotal	2,129	2,159	2,159
0900	Total new obligations	2,135	2,169	2,169
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	856	381	79
1021	Recoveries of prior year unpaid obligations	64	....	....
1023	Unobligated balances applied to repay debt	–856	–375	–75
1024	Unobligated balance of borrowing authority withdrawn	–60	....	....
1050	Unobligated balance (total)	4	6	4
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	1,962	1,654	1,826
1440	Borrowing authority, mandatory (total)	1,962	1,654	1,826
	Spending authority from offsetting collections, mandatory:			
1800	Collected	1,945	1,888	1,787
1801	Change in uncollected payments, Federal sources	–5	....	....
1825	Spending authority from offsetting collections applied to repay debt	–1,390	–1,300	–1,300
1850	Spending auth from offsetting collections, mand (total)	550	588	487
1900	Financing authority (total)	2,512	2,242	2,313
1930	Total budgetary resources available	2,516	2,248	2,317
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	381	79	148
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	338	310	453
3010	Obligations incurred, unexpired accounts	2,135	2,169	2,169
3020	Financing disbursements (gross)	–2,099	–2,026	–2,180
3040	Recoveries of prior year unpaid obligations, unexpired	–64	....	....
3050	Unpaid obligations, end of year	310	453	442
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–22	–17	–17
3070	Change in uncollected pymts, Fed sources, unexpired	5	....	....
3090	Uncollected pymts, Fed sources, end of year	–17	–17	–17
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	316	293	436
3200	Obligated balance, end of year	293	436	425
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	2,512	2,242	2,313
	Financing disbursements:			
4110	Financing disbursements, gross	2,099	2,026	2,180
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal Sources: Reestimate payment from program account	–165	–126	....
4120	Federal Sources: Subsidy payment from program account	–94	–97	–79
4122	Federal Sources: Interest on uninvested funds	–52	–48	–50
4123	Repayments of principal	–1,406	–1,376	–1,426
4123	Repayments of interest	–223	–241	–232
4123	Other	–5	....	....
4130	Offsets against gross financing auth and disbursements (total)	–1,945	–1,888	–1,787
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	5	....	....
4160	Financing authority, net (mandatory)	572	354	526
4170	Financing disbursements, net (mandatory)	154	138	393
4180	Financing authority, net (total)	572	354	526
4190	Financing disbursements, net (total)	154	138	393

Status of Direct Loans (in millions of dollars)

Identification code 12–4212–0–3–351		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	1,812	1,726	1,906
1121	Limitation available from carry-forward	31	32	....
1142	Unobligated direct loan limitation (-)	–60	....	....
1143	Unobligated limitation carried forward (P.L. 106–113) (-)	–32	....	....
1150	Total direct loan obligations	1,751	1,758	1,906
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	6,984	7,259	7,465
1231	Disbursements: Direct loan disbursements	1,707	1,623	1,902
1251	Repayments: Repayments and prepayments	–1,403	–1,376	–1,426
1261	Adjustments: Capitalized interest	8	....	....
1263	Write-offs for default: Direct loans	–37	–41	–50
1290	Outstanding, end of year	7,259	7,465	7,891

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including credit sales of acquired property that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

This account finances direct loans for farm ownership, farm operating, emergency disaster, Indian land acquisition, Indian highly fractionated land, boll weevil eradication, conservation, and credit sales of acquired property.

Balance Sheet (in millions of dollars)

Identification code 12–4212–0–3–351		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	856	382
	Investments in US securities:		
1106	Receivables, net	166	112
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	6,984	7,259
1402	Interest receivable	223	221
1403	Accounts receivable from foreclosed property	9	10
1405	Allowance for subsidy cost (-)	–434	–446
1405	Allowance for Interest Receivable (-)	–78	–80
1499	Net present value of assets related to direct loans	6,704	6,964
1999	Total assets	7,726	7,458
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	7,635	7,316
2207	Non-Federal liabilities: Other	91	142
2999	Total liabilities	7,726	7,458
4999	Total upward reestimate subsidy BA [12–1140]	7,726	7,458

Agricultural Credit Insurance Fund Guaranteed Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4213–0–3–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0003	Purchase of guaranteed loans	1	1	1
0004	Interest assistance	3	12	6
0091	Direct program by activities - subtotal (1 level)	4	13	7
	Credit program obligations:			
0711	Default claim payments on principal	39	45	46
0712	Default claim payments on interest	1	1	1
0713	Payment of interest to Treasury	1	2	2
0740	Negative subsidy obligations	....	1	4
0742	Downward reestimate paid to receipt account	93	49	....
0743	Interest on downward reestimates	26	20	....
0791	Direct program activities, subtotal	160	118	53
0900	Total new obligations	164	131	60
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	197	145	167
1021	Recoveries of prior year unpaid obligations	22	30	30
1023	Unobligated balances applied to repay debt	–6	–1	–1
1050	Unobligated balance (total)	213	174	196

Agricultural Credit Insurance Fund Guaranteed Loan Financing Account—Continued

Program and Financing—Continued

Identification code 12–4213–0–3–351		2012 actual	2013 CR	2014 est.
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	7	1	1
1440	Borrowing authority, mandatory (total)	7	1	1
	Spending authority from offsetting collections, mandatory:			
1800	Collected	87	123	72
1801	Change in uncollected payments, Federal sources	2		
1850	Spending auth from offsetting collections, mand (total)	89	123	72
1900	Financing authority (total)	96	124	73
1930	Total budgetary resources available	309	298	269
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	145	167	209
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	99	63	42
3010	Obligations incurred, unexpired accounts	164	131	60
3020	Financing disbursements (gross)	–178	–122	–50
3040	Recoveries of prior year unpaid obligations, unexpired	–22	–30	–30
3050	Unpaid obligations, end of year	63	42	22
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1		–2	–2
3070	Change in uncollected pymts, Fed sources, unexpired	–2		
3090	Uncollected pymts, Fed sources, end of year	–2	–2	–2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	99	61	40
3200	Obligated balance, end of year	61	40	20
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	96	124	73
	Financing disbursements:			
4110	Financing disbursements, gross	178	122	50
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payments from program account upward reestimate	–48	–49	
4120	Payments from program account subsidy		–24	–18
4122	Interest on uninvested funds	–4	–4	–4
4123	Fees and premiums	–35	–42	–46
4123	Loss recoveries and repayments		–4	–4
4130	Offsets against gross financing auth and disbursements (total)	–87	–123	–72
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–2		
4160	Financing authority, net (mandatory)	7	1	1
4170	Financing disbursements, net (mandatory)	91	–1	–22
4180	Financing authority, net (total)	7	1	1
4190	Financing disbursements, net (total)	91	–1	–22

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4213–0–3–351		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2111	Limitation on guaranteed loans made by private lenders	2,611	3,859	3,650
2142	Uncommitted loan guarantee limitation	–177		
2150	Total guaranteed loan commitments	2,434	3,859	3,650
2199	Guaranteed amount of guaranteed loan commitments	2,384	3,473	3,285
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	12,483	12,837	14,004
2231	Disbursements of new guaranteed loans	2,649	3,684	3,679
2251	Repayments and prepayments	–2,157	–2,439	–2,661
	Adjustments:			
2261	Terminations for default that result in loans receivable	–65	–65	–65
2263	Terminations for default that result in claim payments	–73	–13	–13
2290	Outstanding, end of year	12,837	14,004	14,944
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	11,346	12,604	13,450
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	115	137	150
2331	Disbursements for guaranteed loan claims	41	24	24
2351	Repayments of loans receivable	–1	–1	–1
2361	Write-offs of loans receivable	–18	–10	–10
2390	Outstanding, end of year	137	150	163

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from loan guarantees committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. This account finances commitments made for farm ownership, operating, and conservation guaranteed loan programs.

Balance Sheet (in millions of dollars)

Identification code 12–4213–0–3–351		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	296	206
1206	Non-Federal assets: Receivables, net	36	50
	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:		
1501	Defaulted guaranteed loans receivable, gross	115	137
1505	Allowance for subsidy cost (-)	–113	–136
1599	Net present value of assets related to defaulted guaranteed loans	2	1
1999	Total assets	334	257
	LIABILITIES:		
	Federal liabilities:		
2104	Resources payable to Treasury	11	12
2105	Other	114	62
2204	Non-Federal liabilities: Liabilities for loan guarantees	209	183
2999	Total liabilities	334	257
4999	Total liabilities and net position	334	257

Agricultural Credit Insurance Fund Liquidating Account

Program and Financing (in millions of dollars)

Identification code 12–4140–0–3–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0008	Loan recoverable costs	1	4	4
0108	Admininstrative expenses - Department of Justice fees		1	1
0109	Costs incidental to acquisition of real property	1	2	2
0118	Civil rights settlements		5	2
0191	Total operating expenses	1	8	5
0900	Total new obligations (object class 25.2)	2	12	9
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	38	22	
1021	Recoveries of prior year unpaid obligations	1		
1022	Capital transfer of unobligated balances to general fund	–38	–22	
1050	Unobligated balance (total)	1		
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	203	152	133
1820	Capital transfer of spending authority from offsetting collections to general fund	–180	–140	–124
1850	Spending auth from offsetting collections, mand (total)	23	12	9
1930	Total budgetary resources available	24	12	9
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	22		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2	1	4
3010	Obligations incurred, unexpired accounts	2	12	9
3020	Outlays (gross)	–2	–9	–11

3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	1	4	2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	1	4
3200	Obligated balance, end of year	1	4	2
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	23	12	9
	Outlays, gross:			
4100	Outlays from new mandatory authority	1	8	7
4101	Outlays from mandatory balances	1	1	4
4110	Outlays, gross (total)	2	9	11
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources Principal Repayments	–151	–109	–91
4123	Non-Federal sources Interest Repayments	–47	–38	–37
4123	Non-Federal sources Miscellaneous	–5	–5	–5
4130	Offsets against gross budget authority and outlays (total)	–203	–152	–133
4160	Budget authority, net (mandatory)	–180	–140	–124
4170	Outlays, net (mandatory)	–201	–143	–122
4180	Budget authority, net (total)	–180	–140	–124
4190	Outlays, net (total)	–201	–143	–122

Status of Direct Loans (in millions of dollars)

Identification code 12–4140–0–3–351		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	855	692	580
1251	Repayments: Repayments and prepayments	–151	–109	–91
1261	Adjustments: Capitalized interest	2	2	2
	Write-offs for default:			
1263	Direct loans	–4	–5	–4
1264	Other adjustments, net (+ or -)	–10		
1290	Outstanding, end of year	692	580	487

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4140–0–3–351		2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	17	13	10
2251	Repayments and prepayments	–4	–3	–3
2290	Outstanding, end of year	13	10	7
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	12	9	6

As required by the Federal Credit Reform Act of 1990, this account records for the farm loan programs all cash flows to and from the Government resulting from direct loans obligated, loan guarantees committed, and grants made prior to 1992. New loan activity in 1992 and beyond (including credit sales of acquired property that resulted from obligations or commitments in any year) is recorded in corresponding program and financing accounts. Payments to settle certain discrimination claims against USDA may also be made from this account.

Balance Sheet (in millions of dollars)

Identification code 12–4140–0–3–351		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	40	23
1601	Loans Receivable	855	692
1602	Interest receivable	189	167
1603	Allowance for estimated uncollectible loans and interest (-)	–182	–168
1604	Direct loans and interest receivable, net	862	691
1606	Foreclosed property	13	12
1699	Value of assets related to direct loans	875	703
1999	Total assets	915	726
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	913	725
2201	Non-Federal liabilities: Accounts payable	2	1
2999	Total liabilities	915	726
4999	Total liabilities and net position	915	726

Commodity Credit Corporation Fund

Reimbursement for Net Realized Losses

(including transfers of funds)

For the current fiscal year, such sums as may be necessary to reimburse the Commodity Credit Corporation for net realized losses sustained, but not previously reimbursed, pursuant to section 2 of the Act of August 17, 1961 (15 U.S.C. 713a-11): Provided, That of the funds available to the Commodity Credit Corporation under section 11 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714i) for the conduct of its business with the Foreign Agricultural Service, up to $5,000,000 may be transferred to and used by the Foreign Agricultural Service for information resource management activities of the Foreign Agricultural Service that are not related to Commodity Credit Corporation business.

Hazardous Waste Management

(limitation on expenses)

For the current fiscal year, the Commodity Credit Corporation shall not expend more than $5,000,000 for site investigation and cleanup expenses, and operations and maintenance expenses to comply with the requirement of section 107(g) of the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. 9607(g)), and section 6001 of the Resource Conservation and Recovery Act (42 U.S.C. 6961).

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–4336–0–3–999		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Commodity purchases and related inventory transactions	813	1,034	863
0002	Storage, transportation and other obligations	41	31	18
0003	Dairy export incentive program			3
0004	Market access program	200	200	200
0005	Technical Assistance for speciality crops	9	9	
0006	Emerging markets program	10	10	
0007	Foreign market development cooperative	35	35	
0008	Quality samples program	2	2	2
0009	Pilot program for regional food aid	1		
0010	Feed grains	1,774	2,249	2,250
0011	Wheat	873	1,108	1,069
0012	Rice	326	419	415
0013	Cotton	526	630	691
0014	Dairy program	403	370	
0015	Tobacco program	953	960	960
0016	Peanut program	66	68	68
0017	Wool and Mohair program			1
0018	Other Payment Activity	1,783		1
0023	Non-Insured assistance program	254	225	168
0024	Oilseeds payment program	448	579	553
0027	Tehnical Assistance for Brazilian Cotton Industry	294		
0028	Biomass Crop Assistance Program	7		
0029	Bio-Based Fuel Production		170	
0030	Marketing Loan Writeoffs		21	14
0036	Conservation reserve program (CRP)	1,824	1,989	2,040
0037	Emergency Forestry Conservation Reserve Program	6	6	6
0047	Reimbursable agreement/transfers to State and Federal Agencies	50	46	43
0048	Treasury	3	9	16
0049	Other Interest	1	2	2
0052	Conservation Reserve Program Technical assistance	144	73	169
0056	Pigford Claims	25	50	
0057	BEHT Non-Commodity Costs		140	140
0058	Section 416b/FFP/ocean transportation	45	56	53
0192	Total support and related programs	10,916	10,491	9,745
0799	Total direct obligations	10,916	10,491	9,745
0801	Commodity loans	5,660	6,921	6,811
0802	Commodities procured - PL480 Titles II / III Commodity costs	745	925	730

COMMODITY CREDIT CORPORATION FUND—Continued

Program and Financing—Continued

Identification code 12–4336–0–3–999		2012 actual	2013 CR	2014 est.
0804	P. L. 480 ocean transportation	865	925	730
0809	Reimbursable program activities, subtotal	7,270	8,771	8,271
0899	Total reimbursable obligations	7,270	8,771	8,271
0900	Total new obligations	18,186	19,262	18,016
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1,601	823	879
1020	Adjustment of unobligated bal brought forward, Oct 1		55	
1021	Recoveries of prior year unpaid obligations	645		
1050	Unobligated balance (total)	2,246	878	879
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation			55
1160	Appropriation, discretionary (total)			55
	Appropriations, mandatory:			
1200	Appropriation	9,527	9,156	12,539
1220	Appropriations transferred to other accts [12–2500]	–10		
1220	Appropriations transferred to other accts [12–1003]	–40		
1220	Appropriations transferred to other accts [12–3507]	–21	–21	–21
1220	Appropriations transferred to other accts [12–1004]	–3,425	–3,919	–3,558
1220	Appropriations transferred to other accts [12–0123]	–1		
1220	Appropriations transferred to other accts [12–8015]	–2	–2	–2
1220	Appropriations transferred to other accts [12–1502]	–70		
1220	Appropriations transferred to other accts [12–2501]	–55	–55	
1220	Appropriations transferred to other accts [12–4085]	–6	–6	–6
1220	Appropriations transferred to other accts [12–2073]	–65	–80	–45
1220	Appropriations transferred to other accts [12–1908]	–22	–63	–41
1220	Appropriations transferred to other accts [12–1600]	–76	–50	–50
1220	Appropriations transferred to other accts [12–9915]	–22		
1220	Appropriations transferred to other accts [12–0502]	–19		
1220	Appropriations transferred to other accts [12–1002]		–165	–165
1220	Appropriations transferred to other accts [12–1955]		–3	–3
1236	Appropriations applied to repay debt	–5,693	–4,792	–8,648
	Borrowing authority, mandatory:			
1400	Borrowing authority	19,508	9,148	8,064
1421	Borrowing authority applied to repay debt	–8,240		
1440	Borrowing authority, mandatory (total)	11,268	9,148	8,064
	Spending authority from offsetting collections, mandatory:			
1800	Collected	8,992	10,105	9,897
1800	MARAD Cargo Preference Reimbursements		10	5
1801	Change in uncollected payments, Federal sources	13		
1825	Spending authority from offsetting collections applied to repay debt	–3,510		
1850	Spending auth from offsetting collections, mand (total)	5,495	10,115	9,902
1900	Budget authority (total)	16,763	19,263	18,021
1930	Total budgetary resources available	19,009	20,141	18,900
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	823	879	884
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	8,370	9,931	9,969
3010	Obligations incurred, unexpired accounts	18,186	19,262	18,016
3020	Outlays (gross)	–15,980	–19,224	–18,119
3040	Recoveries of prior year unpaid obligations, unexpired	–645		
3050	Unpaid obligations, end of year	9,931	9,969	9,866
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–32	–45	–45
3070	Change in uncollected pymts, Fed sources, unexpired	–13		
3090	Uncollected pymts, Fed sources, end of year	–45	–45	–45
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	8,338	9,886	9,924
3200	Obligated balance, end of year	9,886	9,924	9,821
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross			55
	Outlays, gross:			
4010	Outlays from new discretionary authority			55
	Mandatory:			
4090	Budget authority, gross	16,763	19,263	17,966
	Outlays, gross:			
4100	Outlays from new mandatory authority	9,063	13,577	13,155
4101	Outlays from mandatory balances	6,917	5,647	4,909
4110	Outlays, gross (total)	15,980	19,224	18,064
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	PL 480 Appropriation	–1,466	–1,400	–1,400
4120	Sales To Special Activities	–745	–925	–730
4120	OtherFederal sources	–1,851	–970	–965
4123	Commodity Loans Repaid	–4,782	–6,593	–6,509
4123	Acre Loans Repaid	–50	–194	–257
4123	Sales and Other Proceeds	–30	–22	–23
4123	Interest Revenue	–68	–11	–18
4130	Offsets against gross budget authority and outlays (total)	–8,992	–10,115	–9,902
	Additional offsets against gross budget authority only:			
4140	Change in uncollected pymts, Fed sources, unexpired	–13		
4160	Budget authority, net (mandatory)	7,758	9,148	8,064
4170	Outlays, net (mandatory)	6,988	9,109	8,162
4180	Budget authority, net (total)	7,758	9,148	8,119
4190	Outlays, net (total)	6,988	9,109	8,217

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	7,758	9,148	8,119
Outlays	6,988	9,109	8,217
Legislative proposal, subject to PAYGO:			
Budget Authority			650
Outlays			650
Total:			
Budget Authority	7,758	9,148	8,769
Outlays	6,988	9,109	8,867

Status of Direct Loans (in millions of dollars)

Identification code 12–4336–0–3–999		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	5,660	6,921	6,811
1150	Total direct loan obligations	5,660	6,921	6,811
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	335	395	530
1231	Disbursements: Direct loan disbursements	5,660	6,921	6,811
1251	Repayments: Repayments and prepayments	–5,600	–6,786	–6,766
1290	Outstanding, end of year	395	530	575

The Commodity Credit Corporation (CCC) was created to: stabilize, support, and protect farm income and prices; help maintain balanced and adequate supplies of agricultural commodities, their products, foods, feeds, and fibers; and help in their orderly distribution.

The Corporation's capital stock of $100 million is held by the U.S. Treasury. Under present law, up to $30 billion may be borrowed from the U.S. Treasury to finance operations.

Current, indefinite appropriation authority is requested to cover all net realized losses. Appropriations to the Corporation for net realized losses have no effect on budget authority, as they are used to repay debt directly with the Treasury.

Budget assumptions.—The following general assumptions form the basis for the Corporation's 2013 and 2014 budget estimates: (a) national income will rise both in 2013 and 2014 from the present level; (b) 2013 crop production will increase from 2012 crop levels for some commodities; (c) generally, exports of agricultural commodities in 2014 are expected to be higher than 2013 levels; and (d) yields for the 2013 crops are based on recent averages adjusted for trends.

It is difficult to accurately forecast requirements for the year ending September 30, 2014, since the projections are subject to complex and unpredictable factors such as weather, other factors which affect the volume of production of crops not yet planted, feed, food, and energy needs here and overseas, and available dollar exchange.

Appropriations are made to reimburse the Corporation for net realized losses sustained in carrying out its operations.

USDA has incorporated stochastic price and production variability into its 10-year budget baseline process starting with the 2007 President's Budget. For the 2012–2023 crops, Commodity Credit Corporation outlay projections for counter-cyclical payments, Average Crop Revenue Election (ACRE) payments, marketing loan benefits, and Milk Income Loss Contract payments are based on price probability distributions and flexibilities generated by the Economic Research Service's Food and Agricultural Policy Simulation model. This approach was used for feed grains (corn, barley, sorghum, oats), wheat, rice, upland cotton, soybeans, sugar, and dairy.

2014 ESTIMATE

[In millions of dollars]

Program	Gross obligations	Net outlays	Net realized loss for year
Farm income, marketing assistance loans, and price support:			
Commodity loans (non-ACRE)	6,551	42	0
ACRE loans	260	3	0
Feed grain payments	2,250	2,250	2,250
Wheat payments	1,069	1.069	1,069
Rice payments	415	415	415
Cotton payments	642	642	642
Oilseed payments	544	544	544
Other support and related	2,531	721	781
Other items not distributed by program:			
Interest	17	–2	–2
All other	62	313	62
Total, farm income, marketing assistance loans, and price-support programs	14,341	5,997	5,761
Conservation programs:			
Conservation reserve program	2,160	2,160	2,160
Emergency forestry conservation reserve program	5	5	5
Voluntary Public Access	0	0	0
Conservation Program Transfers to NRCS	0	0	3,670
Total, conservation programs	2,165	2,165	5,835
Total, Commodity Credit Corporation	16,506	8,162	11,596

PROGRAMS OF THE CORPORATION

Price support, marketing assistance loans, and related stabilization programs.—The Corporation conducts programs to support farm income and prices and stabilize the market for agricultural commodities. Price support is provided to producers of agricultural commodities through loans, purchases, payments, and other means. This is done mainly under the Commodity Credit Corporation Charter Act, as amended, the Agricultural Act of 1949 (1949 Act), as amended, the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill), and the Food, Conservation and Energy Act of 2008 (2008 Farm Bill) as amended by the American Taxpayer Relief Act of 2012 (P.L. 112–240).

Price support is mandatory for sugar and dairy products. Marketing assistance loans are mandatory for wheat, feed grains, oilseeds, upland cotton, peanuts, rice, and pulse crops. Loans are also required to be made for sugar, honey, wool, mohair, and extra long staple cotton.

One method of providing support is loans to and purchases from producers. With limited exceptions, loans made on commodities are nonrecourse. The commodities serve as collateral for the loan and on maturity the producer may deliver or forfeit such collateral to satisfy the loan obligation without further payment.

Direct purchases may be made from processors as well as producers, depending on the commodity involved. Also, special purchases are made under various laws for the removal of surpluses; for example, the Act of August 19, 1958, as amended, and section 416 of the Agricultural Act of 1949, as amended.

Direct Payments and Counter-Cyclical Payments.—The 2002 Farm Bill established direct payments and counter-cyclical payments for May 2002 through 2007. The payments were extended through the 2012 crop year by the 2008 Farm Bill and through the 2013 crop year by the American Taxpayer Relief Act of 2012. The eligible commodities for both direct payments and counter-cyclical payments are wheat, corn, grain sorghum, barley, oats, upland cotton, rice, soybeans, other oilseeds, and peanuts. The 2008 Farm Bill adds the following as eligible commodities: long grain and medium grain rice and pulse crops, expanded to include large chickpeas.

Direct Payments are payments to producers for which payment yields and base acres are established. The commodity payment amount is calculated as follows: Payment Amount = specified rate x payment acres x payment yield. At the option of the producer, the producer can choose to receive advance payments (up to 22 percent) during the producer's selected month. The month selected may be any month during the period beginning on December 1 of the calendar year before the calendar year in which the crop of the covered commodity is harvested through the month within which the direct payment would otherwise be made. The direct payment rates established in the 2008 Farm Bill are the same as those in the 2002 Farm Bill; however, payment acres decrease from 85 percent to 83.3 percent of base acres for 2009–2011 crops, and no advance payments are available for the 2012 and subsequent crops.

Counter-Cyclical Payments are payments to producers for which payment yields and base acres are established for eligible commodities if it is determined that the effective commodity price is less than the target commodity price. Counter-cyclical payments will be made for the crop as soon as practicable after the end of the 12-month marketing year for the eligible commodity.

Average Crop Revenue Election (ACRE) Payments.—The 2008 Farm Bill adds the ACRE program for the 2009–2012 crop years and the American Taxpayer Relief Act of 2012 extended the ACRE program to the 2013 crop year. Producers who elect to enroll a farm in ACRE are eligible for ACRE payments in lieu of counter-cyclical payments on the farm and in exchange for a 20 percent reduction in direct payments on the farm and a 30 percent reduction in the marketing assistance loan rates for all commodities produced on the farm except that the loan rate for seed cotton loans will not be so reduced. The election to enroll a farm in ACRE may be made for any of the crop years 2009–2012, but once the election is made, it is irrevocable through the 2012 crop.

Marketing assistance loans.—The 2002 Farm Bill authorized producers of eligible crops to receive non-recourse marketing assistance loans from the government for any quantity of a loan commodity produced on the farm by pledging their production as loan collateral. This loan shall have a term of 9 months beginning on the first day of the first month after the month in which the loan is made. The loan cannot be extended. As a condition of the receipt of a marketing assistance loan, the producer shall comply with applicable conservation requirements under subtitle B of title XII of the Food Security Act of 1985 and applicable wetland protection requirements under subtitle C of title XII of the Act during the term of the loan. Producers of eligible commodities can repay a marketing assistance loan at a rate that is the lesser of (1) the loan rate established for the commodity plus interest; or (2) a rate that the Secretary determines. Special rules apply to upland cotton, rice, and extra long staple cotton. Crops eligible for marketing assistance loans include wheat, corn, barley, oats, grain sorghum, rice, upland cotton, soybeans, extra long staple cotton, other oilseeds, dry peas, lentils, small chickpeas, honey, wool, and mohair. The 2008 Farm Bill establishes specific

COMMODITY CREDIT CORPORATION FUND—Continued

loan rates for long grain and medium grain rice and restricts loan rate adjustments to grade and quality factors. Also, large chickpeas are added as a new marketing assistance loan commodity with a higher loan rate than small chickpeas.

Marketing loss assistance for asparagus producers.—The 2008 Farm Bill authorizes the use of $15 million to make payments to 2007 crop asparagus producers. Of the total, $7.5 million was available to fresh market asparagus producers and $7.5 million was available to frozen market asparagus producers.

Peanut price support program.—Under the 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012, peanuts qualify for ACRE or direct payments, counter-cyclical payments, marketing assistance loans and loan deficiency payments for the 2009 through 2013 crops.

The 2002 Farm Bill terminated the marketing quota programs and repealed price support programs. The prior quota programs stayed in effect for the 2001 crop only, with quota buyout compensation payments being made during 2002 through 2006. The prior price support programs remained in effect for the 2002 crop only, notwithstanding any other provision of law or crop insurance policy.

The 2002 Farm Bill established marketing assistance loans for the 2002 through 2007 crops, with the loan rate for peanuts of $355 per ton. The 2008 Farm Bill continues this rate. The payment rate shall be the amount by which the established loan rate exceeds the rate at which a loan may be repaid.

Tobacco program.—The American Jobs Creation Act of 2004, P.L. 108–357, eliminated the program effective with the 2005 crop. In return for losing the program, growers and quota holders will receive a buyout. The owners of quota are being paid $7 per pound for the quota they hold. The actual producers are being paid $3 per pound for the quota they produced. The legislation eliminates all geographic and poundage restrictions on tobacco production as well as price support. The buyout is funded by assessments on the tobacco product manufacturers and importers. The program will cost $10.14 billion, and the growers and quota holders will be paid over a 10-year period.

Sugar program.—Sugar qualifies for price support. The 2002 Farm Bill extended the national average sugar loan rates to cover through the 2007 crops at 18 cents per pound for raw cane sugar and 22.9 cents per pound for refined beet sugar. The 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012 provides for escalating rates through crop year 2013. For raw cane sugar, the rate increases to 18.25 cents per pound for 2009, 18.5 cents per pound for 2010 and 18.75 cents per pound for 2011–2013. For refined beet sugar, the rates for crop year 2009–2013 are the raw cane sugar rate times 1.285. Loans are available to processors of domestically grown sugarcane and sugar beets for a term of nine months that does not begin or extend beyond the end/beginning of a fiscal year. The non-recourse loans extend through the 2007 crop for processors of domestically produced sugar beets and sugarcane including for in-process sugar. Loans for in-process sugar have a loan rate of 80 percent of the loan rate for raw cane sugar or refined beet sugar (based on the source material used). If forfeitures occur, the processor shall convert the in-process into final product at no cost to the CCC. Upon transfer, the processor will receive payment based on the loan rate less 80 percent of raw cane or refined beet sugar rate times the quantity of sugar transferred. The loan program will continue through the 2013 crop. The 2002 Farm Bill did not resume the sugar marketing assessment collections but authorized marketing allotments. The 2002 Act provided assistance for sugar donations in the amount of 10,000 tons to compensate sugar producers who suffer losses incurred beyond existing CCC administered programs. This assistance was a one-time occurrence.

The 2008 Farm Bill extends the marketing allotment provisions of the 2002 Act, except they are now permanent and cannot be set at a level less than 85 percent of estimated sugar deliveries for human consumption. The 2008 Farm Bill introduces the Feedstock Flexibility Program, which requires the diversion of sugar from food use to ethanol producers, if needed, to keep sugar prices above levels at which sugar processors might otherwise forfeit sugar under loan to the CCC.

Dairy program.—The 2002 Farm Bill extended the Dairy Price Support Program from June 1, 2002 through December 31, 2007 at a rate of $9.90 per hundredweight for milk containing 3.7 percent butterfat. The support program is carried out through the purchase of butter, nonfat dry milk, and cheese at prices that enable processors to pay dairy farmers, on average, the support price for milk. As under previous law, the Secretary may allocate the rate of price support between the purchase prices for nonfat dry milk and butter in a manner that minimizes CCC expenditures or other objectives, as the Secretary considers appropriate. Cash CCC inventory sales (with some exceptions) shall be at any price that the Secretary determines will maximize CCC returns. The 2002 Farm Bill repealed all legislative authority for the Dairy Recourse Loan Program but established a new Milk Income Loss Contract Program (MILC), under which the Secretary may contract with eligible producers to make monthly payments when milk prices fall below specified levels. The U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 (P.L. 110–28) extended the MILC program through September 2007.

The 2008 Farm Bill, as amended by the American Taxpayer Releif Act of 2012 replaces the price support program of the 2002 Farm Bill with the Dairy Product Price Support Program, which is effective for calendar years 2008–2013. It requires the Secretary to support the price of cheddar cheese, butter and nonfat dry milk through purchases of such products at prices not less than $1.13 per pound for cheddar cheese in blocks, not less than $1.10 per pound for cheddar cheese in barrels, not less than $1.05 per pound for butter, and not less than $0.80 per pound for nonfat dry milk. Purchase prices for milk products may be adjusted lower based on preset levels of product net removals. The 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012 extends the MILC program through September 30, 2013: The payment calculation percentage is raised from 34 percent to 45 percent and the payment quantity is raised from 2,400,000 to 2,985,000 million pounds per fiscal year effective October 1, 2008 through August 31, 2013. A feed cost adjuster is added that raises the $16.94 base price when the national average ration cost exceeds $7.35 per hundredweight for a given month.

Section 748(a) of the fiscal year 2010 USDA Appropriations Act, P.L. 111–80, appropriated $60 million for the purchase of cheese and cheese products, which the Commodity Credit Corporation finished procuring in fiscal year 2011.

Payment Limitations.—In general, the 2002 Farm Bill revised the Food Security Act of 1985 (7 U.S.C. 1308) for payment limitations. The total amount of direct payments made to a person during any crop year for one or more covered commodities may not exceed $40,000. The 2008 Farm Bill rescinds the three entity rule for payment limitation purposes for the 2009–2012 crops. Instead, payments are tracked as received directly or indirectly by an individual person or legal entity (otherwise termed direct attribution). Except for participants who elect to receive ACRE payments, the direct payment limitation remains at $40,000 for covered commodities in the 2008 Farm Bill, with a separate $40,000 payment limitation for peanut direct payments. The payment limitation on counter-cyclical payments made to a person during any crop year for one or more covered commodities continues at $65,000 in the 2008 Farm Bill, except for participants who elect to receive ACRE payments. For counter-cyclical payments, there is a separate $65,000 payment limitation for peanut counter-cyclical payments. For producers that receive ACRE payments, the payment limit is $65,000 plus the amount their direct payments are reduced due to their participation in ACRE. The total amount of gains and payments that a person may receive during any crop year under marketing assistance loan and loan deficiency payment provisions may not exceed $75,000 for crop years 2002–2008. The 2008 Farm Bill rescinds the payment limitation for both marketing loan gains and loan deficiency payments beginning with the 2009 crop. Notwithstanding any other provision of law, an individual or entity shall not be eligible to receive any benefit described above if the average adjusted annual gross income of the individual or entity exceeds $2,500,000, unless not less than 75 percent of the average adjusted gross income of the individual or entity is derived from farming, ranching, or forestry operations, as determined by the Secretary. The 2008 Farm Bill extends these provisions through the 2008 crop year, but makes commodity program payments subject to farm and nonfarm adjusted gross income (AGI) limits for 2009–2013 crop years. The AGI attributable to farming activities is adjusted farm gross income (AFGI), and the AGI attributable to other activities is adjusted nonfarm gross income (ANGI). If AFGI exceeds $750,000, the person or entity is ineligible to receive commodity program payments, and if ANGI exceeds $500,000, the person or entity is ineligible to receive payments. Commodity program payments include direct, counter-cyclical, ACRE, loan deficiency, marketing loan gain, NAP, supplemental crop disaster assistance, MILC, and trade adjustment assistance payments. The 2012 Enacted level included a general provision that prohibited direct payments to individuals or entities with an average adjusted gross income in excess of $1 million. The 2013 Budget does not continue this limitation.

Noninsured Assistance Program.—The Agricultural Risk Protection Act of 2000 eliminated the area loss requirement for triggers and made other changes. It also included a provision that all types or varieties of a crop or commodity may be considered to be a single eligible crop for NAP assistance and provided additional funding in 2002 with annual increases through 2010. The 2008 Farm Bill amended the payment limitation provisions to conform with direct attribution of payments to a person of legal entity.

Dairy Export Incentive Program (DEIP).—DEIP provides cash bonus payments to exporters to facilitate commercial sales of U.S. dairy products in overseas markets. Estimates of the quantity of dairy products to be exported under DEIP and associated expenditures were formulated within the maximum allowable expenditure and quantity levels specified in conjunction with provisions of the Uruguay Round Agreement. Consequently, current baseline projections assume that DEIP will not exceed $116.6 million annually during 2002–2012. Actual DEIP subsidies are further limited on a product-by-product basis under the Uruguay Round.

Export Enhancement Program (EEP).—The 2008 Farm Bill eliminated authority for the program.

Market Access Program (MAP).—Under the MAP, CCC Funds are used to reimburse participating organizations for a portion of the costs of carrying out overseas marketing and promotional activities. The 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012 continued the authority for the MAP program with funding of $200 million for 2008–2013.

Foreign Market Development Cooperator Program (FMD) and Quality Samples Program.—Under the FMD program, cost-share assistance is provided to nonprofit commodity and agricultural trade associations to support overseas market development activities that are designed to remove long-term impediments to increased U.S. trade. The 2002 Farm Bill increased the available funds for this program to $34.5 million for 2002 through 2007 and the 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012 continues this funding level for 2008–2013.In addition, the budget proposes to increase discretionary funding for the program in fiscal year 2011 by $34.5 million as part of a broader government wide initiative to increase export promotion.

CCC will fund the Quality Samples Program at an authorized annual level of $2.5 million. Under this initiative, samples of U.S. agricultural products will be provided to foreign importers to promote a better understanding and appreciation for the high quality of U.S. products.

Commodity Donations.—The 2008 Farm Bill authorizes the donation of surplus commodity inventory to domestic nutrition programs. The Corporation may also donate commodities under the authority of section 416(b) of the Agricultural Act of 1949 to carry out programs of assistance in developing countries and friendly countries and pay costs associated with making the commodities available. Commodities that are acquired by CCC in the normal course of its domestic support operations will be available for donation. The Corporation may also use its funds to furnish commodities overseas under the authority of the Food for Progress Act of 1985; however, not more than $55 million of the funds of the Corporation (exclusive of the costs of commodities) may be used for each fiscal year.

The Bill Emerson Humanitarian Trust.—The Bill Emerson Humanitarian Trust (BEHT) is a commodity and/or monetary reserve designed to ensure that the United States can meet its international food aid commitments. Assets of the Trust can be released any time the Administrator of the U.S. Agency for International Development determines that PL 480 Title II is inadequate to meet those needs in any fiscal year. When a release from the Trust is authorized, the Trusts assets cover all commodity costs associated with the release. All non-commodity costs, including ocean freight charges; internal transportation, handling, and storage overseas; and certain administrative costs are paid by CCC. The 2008 Farm Bill, as amended by the American Taxpayer Relief Act of 2012 extended the authorization to replenish the BEHT through 2013.

Conservation Programs

Conservation Programs.—Conservation programs administered by the Farm Service Agency and the Natural Resources Conservation Service are funded through the Commodity Credit Corporation. These programs help farmers adopt and maintain conservation systems that protect water and air quality, reduce soil erosion, protect and enhance wildlife habitat and wetlands, conserve water, and sequester carbon.

Conservation Reserve Program (CRP).—Administered by FSA, the purpose of CRP is to cost-effectively assist farm owners and operators in conserving and improving soil, water, air, and wildlife resources by converting highly erodible and other environmentally sensitive acreage normally devoted to the production of agricultural commodities to a long-term resource-conserving cover. CRP participants enroll contracts for periods from 10 to 15 years in exchange for annual rental payments and cost-share and technical assistance for installing approved conservation practices.

COMMODITY CREDIT CORPORATION FUND—Continued

The CRP is authorized in all 50 States, Puerto Rico, and the Virgin Islands, on all highly erodible cropland, other environmentally sensitive cropland, and certain marginal pastureland meeting the eligibility criteria. In addition to cropland in areas adjacent to lakes and streams converted to buffers , and cropland that can serve as restored or constructed wetlands, eligible land may include cropland contributing to water quality problems, and other lands posing environmental threats. Also eligible for the CRP are water quality or wildlife habitat impaired areas that do not meet the Highly Erodible Land (HEL) criteria, such as the Chesapeake Bay, Great Lakes, and Long Island Sound watershed regions.

CRP was established by the 1985 Food Security Act and amended and extended under subsequent farm bills. In the 2008 Farm Bill (P.L. 110–246) CRP was re-authorized through September 30, 2012.The 2008 Farm Bill permitted CRP to enroll up to 32 million acres at any one time beginning October 1, 2009; expanded Farmable Wetlands Program (FWP) eligibility; included provisions for funding a tree thinning cost-share program; and included a program transitioning expiring CRP lands from retiring producers to beginning and socially disadvantaged farmers. Most recently, the American Taxpayer Relief Act of 2012 (P.L. 112–240) extended the CRP enrollment period through September 30, 2013.

CRP enrolls land through general signups, Conservation Reserve Enhancement Program (CREP) signups, and non-CREP continuous signups, including FWP. Under general signup provisions, producers compete nationally during specified enrollment periods for acceptance based on an environmental benefits index. Under continuous signup provisions, producers enroll specified high-environmental value lands such as wetlands, riparian buffers, and various types of habitat at any time during the year without competition.

General signups were held in fiscal years 2011 and 2012, in which 2.7 million acres and 3.6 million acres, respectively, were enrolled. Approximately 620,000 acres were enrolled under FY 2012s continuous signup. The budget assumes a general signup of approximately 2.8 million acres in 2013, and a continuous signup of about 700,000 acres. Under continuous signup, including CREP and FWP, a combined total of 5.3 million acres were under contract as of the end of fiscal year 2012.

Fiscal year 2012 ended with 29.5 million acres under contract. With contracts expiring on 6.5 million acres on September 30, 2012 and contracts beginning on 3.6 million acres from FY 2012's general signup and 500,000 acres of continuous signup, 2012 enrollment began with 27.1 million acres under contract. General and continuous signup are assumed to be held annually with enrollment projected to range between 30 and 32 million acres throughout the baseline period. For FY2014, the Budget proposes to allow up to $50 million in mandatory funding for FSA to administer the CRP. Finally, the Budget includes a legislative proposal to gradually reduce the total acreage cap for CRP to 25 million acres.

For those conservation programs administered by the Natural Resources Conservation Service (NRCS), funding is transferred from CCC to NRCS's Farm Security and Rural Investment Programs account (see the NRCS section). Specifically, these programs include: the Environmental Quality Incentives Program; the Wetlands Reserve Program; the Wildlife Habitat Incentives program; the Farmland Protection Program; the Conservation Security Program; the Conservation Stewardship Program; the Chesapeake Bay Watershed Program; the Agriculture Water Enhancement Program; the Healthy Forest Reserve Program; and the Grassland Reserve Program. NRCS also receives funding from the CCC to carry out technical assistance for the Conservation Reserve Program and to carry out part of the Agricultural Management Assistance Program (see below).

Voluntary Public Access and Habitat Incentive Program (VPA-HIP).—was established by the Food Security Act of 1985, as amended with the passage of the Food, Conservation, and Energy act of 2008 (2008 Farm Bill). VPA-HIP is a competitive grant program, with up to $50 million available through FY 2012. Funding is limited to State and tribal governments establishing new public access programs, expanding existing public access programs, and/or enhancing wildlife habitat on lands enrolled in public access programs.

The primary objective of the VPA-HIP is to encourage owners and operators of privately-held farm, ranch, and forest land to voluntarily make that land available for access by the public for wildlife-dependent recreation, including hunting or fishing, under programs implemented by State or tribal governments. VPA-HIP will provide environmental, economic and social benefits including, but not limited to, enhanced wildlife habitat, improved wildlife populations, increased revenue for rural communities, and expanded opportunities for re-connecting Americans with the great outdoors. To date, nearly $30 million of VPA-HIP funding has been obligated to 26 state fish and wildlife agencies and one tribal government entity. Pursuant to the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112–55), no funding was made available for VPA-HIP in fiscal year 2012. The 2013 Budget proposes funding for a similar program to be administered by the Natural Resources Conservation Service. However, in January 2013, The American Taxpayer Relief Act of 2012 (P.L. 112–240) authorized up to $10 million to be appropriated for VPA-HIP in fiscal year 2013 but funds still must be appropriated through separate legislation.

Biomass Crop Assistance Program (BCAP).—The 2008 Farm Bill amended the 2002 Farm Bill to authorize this program to support the establishment and production of eligible crops for conversion to bioenergy in selected BCAP project areas; and to assist agricultural and forest land owners and operators with the collection, harvest, storage, and transportation of eligible material for use in a biomass conversion facility.

BCAP is a primary component of the domestic agriculture, energy, and environmental strategy to reduce U.S. reliance on foreign oil, improve domestic energy security, reduce carbon pollution, and spur rural economic development and job creation. BCAP is the only federal program focused on growing the crops needed for bioenergy production (heat, power, liquid fuels). BCAP provides two categories of assistance: (1) establishment costs and annual payments to produce eligible biomass crops; and (2) matching payments for the delivery of eligible material to qualified biomass conversion facilities by eligible material owners.

For establishment and annual payments in FY 2012, BCAP processed the submission of project proposals seeking more than $80 million to enroll more than 76,000 acres. FSA designated two new project areas and expanded on existing project area, targeting acreage signup in FY 2012 of 9,000 acres. BCAP project area signups were held from June to September 2012, resulting in the enrollment of over 3,129 acres for three different feedstocks (shrub willow, switch grass, & two varieties of giant miscanthus) with intended conversion to fuel pellets, bio-ethanol, and biobased products.

The total BCAP obligations for fiscal year 2012 were approximately $11.6 million. The fiscal year 2012 BCAP matching payments total investment (obligation) was approximately $557,443, supporting the collection, harvest, storage and transportation of nearly 10,320 dry tons of herbaceous crop residue (corn stover) for conversion to bioenergy in fiscal year 2012. Fiscal year 2012 BCAP obligations for appeals, technical assistance, IT and other administrative costs totaled approximately $2.7 million. The Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112–55) limited funding for the program to $17 million. In January 2013, the American Taxpayer Relief Act of 2012 (P.L. 112–240) authorized up to $20 million to be appropriated for BCAP in fiscal year 2013 but funds must still be appropriated through separate legislation.

Agricultural Management Assistance Program.—The Agricultural Risk Protection Act of 2000 authorized CCC funding of $10 million for 2001 and subsequent years for the Agricultural Management Assistance Program (AMAP). AMAP provides cost-share assistance to producers in states in which Federal Crop Insurance Program participation is historically low as determined by the Secretary of Agriculture. The Secretary delegated authority to implement this program to the Natural Resources Conservation Service, Risk Management Agency, and the Agricultural Marketing Service. The 2008 Farm Bill increased funding to $15 million for 2008–2012 and increased to 16 the number of States eligible to participate. P.L. 112–55 extended the $15 million level through fiscal year 2014 The 2014 Budget proposes a reduction of the level to $10 million in FY 2014.

Emergency Forestry Conservation Reserve Program (EFCRP).—The Department of Defense, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico, and Pandemic Influenza Act of 2006, P.L. 109–148, as amended by P.L. 109–234 and P.L. 110–28, mandates that the Secretary shall carry out an emergency pilot program in States that the Secretary determines have suffered damage to merchantable timber in counties affected by hurricanes during the 2005 calendar year. The Act provided $404.1 million for this program, called the Emergency Forestry Conservation Reserve Program (EFCRP). P.L. 109–234 increased funding for EFCRP by $100 million, to $504.1 million. P.L. 110–28 lifted a restriction limiting the program to calendar year 2006. Signup ended on January 30, 2009. There were 231,365 acres enrolled as of September 30, 2012. These acres have not counted against the CRP maximum program authority for acreage enrollment.

Loan operations.—The following table reflects commodity loan operations of the Corporation:

[In millions of dollars]

Item	2012 actual	2013 est.	2014 est.
Loans outstanding, gross, start of year:			
Commodity Credit Corporation	335	395	530
Additional loans made	5,660	6,921	6,811
Deduct:			
Loans repaid	–5,600	–6,786	–6,766
Acquisition of loan collateral	0	0	0
Write-offs	0	0	0
Total loans outstanding, gross, end of year	395	530	575

Inventory operations.—The following table reflects the inventory operations applicable to the preceding programs:

AGRICULTURAL COMMODITIES

[In millions of dollars]

Item	2012 actual	2013 est.	2014 est.
On hand, start of year, gross	53	14	0
Acquisitions:			
Forfeiture of loan collateral	0	0	1
Excess of collateral acquired over loans canceled	0	0	0
Purchases	813	1,034	828
Transfers and exchanges	0	0	0
Carrying charges:			
Charges to inventory	0	0	0
Storage and handling (non-add)	1	1	0
Transportation (non-add)	0	0	0
Total acquisitions	813	1,034	828
Dispositions:			
Domestic donations to:			
Families	3	0	0
Institutions	1	0	0
Total domestic donations	4	0	0
Export donations	95	123	98
Sales and transfers:			
Special programs: Title II, Public Law 480	745	925	730
Other sales	8	0	0
Net loss or gain (-) on sales and transfers	0	0	0
Total sales and transfers	753	925	730
Total dispositions	852	1,048	828
On hand, end of year, gross	14	0	0

Other data.—The following table reflects other data which are applicable to price support and related programs:

DATA ON SUPPORT AND RELATED PROGRAMS

[In millions of dollars]

Item	2012 actual	2013 est.	2014 est.
Loans made	5,660	6,698	6,551
Loans repaid	5,600	6,593	6,509
Loan collateral forfeited	0	0	0
Loans outstanding, end of year	395	500	542
Acquisitions	813	1,034	828
Cost of commodities sold	753	925	730
Cost of commodities donated	99	123	98
Inventory, end of year	14	0	0
Investment in loans and inventory, end of year	409	500	542
Direct producer payments	7,300	8,565	8,120
Net expenditures	6,988	9,109	8,162
Realized losses	9,156	12,539	11,596

Operating expenses.—The Corporation carries out its functions through utilization of employees and facilities of other Government agencies. Administrative expenses are incurred by: the Farm Service Agency (FSA); the Foreign Agricultural Service; the Natural Resources Conservation Service; the Risk Management Agency; other agencies of the Department engaged in the Corporation's activities; and the Office of the Inspector General for audit functions. Additional expenses are incurred by FSA county offices for work related to programs of the Corporation, other FSA expenses offset by revenue, custodian, and agency expenses of the Federal Reserve banks and lending agencies, and miscellaneous costs.

Expenses are incurred for acquisition, operation, maintenance, improvement, or disposition of existing property that the Corporation owns or in which it has an interest. These expenses are treated as program expenses. Such program expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal- or State-licensed inspectors; and special services performed by Federal agencies within and outside this Department. Most of these general expenses, including storage and handling, transportation, inspection, classing and grading, and producer storage payments, are included in program costs. They are shown in the program and financing schedule in the entries entitled "Storage, transportation, and other obligations not included above."

Section 161 of the 1996 Act amended Section 11 of the CCC Charter Act to limit the use of CCC funds for the transfer and allotment of funds to State and Federal agencies. The Section 11 cap of $56 million including FSA loan service fees remains at $56 million in 2011 and 2012.

COMMODITY CREDIT CORPORATION FUND—Continued

The Corporation receives reimbursement for grain requisitioned pursuant to Public Law 87–152 by the States from Corporation stocks to feed resident wildlife threatened with starvation through the appropriation reimbursement for net realized losses. There have been no requisitions in recent years, however. The Corporation receives reimbursement for the commodity costs and other costs, including administrative costs, for commodities supplied to domestic nutrition programs and international food aid programs.

FINANCING

Borrowing authority.—The Corporation has an authorized capital stock of $100 million held by the U.S. Treasury and, effective in 1988, authority to have outstanding borrowings up to $30 billion at any one time.

Funds are borrowed from the Treasury and may also be borrowed from private lending agencies and others. The Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all notes and other obligations evidencing loans made to the Corporation by such agencies and others. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938.

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate of all outstanding marketable obligations (of comparable maturity date) of the United States as of the preceding month. Interest is also paid on other notes and obligations at a rate prescribed by the Corporation and approved by the Secretary of the Treasury.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964 on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after the end of the fiscal year in which such losses are realized.

POSITION WITH RESPECT TO BORROWING AUTHORITY, END OF YEAR

[In millions of dollars]

Item	2012 actual	2013 est.	2014 est.
Statutory borrowing authority	30,000	30,000	30,000
Deduct: Borrowings from Treasury	15	3,653	3,003
Net statutory borrowing authority available	29,985	26,347	26,997

Note.—Accounts payable, accrued liabilities, and other outstanding obligations not reflected on this table do not become charges against the statutory borrowing authority until they result in borrowings from the Treasury.

Contract authority.—Price support and other programs required by statute may result in the Corporation incurring obligations in excess of available funds and borrowing authority. Such obligations are liquidated from subsequent appropriations and other funds that may become available to the Corporation. Any increase in obligations in excess of available fund resources is reported as contract authority in the year involved; a decrease is reported as the application of appropriations and other funds to liquidate the authority.

Appropriations.—Under section 2 of Public Law 87–155 annual appropriations are authorized for each fiscal year to reimburse the Corporation for net realized losses incurred as of the close of each year.

The special activities are financed as indicated in the program descriptions above. In addition to certain reimbursements from other agencies, appropriations are made for foreign assistance programs.

Deficit.—The net realized losses of the Corporation have previously been reimbursed as follows:

SUPPORT AND RELATED PROGRAMS

[In millions of dollars]

	2012 actual
Realized losses, 1933 to 2012, inclusive	515,045
Reimbursements by the Treasury:	
Reimbursements of realized losses:	
Appropriations (73 times)	502,731
Note cancellations (6 times)	2,698
Less dividends paid to Treasury (4 times)	–138
Total reimbursements for net realized losses	505,291
Other reimbursements:	
Appropriations (2 times)	542
Note cancellation (1 time)	56
Total other reimbursements	598
Total	505,889
Realized deficit as of September 30, 2012, support and related programs	9,156

Balance Sheet (in millions of dollars)

Identification code 12–4336–0–3–999		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	1,876	896
	Investments in US securities:		
1106	Receivables, net	360	438
	Non-Federal assets:		
1206	Receivables, net	66	121
1207	Advances and prepayments	70	68
1601	Direct loans, gross	335	395
1602	Interest receivable	1	1
1699	Value of assets related to direct loans	336	396
	Other Federal assets:		
1802	Inventories and related properties	3	
1803	Property, plant and equipment, net	48	29
1901	Other assets	31	15
1999	Total assets	2,790	1,963
	LIABILITIES:		
	Federal liabilities:		
2101	Accounts payable	1	1
2103	Debt	22	315
2105	Other	1,344	1,617
	Non-Federal liabilities:		
2201	Accounts payable	56	56
2207	Other	6,471	6,468
2999	Total liabilities	7,894	8,457
	NET POSITION:		
3100	Unexpended appropriations	111	111
3300	Cumulative results of operations	–5,215	–6,605
3999	Total net position	–5,104	–6,494
4999	Total liabilities and net position	2,790	1,963

Object Classification (in millions of dollars)

Identification code 12–4336–0–3–999		2012 actual	2013 CR	2014 est.
	Direct obligations:			
22.0	Transportation of things	43	193	193
25.2	Other services from non-Federal sources	262	162	181
25.2	Other services: Storage and handling	1	1	
26.0	Supplies and materials: Costs of commodities sold or donated	813	1,034	863
41.0	Grants, subsidies, and contributions	9,794	9,040	8,491
42.0	Insurance claims and indemnities		50	
43.0	Interest and dividends	3	11	17
99.0	Direct obligations	10,916	10,491	9,745
	Reimbursable obligations:			
22.0	Transportation of things: P. L. 480 ocean transportation	865	925	730
26.0	Supplies and materials - Cost of Commodities Procured/Donated - PL 480	745	925	730
33.0	Investments and loans	5,660	6,921	6,811
99.0	Reimbursable obligations	7,270	8,771	8,271

99.9	Total new obligations	18,186	19,262	18,016

COMMODITY CREDIT CORPORATION FUND

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–4336–4–3–999		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Mandatory Disaster Assistance			650
0192	Total support and related programs			650
0900	Total new obligations (object class 41.0)			650
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation			650
1260	Appropriations, mandatory (total)			650
1930	Total budgetary resources available			650
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts			650
3020	Outlays (gross)			–650
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			650
	Outlays, gross:			
4100	Outlays from new mandatory authority			650
4180	Budget authority, net (total)			650
4190	Outlays, net (total)			650

As part of the President's commitment to fiscal responsibility, the Budget includes significant offsets. The proposals include programmatic changes that:

1. *Eliminate Direct Payments*.—The direct payment program provides producers fixed annual income payments for covered commodities based upon historical planted acres and yields. Payments are made regardless of whether the farmer is currently producing those crops. Direct payments do not vary based upon actual production or prices. As a result, landowners receive direct payments during times of record profitability, yet the direct payments may not provide an adequate safety-net during difficult times. Eliminating them would save the Government roughly $3 billion per year.

2. *Cap the Conservation Reserve Program Acreage*.—Private lands conservation efforts play a critical role in conserving the Nations soil, water, and related natural resources. The Administration is very supportive of programs that create incentives for private lands conservation and has made great strides in leveraging these resources with those of other Federal agencies towards greater landscape-scale conservation. However, in light of the current economic realities and to reduce the deficit, the Administration proposes to cap the maximum allowable acreage enrollment in the Conservation Reserve Program at 25 million acres, saving about $2.2 billion over 10 years when compared to the 2014 Budget's baseline.

3. *Extend Mandatory Disaster Assistance*.—The Administration strongly supports disaster assistance programs that protect farmers in their time of greatest need. The Food, Conservation, and Energy Act of 2008 provided producers with mandatory disaster assistance programs for the 2008 to 2011 crops. To strengthen the safety net, the Administration proposes to extend some of these programs. In particular, the Administration proposes to extend mandatory funding, through the Commodity Credit Corporation, for the Livestock Indemnity Program, Livestock Forage Program, Emergency Assistance for Livestock, Honey Bees and Farm Raised Fish, and Tree Assistance Program. The programs provide financial assistance to producers when they suffer a loss of livestock or the ability to graze their livestock, loss of trees in an orchard, and other losses due to diseases or adverse weather. This proposal is estimated to cost about $3 billion over 10 years.

4. *Provide Gross Margin Protection for Dairy Producers*.—The Administration supports a strong safety net for dairy producers. While row crop producers are experiencing record or near record prices for the corn and soy beans they raise, the profits of dairy producers are being squeezed by rising feed costs. Dairy gross margin insurance, available through the Federal crop insurance program, would allow producers to purchase insurance coverage to protect their profitability. Federal support for livestock insurance products, including dairy gross margin insurance, is currently capped at $20 million per year. This proposal would provide an additional $100 million per year, from the funds of the Commodity Credit Corporation, to support the dairy gross margin insurance program available through the Federal crop insurance program.

5. *Provide Funding for Other Administration Priorities*.—The Administration remains strongly committed to programs that create jobs, expand markets for existing products, and help develop the next generation of farmers and ranchers. To accomplish these goals, the Administration proposes additional funding to extend the Biomass Research and Development Initiative and the Rural Energy for America Program and provide funding for organics, specialty crops, and beginning farmers. These proposals would invest an additional $1.3 billion in these high priority initiatives.

COMMODITY CREDIT CORPORATION EXPORT (LOANS) CREDIT GUARANTEE PROGRAM ACCOUNT

(INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the Commodity Credit Corporation's export guarantee program, GSM 102 and GSM 103, $6,748,000; to cover common overhead expenses as permitted by section 11 of the Commodity Credit Corporation Charter Act and in conformity with the Federal Credit Reform Act of 1990, of which $6,394,000 shall be paid to the appropriation for "Foreign Agricultural Service, Salaries and Expenses'', and of which $354,000 shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses''.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1336–0–1–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0707	Reestimates of loan guarantee subsidy	49	52	
0708	Interest on reestimates of loan guarantee subsidy	20	7	
0709	Administrative expenses	7	7	7
0900	Total new obligations	76	66	7
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	20		
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	7	7	7
1160	Appropriation, discretionary (total)	7	7	7
	Appropriations, mandatory:			
1200	Appropriation - upward reestimate	69	59	

COMMODITY CREDIT CORPORATION EXPORT (LOANS) CREDIT GUARANTEE PROGRAM ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–1336–0–1–351	2012 actual	2013 CR	2014 est.
1230 Unobligated balance of appropriations permanently reduced	–20	....	....
1260 Appropriations, mandatory (total)	49	59	....
1900 Budget authority (total)	56	66	7
1930 Total budgetary resources available	76	66	7
Change in obligated balance:			
Unpaid obligations:			
3010 Obligations incurred, unexpired accounts	76	66	7
3020 Outlays (gross)	–76	–66	–7
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	7	7	7
Outlays, gross:			
4010 Outlays from new discretionary authority	7	7	7
Mandatory:			
4090 Budget authority, gross	49	59	....
Outlays, gross:			
4100 Outlays from new mandatory authority	69	59	....
4180 Budget authority, net (total)	56	66	7
4190 GSM 103 [12–4337]	76	66	7

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1336–0–1–351	2012 actual	2013 CR	2014 est.
Guaranteed loan levels supportable by subsidy budget authority:			
215001 GSM 102	4,132	5,400	5,400
215003 Export guarantee program—Facilities	....	100	100
215999 Total loan guarantee levels	4,132	5,500	5,500
Guaranteed loan subsidy (in percent):			
232001 GSM 102	–0.69	–1.10	–1.07
232003 Export guarantee program—Facilities	....	–4.65	–4.67
232999 Weighted average subsidy rate	–0.69	–1.16	–1.14
Guaranteed loan subsidy budget authority:			
233001 GSM 102	–29	–59	–58
233003 Export guarantee program—Facilities	....	–5	–5
233999 Total subsidy budget authority	–29	–64	–63
Guaranteed loan subsidy outlays:			
234001 GSM 102	–34	–53	–57
234003 Export guarantee program—Facilities	....	–2	–2
234999 Total subsidy outlays	–34	–55	–59
Guaranteed loan upward reestimates:			
235001 GSM 102	65	55	....
235002 Supplier Credit	4	3	....
235999 Total upward reestimate budget authority	69	58	....
Guaranteed loan downward reestimates:			
237001 GSM 102	–4	–24	....
237002 Supplier Credit	–3	–4	....
237999 Total downward reestimate subsidy budget authority	–7	–28	....
Administrative expense data:			
3510 Budget authority	7	7	7
3590 Outlays from new authority	7	7	7

This is the program account for the GSM-102 CCC Export Credit Guarantee Program. The GSM-102 Export Credit Guarantee Program covers credit terms of up to three years. Under this program, CCC does not provide financing, but guarantees payments due from foreign banks and buyers. Because payment is guaranteed, financial institutions in the United States can offer competitive credit terms to foreign banks, usually with interest rates based on the London Inter-Bank Offered Rate (LIBOR). If the foreign bank fails to make any payment as agreed, the exporter or assignee must submit a notice of default to the CCC. A claim for loss must be filed, and the CCC will promptly pay claims found to be in good order. CCC usually guarantees 98 percent of the principal payment due and interest based on a percentage of the one-year Treasury rate.

A portion of the GSM-102 guarantees is also made available as Facilities Guarantees. Under this activity, CCC guarantees export financing for capital goods and services to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities and products.

The subsidy estimates for the GSM-102 program are determined in large part by the obligor's sovereign or non-sovereign country risk grade. These grades are developed annually by the International Credit Risk Assessment System Committee (ICRAS). In unusual circumstances, an ICRAS grade for a country may change during the fiscal year. The default estimates for GSM-102 guarantees still use the ICRAS grades, but are now based on programmatic experience and country-specific assumptions rather than the government-wide risk premia used previously.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the credit guarantees committed in 1992 and beyond (including modifications of credit guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis. The 2014 Budget displays the GSM loan guarantee volume, the subsidy level that can be justified by forecast economic conditions, and the expected supply/demand conditions of countries requesting GSM loan guarantees. The 2014 Budget includes $6.8 million for administrative expenses.

Object Classification (in millions of dollars)

Identification code 12–1336–0–1–351	2012 actual	2013 CR	2014 est.
Direct obligations:			
25.3 Other goods and services from Federal sources	7	7	7
41.0 Grants, subsidies, and contributions	69	59	....
99.9 Total new obligations	76	66	7

COMMODITY CREDIT CORPORATION EXPORT GUARANTEE FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4337–0–3–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0711 Default claim payments on principal	....	92	92
0713 Payment of interest to Treasury	25	27	29
0715 Pro Rate Share of Claims paid to banks	2	3	3
0740 Negative subsidy obligations	29	64	63
0742 Downward reestimate paid to receipt account	1	16	....
0743 Interest on downward reestimates	6	11	....
0900 Total new obligations	63	213	187
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	275	138	179
1023 Unobligated balances applied to repay debt	–159	–27	....
1050 Unobligated balance (total)	116	111	179
Financing authority:			
Borrowing authority, mandatory:			
1400 Borrowing authority	....	119	126
1440 Borrowing authority, mandatory (total)	....	119	126
Spending authority from offsetting collections, mandatory:			
1800 Collected	174	163	117
1825 Spending authority from offsetting collections applied to repay debt	–89	–1	–1
1850 Spending auth from offsetting collections, mand (total)	85	162	116
1900 Financing authority (total)	85	281	242
1930 Total budgetary resources available	201	392	421

	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	138	179	234
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	18	13	49
3010	Obligations incurred, unexpired accounts	63	213	187
3020	Financing disbursements (gross)	–68	–177	–181
3050	Unpaid obligations, end of year	13	49	55
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–115	–115	–115
3090	Uncollected pymts, Fed sources, end of year	–115	–115	–115
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–97	–102	–66
3200	Obligated balance, end of year	–102	–66	–60
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	85	281	242
	Financing disbursements:			
4110	Financing disbursements, gross	68	177	181
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payments from Prograrm Account Upward Reestimate	–69	–58	
4122	Interest on uninvested funds	–3	–3	–3
4123	Loan origination fee	–40	–43	–65
4123	Principal collections	–40	–26	–12
4123	Interest collections	–22	–33	–37
4130	Offsets against gross financing auth and disbursements (total)	–174	–163	–117
4160	Financing authority, net (mandatory)	–89	118	125
4170	Financing disbursements, net (mandatory)	–106	14	64
4180	Financing authority, net (total)	–89	118	125
4190	Financing disbursements, net (total)	–106	14	64

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4337–0–3–351		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	4,132	5,500	5,500
2150	Total guaranteed loan commitments	4,132	5,500	5,500
2199	Guaranteed amount of guaranteed loan commitments	4,132	5,387	5,387
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	6,115	5,458	5,668
2231	Disbursements of new guaranteed loans	4,132	5,500	5,500
2251	Repayments and prepayments	–4,789	–5,198	–5,198
2263	Adjustments: Terminations for default that result in claim payments		–92	–92
2290	Outstanding, end of year	5,458	5,668	5,878
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	5,349	5,555	5,760
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	870	815	756
2351	Repayments of loans receivable	–55	–59	–48
2390	Outstanding, end of year	815	756	708

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from loan guarantees committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4337–0–3–351		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	178	36
1101	Accounts Receivable, net	78	66
	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:		
1501	Defaulted guaranteed loans receivable, gross	870	815
1502	Interest receivable	11	14
1505	Allowance for subsidy cost (-)	–286	–266
1599	Net present value of assets related to defaulted guaranteed loans	595	563
1999	Total assets	851	665
	LIABILITIES:		
	Federal liabilities:		
2101	Accounts payable	1	1
2104	Resources payable to Treasury	705	457
	Non-Federal liabilities:		
2204	Liabilities for loan guarantees	115	174
2207	Other	30	33
2999	Total liabilities	851	665
4999	Total liabilities and net position	851	665

COMMODITY CREDIT CORPORATION GUARANTEED LOANS LIQUIDATING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4338–0–3–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Operating Expenses	1	1	1
0100	Direct program activities, subtotal	1	1	1
0900	Total new obligations (object class 41.0)	1	1	1
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	5		
1022	Capital transfer of unobligated balances to general fund	–5		
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	35	8	8
1820	Capital transfer of spending authority from offsetting collections to general fund	–34	–7	–7
1850	Spending auth from offsetting collections, mand (total)	1	1	1
1930	Total budgetary resources available	1	1	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	6	6	5
3010	Obligations incurred, unexpired accounts	1	1	1
3020	Outlays (gross)	–1	–2	–2
3050	Unpaid obligations, end of year	6	5	4
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	6	6	5
3200	Obligated balance, end of year	6	5	4
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	1	1	1
	Outlays, gross:			
4100	Outlays from new mandatory authority	1	1	1
4101	Outlays from mandatory balances		1	1
4110	Outlays, gross (total)	1	2	2
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–35	–8	–8
4180	Budget authority, net (total)	–34	–7	–7
4190	Outlays, net (total)	–34	–6	–6

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4338–0–3–351		2012 actual	2013 CR	2014 est.
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	124	109	101
2351	Repayments of loans receivable	–15	–8	–8
2390	Outstanding, end of year	109	101	93

COMMODITY CREDIT CORPORATION GUARANTEED LOANS LIQUIDATING ACCOUNT—Continued

This account includes amounts for activities previously funded in the Commodity Credit Corporation Fund.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from loan guarantees committed prior to 1992. This account is shown on a cash basis. All new activity in this program in 1992 and beyond is recorded in corresponding program and financing accounts.

Balance Sheet (in millions of dollars)

Identification code 12–4338–0–3–351	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	11	6
1701 Defaulted guaranteed loans, gross	124	109
1702 Interest receivable	1	206
1703 Allowance for estimated uncollectible loans and interest (-)	–75	–264
1799 Value of assets related to loan guarantees	50	51
1999 Total assets	61	57
LIABILITIES:		
Federal liabilities:		
2101 Accounts payable	6	6
2104 Resources payable to Treasury	40	30
2207 Non-Federal liabilities: Other	....	6
2999 Total liabilities	46	42
NET POSITION:		
3300 Cumulative results of operations	15	15
4999 Total liabilities and net position	61	57

FARM STORAGE FACILITY LOANS PROGRAM ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–3301–0–1–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0705 Reestimates of direct loan subsidy	5	4	....
0706 Interest on reestimates of direct loan subsidy	3	4	....
0900 Total new obligations (object class 41.0)	8	8	....
Budgetary Resources:			
Budget authority:			
Appropriations, mandatory:			
1200 Appropriation	8	8	....
1260 Appropriations, mandatory (total)	8	8	....
1930 Total budgetary resources available	8	8	....
Change in obligated balance:			
Unpaid obligations:			
3010 Obligations incurred, unexpired accounts	8	8	....
3020 Outlays (gross)	–8	–8	....
Budget authority and outlays, net:			
Mandatory:			
4090 Budget authority, gross	8	8	....
Outlays, gross:			
4100 Outlays from new mandatory authority	8	8	....
4180 Budget authority, net (total)	8	8	....
4190 Outlays, net (total)	8	8	....

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–3301–0–1–351	2012 actual	2013 CR	2014 est.
Direct loan levels supportable by subsidy budget authority:			
115001 Farm Storage Facility Loans	200	300	300
115002 Sugar Storage Facility Loans	....	9	9
115999 Total direct loan levels	200	309	309
Direct loan subsidy (in percent):			
132001 Farm Storage Facility Loans	–2.30	–2.46	–2.52
132002 Sugar Storage Facility Loans	....	–3.30	–2.80
132999 Weighted average subsidy rate	–2.30	–2.48	–2.53
Direct loan subsidy budget authority:			
133001 Farm Storage Facility Loans	–5	–7	–8
133999 Total subsidy budget authority	–5	–7	–8
Direct loan subsidy outlays:			
134001 Farm Storage Facility Loans	–4	–4	–7
134999 Total subsidy outlays	–4	–4	–7
Direct loan upward reestimates:			
135001 Farm Storage Facility Loans	8	8	....
135999 Total upward reestimate budget authority	8	8	....
Direct loan downward reestimates:			
137001 Farm Storage Facility Loans	–14	–26	....
137999 Total downward reestimate budget authority	–14	–26	....

Farm Storage Facility Loan (FSFL) Program.—The FSFL program was established by the Commodity Credit Corporation (CCC) in 1949 to offer low-cost financing to producers for the construction or upgrade of on-farm storage facilities—the program was discontinued in the early 1980's when studies showed sufficient storage space was available. The FSFL was re-established in 2000 due to a severe shortage of available storage. The program was implemented in 2000 by CCC under Section 504(c) of the Federal Credit Reform Act of 1990. The Food, Conservation and Energy Act of 2008 expanded the loan limits, term limits, and eligible commodities for which facilities can be financed by the program. The program now provides producers financing with seven, ten, or twelve-year repayment terms and low interest rates. The program gives producers greater marketing flexibility when farm storage is limited and/or transportation difficulties cause storage problems, allows farmers to benefit from new marketing and technological advances, and maximizes their returns through identity-preserved marketing.

Sugar Storage Facility Loans.—The 2002 Farm Bill, as amended by the 2008 Farm Bill, directs that the CCC establish a sugar storage facility loan program to provide financing for processors of domestically produced sugarcane and sugar beets to construct or upgrade storage and handling facilities for raw sugars and refined sugars. The loan term is a minimum of seven years with the amount and terms being determined as any other commercial loan.

As required by the Federal Credit Reform Act of 1990, this account records the subsidy costs associated with the direct loans obligated in 1992 and beyond, as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis, and the administrative expenses are estimated on a cash basis.

FARM STORAGE FACILITY DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4158–0–3–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0710 Direct loan obligations	200	309	309
0713 Payment of interest to Treasury	25	26	25
0740 Negative subsidy obligations	5	8	8
0742 Downward reestimate paid to receipt account	10	23	....
0743 Interest on downward reestimates	4	3	....
0900 Total new obligations	244	369	342
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	123	19	21
1021 Recoveries of prior year unpaid obligations	29	....	....
1023 Unobligated balances applied to repay debt	–150	–19	–21

1050	Unobligated balance (total)	2		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	322	357	357
1421	Borrowing authority applied to repay debt	–110		
1440	Borrowing authority, mandatory (total)	212	357	357
	Spending authority from offsetting collections, mandatory:			
1800	Payments from program account	7	8	
1800	Principal repayments	162	188	163
1800	Interest repayments	22	28	21
1800	Interest on Uninvested Funds	10	8	8
1800	Fees and Other Collections	3	1	1
1801	Change in uncollected payments, Federal sources	–1		
1825	Spending authority from offsetting collections applied to repay debt	–154	–200	–150
1850	Spending auth from offsetting collections, mand (total)	49	33	43
1900	Financing authority (total)	261	390	400
1930	Total budgetary resources available	263	390	400
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	19	21	58
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	192	159	159
3010	Obligations incurred, unexpired accounts	244	369	342
3020	Financing disbursements (gross)	–248	–369	–342
3040	Recoveries of prior year unpaid obligations, unexpired	–29		
3050	Unpaid obligations, end of year	159	159	159
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–1		
3070	Change in uncollected pymts, Fed sources, unexpired	1		
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	191	159	159
3200	Obligated balance, end of year	159	159	159
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	261	390	400
	Financing disbursements:			
4110	Financing disbursements, gross	248	369	342
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payment from program account Upward Reestimate	–8	–8	
4122	Interest on uninvested funds	–10	–8	–8
4123	Principal collections	–186	–188	–163
4123	Interest collections		–28	–21
4123	Fees and Other Collections		–1	–1
4130	Offsets against gross financing auth and disbursements (total)	–204	–233	–193
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	1		
4160	Financing authority, net (mandatory)	58	157	207
4170	Financing disbursements, net (mandatory)	44	136	149
4180	Financing authority, net (total)	58	157	207
4190	Financing disbursements, net (total)	44	136	149

Status of Direct Loans (in millions of dollars)

	Identification code 12–4158–0–3–351	2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	200	309	309
1150	Total direct loan obligations	200	309	309
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	671	714	830
1231	Disbursements: Direct loan disbursements	205	304	304
1251	Repayments: Repayments and prepayments	–162	–188	–163
1290	Outstanding, end of year	714	830	971

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

	Identification code 12–4158–0–3–351	2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	314	178
	Investments in US securities:		
1106	Receivables, net	8	8
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	671	714
1402	Interest receivable	49	52
1405	Allowance for subsidy cost (-)	–30	–21
1499	Net present value of assets related to direct loans	690	745
1999	Total assets	1,012	931
	LIABILITIES:		
	Federal liabilities:		
2103	Debt payable to Treasury	997	905
2105	Other Federal Liabilities	15	26
2999	Total liabilities	1,012	931
4999	Total liabilities and net position	1,012	931

Emergency Boll Weevil Loan Program Account

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

	Identification code 12–3303–0–1–351	2012 actual	2013 CR	2014 est.
	Direct loan downward reestimates:			
137001	Emergency Boll Weevil and Apple Loans	–4		
137999	Total downward reestimate budget authority	–4		

Apple Loans Program Account

The Agricultural Risk Protection Act of 2000 authorized up to $5 million for the cost to provide loans to producers of apples for economic losses as the result of low prices. Although the program is funded through the Commodity Credit Corporation, program management is performed through farm loan programs. No further funding is requested for this program.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis.

Emergency Boll Weevil Direct Loan Financing Account

Program and Financing (in millions of dollars)

	Identification code 12–4221–0–3–351	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0742	Downward reestimate paid to receipt account	2		
0743	Interest on downward reestimates	2		
0900	Total new obligations	4		
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	1	3
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	7		
1421	Borrowing authority applied to repay debt	–3		
1440	Borrowing authority, mandatory (total)	4		

EMERGENCY BOLL WEEVIL DIRECT LOAN FINANCING ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–4221–0–3–351		2012 actual	2013 CR	2014 est.
	Spending authority from offsetting collections, mandatory:			
1800	Principal repayments		2	1
1850	Spending auth from offsetting collections, mand (total)		2	1
1900	Financing authority (total)	4	2	1
1930	Total budgetary resources available	5	3	4
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	3	4
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	4		
3020	Financing disbursements (gross)	–4		
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	4	2	1
	Financing disbursements:			
4110	Financing disbursements, gross	4		
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4123	Principal repayments		–2	–1
4180	Financing authority, net (total)	4		
4190	Financing disbursements, net (total)	4	–2	–1

Status of Direct Loans (in millions of dollars)

Identification code 12–4221–0–3–351		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	9	9	7
1251	Repayments: Repayments and prepayments		–2	–1
1290	Outstanding, end of year	9	7	6

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4221–0–3–351		2011 actual	2012 actual
	ASSETS:		
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	9	9
1405	Allowance for subsidy cost (-)	–5	–5
1499	Net present value of assets related to direct loans	4	4
1999	Total assets	4	4
	LIABILITIES:		
2101	Federal liabilities: Accounts payable	4	4
4999	Total liabilities and net position	4	4

AGRICULTURAL DISASTER RELIEF FUND

Program and Financing (in millions of dollars)

Identification code 12–5531–0–2–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Disaster payments	694	882	
0900	Total new obligations (object class 41.0)	694	882	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	485	177	
1010	Unobligated balance transfer to other accts [12–3316]	–14		
1050	Unobligated balance (total)	471	177	
	Budget authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	400	705	
1440	Borrowing authority, mandatory (total)	400	705	
1900	Budget authority (total)	400	705	
1930	Total budgetary resources available	871	882	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	177		
	Special and non-revolving trust funds:			
1952	Expired unobligated balance, start of year	2	3	3
1953	Expired unobligated balance, end of year	3	3	3
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	30	29	
3010	Obligations incurred, unexpired accounts	694	882	
3011	Obligations incurred, expired accounts	1		
3020	Outlays (gross)	–696	–911	
3050	Unpaid obligations, end of year	29		
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	30	29	
3200	Obligated balance, end of year	29		
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	400	705	
	Outlays, gross:			
4100	Outlays from new mandatory authority	193	705	
4101	Outlays from mandatory balances	503	206	
4110	Outlays, gross (total)	696	911	
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–2		
	Additional offsets against gross budget authority only:			
4142	Offsetting collections credited to expired accounts	2		
4160	Budget authority, net (mandatory)	400	705	
4170	Outlays, net (mandatory)	694	911	
4180	Budget authority, net (total)	400	705	
4190	Outlays, net (total)	694	911	
	Memorandum (non-add) entries:			
5080	Outstanding debt, SOY: Repayable advances	–696	–1,096	–1,801
5081	Outstanding debt, EOY: Repayable advances	–1,096	–1,801	–1,801
5082	Borrowing: Repayable advances	–400	–705	

The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), P.L. 110–246, provided for Supplemental Agricultural Disaster Assistance under Sec.12033 and 15101. The Taxpayer Relief Act of 2012 provides authority to continue the Food, Conservation, and Energy Act of 2008 for fiscal year 2013. This includes the Agricultural Disaster Relief Trust Fund, which is composed of amounts equivalent to 3.1 percent of the amounts received in the general fund of the U.S. Treasury during 2008–2011 attributable to the duties collected on articles entered, or withdrawn from warehouse, for consumption under the Harmonized Tariff Schedule of the United States. The fund has authority to borrow and make repayable advances that are such sums as may be necessary to make up the fund's budget authority. Advances to the fund must be repaid with interest to the general fund of the U.S. Treasury when the Secretary of the Treasury determines that funds are available in the trust fund.

Obligations of $694,335,032 were incurred and total outlays were $696,171,992 in FY 2012, as shown in the table below. Unobligated balances carried over to 2012 of $485,094,851 and obligated repayable advances of $400,000,000 provided the funding for 2012 obligations. In 2012, the amount of customs receipts credited to the Agricultural Disaster Relief Trust Fund receipt account totaled $36,629.69. Available budget authority totaling $176,699,490 was carried forward into 2013 as an unobligated balance.

An additional $705,000,000 of borrowing authority in 2013 will be utilized to make payments for the continuing disaster programs (SURE payments for qualifying crop losses due to natural disasters occurring on or before September 30, 2011).

Fiscal Year 2012 Agricultural Disaster Relief Trust Fund Obligations and Outlays

[In millions of dollars]

PROGRAMS	OBLIGATIONS	OUTLAYS
Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP)	9	10
Livestock Forage Disaster Program (LFP)	79	85
Livestock Indemnity Program (LIP)	26	27
Supplemental Revenue Assistance Payments (SURE) Program	561	567
Tree Assistance Program (TAP)	19	7
Subtotal	694	696
Unallocated	0	–4
Total	694	692

Under P.L. 110–246, funding for this mandatory program was used to make payments to farmers and ranchers under the following five disaster assistance programs: Supplemental Revenue Assistance Payments (SURE) Program; Livestock Forage Disaster Program (LFP); Livestock Indemnity Program (LIP); Tree Assistance Program (TAP); and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP). All of these programs except for SURE were extended by the Taxpayer Relief Act of 2012. However, 2013 funding for the programs is dependent on a discretionary appropriation.

Fiscal Year 2012—Fiscal Year 2014 Agricultural Disaster Relief Trust Fund Outlays

PROGRAMS	2012 actual	2013 est.	2014 est.
Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP)	10	0	0
Livestock Forage Disaster Program (LFP)	85	0	0
Livestock Indemnity Program (LIP)	27	0	0
Supplemental Revenue Assistance Payments (SURE) Program	567	911	0
Tree Assistance Program (TAP)	7	0	0
SUBTOTAL	696	911	0
Unallocated	–4	0	0
TOTAL	692	911	0

The American Recovery and Reinvestment Act of 2009 (ARRA) amended the 2008 Farm Bill and the SURE Program to modify the payment formulas for 2008 crops. The ARRA also provided an additional 90 day window for 2008 crops for those producers who did not obtain a policy or plan of insurance or NAP coverage or elect to buy in by September 16, 2008 as authorized under the 2008 Farm Bill. Total ARRA SURE payment outlays made in 2010 were $578,170,337. An additional $236,392,421 in ARRA SURE payments were outlayed in fiscal year 2011. In 2012, $1,099,265 in ARRA SURE payments were outlayed in fiscal year 2012. There were also $156,736 of ARRA TAP payments made in 2010.

Trust Funds

TOBACCO TRUST FUND

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8161–0–7–351	2012 actual	2013 CR	2014 est.
0100 Balance, start of year	1	1	1
Receipts:			
0200 Excise Taxes for Tobacco Assessments, Tobacco Trust Fund	939	960	960
0400 Total: Balances and collections	940	961	961
Appropriations:			
0500 Tobacco Trust Fund	–939	–960	–960
0799 Balance, end of year	1	1	1

Program and Financing (in millions of dollars)

Identification code 12–8161–0–7–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Tobacco Buyout Cost Reimbursement to CCC	891	960	960
0900 Total new obligations (object class 41.0)	891	960	960
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	....	48	48
Budget authority:			
Appropriations, mandatory:			
1201 Appropriation (special or trust fund)	939	960	960
1260 Appropriations, mandatory (total)	939	960	960
1930 Total budgetary resources available	939	1,008	1,008
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	48	48	48
Change in obligated balance:			
Unpaid obligations:			
3010 Obligations incurred, unexpired accounts	891	960	960
3020 Outlays (gross)	–891	–960	–960
Budget authority and outlays, net:			
Mandatory:			
4090 Budget authority, gross	939	960	960
Outlays, gross:			
4100 Outlays from new mandatory authority	891	960	960
4180 Budget authority, net (total)	939	960	960
4190 Outlays, net (total)	891	960	960

NATURAL RESOURCES CONSERVATION SERVICE

Federal Funds

PRIVATE LANDS CONSERVATION OPERATIONS

For necessary expenses for carrying out the provisions of the Act of April 27, 1935 (16 U.S.C. 590a-f), including preparation of conservation plans and establishment of measures to conserve soil and water (including farm irrigation and land drainage and such special measures for soil and water management as may be necessary to prevent floods and the siltation of reservoirs and to control agricultural related pollutants); operation of conservation plant materials centers; classification and mapping of soil; dissemination of information; acquisition of lands, water, and interests therein for use in the plant materials program by donation, exchange, or purchase at a nominal cost not to exceed $100 pursuant to the Act of August 3, 1956 (7 U.S.C. 428a); purchase and erection or alteration or improvement of permanent and temporary buildings; and operation and maintenance of aircraft, $807,937,000, to remain available until September 30, 2015: Provided, That appropriations hereunder shall be available pursuant to 7 U.S.C. 2250 for construction and improvement of buildings and public improvements at plant materials centers, except that the cost of alterations and improvements to other buildings and other public improvements shall not exceed $750,000: Provided further, That when buildings or other structures are erected on non-Federal land, that the right to use such land is obtained as provided in 7 U.S.C. 2250a.

In addition, $695,000,000, to be available for the same time period and for the same purposes as the appropriation from which transferred, shall be derived by transfer from the Farm Security and Rural Investment Program for technical assistance in support of conservation programs authorized by Title XII of the Food Security Act of 1985 (16 U.S.C. 3801–3862), as amended; Section 524(b) of the Federal Crop Insurance Act (7 U.S.C. 1524(b)), as amended; and Section 502 of the Healthy Forests Restoration Act of 2003, as amended: Provided, That, of such amount, at least $25,000,000 shall be competitively awarded to non-Federal conservation partners pursuant to 16 U.S.C. 3842: Provided further, That, upon a determination that additional funding is necessary for technical assistance for the purposes provided herein, additional such amounts may be derived by transfer from the Farm Security and Rural Investment Program: Provided further, That any portion of the funding derived by transfer deemed not necessary for the purposes provided herein may be transferred to the Farm Security and Rural Investment Program: Provided

PRIVATE LANDS CONSERVATION OPERATIONS—Continued

further, That the transfer authority provided under this heading is in addition to any other transfer authority provided elsewhere in this Act.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

	Identification code 12–1000–0–1–302	2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	....
	Receipts:			
0220	NRCS Fees for Conservation Planning	....	....	22
0400	Total: Balances and collections	....	....	22
0799	Balance, end of year	....	....	22

Program and Financing (in millions of dollars)

	Identification code 12–1000–0–1–302	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Technical assistance	711	772	1,409
0002	Soil surveys	79	85	77
0003	Snow survey and water forecasting	10	9	8
0004	Plant materials centers	10	10	9
0799	Total direct obligations	810	876	1,503
0801	EPA Great Lakes - Reimbursable	7	5	5
0802	Reimbursable program activity	29	35	35
0899	Total reimbursable obligations	36	40	40
0900	Total new obligations	846	916	1,543
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	34	58	15
1021	Recoveries of prior year unpaid obligations	15	....	....
1050	Unobligated balance (total)	49	58	15
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	828	833	808
1121	Appropriations transferred from other accts [12–1004]	....	....	695
1160	Appropriation, discretionary (total)	828	833	1,503
	Spending authority from offsetting collections, discretionary:			
1700	Collected	19	40	40
1701	Change in uncollected payments, Federal sources	20	....	....
1750	Spending auth from offsetting collections, disc (total)	39	40	40
1900	Budget authority (total)	867	873	1,543
1930	Total budgetary resources available	916	931	1,558
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–12	....	....
1941	Unexpired unobligated balance, end of year	58	15	15
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	288	245	319
3010	Obligations incurred, unexpired accounts	846	916	1,543
3011	Obligations incurred, expired accounts	3	....	....
3020	Outlays (gross)	–857	–842	–1,427
3040	Recoveries of prior year unpaid obligations, unexpired	–15	....	....
3041	Recoveries of prior year unpaid obligations, expired	–20	....	....
3050	Unpaid obligations, end of year	245	319	435
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–35	–53	–53
3070	Change in uncollected pymts, Fed sources, unexpired	–20	....	....
3071	Change in uncollected pymts, Fed sources, expired	2	....	....
3090	Uncollected pymts, Fed sources, end of year	–53	–53	–53
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	253	192	266
3200	Obligated balance, end of year	192	266	382
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	867	873	1,543
	Outlays, gross:			
4010	Outlays from new discretionary authority	656	704	1,205
4011	Outlays from discretionary balances	201	138	222
4020	Outlays, gross (total)	857	842	1,427
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–20	–31	–31
4033	Non-Federal sources	–2	–9	–9
4040	Offsets against gross budget authority and outlays (total)	–22	–40	–40
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–20	....	....
4052	Offsetting collections credited to expired accounts	3	....	....
4060	Additional offsets against budget authority only (total)	–17	....	....
4070	Budget authority, net (discretionary)	828	833	1,503
4080	Outlays, net (discretionary)	835	802	1,387
4180	Budget authority, net (total)	828	833	1,503
4190	Outlays, net (total)	835	802	1,387

The Natural Resources Conservation Service (NRCS) protects the natural resource base on private lands by providing technical assistance to farmers, ranchers and other private landowners to support the development of conservations plans, and by providing financial assistance to partially offset the cost to install practices necessary to safeguard natural resources and improve wildlife habitat. NRCS provides additional support for conservation efforts through soil surveys, snow survey and water supply forecasting, and plant materials centers. These activities are supported by appropriated funding, including funding which has traditionally been requested in the Conservation Operations account, and by mandatory funding in the Farm Security and Rural Investment account. NRCS is comprised of roughly 11,000 employees across a wide range of natural resource backgrounds such as soil and rangeland conservation, wildlife biology, forestry and engineering. Through this collective conservationist workforce, the Administration strives to protect the natural resource base on private lands.

In 2014, the Administration proposes to show the total staff resources necessary to implement its private lands conservation program in the Private Lands Conservation Operations account. Importantly, this new display will not alter the current authorities under which staff resources are provided through mandatory and discretionary funding. In addition to providing greater transparency regarding the level of staff required to accomplish this important mission, the Administration also proposes to competitively award funding to private sector conservation partners in a way that will leverage Federal resources and increase key conservation outcomes across important regional and National landscapes. This process will ensure that all partnering entities are held to the same standards, metrics and performance measures while still allowing for flexible and innovative approaches to private lands conservation. A more detailed description of the specific programs within the Private lands Conservation Operations account follows:

Technical assistance.—Through the Conservation Technical Assistance (CTA) Program, NRCS provides agricultural producers, private landowners, conservation districts, Tribes, and other organizations with the knowledge and conservation tools they need to conserve, maintain, and improve our natural resources. This assistance comes in the form of both individual and landscape-scale conservation plans which contain optimal strategies tailored to protect the resources on the land they manage. Actions described in the plans help land managers reduce erosion; protect water quality and quantity; address air quality; enhance the quality of fish and wildlife habitat; improve long-term sustainability of all lands; and facilitate land use changes while protecting and sustaining our natural resources. In addition, legislation will be submitted for a user fee that helps cover the costs of conservation planning services. The 2014 Budget requests a total of $807.9 million for Conservation Operations.

MAIN WORKLOAD FACTORS

	2012 actual	2013 est.	2014 est.
Customers receiving technical assistance for planning & application, number	85,900	85,400	81,600
Conservation systems planned, million acres	26.8	26.6	25.4
Cropland with conservation applied to improve soil quality, million acres	8.2	8.0	7.6
Grazing land with conservation applied to protect the resource base, million acres	16.4	15.4	14.7

In addition to technical assistance for conservation planning provided through CTA, NRCS also offers technical assistance for the design, implementation, and management of cost-shared conservation practices through mandatory farm bill conservation programs under the Farm Security and Rural Investment Program. This combined technical assistance funding provides for the salaries and expenses of conservation professionals, including NRCS's extensive field staff and a growing number of technical service providers and other cooperators who work with land managers in assessing and applying conservation strategies. The following table is intended to provide a more complete summary of total Federal support for private lands conservation efforts as well as the Federal and non-Federal staff capacity supported by these technical assistance investments.

Soil surveys.—The primary focus of the Soil Survey Program is to provide current and consistent map interpretations and data sets of the soil resources of the United States. Managing soil as a strategic natural resource is a key component to the vitality of the Nation's rural economies. Scientists and policy makers use soil survey information in studying climate change and evaluating the sustainability and environmental impacts of land use and management practices. Soil surveys are used by planners, engineers, farmers, ranchers, developers, and home owners to evaluate soil suitability and make management decisions for farms, home sites, subdivisions, commercial and industrial sites, and wildlife and recreational areas. NRCS is the lead Federal agency for the National Cooperative Soil Survey (NCSS), a partnership of Federal land management agencies, State agricultural experiment stations, private consultants, and State and local governments. NRCS provides the scientific expertise to enable the NCSS to develop and maintain a uniform system for mapping and assessing soil resources. The Budget accelerates Soils Survey Program efforts to harmonize existing soils survey data to improve underlying data quality and meet new and emerging applications of soils data.

MAIN WORKLOAD FACTORS

	2012 actual	2013 est.	2014 est.
Acres mapped annually (millions)	36.8	38	40

Snow survey and water supply forecasting.—Snowpack is measured at nearly 1,800 automated and manual sites across the mountain west. Water supply forecasts are issued by NRCS and are used by Federal, State, local, Tribal and private entities for decisions related to agricultural production, hydroelectric power generation, fish and wildlife management, municipal and industrial water supply, reservoir management, urban development, drought assessment, flood hazards, recreation, and water quality management.

Operation of plant materials centers.—The identification, testing, evaluation, and demonstration of plants and plant technologies to solve natural resource problems and improve the utilization of natural resources are made at 27 plant materials centers (25 NRCS-managed and 2 with partial NRCS-funding) to determine suitability for erosion control, cropland soil health and productivity, restoring wetlands, improving water quality, improving wildlife habitat (including pollinators), protecting streambank and riparian areas, stabilizing coastal dunes, producing biomass, improving air quality, and addressing other conservation treatment needs. Plant materials centers document and transfer plant science technology in fact sheets, technical notes, the NRCS Field Office Technical Guide, and transferred to the public on the Web. Work at plant materials centers is the foundation of vegetative recommendations for NRCS and many other Federal and State agencies.

Object Classification (in millions of dollars)

Identification code 12–1000–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	387	392	653
11.3	Other than full-time permanent	7	7	11
11.5	Other personnel compensation	4	4	8
11.9	Total personnel compensation	398	403	672
12.1	Civilian personnel benefits	133	134	225
13.0	Benefits for former personnel	2	2	2
21.0	Travel and transportation of persons	16	16	21
22.0	Transportation of things	3	3	3
23.2	Rental payments to others	16	17	16
23.3	Communications, utilities, and miscellaneous charges	15	16	26
24.0	Printing and reproduction	2	2	3
25.2	Other services from non-Federal sources	193	251	210
26.0	Supplies and materials	16	16	25
31.0	Equipment	16	16	33
32.0	Land and structures	....	....	267
99.0	Direct obligations	810	876	1,503
99.0	Reimbursable obligations	36	40	40
99.9	Total new obligations	846	916	1,543

Employment Summary

Identification code 12–1000–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	5,808	5,894	9,625
2001	Reimbursable civilian full-time equivalent employment	151	158	158

Farm Security and Rural Investment Programs

Program and Financing (in millions of dollars)

Identification code 12–1004–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Wetlands Reserve program	588	538	235
0002	Environmental Quality Incentives program	1,373	1,400	864
0004	Agricultural Water Enhancement Program	59	60	44
0005	Wildlife Habitat Incentives program	47	50	29
0006	Farm and Ranch Lands Protection program	145	150	139
0007	Conservation Security program	188	166	115
0008	Grassland Reserve program	65	67	....
0009	Conservation Stewardship Program	742	768	878
0010	Agricultural Management Assistance program	2	3	....
0011	Chesapeake Bay Watershed Initiative	50	50	50
0012	Healthy Forests Reserve Program	10	10	....
0799	Total direct obligations	3,269	3,262	2,354
0801	Reimbursable Conservation Reserve Program	102	96	96
0802	Reimbursable EPA Great Lakes Environmental Quality Incentives Program	9	19	19
0899	Total reimbursable obligations	111	115	115
0900	Total new obligations	3,380	3,377	2,469
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	5	9	9
1021	Recoveries of prior year unpaid obligations	4	....	....
1050	Unobligated balance (total)	9	9	9

Farm Security and Rural Investment Programs—Continued

Program and Financing—Continued

Identification code 12–1004–0–1–302		2012 actual	2013 CR	2014 est.
	Budget authority:			
	Appropriations, discretionary:			
1120	Appropriations transferred to other accts [12–1000]	....	....	–695
1130	Appropriations permanently reduced	....	....	–509
1134	Appropriations precluded from obligation	....	–657	....
1160	Appropriation, discretionary (total)	....	–657	–1,204
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	3,425	3,919	3,558
1260	Appropriations, mandatory (total)	3,425	3,919	3,558
	Spending authority from offsetting collections, mandatory:			
1800	Offsetting Collections Conservation Reserve Program	18	96	96
1800	Offsetting collections EPA Great Lakes, Other	....	19	19
1801	Change in uncollected payments, Federal sources	135	....	....
1850	Spending auth from offsetting collections, mand (total)	153	115	115
1900	Budget authority (total)	3,578	3,377	2,469
1930	Total budgetary resources available	3,587	3,386	2,478
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–198	....	....
1941	Unexpired unobligated balance, end of year	9	9	9
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	3,664	3,927	4,231
3010	Obligations incurred, unexpired accounts	3,380	3,377	2,469
3011	Obligations incurred, expired accounts	105	....	....
3020	Outlays (gross)	–2,816	–3,073	–2,625
3040	Recoveries of prior year unpaid obligations, unexpired	–4	....	....
3041	Recoveries of prior year unpaid obligations, expired	–402	....	....
3050	Unpaid obligations, end of year	3,927	4,231	4,075
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–75	–195	–195
3070	Change in uncollected pymts, Fed sources, unexpired	–135	....	....
3071	Change in uncollected pymts, Fed sources, expired	15	....	....
3090	Uncollected pymts, Fed sources, end of year	–195	–195	–195
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3,589	3,732	4,036
3200	Obligated balance, end of year	3,732	4,036	3,880
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	....	–657	–1,204
	Outlays, gross:			
4010	Outlays from new discretionary authority	....	–453	–872
4011	Outlays from discretionary balances	....	....	–129
4020	Outlays, gross (total)	....	–453	–1,001
	Mandatory:			
4090	Budget authority, gross	3,578	4,034	3,673
	Outlays, gross:			
4100	Outlays from new mandatory authority	919	1,090	972
4101	Outlays from mandatory balances	1,897	2,436	2,654
4110	Outlays, gross (total)	2,816	3,526	3,626
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Federal sources	–49	–96	–96
4120	Baseline Program [EPA]	....	–19	–19
4130	Offsets against gross budget authority and outlays (total)	–49	–115	–115
	Additional offsets against gross budget authority only:			
4140	Change in uncollected pymts, Fed sources, unexpired	–135	....	....
4142	Offsetting collections credited to expired accounts	31	....	....
4150	Additional offsets against budget authority only (total)	–104	....	....
4160	Budget authority, net (mandatory)	3,425	3,919	3,558
4170	Outlays, net (mandatory)	2,767	3,411	3,511
4180	Budget authority, net (total)	3,425	3,262	2,354
4190	Outlays, net (total)	2,767	2,958	2,510

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	3,425	3,262	2,354
Outlays	2,767	2,958	2,510
Legislative proposal, subject to PAYGO:			
Budget Authority	....	....	43
Outlays	....	....	–52
Total:			
Budget Authority	3,425	3,262	2,397
Outlays	2,767	2,958	2,458

Title XII of the Food Security Act of 1985 provided mandatory funding for critical conservation efforts on private lands, including critical wetlands, grasslands, forests, and farm and ranch lands. For conservation programs where NRCS is the lead implementation agency, funds are transferred from the Commodity Credit Corporation (CCC) to the Farm Security and Rural Investment Programs account. This mandatory funding supports NRCS efforts to protect the natural resource base on private lands by providing technical assistance to farmers, ranchers and other private landowners to support the development of conservations plans, and by providing financial assistance to partially offset the cost to install practices necessary to safeguard natural resources and improve wildlife habitat.

The Food, Conservation, and Energy Act of 2008 (P.L.110–246), amended Title XII of the Food Security Act of 1985 and reauthorized a number of USDA's conservation programs. In addition, the American Taxpayer Relief Act of 2012 (P.L. 112–240) extended through the end of 2013 the programs that expired at the end of 2012. As noted below, a number of conservation programs were extended in the 2014 Budget's baseline based upon scorekeeping conventions and/or language included in the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55). In 2014, the Administration proposes to show the total staff resources necessary to implement its private lands conservation program in the Private Lands Conservation Operations account. Importantly, this new display will not alter the current authorities under which staff resources are provided through mandatory and discretionary funding. This account will continue to show the funding provided for the financial assistance costs necessary for delivering the following programs:

Wetlands Reserve Program (WRP).—This program is authorized under Section 1237 of the Food Security Act of 1985, as amended. The authority provides for up to 3,041,200 acres to be enrolled in the program. The purpose of the WRP is to preserve, protect, and restore valuable wetlands. P.L. 112–240 extended the program's authority to enroll easements through the end of 2013. Therefore, the 2014 Budget includes $268 million to support monitoring, restoration and maintenance of easements enrolled before September 30, 2013.

Environmental Quality Incentives Program (EQIP).—This program is authorized under section 1240 of the Food Security Act of 1985, as amended. Section 716 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55) reauthorized the program through 2014, and the 2014 Budget assumes that the program extends beyond that date in the baseline for scorekeeping purposes. The purpose of the program is to promote agricultural production and environmental quality as compatible national goals. The 2014 Budget proposes $1.35 billion for this program and proposes to permanently cancel funds exceeding this amount for the program in 2014.

Agricultural Water Enhancement Program (AWEP).—This program is authorized by Section 1240I of the Food Security Act of 1985, as amended. Under AWEP, NRCS enters into partnership agreements with eligible entities to promote ground and surface water conservation or improve water quality on agricultural lands. The program's authority to use CCC funds was extended through 2014. The 2014 Budget's baseline assumes extension of this program for scorekeeping purposes at a level of $60 million.

Conservation Stewardship Program (CSP).—This program is authorized by Section 1238D of the Food Security Act of 1985, as amended. Section 716 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55) reauthorized the program through 2014 and the 2014 Budget assumes that the program extends beyond that date in the baseline for scorekeeping purposes. The program encourages producers to address resource concerns in a comprehensive manner by undertaking additional conservation activities and improving, maintaining and managing existing conservation activities. The 2014 Budget proposes $1,003 million for this program to enroll 11,991,222 acres and proposes to permanently reduce the program by 777,778 acres. This program is the successor to the Conservation Security Program, which was not continued in the Food, Conservation and Energy Act of 2008 except as necessary to support contracts entered into before September 30, 2008. The 2014 Budget proposes $134 million for the Conservation Security Program.

Farmland Protection Program (FRPP).—This program is authorized under Section 1238I of the Food Security Act of 1985, as amended. Section 716 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55) reauthorized the program through 2014 and the 2014 Budget assumes that the program extends beyond that date in the baseline for scorekeeping purposes and includes a net amount (factoring in the impact of a proposed mandatory reduction) of $150 million. This program protects soil by limiting nonagricultural use of prime and unique farm and ranch land.

Wildlife Habitat Incentives Program (WHIP).—This program is authorized by Section 1240N of the Food Security Act of 1985, as amended. Section 716 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55) reauthorized the program through 2014. The 2014 Budget assumes that the program extends beyond that date in the baseline for scorekeeping purposes and includes net amount (factoring in the impact of a proposed mandatory reduction) of $45 million. The program develops habitat for upland wildlife, wetland wildlife, threatened and endangered species, fish, and other wildlife.

Grassland Reserve Program (GRP).—This program is authorized by Section 1238N of the Food Security Act of 1985, as amended. The purpose of the program is to assist landowners in restoring and protecting grassland. P.L. 112–240 extended the program's authority through the end of 2013.

Chesapeake Bay Watershed Program (CBWP).—This program is authorized by Section 1240Q of the Food Security Act of 1985, as amended. It helps agricultural producers improve water quality and quantity and restore, enhance and preserve soil, air and related resources in the Chesapeake Bay Watershed through the implementation of conservation practices. The program's authority to use CCC funds was extended through the end of 2013 by P.L. 112–240.

Conservation Reserve Program (CRP) Technical Assistance.—The CRP is authorized by Sections 1231–1235A of the Food Security Act of 1985, as amended. Although CRP is administered by the Farm Service Agency, NRCS provides technical assistance to producers to implement conservation practices on CRP land. FSA provides funds to NRCS as offsetting collections for this purpose in this account. P.L. 112–240 authorized the Conservation Reserve Program (CRP) to enroll new acres and retains the 32 million acre cap (enrollment is currently at 27 million acres) through September 30, 2013. The 2014 Budget assumes $96 million in technical assistance for NRCS support of CRP.

In addition to the programs authorized under the Food Security Act of 1985, NRCS implements the following conservation programs:

Agricultural Management Assistance Program (AMA).—This program is authorized by Section 524(b) of the Federal Crop Insurance Act (7 U.S.C. 1524(b)), as amended. It authorizes $15 million annually for 2008 through 2012. Section 716 of the Consolidated and Further Continuing Appropriations Act of 2012 (P.L. 112–55) reauthorized the program through 2014, and it is extended beyond that date in the baseline based upon permanent authority. This program is implemented by NRCS, the Agricultural Marketing Service, and the Risk Management Agency. The NRCS AMA activities are carried out in 16 states, as determined by the Secretary, in which participation in the Federal Crop Insurance Program is historically low. The program provides assistance to producers to mitigate financial risk by using conservation to reduce soil erosion and improve water quality. The Budget proposes limiting the overall AMA program to $10 million in 2014, of which NRCS is limited to $2.5 million.

Healthy Forests Reserve Program (HFRP).—This program is authorized by Section 502 of the Healthy Forests Restoration Act of 2003, as amended. The program assists landowners in restoring, enhancing and protecting forest ecosystems on private lands to promote the recovery of threatened and endangered species, improve biodiversity, and enhance carbon sequestration. P.L 112–240 included a one year extension of program authorities provided by the 2008 Farm Bill. The Act authorizes USDA to implement these program authorities at their associated mandatory funding levels as in effect on September 30, 2012. This means that HFRP, which lost enrollment authority with the expiration of the 2008 Farm Bill, is authorized for 2013 enrollments.

NRCS works to deliver conservation programs using its technical field staff and by partnering with public and private entities through the Technical Service Provider (TSP) system. NRCS can contract with TSPs to help deliver the Farm Bill programs, or agricultural producers may select TSPs to help plan and implement conservation practices on their operations.

The U.S. has made great strides in improving water quality; however, nonpoint source pollution remains a significant challenge that requires policy attention and thoughtful new approaches. In 2014, the Budget continues the agency's efforts to better coordinate conservation efforts among key Federal partners, along with agricultural producer organizations, conservation districts, States, Tribes, NGOs and other local leaders to identify areas where a focused and coordinated approach can achieve substantial improvements in water quality. The Budget builds upon the collaborative process already underway among Federal partners to demonstrate substantial improvements in water quality from conservation programs by ensuring that USDAs key investments through Farm Bill conservation programs and related efforts are appropriately leveraged by other federal programs.

Finally, the Budget includes legislative proposals to reduce the allowable acreage cap for the Conservation Stewardship Program to 10,348,000 acres annually and to fund a new Agricultural Conservation Easement Program, which combines the authorities of the Wetlands Reserve Program, Grasslands Reserve Program, and the Farmland Protection Program.

Farm Security and Rural Investment Programs—Continued

Object Classification (in millions of dollars)

Identification code 12–1004–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	281	281	
11.3	Other than full-time permanent	4	4	
11.5	Other personnel compensation	4	4	
11.9	Total personnel compensation	289	289	
12.1	Civilian personnel benefits	98	98	
21.0	Travel and transportation of persons	6	6	
22.0	Transportation of things	1	1	1
23.2	Rental payments to others	20	20	20
23.3	Communications, utilities, and miscellaneous charges	11	11	
24.0	Printing and reproduction	1	1	
25.2	Other services from non-Federal sources	131	130	112
26.0	Supplies and materials	9	9	
31.0	Equipment	17	17	
32.0	Land and structures	550	517	
41.0	Grants, subsidies, and contributions	2,136	2,163	2,221
99.0	Direct obligations	3,269	3,262	2,354
99.0	Reimbursable obligations	111	115	115
99.9	Total new obligations	3,380	3,377	2,469

Employment Summary

Identification code 12–1004–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	4,283	4,154	
2001	Reimbursable civilian full-time equivalent employment	834	834	834

Farm Security and Rural Investment Programs

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–1004–4–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation			43
1260	Appropriations, mandatory (total)			43
1930	Total budgetary resources available			43
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year			43
	Change in obligated balance:			
	Unpaid obligations:			
3020	Outlays (gross)			52
3050	Unpaid obligations, end of year			52
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			52
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			43
	Outlays, gross:			
4100	Outlays from new mandatory authority			–52
4180	Budget authority, net (total)			43
4190	Outlays, net (total)			–52

Watershed and Flood Prevention Operations

Program and Financing (in millions of dollars)

Identification code 12–1072–0–1–301		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0003	Emergency watershed protection operations	213	102	
0004	Small watershed operations (P.L. 566)	6	14	
0005	Watershed Operations (P.L. 534)		12	
0006	EWP (SANDY)		180	
0799	Total direct obligations	219	308	
0802	Reimbursable program activity	17		
0900	Total new obligations	236	308	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	152	167	39
1021	Recoveries of prior year unpaid obligations	11		
1050	Unobligated balance (total)	163	167	39
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	216	180	
1160	Appropriation, discretionary (total)	216	180	
	Spending authority from offsetting collections, discretionary:			
1700	Collected	14	10	
1701	Change in uncollected payments, Federal sources	10	–10	
1750	Spending auth from offsetting collections, disc (total)	24		
1900	Budget authority (total)	240	180	
1930	Total budgetary resources available	403	347	39
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	167	39	39
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	217	276	346
3010	Obligations incurred, unexpired accounts	236	308	
3011	Obligations incurred, expired accounts	2		
3020	Outlays (gross)	–163	–238	–139
3040	Recoveries of prior year unpaid obligations, unexpired	–11		
3041	Recoveries of prior year unpaid obligations, expired	–5		
3050	Unpaid obligations, end of year	276	346	207
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–48	–58	–48
3070	Change in uncollected pymts, Fed sources, unexpired	–10	10	
3090	Uncollected pymts, Fed sources, end of year	–58	–48	–48
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	169	218	298
3200	Obligated balance, end of year	218	298	159
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	240	180	
	Outlays, gross:			
4010	Outlays from new discretionary authority	26	72	
4011	Outlays from discretionary balances	137	166	139
4020	Outlays, gross (total)	163	238	139
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–14	–10	
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–10	10	
4070	Budget authority, net (discretionary)	216	180	
4080	Outlays, net (discretionary)	149	228	139
4180	Budget authority, net (total)	216	180	
4190	Outlays, net (total)	149	228	139

NRCS watershed programs provide for cooperative actions between the Federal Government and States and their political subdivisions to reduce damage from floodwater, sediment, and erosion; for the conservation, development, utilization, and disposal of water; and for the conservation and proper utilization of land. Funds in Watershed and Flood Prevention Operations can be used for either flood prevention projects or flood damage rehabilitation efforts, depending upon the needs and opportunities.

Emergency watershed protection program.—NRCS undertakes such emergency measures for runoff retardation and soil erosion prevention as may be needed to safeguard life and property from floods and the products of erosion on any watershed whenever natural elements or forces cause a sudden impairment of that watershed. An emergency is considered to exist when a watershed is suddenly impaired by flood, fire, wind, earthquake, drought or other natural causes and consequently life and property are endangered by floodwater, erosion, or sediment discharge. Subject to the terms and conditions of funding, NRCS may provide

Emergency Watershed Protection assistance to address small scale, localized disasters. In 2013, the Disaster Relief Appropriations Act provided $180 million in Emergency Watershed Protection Program assistance for expenses related to Hurricane Sandy resulting from major disasters declared pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq). State agencies including environmental, natural resource, and fish and game agencies participate in planning and coordinating emergency work. Funding for the Emergency Watershed Protection Program is typically provided through emergency supplemental appropriations. The 2014 Budget does not request funding for this program.

Watershed operations authorized by Public Law 78–534.—NRCS cooperates with soil conservation districts and other local organizations in planning and installing flood prevention improvements in 11 watersheds authorized by the Flood Control Act of 1944. The Federal Government shares the cost of improvements for flood prevention, agricultural water management, recreation, and fish and wildlife development. This program did not receive an appropriation in 2011, 2012, and 2013, and the 2014 budget does not request funding for this program. NRCS is closing out watershed operations projects started prior to 2011 with unobligated balances from prior years.

Small watershed operations authorized by Public Law 83–566.—NRCS provides technical and financial assistance to local organizations to install measures for watershed protection, flood prevention, agricultural water management, recreation, and fish and wildlife enhancement. At least 70 percent of the funding provided is used for financial assistance. This program did not receive an appropriation in 2011, 2012, and 2013, and the 2014 budget does not request funding for this program. NRCS is closing out small watershed operations projects started prior to 2011 with unobligated balances from prior years.

Loans through the Agricultural Credit Insurance Fund have been made in previous years to the local sponsors in order to fund the local cost of Public Law 83–566 or 78–534 projects. No funding for these loans is assumed in 2014.

Object Classification (in millions of dollars)

Identification code 12–1072–0–1–301		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	8	11	
11.5	Other personnel compensation	1	1	
11.9	Total personnel compensation	9	12	
12.1	Civilian personnel benefits	2	4	
21.0	Travel and transportation of persons	1	1	
25.1	Advisory and assistance services	117	159	
25.2	Other services from non-Federal sources	13	37	
31.0	Equipment	1	3	
32.0	Land and structures	3	2	
41.0	Grants, subsidies, and contributions	73	90	
99.0	Direct obligations	219	308	
99.0	Reimbursable obligations	17		
99.9	Total new obligations	236	308	

Employment Summary

Identification code 12–1072–0–1–301		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	105	93	
2001	Reimbursable civilian full-time equivalent employment	35		

Watershed Rehabilitation Program

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1002–0–1–301		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Watershed rehabilitation program	21	7	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	12	6	14
1020	Adjustment of unobligated bal brought forward, Oct 1	–1		
1021	Recoveries of prior year unpaid obligations	1		
1050	Unobligated balance (total)	12	6	14
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	15	15	
1130	Appropriations permanently reduced			–165
1134	Appropriations precluded from obligation		–165	
1160	Appropriation, discretionary (total)	15	–150	–165
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]		165	165
1260	Appropriations, mandatory (total)		165	165
1900	Budget authority (total)	15	15	
1930	Total budgetary resources available	27	21	14
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	6	14	14
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	82	56	42
3010	Obligations incurred, unexpired accounts	21	7	
3011	Obligations incurred, expired accounts	1		
3020	Outlays (gross)	–42	–21	–18
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3041	Recoveries of prior year unpaid obligations, expired	–5		
3050	Unpaid obligations, end of year	56	42	24
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–1		
3061	Adjustments to uncollected pymts, Fed sources, brought forward, Oct 1	1		
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	82	56	42
3200	Obligated balance, end of year	56	42	24
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	15	–150	–165
	Outlays, gross:			
4010	Outlays from new discretionary authority	4	–50	–53
4011	Outlays from discretionary balances	38	18	–40
4020	Outlays, gross (total)	42	–32	–93
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
	Mandatory:			
4090	Budget authority, gross		165	165
	Outlays, gross:			
4100	Outlays from new mandatory authority		53	53
4101	Outlays from mandatory balances			58
4110	Outlays, gross (total)		53	111
4180	Budget authority, net (total)	15	15	
4190	Outlays, net (total)	42	21	18

Under the authorities of Section 14 of the Watershed Protection and Flood Prevention Act, assistance is provided to communities to address the rehabilitation of aging local dams. The 2012 enacted level included $15 million for the Watershed Rehabilitation Program. No funding is requested in the 2014 Budget, reflecting the Administration's position that the maintenance, repair, and operation of these dams are the responsibility of local project sponsors. The Budget also proposes no mandatory funding for

WATERSHED REHABILITATION PROGRAM—Continued

this program in 2014; $165 million currently available are proposed to be permanently cancelled (see General Provisions for the Department of Agriculture).

Object Classification (in millions of dollars)

Identification code 12–1002–0–1–301		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	5	2	
12.1	Civilian personnel benefits	1	1	
25.1	Advisory and assistance services	4	1	
25.2	Other services from non-Federal sources	4	1	
41.0	Grants, subsidies, and contributions	7	2	
99.9	Total new obligations	21	7	

Employment Summary

Identification code 12–1002–0–1–301		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	59	20	

RESOURCE CONSERVATION AND DEVELOPMENT

Program and Financing (in millions of dollars)

Identification code 12–1010–0–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	2	2
1021	Recoveries of prior year unpaid obligations	1		
1050	Unobligated balance (total)	2	2	2
	Budget authority:			
	Appropriations, discretionary:			
1131	Unobligated balance of appropriations permanently reduced			–2
1160	Appropriation, discretionary (total)			–2
1930	Total budgetary resources available	2	2	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	2	2	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2	1	1
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	1	1	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	1	1
3200	Obligated balance, end of year	1	1	1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross			–2
4180	Budget authority, net (total)			–2

The Resource Conservation and Development (RC&D) Program was developed under the Soil Conservation and Domestic Allotment Act (16 U.S.C 590a-590f); the Bankhead-Jones Farm Tenant Act (16 U.S.C. 1010 and 1011); and the Food and Agricultural Act of 1962 (P.L. 87–703). It is authorized under subtitle H, title XV of the Agricultural and Food Act of 1981 (16 U.S.C. 3451–3461), as amended. The program was permanently authorized by the Farm Security and Rural Investment Act of 2002 and further amended by the Food, Conservation, and Energy Act of 2008 (P.L. 110–246). No funding was appropriated for the RC&D Program in 2012 and 2013, and the 2014 Budget requests no funding for the program. After decades of Federal assistance, many RC&D Councils supported by the program have developed sufficiently strong State and local ties and are now able to secure funding for their continued operation without the need for ongoing Federal assistance. The 2014 Budget includes a proposal to cancal remaining RC&D unobligated balances of $2.017 million.

HEALTHY FORESTS RESERVE PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–1090–0–1–302		2012 actual	2013 CR	2014 est.
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	1	
3020	Outlays (gross)		–1	
3050	Unpaid obligations, end of year	1		
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	1	
3200	Obligated balance, end of year	1		
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4011	Outlays from discretionary balances		1	
4190	Outlays, net (total)		1	

Title V of the Healthy Forests Restoration Act of 2003 (Public Law 108–148) authorized the establishment of the Healthy Forests Reserve Program (HFRP). This program assists landowners in restoring, enhancing and protecting forest ecosystems to 1) promote the recovery of threatened and endangered species; 2) improve biodiversity; and 3) enhance carbon sequestration.

NRCS implements this voluntary program. Only privately held land is eligible for enrollment into HFRP. Land enrolled in HFRP must have a restoration plan that includes practices necessary to restore and enhance habitat for species listed as threatened or endangered or candidates for the threatened or endangered species list. Technical assistance will be provided by USDA to assist owners in complying with the terms of restoration plans under HFRP.

The 2014 Budget does not request discretionary funding for the Healthy Forests Reserve Program.

GREAT PLAINS CONSERVATION PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–2268–0–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1		
1029	Other balances withdrawn	–1		

The 1996 Farm Bill combined the authority for this and several other conservation programs into the Environmental Quality Incentives Program. The program provided cost-share assistance to participating landowners and operators in ten Great Plains states to develop and install long-term conservation plans and practices on their lands. The 2012 enacted level includes a general provision to rescind unobligated balances in this account.

FORESTRY INCENTIVES PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–3336–0–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	6		

1029	Other balances withdrawn	–6	....	....

No funds are proposed for the Forestry Incentives Program (FIP). The FIP has not been reauthorized. Prior-year account balances are maintained in this account until expended. FIP shared up to 65 percent of the cost of tree planting and timber stand improvement in designated counties. Technical assistance was provided by the Forest Service. The 2012 Agriculture appropriations general provisions rescinded the unobligated balances in this account.

WATER BANK PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–3320–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Direct program activity	7	7	....
0900	Total new obligations (object class 41.0)	7	7	....
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	7	7	....
1160	Appropriation, discretionary (total)	7	7	....
1900	Budget authority (total)	7	7	....
1930	Total budgetary resources available	7	7	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	....	7	12
3010	Obligations incurred, unexpired accounts	7	7	....
3020	Outlays (gross)	....	–2	–2
3050	Unpaid obligations, end of year	7	12	10
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	....	7	12
3200	Obligated balance, end of year	7	12	10
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	7	7	....
	Outlays, gross:			
4010	Outlays from new discretionary authority	....	1	....
4011	Outlays from discretionary balances	....	1	2
4020	Outlays, gross (total)	....	2	2
4180	Budget authority, net (total)	7	7	....
4190	Outlays, net (total)	....	2	2

The objectives of the Water Bank Program are to conserve water; to preserve, maintain, and improve the Nation's wetlands; to increase waterfowl habitat in migratory waterfowl nesting, breeding, and feeding areas in the United States; and to secure recreational and environmental benefits for the Nation. The program was authorized by the Water Bank Act of 1970, as amended by Public Law 96–182, approved January 2, 1980. The 2012 enacted level included $7.5 million for this program. No funding is requested in the 2014 Budget, given that the program is duplicative of the Wetlands Reserve Program, USDA's primary wetlands conservation program.

Employment Summary

Identification code 12–3320–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	2	1	....

Trust Funds

MISCELLANEOUS CONTRIBUTED FUNDS

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–8210–0–7–302		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	1
	Receipts:			
0220	Miscellaneous Contributed Funds	....	1	1
0400	Total: Balances and collections	....	1	2
0799	Balance, end of year	....	1	2

Program and Financing (in millions of dollars)

Identification code 12–8210–0–7–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2	2	2
1930	Total budgetary resources available	2	2	2
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	2	2	2

Funds received in this account from State, local, and other organizations are available for work under cooperative agreements for soil survey, watershed protection, and resource conservation and development activities.

RURAL DEVELOPMENT

Federal Funds

RURAL DEVELOPMENT SALARIES AND EXPENSES

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses for carrying out the administration and implementation of programs in the Rural Development mission area, including activities with institutions concerning the development and operation of agricultural cooperatives; and for cooperative agreements; $204,695,000: Provided, That $32,000,000 shall be for the Comprehensive Loan Accounting System: Provided further, That notwithstanding any other provision of law, funds appropriated under this heading may be used for advertising and promotional activities that support the Rural Development mission area: Provided further, That any balances available from prior years for the Rural Utilities Service, Rural Housing Service, and the Rural Business–Cooperative Service salaries and expenses accounts shall be transferred to and merged with this appropriation.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0403–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Salaries and expenses	182	183	204
0801	Reimbursable program	489	476	457
0900	Total new obligations	671	659	661
	Budgetary Resources:			
	Unobligated balance:			
1012	Unobligated balance transfers between expired and unexpired accounts	4	1	....
1021	Recoveries of prior year unpaid obligations	1	....	....
1050	Unobligated balance (total)	5	1	....
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	182	183	204
1160	Appropriation, discretionary (total)	182	183	204
	Spending authority from offsetting collections, discretionary:			
1700	Collected	480	475	457

RURAL DEVELOPMENT SALARIES AND EXPENSES—Continued

Program and Financing—Continued

Identification code 12–0403–0–1–452		2012 actual	2013 CR	2014 est.
1701	Change in uncollected payments, Federal sources	5		
1750	Spending auth from offsetting collections, disc (total)	485	475	457
1900	Budget authority (total)	667	658	661
1930	Total budgetary resources available	672	659	661
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–1		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	164	129	124
3010	Obligations incurred, unexpired accounts	671	659	661
3011	Obligations incurred, expired accounts	11		
3020	Outlays (gross)	–707	–664	–651
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3041	Recoveries of prior year unpaid obligations, expired	–9		
3050	Unpaid obligations, end of year	129	124	134
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–1	–6	–6
3070	Change in uncollected pymts, Fed sources, unexpired	–5		
3090	Uncollected pymts, Fed sources, end of year	–6	–6	–6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	163	123	118
3200	Obligated balance, end of year	123	118	128
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	667	658	661
	Outlays, gross:			
4010	Outlays from new discretionary authority	579	560	561
4011	Outlays from discretionary balances	128	104	90
4020	Outlays, gross (total)	707	664	651
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–480	–475	–457
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–5		
4070	Budget authority, net (discretionary)	182	183	204
4080	Outlays, net (discretionary)	227	189	194
4180	Budget authority, net (total)	182	183	204
4190	Outlays, net (total)	227	189	194

The Rural Development Salaries and Expenses (S&E) account is a consolidated account to administer all Rural Development programs, including programs administered by the Rural Utilities Service (RUS), the Rural Housing Service (RHS), and the Rural Business-Cooperative Service (RBS).

RUS provides grants, direct loans and loan guarantees to suppliers of electric, telecommunications (for general purpose and for distance learning/telemedicine), and water and wastewater services in rural areas. Through the water and wastewater program, RUS also provides technical assistance. The electric and telecommunications loan and grant programs are administered in the national office in Washington, DC. The Rural Development field office staff performs the services related to the water and wastewater grant and loan programs. Program staff for the electric and telecommunication loans programs are general field representatives, who visit borrowers periodically and serve as liaisons between the borrowers and headquarters.

RHS delivers rural housing and community facility programs through a system of area, local, and State and national offices.

RBS delivers direct loans, loan guarantees, grants, technical assistance, and payment programs to cooperatives and other rural businesses.

The 2014 includes a $32M set aside for the Comprehensive Loan Program (CLP) accounting system. The CLP investments will provide benefits to all RD stakeholders and program beneficiaries, including: improved data integrity, system reliability, and portfolio performance information; more user friendly interfaces for customers and employees alike; and the ability to adopt loan program changes more quickly.

Object Classification (in millions of dollars)

Identification code 12–0403–0–1–452		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	100	98	109
11.3	Other than full-time permanent	1	1	1
11.9	Total personnel compensation	101	99	110
12.1	Civilian personnel benefits	32	32	35
13.0	Benefits for former personnel	4	1	
21.0	Travel and transportation of persons	3	3	3
23.2	Rental payments to others	5	4	5
23.3	Communications, utilities, and miscellaneous charges	1	1	1
24.0	Printing and reproduction	1	1	1
25.1	Advisory and assistance services		6	10
25.2	Other services from non-Federal sources	11	9	9
25.3	Other goods and services from Federal sources	14	17	19
25.4	Operation and maintenance of facilities	2	2	2
25.5	Research and development contracts	7	7	8
26.0	Supplies and materials	1	1	1
99.0	Direct obligations	182	183	204
99.0	Reimbursable obligations	489	476	457
99.9	Total new obligations	671	659	661

Employment Summary

Identification code 12–0403–0–1–452		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	1,410	1,392	1,547
2001	Reimbursable civilian full-time equivalent employment	3,783	3,608	3,453

RURAL COMMUNITY ADVANCEMENT PROGRAM

Program and Financing (in millions of dollars)

Identification code 12–0400–0–1–452		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1		
1020	Adjustment of unobligated bal brought forward, Oct 1	–1		

Until 2008, this account was used to consolidate, under the Rural Community Advancement Program (RCAP), funding for the direct and guaranteed water and waste disposal loans, water and waste disposal grants, emergency community water assistance grants, solid waste management grants, direct and guaranteed community facility loans, community facility grants, direct and guaranteed business and industry loans, rural business enterprise grants, and rural business opportunity grants. This was in accordance with the provisions set forth in the Federal Agriculture Improvement and Reform Act of 1996, as amended, Public Law 104–127 (the 1996 Act). The final remaining balances have been rescinded.

RURAL HOUSING SERVICE

Federal Funds

RURAL HOUSING ASSISTANCE GRANTS

For grants for very low-income housing repair made by the Rural Housing Service, as authorized by 42 U.S.C. 1474, $25,000,000, to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1953–0–1–604		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0012	Very Low-Income Housing Repair Grants	30	30	25
0016	Rural Housing Preservation Grants	5	4	1
0018	Processing Workers Grants			2
0900	Total new obligations (object class 41.0)	35	34	28
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4	4	4
1001	Discretionary unobligated balance brought fwd, Oct 1	4	4	
1021	Recoveries of prior year unpaid obligations	2	1	
1050	Unobligated balance (total)	6	5	4
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	33	33	25
1160	Appropriation, discretionary (total)	33	33	25
1930	Total budgetary resources available	39	38	29
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4	4	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	25	19	12
3010	Obligations incurred, unexpired accounts	35	34	28
3020	Outlays (gross)	–39	–40	–33
3040	Recoveries of prior year unpaid obligations, unexpired	–2	–1	
3050	Unpaid obligations, end of year	19	12	7
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	25	19	12
3200	Obligated balance, end of year	19	12	7
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	33	33	25
	Outlays, gross:			
4010	Outlays from new discretionary authority	27	28	24
4011	Outlays from discretionary balances	12	12	9
4020	Outlays, gross (total)	39	40	33
4180	Budget authority, net (total)	33	33	25
4190	Outlays, net (total)	39	40	33

The very low-income housing repair grant program is authorized under section 504 of the Housing Act of 1949, as amended. This grant program enables very low-income elderly residents in rural areas to improve or modernize their dwellings, to make the dwelling safer or more sanitary, or to remove health and safety hazards. The Budget requests $25 million for this program in 2014.

No funding is requested in the 2014 Budget for the rural housing preservation grant program. USDA's preservation activities for multifamily housing are being carried out through programs in the multifamily housing revitalization account.

For other housing assistance grants authorized for funding in this account such as supervisory and technical assistance grants as authorized by section 509(f) and 525 of the Housing Act of 1949, as amended, no funding is requested in the 2014 Budget, which is the same as the 2013 CR level.

Farm Labor Program Account

Program and Financing (in millions of dollars)

Identification code 12–1954–0–1–604		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	4		
1010	Unobligated balance transfer to other accts [12–2081]	–4		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	110		
3030	Unpaid obligations transferred to other accts [12–2081]	–110		
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	110		

The direct farm labor loan program is authorized under section 514 and the rural housing for domestic farm labor grant program is authorized under section 516 of the Housing Act of 1949, as amended. The loans, grants, and contracts are made to public and private nonprofit organizations for low-rent housing and related facilities for domestic farm labor. Grants assistance may not exceed 90 percent of the cost of a project. Loans and grants may be used for construction of new structures, site acquisition and development, rehabilitation of existing structures, and purchase of furnishings and equipment for dwellings, dining halls, community rooms, and infirmaries. In order to gain efficiencies in administering the program, the farm labor housing program was merged with the Rural Housing Insurance Fund (RHIF) in 2012.

Rental Assistance Program

For rental assistance agreements entered into or renewed pursuant to the authority under section 521(a)(2) or agreements entered into in lieu of debt forgiveness or payments for eligible households as authorized by section 502(c)(5)(D) of the Housing Act of 1949, $1,015,050,000; and, in addition, such sums as may be necessary, as authorized by section 521(c) of the Act, to liquidate debt incurred prior to fiscal year 1992 to carry out the rental assistance program under section 521(a)(2) of the Act: Provided, That of this amount not less than $3,000,000 is for newly constructed units financed under sections 514 and 516 of the Housing Act of 1949: Provided further, That rental assistance agreements entered into or renewed during the current fiscal year shall be funded for a 1-year period: Provided further, That any unexpended balances remaining at the end of such one-year agreements may be transferred and used for the purposes of any debt reduction; maintenance, repair, or rehabilitation of any existing projects; preservation; and rental assistance activities authorized under title V of the Act: Provided further, That rental assistance provided under agreements entered into prior to fiscal year 2014 for a farm labor multi-family housing project financed under section 514 or 516 of the Act may not be recaptured for use in another project until such assistance has remained unused for a period of 6 consecutive months, if such project has a waiting list of tenants seeking such assistance or the project has rental assistance eligible tenants who are not receiving such assistance: Provided further, That such recaptured rental assistance shall, to the extent practicable, be applied to another farm labor multi-family housing project financed under section 514 or 516 of the Act.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–0137–0–1–604		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Rental assistance program	905	910	1,015
0900	Total new obligations (object class 41.0)	905	910	1,015
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	905	910	1,015
1100	Appropriation	24	34	34
1139	Appropriations substituted for borrowing authority	–24	–34	–34
1160	Appropriation, discretionary (total)	905	910	1,015
1930	Total budgetary resources available	905	910	1,015

RENTAL ASSISTANCE PROGRAM—Continued

Program and Financing—Continued

Identification code 12–0137–0–1–604	2012 actual	2013 CR	2014 est.
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, appropriation, start of year	1,186	975	807
3010 Obligations incurred, unexpired accounts	905	910	1,015
3020 Outlays (gross)	–1,116	–1,078	–927
3050 Unpaid obligations, end of year	975	807	895
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	1,186	975	807
3200 Obligated balance, end of year	975	807	895
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	905	910	1,015
Outlays, gross:			
4010 Outlays from new discretionary authority	222	273	305
4011 Outlays from discretionary balances	894	805	622
4020 Outlays, gross (total)	1,116	1,078	927
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4033 Non-Federal sources	–1	....	....
Additional offsets against gross budget authority only:			
4052 Offsetting collections credited to expired accounts	1	....	....
4070 Budget authority, net (discretionary)	905	910	1,015
4080 Outlays, net (discretionary)	1,115	1,078	927
4180 Budget authority, net (total)	905	910	1,015
4190 Outlays, net (total)	1,115	1,078	927

The rental assistance program is authorized under section 521(a)(2) of the Housing Act of 1949, as amended, and is designed to reduce rent expenses for very low-income and low-income families living in RHS-financed rural rental and farm labor housing projects. Funding under this account is provided for renewals of existing rental assistance contracts and assistance for newly constructed units financed by the section 515 loan program and the 514/516 farm labor housing loan and grant programs. At USDA's discretion, some funds may also be used for additional servicing assistance for existing projects. For 2014, the request for rental assistance grants is for one year contracts with one-year availability, with a total funding level of $1.015 billion.

The 2014 Budget proposes legislation to gain authorities for RHS to have access to the Health and Human Services National Database of New Hires as well as the IRS data, similar to what the Department of Housing and Urban Development has for its projects-based rental program.

From 1978 through 1991, the rental assistance program was funded under the Rural Housing Insurance Fund (RHIF). Beginning in 1992, pursuant to Credit Reform, a separate grant account was established for this program. Prior year obligations are funded with "such sums" amounts to cover those pre-credit reform contracts in RHIF.

MULTI-FAMILY HOUSING REVITALIZATION PROGRAM ACCOUNT

For the rural housing voucher program as authorized under section 542 of the Housing Act of 1949, but notwithstanding subsection (b) of such section, and for additional costs to conduct a demonstration program for the preservation and revitalization of multi-family rental housing properties described in this paragraph, $32,575,000, to remain available until expended: Provided, That of the funds made available under this heading, $12,575,000, shall be available for rural housing vouchers to any low-income household (including those not receiving rental assistance) residing in a property financed with a section 515 loan which has been prepaid after September 30, 2005: Provided further, That the amount of such voucher shall be the difference between comparable market rent for the section 515 unit and the tenant paid rent for such unit: Provided further, That funds made available for such vouchers shall be subject to the availability of annual appropriations: Provided further, That the Secretary shall, to the maximum extent practicable, administer such vouchers with current regulations and administrative guidance applicable to section 8 housing vouchers administered by the Secretary of the Department of Housing and Urban Development: Provided further, That if the Secretary determines that the amount made available for vouchers in this or any other Act is not needed for vouchers, the Secretary may use such funds for the demonstration program for the preservation and revitalization of multi-family rental housing properties described in this paragraph: Provided further, That of the funds made available under this heading, $20,000,000 shall be available for a demonstration program for the preservation and revitalization of the sections 514, 515, and 516 multi-family rental housing properties to restructure existing USDA multi-family housing loans, as the Secretary deems appropriate, expressly for the purposes of ensuring the project has sufficient resources to preserve the project for the purpose of providing safe and affordable housing for low-income residents and farm laborers including reducing or eliminating interest; deferring loan payments, subordinating, reducing or reamortizing loan debt; and other financial assistance including advances, payments and incentives (including the ability of owners to obtain reasonable returns on investment) required by the Secretary: Provided further, That the Secretary shall as part of the preservation and revitalization agreement obtain a restrictive use agreement consistent with the terms of the restructuring: Provided further, That if the Secretary determines that additional funds for vouchers described in this paragraph are needed, funds for the preservation and revitalization demonstration program may be used for such vouchers: Provided further, That if Congress enacts legislation to permanently authorize a multi-family rental housing loan restructuring program similar to the demonstration program described herein, the Secretary may use funds made available for the demonstration program under this heading to carry out such legislation with the prior notification to the Committees on Appropriations of both Houses of Congress: Provided further, That in addition to any other available funds, the Secretary may expend not more than $1,000,000 total, from the program funds made available under this heading, for administrative expenses for activities funded under this heading.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2002–0–1–604	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0010 Grants	11	21	18
Credit program obligations:			
0701 Direct loan subsidy	8	10	18
0703 Subsidy for modifications of direct loans	3	3	....
0705 Reestimates of direct loan subsidy	28	16	....
0706 Interest on reestimates of direct loan subsidy	5	5	....
0709 Administrative expenses	1	2	....
0791 Direct program activities, subtotal	45	36	18
0900 Total new obligations (object class 41.0)	56	57	36
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	27	23	3
1001 Discretionary unobligated balance brought fwd, Oct 1	27	23	....
1020 Adjustment of unobligated bal brought forward, Oct 1	1	....	....
1021 Recoveries of prior year unpaid obligations	5	3	....
1050 Unobligated balance (total)	33	26	3
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	13	13	33
1160 Appropriation, discretionary (total)	13	13	33
Appropriations, mandatory:			
1200 Appropriation	33	21	....
1260 Appropriations, mandatory (total)	33	21	....
1900 Budget authority (total)	46	34	33
1930 Total budgetary resources available	79	60	36

	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	23	3	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	49	45	61
3010	Obligations incurred, unexpired accounts	56	57	36
3020	Outlays (gross)	–57	–38	–36
3031	Unpaid obligations transferred from other accts [12–2081]	2	....	....
3040	Recoveries of prior year unpaid obligations, unexpired	–5	–3	....
3050	Unpaid obligations, end of year	45	61	61
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	49	45	61
3200	Obligated balance, end of year	45	61	61
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	13	13	33
	Outlays, gross:			
4010	Outlays from new discretionary authority	2	4	6
4011	Outlays from discretionary balances	22	13	30
4020	Outlays, gross (total)	24	17	36
	Mandatory:			
4090	Budget authority, gross	33	21	....
	Outlays, gross:			
4100	Outlays from new mandatory authority	33	21	....
4180	Budget authority, net (total)	46	34	33
4190	Outlays, net (total)	57	38	36

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–2002–0–1–604		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115001	Multi-Family Housing Relending Demo	4	5	....
115002	Multi-Family Housing Revitalization Seconds	5	9	22
115003	Multi-Family Revitalization Zero	6	5	14
115999	Total direct loan levels	15	19	36
	Direct loan subsidy (in percent):			
132001	Multi-Family Housing Relending Demo	36.84	36.18	....
132002	Multi-Family Housing Revitalization Seconds	61.74	61.44	51.25
132003	Multi-Family Revitalization Zero	54.29	58.28	48.86
132999	Weighted average subsidy rate	52.12	53.96	50.32
	Direct loan subsidy budget authority:			
133001	Multi-Family Housing Relending Demo	2	2	....
133002	Multi-Family Housing Revitalization Seconds	3	6	11
133003	Multi-Family Revitalization Zero	3	3	7
133999	Total subsidy budget authority	8	11	18
	Direct loan subsidy outlays:			
134001	Multi-Family Housing Relending Demo	2	1	1
134002	Multi-Family Housing Revitalization Seconds	5	3	7
134003	Multi-Family Revitalization Zero	2	1	2
134004	Multi-Family Housing Revitalization Seconds Disasters	1	....	1
134006	Multi-Family Housing Revitalization Modifications	5	2	4
134999	Total subsidy outlays	15	7	15
	Direct loan upward reestimates:			
135003	Multi-Family Revitalization Zero	1	1	....
135006	Multi-Family Housing Revitalization Modifications	32	21	....
135999	Total upward reestimate budget authority	33	22	....
	Direct loan downward reestimates:			
137002	Multi-Family Housing Revitalization Seconds	–3	–3	....
137003	Multi-Family Revitalization Zero	–1	....	....
137006	Multi-Family Housing Revitalization Modifications	–6	....	....
137999	Total downward reestimate budget authority	–10	–3	....

USDA's portfolio of multifamily housing projects provides housing for nearly half a million low-income families, many of whom are elderly. Projects that received their financing prior to 1989 are allowed to prepay and leave the program. USDA may assist families displaced by sponsors' prepayments by providing them with letters of priority and vouchers, which were newly funded in 2006. The Budget requests $12.6 million in 2014 for housing vouchers for residents of projects whose sponsors prepay their outstanding indebtedness on USDA loans and leave the program. In addition, the Budget requests $20 million for continuation of the multi-family housing revitalization pilot program in 2014. This funding will allow USDA to focus on management of the current multifamily housing portfolio to ensure that the USDA-financed properties continue to provide decent, safe, affordable housing for their rural tenant population.

Prior year obligated balances reflect funding for rental assistance for newly constructed units provided in limited amounts in 1984 and 1985. From 1986 through 1991 rental assistance for newly constructed units, as well as existing rental assistance contract renewals and additional servicing assistance for existing projects, had been funded under the Rural Housing Insurance Fund. Beginning in 1992, pursuant to Credit Reform, a separate grant account was established for the rental assistance program.

Multifamily Housing Revitalization Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4269–0–3–604		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0710	Direct loan obligations	15	19	36
0713	Payment of interest to Treasury	10	15	15
0742	Downward reestimate paid to receipt account	10	3	....
0743	Interest on downward reestimates	1	....	....
0744	Adjusting payments to liquidating accounts	62	....	....
0900	Total new obligations	98	37	51
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	25	20	....
1021	Recoveries of prior year unpaid obligations	28	....	....
1023	Unobligated balances applied to repay debt	–38	–20	....
1024	Unobligated balance of borrowing authority withdrawn	–15	....	....
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	127	37	51
1421	Borrowing authority applied to repay debt	–9	....	....
1440	Borrowing authority, mandatory (total)	118	37	51
	Spending authority from offsetting collections, mandatory:			
1800	Collected	80	36	23
1801	Change in uncollected payments, Federal sources	–7	–7	–16
1825	Spending authority from offsetting collections applied to repay debt	–73	–29	–7
1900	Financing authority (total)	118	37	51
1930	Total budgetary resources available	118	37	51
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	20	....	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	150	131	120
3010	Obligations incurred, unexpired accounts	98	37	51
3020	Financing disbursements (gross)	–89	–48	–48
3040	Recoveries of prior year unpaid obligations, unexpired	–28	....	....
3050	Unpaid obligations, end of year	131	120	123
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–40	–33	–26
3070	Change in uncollected pymts, Fed sources, unexpired	7	7	16
3090	Uncollected pymts, Fed sources, end of year	–33	–26	–10
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	110	98	94
3200	Obligated balance, end of year	98	94	113
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	118	37	51
	Financing disbursements:			
4110	Financing disbursements, gross	89	48	48
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources - subsidy outlays from program account	–47	–29	–15
4120	Revitalization loan transfers	–27	....	....
4122	Interest on uninvested funds	–4	–5	–6
4123	Repayments of Principal	–2	–1	–1
4123	Interest received on loans	....	–1	–1

MULTIFAMILY HOUSING REVITALIZATION DIRECT LOAN FINANCING ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–4269–0–3–604		2012 actual	2013 CR	2014 est.
4130	Offsets against gross financing auth and disbursements (total)	–80	–36	–23
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	7	7	16
4160	Financing authority, net (mandatory)	45	8	44
4170	Financing disbursements, net (mandatory)	9	12	25
4180	Financing authority, net (total)	45	8	44
4190	Financing disbursements, net (total)	9	12	25

Status of Direct Loans (in millions of dollars)

Identification code 12–4269–0–3–604		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	15	19	36
1150	Total direct loan obligations	15	19	36
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	348	414	443
	Disbursements:			
1231	Direct loan disbursements	16	9	18
1233	Purchase of loans assets from a liquidating account	62	21	14
1251	Repayments: Repayments and prepayments	–2	–1	–1
1264	Write-offs for default: Adjusting payment to the liquidating account	–10		
1290	Outstanding, end of year	414	443	474

Balance Sheet (in millions of dollars)

Identification code 12–4269–0–3–604		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	55	19
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	348	414
1402	Interest receivable	25	58
1405	Allowance for subsidy cost (-)	–214	–305
1499	Net present value of assets related to direct loans	159	167
1999	Total assets	214	186
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	214	186
4999	Total liabilities and net position	214	186

MUTUAL AND SELF-HELP HOUSING GRANTS

For grants and contracts pursuant to section 523(b)(1)(A) of the Housing Act of 1949 (42 U.S.C. 1490c), $10,000,000, to remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2006–0–1–604		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Mutual and self-help housing grants	38	43	23
0900	Total new obligations (object class 41.0)	38	43	23
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	19	13	13
1001	Discretionary unobligated balance brought fwd, Oct 1	19	13	
1021	Recoveries of prior year unpaid obligations	2	13	
1050	Unobligated balance (total)	21	26	13
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	30	30	10
1160	Appropriation, discretionary (total)	30	30	10
1930	Total budgetary resources available	51	56	23
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	13	13	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	64	67	62
3010	Obligations incurred, unexpired accounts	38	43	23
3020	Outlays (gross)	–33	–35	–39
3040	Recoveries of prior year unpaid obligations, unexpired	–2	–13	
3050	Unpaid obligations, end of year	67	62	46
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	64	67	62
3200	Obligated balance, end of year	67	62	46
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	30	30	10
	Outlays, gross:			
4010	Outlays from new discretionary authority	5	5	2
4011	Outlays from discretionary balances	28	30	37
4020	Outlays, gross (total)	33	35	39
4180	Budget authority, net (total)	30	30	10
4190	Outlays, net (total)	33	35	39

This program is authorized under section 523 of the Housing Act of 1949, as amended. Grants and contracts are made for the purpose of providing technical and supervisory assistance to groups of families to enable them to build their own homes through the mutual exchange of labor. The 2014 Budget requests $10 million.

RURAL COMMUNITY FACILITIES PROGRAM ACCOUNT

(INCLUDING TRANSFERS OF FUNDS)

For gross obligations for the principal amount of direct loans as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, $1,500,000,000.

For the cost of grants for rural community facilities programs as authorized by section 306 and described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act, $17,000,000, to remain available until expended: Provided, That $4,000,000 of the amount appropriated under this heading shall be available for community facilities grants to tribal colleges, as authorized by section 306(a)(19) of such Act: Provided further, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1951–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	CF Grants	15	14	15
0012	Rural Community Development Initiative Grants	9	4	5
0013	Economic Impact Initiative Grants	8	9	2
0015	Tribal College Grants		3	4
0018	CF Grants Emergency Supplemental			1
0091	Direct program activities, subtotal	32	30	27
	Credit program obligations:			
0702	Loan guarantee subsidy	10	8	3
0705	Reestimates of direct loan subsidy	2	24	
0706	Interest on reestimates of direct loan subsidy	1	6	
0707	Reestimates of loan guarantee subsidy	15	7	
0708	Interest on reestimates of loan guarantee subsidy	2	1	
0791	Direct program activities, subtotal	30	46	3

0900 Total new obligations (object class 41.0)	62	76	30
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	14	10	13
1001 Discretionary unobligated balance brought fwd, Oct 1	14	10	....
1020 Adjustment of unobligated bal brought forward, Oct 1	–1	....	....
1020 Adjustment of unobligated bal brought forward, Oct 1	–8	....	....
1021 Recoveries of prior year unpaid obligations	7	12	....
1050 Unobligated balance (total)	12	22	13
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	30	29	17
1130 Appropriations permanently reduced	–1	....	....
1160 Appropriation, discretionary (total)	29	29	17
Appropriations, mandatory:			
1200 Appropriation	20	38	....
1260 Appropriations, mandatory (total)	20	38	....
Spending authority from offsetting collections, discretionary:			
1700 Collected	11	....	....
1750 Spending auth from offsetting collections, disc (total)	11	....	....
1900 Budget authority (total)	60	67	17
1930 Total budgetary resources available	72	89	30
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	10	13	....
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	185	137	90
3001 Adjustments to unpaid obligations, brought forward, Oct 1	8	....	....
3010 Obligations incurred, unexpired accounts	62	76	30
3020 Outlays (gross)	–107	–111	–53
3040 Recoveries of prior year unpaid obligations, unexpired	–7	–12	....
3041 Recoveries of prior year unpaid obligations, expired	–4	....	....
3050 Unpaid obligations, end of year	137	90	67
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	193	137	90
3200 Obligated balance, end of year	137	90	67
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	40	29	17
Outlays, gross:			
4010 Outlays from new discretionary authority	5	4	3
4011 Outlays from discretionary balances	82	69	50
4020 Outlays, gross (total)	87	73	53
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4033 Non-Federal sources	–11	....	....
Mandatory:			
4090 Budget authority, gross	20	38	....
Outlays, gross:			
4100 Outlays from new mandatory authority	20	38	....
4180 Budget authority, net (total)	49	67	17
4190 Outlays, net (total)	96	111	53

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1951–0–1–452	2012 actual	2013 CR	2014 est.
Direct loan levels supportable by subsidy budget authority:			
115002 Community Facility Loans	1,271	1,300	1,500
115999 Total direct loan levels	1,271	1,300	1,500
Direct loan subsidy (in percent):			
132002 Community Facility Loans	–3.03	–2.08	–13.21
132999 Weighted average subsidy rate	–3.03	–2.08	–13.21
Direct loan subsidy budget authority:			
133002 Community Facility Loans	–39	–27	–198
133999 Total subsidy budget authority	–39	–27	–198
Direct loan subsidy outlays:			
134002 Community Facility Loans	3	–11	–39
134003 Community Facility Emergency Supplemental Loans	2	....	....
134004 Community Facility Loans - ARRA	6	3	2
134999 Total subsidy outlays	11	–8	–37
Direct loan upward reestimates:			
135002 Community Facility Loans	3	30	....
135999 Total upward reestimate budget authority	3	30	....
Direct loan downward reestimates:			
137002 Community Facility Loans	–130	–55	....
137999 Total downward reestimate budget authority	–130	–55	....
Guaranteed loan levels supportable by subsidy budget authority:			
215002 Community Facility Loan Guarantees	202	125	49
215999 Total loan guarantee levels	202	125	49
Guaranteed loan subsidy (in percent):			
232002 Community Facility Loan Guarantees	4.73	6.75	6.34
232999 Weighted average subsidy rate	4.73	6.70	6.21
Guaranteed loan subsidy budget authority:			
233002 Community Facility Loan Guarantees	10	8	3
233999 Total subsidy budget authority	10	8	3
Guaranteed loan subsidy outlays:			
234002 Community Facility Loan Guarantees	....	9	6
234999 Total subsidy outlays	....	9	6
Guaranteed loan upward reestimates:			
235002 Community Facility Loan Guarantees	17	8	....
235999 Total upward reestimate budget authority	17	8	....
Guaranteed loan downward reestimates:			
237002 Community Facility Loan Guarantees	–2	–13	....
237999 Total downward reestimate subsidy budget authority	–2	–13	....

This account funds the direct and guaranteed community facility loans and community facility grants, which are authorized under sections 306(a)(1) and 306(a)(19) of the Consolidated Farm and Rural Development Act, as amended. Loans are provided to local governments and nonprofit organizations for the construction and improvement of community facilities providing essential services in rural areas of not more than 20,000 population, such as hospitals and fire stations. Total program level in 2014 is projected to be $1.5 billion for direct loans. The 2014 Budget proposes no guaranteed loans due to an increase in the cost of the program and because it is likely that some demand for the guarantee program will be filled with the increase in the direct loan program. The 2014 Budget requests $17 million for grant purposes. This includes $13 million for regular community facilities grants and $4 million for Tribal College grants.

Rural Community Facility Direct Loans Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4225–0–3–452	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0710 Direct loan obligations	1,271	1,300	1,500
0713 Payment of interest to Treasury	199	214	221
0740 Negative subsidy obligations	39	27	198
0742 Downward reestimate paid to receipt account	102	48	....
0743 Interest on downward reestimates	27	7	....
0900 Total new obligations	1,638	1,596	1,919
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	35	....	....
1021 Recoveries of prior year unpaid obligations	127	....	....
1023 Unobligated balances applied to repay debt	–38	....	....
1024 Unobligated balance of borrowing authority withdrawn	–124	....	....
Financing authority:			
Borrowing authority, mandatory:			
1400 Borrowing authority	1,446	1,118	1,386
1440 Borrowing authority, mandatory (total)	1,446	1,118	1,386
Spending authority from offsetting collections, mandatory:			
1800 Collected	405	486	537
1801 Change in uncollected payments, Federal sources	–16	–8	–4
1825 Spending authority from offsetting collections applied to repay debt	–197	....	....
1850 Spending auth from offsetting collections, mand (total)	192	478	533
1900 Financing authority (total)	1,638	1,596	1,919

RURAL COMMUNITY FACILITY DIRECT LOANS FINANCING ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–4225–0–3–452		2012 actual	2013 CR	2014 est.
1930	Total budgetary resources available	1,638	1,596	1,919
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,993	2,410	2,659
3010	Obligations incurred, unexpired accounts	1,638	1,596	1,919
3020	Financing disbursements (gross)	–1,094	–1,347	–1,633
3040	Recoveries of prior year unpaid obligations, unexpired	–127		
3050	Unpaid obligations, end of year	2,410	2,659	2,945
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–36	–20	–12
3070	Change in uncollected pymts, Fed sources, unexpired	16	8	4
3090	Uncollected pymts, Fed sources, end of year	–20	–12	–8
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1,957	2,390	2,647
3200	Obligated balance, end of year	2,390	2,647	2,937
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	1,638	1,596	1,919
	Financing disbursements:			
4110	Financing disbursements, gross	1,094	1,347	1,633
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–17	–38	–4
4122	Interest on uninvested funds	–23	–54	–64
4123	Repayment of principal	–365	–204	–243
4123	Interest received on loans		–190	–226
4130	Offsets against gross financing auth and disbursements (total)	–405	–486	–537
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	16	8	4
4160	Financing authority, net (mandatory)	1,249	1,118	1,386
4170	Financing disbursements, net (mandatory)	689	861	1,096
4180	Financing authority, net (total)	1,249	1,118	1,386
4190	Financing disbursements, net (total)	689	861	1,096

Status of Direct Loans (in millions of dollars)

Identification code 12–4225–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	1,271	1,300	1,500
1150	Total direct loan obligations	1,271	1,300	1,500
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	3,737	4,282	5,092
1231	Disbursements: Direct loan disbursements	762	1,014	1,173
1251	Repayments: Repayments and prepayments	–205	–204	–243
1261	Adjustments: Capitalized interest	1		
1263	Write-offs for default: Direct loans	–13		
1290	Outstanding, end of year	4,282	5,092	6,022

This account reflects the funding from direct community facility loans to non-profit organizations and local governments for the construction and improvement of community facilities providing essential services in rural areas, such as hospitals, libraries, and fire/police stations.

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account.

Balance Sheet (in millions of dollars)

Identification code 12–4225–0–3–452		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	111	193
	Investments in US securities:		
1106	Receivables, net		24
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	3,737	4,282
1402	Interest receivable	35	45
1405	Allowance for subsidy cost (-)	–171	–6
1499	Net present value of assets related to direct loans	3,601	4,321
1999	Total assets	3,712	4,538
	LIABILITIES:		
	Federal liabilities:		
2101	Accounts payable	3,712	4,483
2105	Other		55
2999	Total liabilities	3,712	4,538
4999	Total liabilities and net position	3,712	4,538

RURAL COMMUNITY FACILITY GUARANTEED LOANS FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4228–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0711	Default claim payments on principal	8	8	9
0742	Downward reestimate paid to receipt account	2	10	
0743	Interest on downward reestimates	1	3	
0900	Total new obligations	11	21	9
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	63	79	80
1023	Unobligated balances applied to repay debt	–2		
1050	Unobligated balance (total)	61	79	80
	Financing authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	13	22	11
1801	Change in uncollected payments, Federal sources	16		
1850	Spending auth from offsetting collections, mand (total)	29	22	11
1900	Financing authority (total)	29	22	11
1930	Total budgetary resources available	90	101	91
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	79	80	82
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	11	21	9
3020	Financing disbursements (gross)	–11	–21	–9
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1		–16	–16
3070	Change in uncollected pymts, Fed sources, unexpired	–16		
3090	Uncollected pymts, Fed sources, end of year	–16	–16	–16
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year		–16	–16
3200	Obligated balance, end of year	–16	–16	–16
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	29	22	11
	Financing disbursements:			
4110	Financing disbursements, gross	11	21	9
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–7	–17	–6
4122	Interest on uninvested funds	–2	–2	–3
4123	Guarantee Fees	–3	–2	–1
4123	Repayment of loan principal	–1	–1	–1
4130	Offsets against gross financing auth and disbursements (total)	–13	–22	–11

	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–16	....	....
4170	Financing disbursements, net (mandatory)	–2	–1	–2
4190	Financing disbursements, net (total)	–2	–1	–2

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4228–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	202	125	49
2150	Total guaranteed loan commitments	202	125	49
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	1,017	1,173	1,282
2231	Disbursements of new guaranteed loans	240	236	139
2251	Repayments and prepayments	–78	–117	–128
	Adjustments:			
2261	Terminations for default that result in loans receivable	–5	–9	–9
2263	Terminations for default that result in claim payments	–3	–1	–1
2264	Other adjustments, net	2[1]	....	....
2290	Outstanding, end of year	1,173	1,282	1,283
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	938	1,026	1,017
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	15	19	23
2331	Disbursements for guaranteed loan claims	5	6	7
2351	Repayments of loans receivable	–1	–1	–1
2364	Other adjustments, net	....	–1[2]	–1[3]
2390	Outstanding, end of year	19	23	28

[1]This adjustment is for reamortinzaton/assumption of the principal only.

[2]Projections of the following items: Loss settlement for -1M

[3]Projected loss settlement for 1M

This account finances loan guarantee commitments for essential community facilities in rural areas.

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loans committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account.

Balance Sheet (in millions of dollars)

Identification code 12–4228–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	63	63
	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:		
1501	Defaulted guaranteed loans receivable, gross	15	19
1505	Allowance for subsidy cost (-)	....	–1
1599	Net present value of assets related to defaulted guaranteed loans	15	18
1999	Total assets	78	81
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	2	....
2204	Non-Federal liabilities: Liabilities for loan guarantees	76	81
2999	Total liabilities	78	81
4999	Total liabilities and net position	78	81

Rural Housing Insurance Fund Program Account

(including transfers of funds)

For gross obligations for the principal amount of direct and guaranteed loans as authorized by title V of the Housing Act of 1949, to be available from funds in the rural housing insurance fund, as follows: $360,000,000 shall be for direct loans and $24,000,000,000 shall be for unsubsidized guaranteed loans; $26,280,000 for section 504 housing repair loans; $28,432,000 for section 515 rental housing loans; $5,000,000 for section 524 site development loans; $10,000,000 for credit sales of single family housing acquired property; and $150,000,000 for section 538 guaranteed multi-family housing loans.

For the cost of direct and guaranteed loans, including the cost of modifying loans, as defined in section 502 of the Congressional Budget Act of 1974, as follows: section 502 loans, $9,792,000 shall be for direct loans; section 504 housing repair loans, $2,176,000; and repair, rehabilitation, and new construction of section 515 rental housing loans, $6,656,000: Provided, That to support the loan program level for section 538 guaranteed loans made available under this heading the Secretary may charge or adjust any fees to cover the projected cost of such loan guarantees pursuant to the provisions of the Credit Reform Act of 1990 (2 U.S.C. 661 et seq.), and the interest on such loans may not be subsidized.

In addition, for the cost of direct loans, grants, and contracts, as authorized by 42 U.S.C. 1484 and 1486, $13,992,000, to remain available until expended, for direct farm labor housing loans and domestic farm labor housing grants and contracts: Provided, That any balances available for the Farm Labor Program Account shall be transferred to and merged with this account.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, $417,692,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses''.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2081–0–1–371		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0011	Farm labor housing grants	3	18	14
	Credit program obligations:			
0701	Direct loan subsidy	65	84	29
0705	Reestimates of direct loan subsidy	296	202	....
0706	Interest on reestimates of direct loan subsidy	83	139	....
0707	Reestimates of loan guarantee subsidy	341	664	....
0708	Interest on reestimates of loan guarantee subsidy	55	141	....
0709	Administrative expenses	431	433	418
0791	Direct program activities, subtotal	1,271	1,663	447
0900	Total new obligations	1,274	1,681	461
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2	23	12
1001	Discretionary unobligated balance brought fwd, Oct 1	2	23	....
1011	Unobligated balance transfer from other accts [12–1954]	4	....	....
1021	Recoveries of prior year unpaid obligations	7	10	....
1050	Unobligated balance (total)	13	33	12
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	511	514	450
1120	Appropriations transferred to other accts [12–4609]	–2	....	....
1160	Appropriation, discretionary (total)	509	514	450
	Appropriations, mandatory:			
1200	Appropriation	775	1,146	....
1260	Appropriations, mandatory (total)	775	1,146	....
1900	Budget authority (total)	1,284	1,660	450
1930	Total budgetary resources available	1,297	1,693	462
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	23	12	1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	94	157	157

Rural Housing Insurance Fund Program Account—Continued

Program and Financing—Continued

Identification code 12–2081–0–1–371	2012 actual	2013 CR	2014 est.
3010 Obligations incurred, unexpired accounts	1,274	1,681	461
3011 Obligations incurred, expired accounts	7	....	....
3020 Outlays (gross)	–1,311	–1,671	–480
3030 Unpaid obligations transferred to other accts [12–2002]	–2	....	....
3031 Unpaid obligations transferred from other accts [12–1954]	110	....	....
3040 Recoveries of prior year unpaid obligations, unexpired	–7	–10	....
3041 Recoveries of prior year unpaid obligations, expired	–8	....	....
3050 Unpaid obligations, end of year	157	157	138
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	94	157	157
3200 Obligated balance, end of year	157	157	138
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	509	514	450
Outlays, gross:			
4010 Outlays from new discretionary authority	470	474	429
4011 Outlays from discretionary balances	66	51	51
4020 Outlays, gross (total)	536	525	480
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4033 Non-Federal sources	–8	....	....
Additional offsets against gross budget authority only:			
4052 Offsetting collections credited to expired accounts	8	....	....
4070 Budget authority, net (discretionary)	509	514	450
4080 Outlays, net (discretionary)	528	525	480
Mandatory:			
4090 Budget authority, gross	775	1,146	....
Outlays, gross:			
4100 Outlays from new mandatory authority	775	1,146	....
4180 Budget authority, net (total)	1,284	1,660	450
4190 Outlays, net (total)	1,303	1,671	480

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–2081–0–1–371	2012 actual	2013 CR	2014 est.
Direct loan levels supportable by subsidy budget authority:			
115001 Section 502 Single-Family Housing	900	717	360
115004 Section 515 Multi-Family Housing	59	63	28
115007 Section 504 Housing Repair	10	10	26
115011 Section 514 Farm Labor Housing	3	53	43
115012 Section 524 Site Development	....	....	5
115013 Section 523 Self-Help Housing	....	5	....
115014 Single-Family Housing Credit Sales	1	10	10
115999 Total direct loan levels	973	858	472
Direct loan subsidy (in percent):			
132001 Section 502 Single-Family Housing	4.73	5.97	2.72
132004 Section 515 Multi-Family Housing	34.12	35.17	23.41
132007 Section 504 Housing Repair	14.21	13.67	8.28
132011 Section 514 Farm Labor Housing	34.15	33.34	23.71
132012 Section 524 Site Development	....	....	–5.95
132013 Section 523 Self-Help Housing	....	–2.15	....
132014 Single-Family Housing Credit Sales	–16.85	–8.97	–8.97
132999 Weighted average subsidy rate	6.68	9.67	5.83
Direct loan subsidy budget authority:			
133001 Section 502 Single-Family Housing	43	43	10
133004 Section 515 Multi-Family Housing	20	22	7
133007 Section 504 Housing Repair	1	1	2
133011 Section 514 Farm Labor Housing	1	18	10
133014 Single-Family Housing Credit Sales	....	–1	–1
133999 Total subsidy budget authority	65	83	28
Direct loan subsidy outlays:			
134001 Section 502 Single-Family Housing	40	44	17
134002 Section 502 Emergency Supplemental	6	....	....
134004 Section 515 Multi-Family Housing	25	32	26
134007 Section 504 Housing Repair	2	1	2
134011 Section 514 Farm Labor Housing	11	12	17
134014 Single-Family Housing Credit Sales	....	....	–1
134999 Total subsidy outlays	84	89	61
Direct loan upward reestimates:			
135001 Section 502 Single-Family Housing	371	329	....
135004 Section 515 Multi-Family Housing	2	3	....
135007 Section 504 Housing Repair	4	4	....
135011 Section 514 Farm Labor Housing	1	....	....
135012 Section 524 Site Development	....	1	....
135013 Section 523 Self-Help Housing	2	....	....
135014 Single-Family Housing Credit Sales	....	3	....
135999 Total upward reestimate budget authority	380	340	....
Direct loan downward reestimates:			
137001 Section 502 Single-Family Housing	–7	–14	....
137004 Section 515 Multi-Family Housing	–12	–14	....
137007 Section 504 Housing Repair	–2	....	....
137011 Section 514 Farm Labor Housing	–3	–6	....
137012 Section 524 Site Development	–1	....	....
137014 Single-Family Housing Credit Sales	–3	....	....
137999 Total downward reestimate budget authority	–28	–34	....
Guaranteed loan levels supportable by subsidy budget authority:			
215003 Guaranteed 538 Multi-Family Housing	103	130	150
215011 Guaranteed 502 Single Family Housing	19,213	24,000	24,000
215999 Total loan guarantee levels	19,316	24,130	24,150
Guaranteed loan subsidy (in percent):			
232003 Guaranteed 538 Multi-Family Housing	–0.06	–0.04	–0.19
232011 Guaranteed 502 Single Family Housing	–0.03	–0.25	–0.14
232999 Weighted average subsidy rate	–0.03	–0.25	–0.14
Guaranteed loan subsidy budget authority:			
233011 Guaranteed 502 Single Family Housing	–6	–60	–34
233999 Total subsidy budget authority	–6	–60	–34
Guaranteed loan subsidy outlays:			
234011 Guaranteed 502 Single Family Housing	–12	–52	–41
234999 Total subsidy outlays	–12	–52	–41
Guaranteed loan upward reestimates:			
235001 Guaranteed 502 Single Family Housing, Purchase	315	561	....
235002 Guaranteed 502, Refinance	....	42	....
235003 Guaranteed 538 Multi-Family Housing	20	....	....
235011 Guaranteed 502 Single Family Housing	61	203	....
235999 Total upward reestimate budget authority	396	806	....
Guaranteed loan downward reestimates:			
237001 Guaranteed 502 Single Family Housing, Purchase	....	–2	....
237002 Guaranteed 502, Refinance	–12	....	....
237003 Guaranteed 538 Multi-Family Housing	–28	....	....
237999 Total downward reestimate subsidy budget authority	–40	–2	....
Administrative expense data:			
3510 Budget authority	431	433	418
3590 Outlays from new authority	431	433	418

Rural Housing Insurance Fund.—This fund was established in 1965 (Public Law 89–117) pursuant to section 517 of title V of the Housing Act of 1949, as amended.

The programs funded through the Rural Housing Insurance Fund Program account are: section 502 single family housing direct loans and loan guarantees; section 504 housing repair loans; section 515 multi-family housing direct loans; section 524 housing site loans, single family and multi-family housing credit sales of acquired property, section 538 multi-family housing guarantees, and section 523 self-help housing land development loan program. In addition, the farm labor housing program was merged with this account in 2012, bringing the 514 farm labor housing loans back into this account along with the 516 farm labor housing grants. The 514 loans were originally funded in this account, but were combined into a flexible funding stream in the farm labor housing grants account in 2001. Maintaining the fleixible funding stream in the loan program account allows the administration of the farm labor program to be more efficient and less burdensome.

Loan programs are limited to rural areas that include towns, villages, and other places which are not part of an urban area. These areas have a population not in excess of 2,500 inhabitants, or in excess of 2,500, but not in excess of 10,000 if rural in character, or a population in excess of 10,000 but not more than 20,000. Areas are within a standard metropolitan statistical area and have a serious lack of mortgage credit for low- and moderate-income borrowers.

For 2014, the Budget funds single family housing activities primarily through the Section 502 single family housing guaranteed loan program. The Section 502 single family housing guarantees are requested at a $24 billion loan level for 2014. The subsidy rate for 2014 is a blended rate of the new/purchase single family housing guarantees with the refinanced single housing guarantees, and with the combintation annual and up-front fee structure, the subisdy rate continues to be negative.

The 2014 Budget requests a reduced loan level of $360 million for Section 502 single family housing direct loans. The 2014 Budget requests a funding level of approximately $28.4 million for Section 515 multi-family housing loans, $26.3 million for Section 504 very low-income housing repair loans, $5 million for Section 524 site development loan, and $10 million for credit sales of acquired property for single family housing loans. No funding is requested for Section 523 self-help housing land development and credit sales of acquired propery for multi-family housing.

The 2014 Budget also requests $150 million in funding for the multi-family housing guaranteed loan program, and continues to include appropriations language that will allow the program to operate without interest subsidy and with a fee, which removes the main subsidy cost drivers in this program.

In addition, the 2014 Budget includes $23.8 million in farm labor housing loans and $8.3 million in farm labor housing grants.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated and loan guarantees committed in 1992 and beyond (including credit sales of acquired property), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

Object Classification (in millions of dollars)

Identification code 12–2081–0–1–371		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.3	Other goods and services from Federal sources	431	433	418
41.0	Grants, subsidies, and contributions	843	1,248	43
99.9	Total new obligations	1,274	1,681	461

Rural Housing Insurance Fund Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4215–0–3–371		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0005	Advances on behalf of borrowers	74	74	75
0006	Other expenses	22	22	22
0007	Interest Supplemental Paid to Lenders	1	1	1
0091	Direct Program by Activities - Subtotal (1 level)	97	97	98
	Credit program obligations:			
0710	Direct loan obligations	974	859	472
0713	Payment of interest to Treasury	784	802	820
0742	Downward reestimate paid to receipt account	17	27	
0743	Interest on downward reestimates	11	7	
0791	Direct program activities, subtotal	1,786	1,695	1,292
0900	Total new obligations	1,883	1,792	1,390
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	59	103	
1021	Recoveries of prior year unpaid obligations	57		
1023	Unobligated balances applied to repay debt	–72	–103	
1024	Unobligated balance of borrowing authority withdrawn	–44		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	1,095	75	
1440	Borrowing authority, mandatory (total)	1,095	75	
	Spending authority from offsetting collections, mandatory:			
1800	Collected	1,761	1,762	1,431
1801	Change in uncollected payments, Federal sources	–35	–45	–29
1825	Spending authority from offsetting collections applied to repay debt	–835		–12
1850	Spending auth from offsetting collections, mand (total)	891	1,717	1,390
1900	Financing authority (total)	1,986	1,792	1,390
1930	Total budgetary resources available	1,986	1,792	1,390
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	103		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, fund balance with Treasury, start of year	615	486	497
3010	Obligations incurred, unexpired accounts	1,883	1,792	1,390
3020	Financing disbursements (gross)	–1,955	–1,781	–1,517
3040	Recoveries of prior year unpaid obligations, unexpired	–57		
3050	Unpaid obligations, end of year	486	497	370
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–143	–108	–63
3070	Change in uncollected pymts, Fed sources, unexpired	35	45	29
3090	Uncollected pymts, Fed sources, end of year	–108	–63	–34
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	472	378	434
3200	Obligated balance, end of year	378	434	336
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	1,986	1,792	1,390
	Financing disbursements:			
4110	Financing disbursements, gross	1,955	1,781	1,517
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources: payments from program account	–464	–428	–62
4122	Interest on uninvested funds	–61	–66	–68
4123	Non-Federal sources: Repayments of principal	–619	–651	–656
4123	Interest received on loans	–556	–557	–585
4123	Payments on judgments	–11	–8	–8
4123	Proceeds on sale of acquired property	–28	–30	–30
4123	Recaptured income	–10	–10	–10
4123	Fees	–11	–10	–10
4123	Miscellaneous collections	–1	–2	–2
4130	Offsets against gross financing auth and disbursements (total)	–1,761	–1,762	–1,431
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	35	45	29
4160	Financing authority, net (mandatory)	260	75	–12
4170	Financing disbursements, net (mandatory)	194	19	86
4180	Financing authority, net (total)	260	75	–12
4190	Financing disbursements, net (total)	194	19	86

Status of Direct Loans (in millions of dollars)

Identification code 12–4215–0–3–371		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	974	859	472
1150	Total direct loan obligations	974	859	472
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	17,400	17,677	17,867
	Disbursements:			
1231	Direct loan disbursements	1,049	848	599
1232	Purchase of loans assets from the public	6		
	Repayments:			
1251	Repayments and prepayments	–650	–651	–656
1252	Proceeds from loan asset sales to the public or discounted	–60		
	Adjustments:			
1261	Capitalized interest	29	20	20
1262	Discount on loan asset sales to the public or discounted	–1		
	Write-offs for default:			
1263	Direct loans	–14	–27	–27
1264	Other adjustments, net (+ or -)	–82		
1290	Outstanding, end of year	17,677	17,867	17,803

RURAL HOUSING INSURANCE FUND DIRECT LOAN FINANCING ACCOUNT—Continued

This account reflects the financing for direct rural housing loans for section the 502 very low- and low-to-moderate-income home ownership loan program; section 504 very low- income housing repair loan program; section 514 domestic farm labor housing loan program; section 515 rural rental housing loan program; sections 523 self-help housing loans, and 524 site development loans; and single family and multi-family housing credit sales of acquired property.

Loan programs are limited to rural areas that include towns, villages and other places which are not part of an urban area. These areas have a population not in excess of 2,500 inhabitants, or in excess of 2,500, but not in excess of 10,000 if rural in character, or a population in excess of 10,000, but not more than 20,000. Areas are not within a standard metropolitan statistical area and have a serious lack of mortgage credit for low- and moderate-income borrowers.

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond including credit sales of acquired property. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4215–0–3–371		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	198	341
	Investments in US securities:		
1106	Receivables, net	253	219
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	17,400	17,677
1402	Interest receivable	193	205
1404	Foreclosed property	56	62
1405	Allowance for subsidy cost (-)	–2,553	–2,608
1499	Net present value of assets related to direct loans	15,096	15,336
1999	Total assets	15,547	15,896
	LIABILITIES:		
	Federal liabilities:		
2103	Debt	13,834	15,841
2105	Other	1,676	27
2201	Non-Federal liabilities: Accounts payable	37	28
2999	Total liabilities	15,547	15,896
4999	Total liabilities and net position	15,547	15,896

RURAL HOUSING INSURANCE FUND GUARANTEED LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4216–0–3–371		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0003	Interest assistance paid to lenders	8	8	8
	Credit program obligations:			
0711	Default claim payments on principal	497	501	586
0713	Payment of interest to Treasury	1		
0740	Negative subsidy obligations	7	60	34
0742	Downward reestimate paid to receipt account	29	2	
0743	Interest on downward reestimates	11		
0791	Direct program activities, subtotal	545	563	620
0900	Total new obligations	553	571	628
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2,030	2,370	3,193
1021	Recoveries of prior year unpaid obligations	1		
1023	Unobligated balances applied to repay debt	–3		
1050	Unobligated balance (total)	2,028	2,370	3,193
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	7		
1440	Borrowing authority, mandatory (total)	7		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	882	1,394	803
1801	Change in uncollected payments, Federal sources	6		
1850	Spending auth from offsetting collections, mand (total)	888	1,394	803
1900	Financing authority (total)	895	1,394	803
1930	Total budgetary resources available	2,923	3,764	3,996
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	2,370	3,193	3,368
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	6	1	1
3010	Obligations incurred, unexpired accounts	553	571	628
3020	Financing disbursements (gross)	–557	–571	–628
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	1	1	1
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1		–6	–6
3070	Change in uncollected pymts, Fed sources, unexpired	–6		
3090	Uncollected pymts, Fed sources, end of year	–6	–6	–6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	6	–5	–5
3200	Obligated balance, end of year	–5	–5	–5
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	895	1,394	803
	Financing disbursements:			
4110	Financing disbursements, gross	557	571	628
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–388	–805	
4122	Interest on uninvested funds	–57	–137	–266
4123	Non-Federal sources: guarantee fees	–416	–432	–516
4123	Repayments of Principal	–14	–14	–15
4123	Non-Federal sources	–5	–4	–4
4123	Interest Received on Loans	–2	–2	–2
4130	Offsets against gross financing auth and disbursements (total)	–882	–1,394	–803
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–6		
4160	Financing authority, net (mandatory)	7		
4170	Financing disbursements, net (mandatory)	–325	–823	–175
4180	Financing authority, net (total)	7		
4190	Financing disbursements, net (total)	–325	–823	–175

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4216–0–3–371		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	19,316	24,130	24,150
2150	Total guaranteed loan commitments	19,316	24,130	24,150
2199	Guaranteed amount of guaranteed loan commitments	17,384	21,717	21,735
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	61,985	75,841	88,794
2231	Disbursements of new guaranteed loans	18,802	20,659	24,675
2251	Repayments and prepayments	–4,385	–7,205	–8,435
2263	Adjustments: Terminations for default that result in claim payments	–561	–501	–586
2290	Outstanding, end of year	75,841	88,794	104,448
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	55,787	80,057	80,783
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	414	721	850
2331	Disbursements for guaranteed loan claims	369	267	269
2351	Repayments of loans receivable	–15	–13	–13

2361	Write-offs of loans receivable	–47	–125	–126
2390	Outstanding, end of year	721	850	980

This account finances the guaranteed section 502 low-to-moderate-income home ownership loan program as well as the re-financings of those loans and the section 538 guaranteed multi-family housing loan program. The guaranteed programs enable the Rural Housing Service to utilize private sector resources for the making and servicing of loans while the Agency provides a financial guarantee to encourage private sector activity.

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loan commitments made in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4216–0–3–371		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	2,030	2,362
	Investments in US securities:		
1106	Receivables, net	396	763
	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:		
1501	Defaulted guaranteed loans receivable, gross	414	721
1502	Interest receivable		1
1505	Allowance for subsidy cost (-)	–176	–415
1505	Currently not collectible (-)	–238	–297
1599	Net present value of assets related to defaulted guaranteed loans		10
1999	Total assets	2,426	3,135
	LIABILITIES:		
	Federal liabilities:		
2103	Debt	6	12
2104	Resources payable to Treasury	39	2
2204	Non-Federal liabilities: Liabilities for loan guarantees	2,381	3,121
2999	Total liabilities	2,426	3,135
4999	Total liabilities and net position	2,426	3,135

Rural Housing Insurance Fund Liquidating Account

Program and Financing (in millions of dollars)

Identification code 12–4141–0–3–371		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0107	Other costs incident to loans	33	29	26
0900	Total new obligations (object class 25.2)	33	29	26
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	42	54	
1021	Recoveries of prior year unpaid obligations	7		
1022	Capital transfer of unobligated balances to general fund	–48	–54	
1050	Unobligated balance (total)	1		
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	620	581	542
1820	Capital transfer of spending authority from offsetting collections to general fund	–534	–552	–516
1850	Spending auth from offsetting collections, mand (total)	86	29	26
1930	Total budgetary resources available	87	29	26
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	54		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid fund balance with treasury, end of year	24	31	23
3010	Obligations incurred, unexpired accounts	33	29	26
3020	Outlays (gross)	–19	–37	–32
3040	Recoveries of prior year unpaid obligations, unexpired	–7		
3050	Unpaid obligations, end of year	31	23	17
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	24	31	23
3200	Obligated balance, end of year	31	23	17
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	86	29	26
	Outlays, gross:			
4100	Outlays from new mandatory authority	16	29	26
4101	Outlays from mandatory balances	3	8	6
4110	Outlays, gross (total)	19	37	32
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Federal sources	–31		
4123	Non-Federal sources	–589	–581	–542
4130	Offsets against gross budget authority and outlays (total)	–620	–581	–542
4160	Budget authority, net (mandatory)	–534	–552	–516
4170	Outlays, net (mandatory)	–601	–544	–510
4180	Budget authority, net (total)	–534	–552	–516
4190	Outlays, net (total)	–601	–544	–510

Status of Direct Loans (in millions of dollars)

Identification code 12–4141–0–3–371		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	8,964	8,560	8,197
1251	Repayments: Repayments and prepayments	–310	–301	–301
1261	Adjustments: Capitalized interest	4	4	4
	Write-offs for default:			
1263	Direct loans	–28	–29	–29
1264	Other adjustments, net (+ or -)	–70	–37	–37
1290	Outstanding, end of year	8,560	8,197	7,834

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4141–0–3–371		2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	2	2	2
2251	Repayments and prepayments			
2290	Outstanding, end of year	2	2	2
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	2	2	2

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. New loan activity in 1992 and beyond is recorded in corresponding program and financing accounts.

Balance Sheet (in millions of dollars)

Identification code 12–4141–0–3–371		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	101	122
1601	Direct loans, gross	8,964	8,560
1602	Interest receivable	698	698
1603	Allowance for estimated uncollectible loans and interest (-)	–4,901	–4,451
1604	Direct loans and interest receivable, net	4,761	4,807
1606	Foreclosed property	33	32
1699	Value of assets related to direct loans	4,794	4,839
1901	Other Federal assets: Other assets	3	3
1999	Total assets	4,898	4,964
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	4,884	4,971
2207	Non-Federal liabilities: Other	14	–7
2999	Total liabilities	4,898	4,964

RURAL HOUSING INSURANCE FUND LIQUIDATING ACCOUNT—Continued

Balance Sheet—Continued

	Identification code 12–4141–0–3–371	2011 actual	2012 actual
4999	Total liabilities and net position	4,898	4,964

RURAL BUSINESS—COOPERATIVE SERVICE

Federal Funds

ENERGY ASSISTANCE PAYMENTS

Program and Financing (in millions of dollars)

	Identification code 12–2073–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Energy Assistance Payments	40	41	57
0900	Total new obligations (object class 41.0)	40	41	57
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	73	98	52
1020	Adjustment of unobligated bal brought forward, Oct 1		–40	
1050	Unobligated balance (total)	73	58	52
	Budget authority:			
	Appropriations, discretionary:			
1134	Appropriations precluded from obligation		–45	
1160	Appropriation, discretionary (total)		–45	
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	65	80	45
1260	Appropriations, mandatory (total)	65	80	45
1900	Budget authority (total)	65	35	45
1930	Total budgetary resources available	138	93	97
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	98	52	40
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2	2	12
3010	Obligations incurred, unexpired accounts	40	41	57
3020	Outlays (gross)	–40	–31	–69
3050	Unpaid obligations, end of year	2	12	
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	2	12
3200	Obligated balance, end of year	2	12	
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross		–45	
	Outlays, gross:			
4010	Outlays from new discretionary authority		–34	
4011	Outlays from discretionary balances			–11
4020	Outlays, gross (total)		–34	–11
	Mandatory:			
4090	Budget authority, gross	65	80	45
	Outlays, gross:			
4100	Outlays from new mandatory authority	35	60	34
4101	Outlays from mandatory balances	5	5	46
4110	Outlays, gross (total)	40	65	80
4180	Budget authority, net (total)	65	35	45
4190	Outlays, net (total)	40	31	69

The purpose of the Bioenergy Program for Advanced Biofuels is to provide payments to eligible agricultural producers to support and ensure an expanding production of advanced biofuels. This program is authorized pursuant to section 9005 of the Farm Security and Rural Investment Act of 2002, as amended by the Food, Conservation, the Energy Act of 2008 and the American Taxpayer Relief Act of 2012. The account also includes funding for Repowering Assistance payments. The purpose of this program is to encourage biorefineries to replace fossil fuel used to produce heat or power to operate the biorefineries. This program was authorized pursuant to section 9004 of the Farm Security and Rural Investment Act of 2002, as amended by the Food, Conservation, and Energy Act of 2008 and the American Relief Act of 2012. The Budget does not request discretionary funding in 2014 for either program.

RURAL BUSINESS AND COOPERATIVE GRANTS

For the cost of grants to support projects that provide technical and financial assistance to assist small and emerging private businesses and cooperatives in rural areas based on a standard for private sector growth proposed by the grantee, $55,000,000, which shall remain available through September 30, 2015: Provided, That the Secretary shall establish minimum performance standards that a grantee's plan must meet to be eligible for assistance: Provided further, That if a grantee does meet the grantee's proposed standard for a fiscal year shall not be eligible for funding for the subsequent fiscal year: Provided further, That the Secretary will award additional points for projects that serve communities with exceptional needs as measured by socioeconomic indicators, as established by the Secretary.

Program and Financing (in millions of dollars)

	Identification code 12–0406–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Rural Business and Cooperative Grants			55
0900	Total new obligations (object class 41.0)			55
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation			55
1160	Appropriation, discretionary (total)			55
1930	Total budgetary resources available			55
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts			55
3020	Outlays (gross)			–1
3050	Unpaid obligations, end of year			54
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			54
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross			55
	Outlays, gross:			
4010	Outlays from new discretionary authority			1
4180	Budget authority, net (total)			55
4190	Outlays, net (total)			1

The President's budget proposes a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. This new program will award funding to grantees that meet or exceed minimum performance targets, and that agree to be tracked against those performance targets. Additional points will be awarded to communities that meet the minimum performance targets and have exceptional need as measured by socioeconomic indicators, established by the Secretary. Because the new program will improve upon the agency's current grant allocation and evaluation process, the President's Budget does not provide funding to the following programs: Rural Business Enterprise Grants, Rural Business Opportunity Grants, Rural Cooperative Development Grants, Small/Socially Disadvantaged Producer Grants, Rural Microenterprise Assistance Grants, and Rural Community Development Initiative Grants. The consolidated rural business and cooperative grant authority will allow the Agency to better promote economic development through regional planning, and by leveraging resources to create greater wealth, improve quality of life, and sustain and grow the regional economy. The Department plans to set up the new platform for the Rural Business and Cooperative Grants Program under a Notice of Funding Availability. For 2014, $55 million is available for the program to remain available until September 30, 2015.

Rural Cooperative Development Grants

For rural cooperative development grants authorized under section 310B(e) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932), $17,250,000, of which $2,250,000 shall be for cooperative agreements for the appropriate technology transfer for rural areas program; and of which $15,000,000, to remain available until expended, shall be for value-added agricultural product market development grants, as authorized by section 231 of the Agricultural Risk Protection Act of 2000 (7 U.S.C. 1621 note).

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

	Identification code 12–1900–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Rural Cooperative Development Grants	9	9	....
0011	Value Added Agricultural Product Marketing (discretionary)	39	30	19
0012	Appropriate Technology Transfer for Rural Areas	2	2	2
0013	Value Added Agricultural Product Marketing (mandatory)	1	1	....
0900	Total new obligations (object class 41.0)	51	42	21
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	41	17	18
1001	Discretionary unobligated balance brought fwd, Oct 1	40	17	....
1021	Recoveries of prior year unpaid obligations	2	18	....
1050	Unobligated balance (total)	43	35	18
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	25	25	17
1160	Appropriation, discretionary (total)	25	25	17
1900	Budget authority (total)	25	25	17
1930	Total budgetary resources available	68	60	35
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	17	18	14
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	34	56	40
3010	Obligations incurred, unexpired accounts	51	42	21
3020	Outlays (gross)	–27	–40	–43
3040	Recoveries of prior year unpaid obligations, unexpired	–2	–18	....
3050	Unpaid obligations, end of year	56	40	18
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	34	56	40
3200	Obligated balance, end of year	56	40	18
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	25	25	17
	Outlays, gross:			
4010	Outlays from new discretionary authority	7	3	3
4011	Outlays from discretionary balances	16	34	39
4020	Outlays, gross (total)	23	37	42
	Mandatory:			
	Outlays, gross:			
4101	Outlays from mandatory balances	4	3	1
4180	Budget authority, net (total)	25	25	17
4190	Outlays, net (total)	27	40	43

Grants for rural cooperative development were authorized under section 310B(e) of the Consolidated Farm and Rural Development Act by Public Law 104–127, April 4, 1996. These grants are made available to nonprofit corporations and institutions of higher education to fund the establishment and operation of centers for rural cooperative development. In 2006, the Rural Business Service began a separate solicitation for the Small Minority Producer grants. These grants provide assistance to small, minority producers through cooperatives and associations of cooperatives. The Budget does not propose funding for these programs. Instead, these activities will be part of a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. The new Rural Business and Cooperative Grants program will award funding to grantees that meet or exceed minimum performance targets, and that agree to be tracked against those performance targets. Additional points will be awarded to communities that meet the minimum performance targets and have exceptional need as measured by socioeconomic indicators, established by the Secretary. The new program will improve upon the agency's current grant allocation and evaluation process. The Appropriate Technology Transfer to Rural Areas (ATTRA) program was first authorized by the Food Security Act of 1985. The program provides information and technical assistance to agricultural producers to adopt sustainable agricultural practices that are environmentally friendly and lower production costs. The 2014 Budget requests $2.25 million for ATTRA.

Additionally, USDA provides Value-Added Marketing Grants for producers of agricultural commodities. These grants can be used for planning activities and for working capital for marketing value-added agricultural products. The Budget requests to fund the program at $15 million.

Rural Economic Development Grants

Program and Financing (in millions of dollars)

	Identification code 12–3105–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Rural economic development grants	10	10	10
0002	Subsidy	4	4	3
0900	Total new obligations (object class 41.0)	14	14	13
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	171	200	224
1021	Recoveries of prior year unpaid obligations	1	3	....
1050	Unobligated balance (total)	172	203	224
	Budget authority:			
	Appropriations, discretionary:			
1131	Unobligated balance of appropriations permanently reduced	....	–155	–155
1160	Appropriation, discretionary (total)	....	–155	–155
	Appropriations, mandatory:			
1230	Appropriations and/or unobligated balance of appropriations permanently reduced	–155	....	....
1260	Appropriations, mandatory (total)	–155	....	....
	Spending authority from offsetting collections, mandatory:			
1800	Collected	197	190	166
1850	Spending auth from offsetting collections, mand (total)	197	190	166
1900	Budget authority (total)	42	35	11
1930	Total budgetary resources available	214	238	235
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	200	224	222
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	11	14	10
3010	Obligations incurred, unexpired accounts	14	14	13
3020	Outlays (gross)	–10	–15	–12
3040	Recoveries of prior year unpaid obligations, unexpired	–1	–3	....

RURAL ECONOMIC DEVELOPMENT GRANTS—Continued

Program and Financing—Continued

Identification code 12–3105–0–1–452		2012 actual	2013 CR	2014 est.
3050	Unpaid obligations, end of year	14	10	11
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–15	–15	–15
3090	Uncollected pymts, Fed sources, end of year	–15	–15	–15
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–4	–1	–5
3200	Obligated balance, end of year	–1	–5	–4
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross		–155	–155
	Mandatory:			
4090	Budget authority, gross	42	190	166
	Outlays, gross:			
4100	Outlays from new mandatory authority	10	6	5
4101	Outlays from mandatory balances		9	7
4110	Outlays, gross (total)	10	15	12
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Cushion of Credit Payments	–187	–180	–156
4123	Guaranteed Underwiter Fees	–10	–10	–10
4130	Offsets against gross budget authority and outlays (total)	–197	–190	–166
4160	Budget authority, net (mandatory)	–155		
4170	Outlays, net (mandatory)	–187	–175	–154
4180	Budget authority, net (total)	–155	–155	–155
4190	Outlays, net (total)	–187	–175	–154

This grant program is authorized under section 313 of the Rural Electrification Act, as amended, and provides funds for the purpose of promoting rural economic development and job creation projects, including funding for project feasibility studies, start-up costs, incubator projects and other expenses for the purpose of fostering rural development.

Funding for this program is provided from the interest differential on Rural Utilities Service borrowers' "cushion of credit" accounts. The Budget proposes a cancellation of $155 million from the "cushion of credit" account in 2014. The Budget proposes $10 million for rural economic development grants and $2.8 million for loan subsidy. This subsidy maintains the 2013 loan level at $33.077 million.

RURAL MICROENTERPRISE INVESTMENT PROGRAM ACCOUNT

For the cost of loans, $1,405,000, under the same terms and conditions as authorized by section 379E of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008s): Provided, That such costs of loans, including the cost of modifying such loans, shall be as defined by section 502 of the Congressional Budget Act of 1974.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1955–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0011	Grants	1		1
	Credit program obligations:			
0701	Direct loan subsidy			3
0900	Total new obligations (object class 41.0)	1		4
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1		
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation			1
1134	Appropriations precluded from obligation		–3	
1160	Appropriation, discretionary (total)		–3	1
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]		3	3
1260	Appropriations, mandatory (total)		3	3
1900	Budget authority (total)			4
1930	Total budgetary resources available	1		4
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	13	10	8
3010	Obligations incurred, unexpired accounts	1		4
3020	Outlays (gross)	–4	–2	–2
3050	Unpaid obligations, end of year	10	8	10
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	13	10	8
3200	Obligated balance, end of year	10	8	10
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross		–3	1
	Outlays, gross:			
4011	Outlays from discretionary balances	1		–2
	Mandatory:			
4090	Budget authority, gross		3	3
	Outlays, gross:			
4101	Outlays from mandatory balances	3	2	4
4180	Budget authority, net (total)			4
4190	Outlays, net (total)	4	2	2

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1955–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115001	Rural Microenterprise Direct Loans			46
115999	Total direct loan levels			46
	Direct loan subsidy (in percent):			
132001	Rural Microenterprise Direct Loans			6.26
132999	Weighted average subsidy rate			6.26
	Direct loan subsidy budget authority:			
133001	Rural Microenterprise Direct Loans			3
133999	Total subsidy budget authority			3
	Direct loan subsidy outlays:			
134001	Rural Microenterprise Direct Loans	1	1	1
134999	Total subsidy outlays	1	1	1

This program provides microentrepreneurs with the skills necessary to establish new rural microenterprises, as well as support these types of businesses with technical and financial assistance. The program provides loans and grants to intermediaries that assist microentrepreneurs. For 2014 the Budget requests $1.4 million in discretionary funds to support a loan level of $22.4 million. The program is authorized pursuant to section 6022 of the Food, Conservation, and Energy Act of 2008, and the American Taxpayer Relief Act 2012.

RURAL MICROENTERPRISE INVESTMENT DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4354–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0710	Direct loan obligations			46
0900	Total new obligations			46
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2		

1020	Adjustment of unobligated bal brought forward, Oct 1	–1		
1021	Recoveries of prior year unpaid obligations	1		
1023	Unobligated balances applied to repay debt	–1		
1024	Unobligated balance of borrowing authority withdrawn	–1		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority			42
1440	Borrowing authority, mandatory (total)			42
	Spending authority from offsetting collections, mandatory:			
1800	Collected	1	1	3
1801	Change in uncollected payments, Federal sources	–1	–1	1
1850	Spending auth from offsetting collections, mand (total)			4
1900	Financing authority (total)			46
1930	Total budgetary resources available			46
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	31	23	15
3010	Obligations incurred, unexpired accounts			46
3020	Financing disbursements (gross)	–7	–8	–7
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	23	15	54
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–5	–4	–3
3070	Change in uncollected pymts, Fed sources, unexpired	1	1	–1
3090	Uncollected pymts, Fed sources, end of year	–4	–3	–4
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	26	19	12
3200	Obligated balance, end of year	19	12	50
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross			46
	Financing disbursements:			
4110	Financing disbursements, gross	7	8	7
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–1	–1	–1
4123	Repayments of Loan Principal			–1
4123	Repayments of Loan Interest			–1
4130	Offsets against gross financing auth and disbursements (total)	–1	–1	–3
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	1	1	–1
4160	Financing authority, net (mandatory)			42
4170	Financing disbursements, net (mandatory)	6	7	4
4180	Financing authority, net (total)			42
4190	Financing disbursements, net (total)	6	7	4

Status of Direct Loans (in millions of dollars)

Identification code 12–4354–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation			46
1150	Total direct loan obligations			46
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	8	15	23
1231	Disbursements: Direct loan disbursements	7	8	6
1251	Repayments: Repayments and prepayments			–1
1290	Outstanding, end of year	15	23	28

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligations. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of this program is funded though the Rural Microenterprise Investment Program Account.

Balance Sheet (in millions of dollars)

Identification code 12–4354–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	1	1
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	8	15
1405	Allowance for subsidy cost (-)	–1	–1
1499	Net present value of assets related to direct loans	7	14
1999	Total assets	8	15
	LIABILITIES:		
2103	Federal liabilities: Debt	8	15
4999	Total liabilities and net position	8	15

Rural Business Program Account

(including transfers of funds)

For the cost of loan guarantees, for the rural business development programs authorized by section 310B and described in sections 310B (g) and 381E(d)(3)(B) of the Consolidated Farm and Rural Development Act, $51,777,000, to remain available until expended: Provided, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to funds made available under this heading.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1902–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Rural Business Enterprise Grants	29	32	3
0012	Rural Business Opportunity Grants	2	3	
0091	Direct program activities, subtotal	31	35	3
	Credit program obligations:			
0702	Loan guarantee subsidy	59	52	63
0705	Reestimates of direct loan subsidy		2	
0706	Interest on reestimates of direct loan subsidy		2	
0707	Reestimates of loan guarantee subsidy	178	96	
0708	Interest on reestimates of loan guarantee subsidy	35	14	
0791	Direct program activities, subtotal	272	166	63
0900	Total new obligations (object class 41.0)	303	201	66
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	6	12	14
1001	Discretionary unobligated balance brought fwd, Oct 1	6	12	
1020	Adjustment of unobligated bal brought forward, Oct 1	–14		
1021	Recoveries of prior year unpaid obligations	8	14	
1050	Unobligated balance (total)		26	14
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	75	75	52
1160	Appropriation, discretionary (total)	75	75	52
	Appropriations, mandatory:			
1200	Appropriation	213	114	
1260	Appropriations, mandatory (total)	213	114	
	Spending authority from offsetting collections, discretionary:			
1700	Collected	27		
1750	Spending auth from offsetting collections, disc (total)	27		
1900	Budget authority (total)	315	189	52
1930	Total budgetary resources available	315	215	66
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	12	14	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	114	127	99
3001	Adjustments to unpaid obligations, brought forward, Oct 1	14		
3010	Obligations incurred, unexpired accounts	303	201	66
3020	Outlays (gross)	–293	–215	–89
3040	Recoveries of prior year unpaid obligations, unexpired	–8	–14	
3041	Recoveries of prior year unpaid obligations, expired	–3		
3050	Unpaid obligations, end of year	127	99	76
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	128	127	99

RURAL BUSINESS PROGRAM ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–1902–0–1–452		2012 actual	2013 CR	2014 est.
3200	Obligated balance, end of year	127	99	76
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	102	75	52
	Outlays, gross:			
4010	Outlays from new discretionary authority	29	23	22
4011	Outlays from discretionary balances	51	78	67
4020	Outlays, gross (total)	80	101	89
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4033	Non-Federal sources	–27		
	Mandatory:			
4090	Budget authority, gross	213	114	
	Outlays, gross:			
4100	Outlays from new mandatory authority	213	114	
4180	Budget authority, net (total)	288	189	52
4190	Outlays, net (total)	266	215	89

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1902–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan upward reestimates:			
135004	Business and Industry Loans		4	
135999	Total upward reestimate budget authority		4	
	Direct loan downward reestimates:			
137004	Business and Industry Loans	–39		
137999	Total downward reestimate budget authority	–39		
	Guaranteed loan levels supportable by subsidy budget authority:			
215007	Business and Industry Loan Guarantees	1,053	860	897
215999	Total loan guarantee levels	1,053	860	897
	Guaranteed loan subsidy (in percent):			
232007	Business and Industry Loan Guarantees	5.58	5.88	6.99
232999	Weighted average subsidy rate	5.58	5.88	6.99
	Guaranteed loan subsidy budget authority:			
233007	Business and Industry Loan Guarantees	59	51	63
233999	Total subsidy budget authority	59	51	63
	Guaranteed loan subsidy outlays:			
234006	Guaranteed Business and Industry Loans - ARRA	3	3	2
234007	Business and Industry Loan Guarantees	2	51	66
234008	Business and Industry Emergency Supplemental Loan Guarantees		1	
234999	Total subsidy outlays	5	55	68
	Guaranteed loan upward reestimates:			
235005	North American Development Bank Loan Guarantees	2		
235006	Guaranteed Business and Industry Loans - ARRA	33	8	
235007	Business and Industry Loan Guarantees	178	102	
235999	Total upward reestimate budget authority	213	110	
	Guaranteed loan downward reestimates:			
237006	Guaranteed Business and Industry Loans - ARRA		–1	
237007	Business and Industry Loan Guarantees		–8	
237999	Total downward reestimate subsidy budget authority		–9	

This account funds direct and guaranteed business and industry loans, rural business enterprise grants, and rural business opportunity grants. Business and industry guaranteed and direct loans are authorized under section 310B(a)(1) of the Consolidated Farm and Rural Development, as amended. These loans are made to public, private or cooperative organizations, Indian tribes or tribal groups, corporate entities, or individuals for the purpose of improving the economic climate in rural areas. For direct loans, no funds have been requested or provided since 2002, and no funds are requested in the Budget. The 2014 projections for loan guarantees are $740.7 million. The Budget does not propose funding for rural business enterprise grants and rural business opportunity grants. Instead, these activities will be part of a new economic development grant program designed to target small and emerging private businesses and cooperatives in rural areas with populations of 50,000 or less. The new Rural Business and Cooperative Grants program will award funding to grantees that meet or exceed minimum performance targets, and that agree to be tracked against those performance targets. Additional points will be awarded to communities that meet the minimum performance targets and have exceptional need as measured by socioeconomic indicators, established by the Secretary. The new program will improve upon the agency's current grant allocation and evaluation process.

RURAL BUSINESS AND INDUSTRY DIRECT LOANS FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4223–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0713	Payment of interest to Treasury	3	3	3
0742	Downward reestimate paid to receipt account	20		
0743	Interest on downward reestimates	19		
0900	Total new obligations	42	3	3
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	10	4	
1023	Unobligated balances applied to repay debt	–10	–4	
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	39		
1440	Borrowing authority, mandatory (total)	39		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	7	10	4
1825	Spending authority from offsetting collections applied to repay debt		–7	–1
1850	Spending auth from offsetting collections, mand (total)	7	3	3
1900	Financing authority (total)	46	3	3
1930	Total budgetary resources available	46	3	3
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4		
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	42	3	3
3020	Financing disbursements (gross)	–42	–3	–3
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	46	3	3
	Financing disbursements:			
4110	Financing disbursements, gross	42	3	3
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources		–4	
4122	Interest on uninvested funds		–1	–1
4123	Repayments of principal	–5	–4	–3
4123	Interest received on loans	–1	–1	
4123	Non-Federal sources	–1		
4130	Offsets against gross financing auth and disbursements (total)	–7	–10	–4
4160	Financing authority, net (mandatory)	39	–7	–1
4170	Financing disbursements, net (mandatory)	35	–7	–1
4180	Financing authority, net (total)	39	–7	–1
4190	Financing disbursements, net (total)	35	–7	–1

Status of Direct Loans (in millions of dollars)

Identification code 12–4223–0–3–452		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	25	17	13
1251	Repayments: Repayments and prepayments	–5	–4	–3
	Write-offs for default:			
1263	Direct loans	–2		
1264	Other adjustments, net (+ or -)	–1		

1290	Outstanding, end of year	17	13	10

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of this program is funded through the Rural Business Program Account. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account.

Balance Sheet (in millions of dollars)

Identification code 12–4223–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	10	5
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	25	17
1405	Allowance for subsidy cost (-)	–10	32
1499	Net present value of assets related to direct loans	15	49
1999	Total assets	25	54
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	25	54
4999	Total liabilities and net position	25	54

Rural Business and Industry Guaranteed Loans Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4227–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0711	Default claim payments on principal	159	228	259
0712	Default claim payments on interest	3	4	5
0713	Payment of interest to Treasury	1	1	1
0742	Downward reestimate paid to receipt account	....	6	....
0743	Interest on downward reestimates	....	3	....
0900	Total new obligations	163	242	265
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	369	531	525
1023	Unobligated balances applied to repay debt	–24	–12	–12
1050	Unobligated balance (total)	345	519	513
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	7	....	....
1440	Borrowing authority, mandatory (total)	7	....	....
	Spending authority from offsetting collections, mandatory:			
1800	Collected	296	251	163
1801	Change in uncollected payments, Federal sources	46	–3	....
1850	Spending auth from offsetting collections, mand (total)	342	248	163
1900	Financing authority (total)	349	248	163
1930	Total budgetary resources available	694	767	676
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	531	525	411
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	163	242	265
3020	Financing disbursements (gross)	–163	–242	–265
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	....	–46	–43
3070	Change in uncollected pymts, Fed sources, unexpired	–46	3	....
3090	Uncollected pymts, Fed sources, end of year	–46	–43	–43
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	....	–46	–43
3200	Obligated balance, end of year	–46	–43	–43
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	349	248	163
	Financing disbursements:			
4110	Financing disbursements, gross	163	242	265
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–218	–166	–67
4122	Interest on uninvested funds	–13	–16	–18
4123	Interest and principal on purchased loans from secondary market	–40	–47	–56
4123	Guarantee fees	–24	–22	–22
4123	Non-Federal sources	–1	....	....
4130	Offsets against gross financing auth and disbursements (total)	–296	–251	–163
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–46	3	....
4160	Financing authority, net (mandatory)	7	....	....
4170	Financing disbursements, net (mandatory)	–133	–9	102
4180	Financing authority, net (total)	7	....	....
4190	Financing disbursements, net (total)	–133	–9	102

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4227–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	1,053	860	897
2150	Total guaranteed loan commitments	1,053	860	897
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	6,791	6,883	7,032
2231	Disbursements of new guaranteed loans	957	1,069	944
2251	Repayments and prepayments	–625	–688	–703
	Adjustments:			
2261	Terminations for default that result in loans receivable	–95	–135	–153
2263	Terminations for default that result in claim payments	–66	–97	–111
2264	Other adjustments, net	–79	....	....
2290	Outstanding, end of year	6,883	7,032	7,009
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	5,506	5,625	5,607
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	349	269	402
2331	Disbursements for guaranteed loan claims	156	206	211
2351	Repayments of loans receivable	–37	–27	–40
2361	Write-offs of loans receivable	–63	–46	–68
2364	Other adjustments, net	–136	....	....
2390	Outstanding, end of year	269	402	505

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from guaranteed loans committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of this program is funded through the Rural Business Program Account. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account. The account finances loan guarantee commitments for business development in rural areas.

Balance Sheet (in millions of dollars)

Identification code 12–4227–0–3–452		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	369	485
	Investments in US securities:		
1106	Receivables, net	69	71
1501	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable: Defaulted guaranteed loans receivable, gross	349	269
1999	Total assets	787	825
	LIABILITIES:		
	Federal liabilities:		
2104	Resources payable to Treasury	28	12
2105	Other	....	8
2204	Non-Federal liabilities: Liabilities for loan guarantees	759	805

Rural Business and Industry Guaranteed Loans Financing Account—Continued

Balance Sheet—Continued

Identification code 12–4227–0–3–452	2011 actual	2012 actual
2999 Total liabilities	787	825
4999 Total liabilities and net position	787	825

Rural Development Loan Fund Program Account

(including transfer of funds)

For the principal amount of direct loans, as authorized by the Rural Development Loan Fund (42 U.S.C. 9812(a)), $18,889,000.

For the cost of direct loans, $4,082,000, as authorized by the Rural Development Loan Fund (42 U.S.C. 9812(a)), of which $531,000 shall be available through June 30, 2014, for Federally Recognized Native American Tribes; and of which $1,021,000 shall be available through June 30, 2014, for Mississippi Delta Region counties (as determined in accordance with Public Law 100–460): Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974.

In addition, for administrative expenses to carry out the direct loan programs, $4,467,000 shall be paid to the appropriation for "Rural Development, Salaries and Expenses''.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2069–0–1–452	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0701 Direct loan subsidy	6	6	4
0709 Administrative expenses	5	5	5
0900 Total new obligations	11	11	9
Budgetary Resources:			
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	11	11	9
1160 Appropriation, discretionary (total)	11	11	9
1930 Total budgetary resources available	11	11	9
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	29	25	20
3010 Obligations incurred, unexpired accounts	11	11	9
3020 Outlays (gross)	–11	–16	–13
3041 Recoveries of prior year unpaid obligations, expired	–4		
3050 Unpaid obligations, end of year	25	20	16
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	29	25	20
3200 Obligated balance, end of year	25	20	16
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	11	11	9
Outlays, gross:			
4010 Outlays from new discretionary authority	5	5	5
4011 Outlays from discretionary balances	6	11	8
4020 Outlays, gross (total)	11	16	13
4180 Budget authority, net (total)	11	11	9
4190 Outlays, net (total)	11	16	13

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–2069–0–1–452	2012 actual	2013 CR	2014 est.
Direct loan levels supportable by subsidy budget authority:			
115001 Intermediary Relending Program	18	19	19
115999 Total direct loan levels	18	19	19
Direct loan subsidy (in percent):			
132001 Intermediary Relending Program	33.88	32.04	21.61
132999 Weighted average subsidy rate	33.88	32.04	21.61
Direct loan subsidy budget authority:			
133001 Intermediary Relending Program	6	6	4
133999 Total subsidy budget authority	6	6	4
Direct loan subsidy outlays:			
134001 Intermediary Relending Program	6	11	8
134999 Total subsidy outlays	6	11	8
Direct loan downward reestimates:			
137001 Intermediary Relending Program	–5	–4	
137999 Total downward reestimate budget authority	–5	–4	
Administrative expense data:			
3510 Budget authority	5	5	4
3590 Outlays from new authority	5	5	4

This account finances loans to intermediary borrowers, who, in turn, re-lend the funds to small rural businesses, community development corporations, and other organizations for the purpose of improving economic opportunities in rural areas. Through the use of local intermediaries, this program serves small-scale enterprises and gives preference to those communities with the greatest need. The 2014 Budget proposes $4.1 million in budget authority to support this program.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond, as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

Object Classification (in millions of dollars)

Identification code 12–2069–0–1–452	2012 actual	2013 CR	2014 est.
Direct obligations:			
25.3 Other goods and services from Federal sources	5	5	5
41.0 Grants, subsidies, and contributions	6	6	4
99.9 Total new obligations	11	11	9

Rural Development Loan Fund Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4219–0–3–452	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0710 Direct loan obligations	17	19	19
0713 Payment of interest to Treasury	17	18	19
0742 Downward reestimate paid to receipt account	3	2	
0743 Interest on downward reestimates	2	2	
0900 Total new obligations	39	41	38
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1		2	
1021 Recoveries of prior year unpaid obligations	9		
1023 Unobligated balances applied to repay debt	–4	–2	
1024 Unobligated balance of borrowing authority withdrawn	–5		
Financing authority:			
Borrowing authority, mandatory:			
1400 Borrowing authority	25	10	8
1440 Borrowing authority, mandatory (total)	25	10	8

	Spending authority from offsetting collections, mandatory:			
1800	Collected	37	36	34
1801	Change in uncollected payments, Federal sources	–4	–5	–4
1825	Spending authority from offsetting collections applied to repay debt	–17		
1850	Spending auth from offsetting collections, mand (total)	16	31	30
1900	Financing authority (total)	41	41	38
1930	Total budgetary resources available	41	41	38
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	2		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	79	71	60
3010	Obligations incurred, unexpired accounts	39	41	38
3020	Financing disbursements (gross)	–38	–52	–43
3040	Recoveries of prior year unpaid obligations, unexpired	–9		
3050	Unpaid obligations, end of year	71	60	55
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–29	–25	–20
3070	Change in uncollected pymts, Fed sources, unexpired	4	5	4
3090	Uncollected pymts, Fed sources, end of year	–25	–20	–16
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	50	46	40
3200	Obligated balance, end of year	46	40	39
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	41	41	38
	Financing disbursements:			
4110	Financing disbursements, gross	38	52	43
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payments from program account	–6	–11	–8
4122	Interest on uninvested funds	–1	–2	–2
4123	Non-Federal sources - repayment of principal	–26	–19	–20
4123	Non-Federal sources - interest on loans	–4	–4	–4
4130	Offsets against gross financing auth and disbursements (total)	–37	–36	–34
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	4	5	4
4160	Financing authority, net (mandatory)	8	10	8
4170	Financing disbursements, net (mandatory)	1	16	9
4180	Financing authority, net (total)	8	10	8
4190	Financing disbursements, net (total)	1	16	9

Status of Direct Loans (in millions of dollars)

Identification code 12–4219–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	17	19	19
1150	Total direct loan obligations	17	19	19
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	439	428	438
1231	Disbursements: Direct loan disbursements	17	29	29
1251	Repayments: Repayments and prepayments	–26	–19	–20
1264	Write-offs for default: Other adjustments, net (+ or -)	–2		
1290	Outstanding, end of year	428	438	447

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4219–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	11	11
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	439	428
1402	Interest receivable	2	2
1405	Allowance for subsidy cost (-)	–144	–144
1499	Net present value of assets related to direct loans	297	286
1999	Total assets	308	297
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	308	297
4999	Total liabilities and net position	308	297

Rural Development Loan Fund Liquidating Account

Program and Financing (in millions of dollars)

Identification code 12–4233–0–3–452		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	3	2	2
1820	Capital transfer of spending authority from offsetting collections to general fund	–3	–2	–2
	Budget authority and outlays, net:			
	Mandatory:			
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–3	–2	–2
4180	Budget authority, net (total)	–3	–2	–2
4190	Outlays, net (total)	–3	–2	–2

Status of Direct Loans (in millions of dollars)

Identification code 12–4233–0–3–452		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	27	24	22
1251	Repayments: Repayments and prepayments	–3	–2	–2
1290	Outstanding, end of year	24	22	20

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from direct loans obligated prior to 1992. New loan activity in 1992 and beyond is recorded in corresponding program and financing accounts.

Balance Sheet (in millions of dollars)

Identification code 12–4233–0–3–452		2011 actual	2012 actual
	ASSETS:		
1601	Direct loans, gross	27	24
1603	Allowance for estimated uncollectible loans and interest (-)	–12	–7
1699	Value of assets related to direct loans	15	17
1999	Total assets	15	17
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	15	17
4999	Total liabilities and net position	15	17

Rural Economic Development Loans Program Account

(INCLUDING CANCELLATION OF FUNDS)

For the principal amount of direct loans, as authorized under section 313 of the Rural Electrification Act, for the purpose of promoting rural economic development and job creation projects, $33,077,000.

Of the funds derived from interest on the cushion of credit payments, as authorized by section 313 of the Rural Electrification Act of 1936, $155,000,000 shall not be obligated and $155,000,000 are hereby permanently cancelled.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Rural Economic Development Loans Program Account—Continued

Program and Financing (in millions of dollars)

Identification code 12–3108–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0701	Direct loan subsidy	6	10	6
0705	Reestimates of direct loan subsidy	1		
0900	Total new obligations (object class 41.0)	7	10	6
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	6	6	3
1021	Recoveries of prior year unpaid obligations	1	3	
1050	Unobligated balance (total)	7	9	3
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation	2		
1260	Appropriations, mandatory (total)	2		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	4	4	3
1850	Spending auth from offsetting collections, mand (total)	4	4	3
1900	Budget authority (total)	6	4	3
1930	Total budgetary resources available	13	13	6
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	6	3	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	6	7	7
3010	Obligations incurred, unexpired accounts	7	10	6
3020	Outlays (gross)	–5	–7	–7
3040	Recoveries of prior year unpaid obligations, unexpired	–1	–3	
3050	Unpaid obligations, end of year	7	7	6
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	6	7	7
3200	Obligated balance, end of year	7	7	6
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	6	4	3
	Outlays, gross:			
4100	Outlays from new mandatory authority	2	1	1
4101	Outlays from mandatory balances	3	6	6
4110	Outlays, gross (total)	5	7	7
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Federal sources	–4	–4	–3
4180	Budget authority, net (total)	2		
4190	Outlays, net (total)	1	3	4

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–3108–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115001	Rural Economic Development Loans	41	78	73
115999	Total direct loan levels	41	78	73
	Direct loan subsidy (in percent):			
132001	Rural Economic Development Loans	12.98	12.39	8.45
132999	Weighted average subsidy rate	12.98	12.39	8.45
	Direct loan subsidy budget authority:			
133001	Rural Economic Development Loans	6	10	6
133999	Total subsidy budget authority	6	10	6
	Direct loan subsidy outlays:			
134001	Rural Economic Development Loans	3	6	7
134999	Total subsidy outlays	3	6	7
	Direct loan upward reestimates:			
135001	Rural Economic Development Loans	2		
135999	Total upward reestimate budget authority	2		
	Direct loan downward reestimates:			
137001	Rural Economic Development Loans	–1	–1	
137999	Total downward reestimate budget authority	–1	–1	

Rural economic development loans are made for the purpose of promoting rural economic development and job creation projects. Loans are made to electric and telecommunication borrowers, who, in turn, finance rural development projects in their service areas. Program costs are derived from interest earnings on borrowers' "cushion of credit" loan prepayments. The 2014 Budget proposes a loan level of $33 million for this program.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the direct loans obligated in 1992 and beyond. The subsidy amounts are estimated on a present value basis.

Rural Economic Development Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4176–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0710	Direct loan obligations	41	78	73
0713	Payment of interest to Treasury	4	4	5
0742	Downward reestimate paid to receipt account	1	1	
0900	Total new obligations	46	83	78
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	2	
1021	Recoveries of prior year unpaid obligations	3		
1023	Unobligated balances applied to repay debt	–1	–2	
1024	Unobligated balance of borrowing authority withdrawn	–3		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	46	49	36
1440	Borrowing authority, mandatory (total)	46	49	36
	Spending authority from offsetting collections, mandatory:			
1800	Collected	28	33	39
1801	Change in uncollected payments, Federal sources	1	1	3
1825	Spending authority from offsetting collections applied to repay debt	–27		
1850	Spending auth from offsetting collections, mand (total)	2	34	42
1900	Financing authority (total)	48	83	78
1930	Total budgetary resources available	48	83	78
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	2		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	33	47	77
3010	Obligations incurred, unexpired accounts	46	83	78
3020	Financing disbursements (gross)	–29	–53	–73
3040	Recoveries of prior year unpaid obligations, unexpired	–3		
3050	Unpaid obligations, end of year	47	77	82
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–6	–7	–8
3070	Change in uncollected pymts, Fed sources, unexpired	–1	–1	–3
3090	Uncollected pymts, Fed sources, end of year	–7	–8	–11
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	27	40	69
3200	Obligated balance, end of year	40	69	71
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	48	83	78
	Financing disbursements:			
4110	Financing disbursements, gross	29	53	73
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal Funds: Program Account	–6	–7	–8
4122	Interest on uninvested funds	–1	–3	–3
4123	Non-Federal sources: Repayment of Principal	–21	–23	–28
4130	Offsets against gross financing auth and disbursements (total)	–28	–33	–39
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–1	–1	–3
4160	Financing authority, net (mandatory)	19	49	36

4170	Financing disbursements, net (mandatory)	1	20	34
4180	Financing authority, net (total)	19	49	36
4190	Financing disbursements, net (total)	1	20	34

Status of Direct Loans (in millions of dollars)

	Identification code 12–4176–0–3–452	2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	33	33	33
1121	Limitation available from carry-forward	8	45	40
1150	Total direct loan obligations	41	78	73
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	110	113	139
1231	Disbursements: Direct loan disbursements	24	48	69
1251	Repayments: Repayments and prepayments	–21	–22	–27
1290	Outstanding, end of year	113	139	181

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

	Identification code 12–4176–0–3–452	2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	11	9
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	110	113
1405	Allowance for subsidy cost (-)	–10	–12
1499	Net present value of assets related to direct loans	100	101
1999	Total assets	111	110
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	111	110
4999	Total upward reestimate subsidy BA [12–3108]	111	110

Rural Business Investment Program Account

Program and Financing (in millions of dollars)

	Identification code 12–1907–0–1–452	2012 actual	2013 CR	2014 est.
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	3	3	3
3050	Unpaid obligations, end of year	3	3	3
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3	3	3
3200	Obligated balance, end of year	3	3	3

The Rural Business Investment Program was authorized and provided mandatory funding by section 6029 of the Farm Security and Rural Investment Act of 2002, Public Law 107–171. The Deficit Reduction Act rescinded the unobligated balance and no funds are requested for 2014.

As required by the Federal Credit Reform Act of 1990, this account records, for this program, the subsidy costs associated with the loan guarantees committed in 1992 and beyond, as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

Rural Business Investment Program Guarantee Financing Account

Program and Financing (in millions of dollars)

	Identification code 12–4033–0–3–452	2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1	1	2
	Financing authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	....	1	1
1850	Spending auth from offsetting collections, mand (total)	....	1	1
1930	Total budgetary resources available	1	2	3
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	2	3
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	....	1	1
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	....	–1	....
4123	Non-Federal sources (Guaranteed fees)	....	....	–1
4130	Offsets against gross financing auth and disbursements (total)	....	–1	–1
4170	Financing disbursements, net (mandatory)	....	–1	–1
4190	Financing disbursements, net (total)	....	–1	–1

Status of Guaranteed Loans (in millions of dollars)

	Identification code 12–4033–0–3–452	2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	12	16	20
2231	Disbursements of new guaranteed loans	4	5	4
2251	Repayments and prepayments	....	–1	–1
2290	Outstanding, end of year	16	20	23
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	16	20	23

Balance Sheet (in millions of dollars)

	Identification code 12–4033–0–3–452	2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	1	1
1999	Total assets	1	1
	LIABILITIES:		
2204	Non-Federal liabilities: Liabilities for loan guarantees	1	1
4999	Total liabilities and net position	1	1

Rural Energy for America Program

For the cost of a program of loan guarantees and grants, under the same terms and conditions as authorized by section 9007 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107), $19,741,000: Provided, That the cost of loan guarantees, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

	Identification code 12–1908–0–1–451	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0011	Grants	22	12	28
	Credit program obligations:			
0702	Loan guarantee subsidy	3	13	33
0707	Reestimates of loan guarantee subsidy	14	5	....

Rural Energy for America Program—Continued

Program and Financing—Continued

Identification code 12–1908–0–1–451		2012 actual	2013 CR	2014 est.
0708	Interest on reestimates of loan guarantee subsidy	1		
0791	Direct program activities, subtotal	18	18	33
0900	Total new obligations (object class 41.0)	40	30	61
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	3	15	
1020	Adjustment of unobligated bal brought forward, Oct 1		–15	
1021	Recoveries of prior year unpaid obligations	13		
1050	Unobligated balance (total)	16		
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	3	3	20
1134	Appropriations precluded from obligation		–41	
1160	Appropriation, discretionary (total)	3	–38	20
	Appropriations, mandatory:			
1200	Appropriation	14	5	
1221	Appropriations transferred from other accts [12–4336]	22	63	41
1260	Appropriations, mandatory (total)	36	68	41
1900	Budget authority (total)	39	30	61
1930	Total budgetary resources available	55	30	61
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	15		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	120	77	51
3010	Obligations incurred, unexpired accounts	40	30	61
3011	Obligations incurred, expired accounts	3		
3020	Outlays (gross)	–71	–56	–31
3040	Recoveries of prior year unpaid obligations, unexpired	–13		
3041	Recoveries of prior year unpaid obligations, expired	–2		
3050	Unpaid obligations, end of year	77	51	81
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	120	77	51
3200	Obligated balance, end of year	77	51	81
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	3	–38	20
	Outlays, gross:			
4010	Outlays from new discretionary authority	1	–2	
4011	Outlays from discretionary balances	7	14	–19
4020	Outlays, gross (total)	8	12	–19
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4033	Non-Federal sources	–3		
	Additional offsets against gross budget authority only:			
4052	Offsetting collections credited to expired accounts	3		
4070	Budget authority, net (discretionary)	3	–38	20
4080	Outlays, net (discretionary)	5	12	–19
	Mandatory:			
4090	Budget authority, gross	36	68	41
	Outlays, gross:			
4100	Outlays from new mandatory authority	17	7	1
4101	Outlays from mandatory balances	46	37	49
4110	Outlays, gross (total)	63	44	50
4180	Budget authority, net (total)	39	30	61
4190	Outlays, net (total)	68	56	31

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1908–0–1–451		2012 actual	2013 CR	2014 est.
	Guaranteed loan levels supportable by subsidy budget authority:			
215001	Renewable Energy Loan Guarantees	14	53	120
215999	Total loan guarantee levels	14	53	120
	Guaranteed loan subsidy (in percent):			
232001	Renewable Energy Loan Guarantees	26.19	24.01	27.43
232999	Weighted average subsidy rate	26.19	24.01	27.43
	Guaranteed loan subsidy budget authority:			
233001	Renewable Energy Loan Guarantees	4	13	33
233999	Total subsidy budget authority	4	13	33
	Guaranteed loan subsidy outlays:			
234001	Renewable Energy Loan Guarantees	2	10	10
234999	Total subsidy outlays	2	10	10
	Guaranteed loan upward reestimates:			
235001	Renewable Energy Loan Guarantees	14	5	
235999	Total upward reestimate budget authority	14	5	
	Guaranteed loan downward reestimates:			
237001	Renewable Energy Loan Guarantees	–1	–5	
237999	Total downward reestimate subsidy budget authority	–1	–5	

The Rural Energy for America Program was formerly the Renewable Energy Systems and Energy Efficiency Improvements, and is authorized under 7 U.S.C. 8107. This program provides loan guarantees and grants to farmers, ranchers, and small rural businesses to purchase renewable energy systems and make energy efficiency improvements. The budget requests discretionary funding of $7.4 million for grants and $12.3 million for loan guarantees to support $44.9 million in private lending. This program is authorized pursuant to Section 9007 of the Farm Security and Rural Investment Act of 2002, as amended by the Food, Conservation and Energy Act of 2008 and the American Taxpayer Relief Act of 2012.

Rural Energy for America Guaranteed Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4267–0–3–451		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0711	Default claim payments on principal		8	8
0742	Downward reestimate paid to receipt account	1	5	
0900	Total new obligations	1	13	8
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	22	59	64
1023	Unobligated balances applied to repay debt	–6		
1050	Unobligated balance (total)	16	59	64
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	11		
1440	Borrowing authority, mandatory (total)	11		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	19	15	10
1801	Change in uncollected payments, Federal sources	14	3	23
1850	Spending auth from offsetting collections, mand (total)	33	18	33
1900	Financing authority (total)	44	18	33
1930	Total budgetary resources available	60	77	97
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	59	64	89
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	1	13	8
3020	Financing disbursements (gross)	–1	–13	–8
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1		–14	–17
3070	Change in uncollected pymts, Fed sources, unexpired	–14	–3	–23
3090	Uncollected pymts, Fed sources, end of year	–14	–17	–40
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year		–14	–17
3200	Obligated balance, end of year	–14	–17	–40
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	44	18	33
	Financing disbursements:			
4110	Financing disbursements, gross	1	13	8
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–16	–15	–10

		2012 actual	2013 CR	2014 est.
4122	Interest on uninvested funds	–1		
4123	Guarantee fees	–2		
4130	Offsets against gross financing auth and disbursements (total)	–19	–15	–10
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–14	–3	–23
4160	Financing authority, net (mandatory)	11		
4170	Financing disbursements, net (mandatory)	–18	–2	–2
4180	Financing authority, net (total)	11		
4190	Financing disbursements, net (total)	–18	–2	–2

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4267–0–3–451		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	14	53	120
2150	Total guaranteed loan commitments	14	53	120
2199	Guaranteed amount of guaranteed loan commitments	11	42	94
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	65	70	72
2231	Disbursements of new guaranteed loans	39	36	35
2251	Repayments and prepayments	–24	–26	–26
	Adjustments:			
2261	Terminations for default that result in loans receivable		–8	–8
2264	Other adjustments, net	–10		
2290	Outstanding, end of year	70	72	73
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	56	57	57
	Addendum:			
	Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310	Outstanding, start of year	10		6
2331	Disbursements for guaranteed loan claims		6	6
2361	Write-offs of loans receivable	–10		
2390	Outstanding, end of year		6	12

This account finances loan guarantee commitments to farmers, ranchers, and small businesses to purchase renewable energy systems and make energy efficiency improvements in rural areas.

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of this program is funded through the Rural Energy for American Program Account.

Balance Sheet (in millions of dollars)

Identification code 12–4267–0–3–451		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	22	34
	Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:		
1501	Defaulted guaranteed loans receivable, gross	10	
1505	Allowance for subsidy cost (-)	–3	
1599	Net present value of assets related to defaulted guaranteed loans	7	
1999	Total assets	29	34
	LIABILITIES:		
2103	Federal liabilities: Debt	7	1
2204	Non-Federal liabilities: Liability for loan guarnatees	22	33
2999	Total liabilities	29	34
4999	Total liabilities and net position	29	34

BIOREFINERY ASSISTANCE PROGRAM ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–3106–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0702	Loan guarantee subsidy	144	41	
0707	Reestimates of loan guarantee subsidy	20	5	
0708	Interest on reestimates of loan guarantee subsidy	1		
0900	Total new obligations (object class 41.0)	165	46	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	186	41	
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation	20	5	
1260	Appropriations, mandatory (total)	20	5	
1930	Total budgetary resources available	206	46	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	41		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	78	203	154
3010	Obligations incurred, unexpired accounts	165	46	
3020	Outlays (gross)	–40	–95	–96
3050	Unpaid obligations, end of year	203	154	58
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	78	203	154
3200	Obligated balance, end of year	203	154	58
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	20	5	
	Outlays, gross:			
4100	Outlays from new mandatory authority	20	5	
4101	Outlays from mandatory balances	20	90	96
4110	Outlays, gross (total)	40	95	96
4180	Budget authority, net (total)	20	5	
4190	Outlays, net (total)	40	95	96

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–3106–0–1–452		2012 actual	2013 CR	2014 est.
	Guaranteed loan levels supportable by subsidy budget authority:			
215001	Section 9003 Loan Guarantees	462	96	
215999	Total loan guarantee levels	462	96	
	Guaranteed loan subsidy (in percent):			
232001	Section 9003 Loan Guarantees	31.30	42.00	
232999	Weighted average subsidy rate	31.30	42.00	
	Guaranteed loan subsidy budget authority:			
233001	Section 9003 Loan Guarantees	145	40	
233999	Total subsidy budget authority	145	40	
	Guaranteed loan subsidy outlays:			
234001	Section 9003 Loan Guarantees	20	90	96
234999	Total subsidy outlays	20	90	96
	Guaranteed loan upward reestimates:			
235001	Section 9003 Loan Guarantees	20	5	
235999	Total upward reestimate budget authority	20	5	
	Guaranteed loan downward reestimates:			
237001	Section 9003 Loan Guarantees		–35	
237999	Total downward reestimate subsidy budget authority		–35	

The Biorefinery Assistance Program provides loan guarantees to fund the development, construction, and retrofitting of commercial-scale advanced biorefineries. The 2014 Budget does not request discretionary funding for this program. The Biorefinery Assistance Program is authorized under section 9003 of the Farm Security and Rural Investment Act of 2002, as amended by the Food, Conservation, and Energy Act of 2008, and the American Taxpayers Relief Act of 2012.

Biorefinery Assistance Program Account—Continued

Balance Sheet (in millions of dollars)

Identification code 12–3106–0–1–452	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	99	72
1999 Total assets	99	72
LIABILITIES:		
2204 Non-Federal liabilities: Liabilities for loan guarantees	99	72
4999 Total liabilities and net position	99	72

Biorefinery Assistance Guaranteed Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4355–0–3–452	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0711 Default claim payments on principal	38	7	10
0742 Downward reestimate paid to receipt account		31	
0743 Interest on downward reestimates		4	
0900 Total new obligations	38	42	10
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	99	275	484
1023 Unobligated balances applied to repay debt	–36		
1050 Unobligated balance (total)	63	275	484
Financing authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	47	98	101
1801 Change in uncollected payments, Federal sources	203	153	57
1850 Spending auth from offsetting collections, mand (total)	250	251	158
1900 Financing authority (total)	250	251	158
1930 Total budgetary resources available	313	526	642
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	275	484	632
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1			5
3010 Obligations incurred, unexpired accounts	38	42	10
3020 Financing disbursements (gross)	–38	–37	–4
3050 Unpaid obligations, end of year		5	11
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1		–203	–356
3070 Change in uncollected pymts, Fed sources, unexpired	–203	–153	–57
3090 Uncollected pymts, Fed sources, end of year	–203	–356	–413
Memorandum (non-add) entries:			
3100 Obligated balance, start of year		–203	–351
3200 Obligated balance, end of year	–203	–351	–402
Financing authority and disbursements, net:			
Mandatory:			
4090 Financing authority, gross	250	251	158
Financing disbursements:			
4110 Financing disbursements, gross	38	37	4
Offsets against gross financing authority and disbursements:			
Offsetting collections (collected) from:			
4120 Federal sources	–40	–95	–96
4122 Interest on uninvested funds	–2	–1	–1
4123 Loan Principical	–4	–2	–4
4123 Guaranteed Fees	–1		
4130 Offsets against gross financing auth and disbursements (total)	–47	–98	–101
Additional offsets against financing authority only (total):			
4140 Change in uncollected pymts, Fed sources, unexpired	–203	–153	–57
4170 Financing disbursements, net (mandatory)	–9	–61	–97
4190 Financing disbursements, net (total)	–9	–61	–97

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4355–0–3–452	2012 actual	2013 CR	2014 est.
Position with respect to appropriations act limitation on commitments:			
2131 Guaranteed loan commitments exempt from limitation	462	97	
2150 Total guaranteed loan commitments	462	97	
Cumulative balance of guaranteed loans outstanding:			
2210 Outstanding, start of year	165	133	279
2231 Disbursements of new guaranteed loans	55	167	217
2251 Repayments and prepayments	–6	–14	–28
Adjustments:			
2263 Terminations for default that result in claim payments	–38	–7	–10
2264 Other adjustments, net	–43		
2290 Outstanding, end of year	133	279	458
Memorandum:			
2299 Guaranteed amount of guaranteed loans outstanding, end of year	106	251	412
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310 Outstanding, start of year			2
2331 Disbursements for guaranteed loan claims	38	2	4
2351 Repayments of loans receivable	–5		
2361 Write-offs of loans receivable	–33		
2390 Outstanding, end of year		2	6

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loans committed. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of this program is funded through the Biorefinery Assistance Program Account.

Balance Sheet (in millions of dollars)

Identification code 12–4355–0–3–452	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	99	72
1999 Total assets	99	72
LIABILITIES:		
Non-Federal liabilities:		
2203 Debt	36	
2204 Liabilities for loan guarantees	63	72
2999 Total liabilities	99	72
4999 Total liabilities and net position	99	72

Alternative Agricultural Research and Commercialization Corporation Revolving Fund

Program and Financing (in millions of dollars)

Identification code 12–4144–0–3–352	2012 actual	2013 CR	2014 est.
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	1	1	1
1930 Total budgetary resources available	1	1	1
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	1	1	1

RURAL UTILITIES SERVICE

Federal Funds

HIGH ENERGY COST GRANTS

Program and Financing (in millions of dollars)

	Identification code 12–2042–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	High energy cost grants	12	20	10
0900	Total new obligations (object class 41.0)	12	20	10
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	22	20	10
	Budget authority:			
	Appropriations, discretionary:			
1121	Appropriations transferred from other accts [12–1980]	10	10	....
1160	Appropriation, discretionary (total)	10	10	....
1930	Total budgetary resources available	32	30	10
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	20	10	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	14	18	12
3010	Obligations incurred, unexpired accounts	12	20	10
3020	Outlays (gross)	–8	–26	–5
3050	Unpaid obligations, end of year	18	12	17
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	14	18	12
3200	Obligated balance, end of year	18	12	17
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	10	10	....
	Outlays, gross:			
4010	Outlays from new discretionary authority	....	7	....
4011	Outlays from discretionary balances	8	19	5
4020	Outlays, gross (total)	8	26	5
4180	Budget authority, net (total)	10	10	....
4190	Outlays, net (total)	8	26	5

High energy costs grants can be made to eligible entities or the Denali Commission to construct, extend, upgrade, and otherwise improve energy generation, transmission, or distribution facilities serving communities in which the average residential expenditure for home energy is at least 275 percent of the national average residential expenditure for home energy (as determined by the Energy Information Agency using the most recent data available). Grants are also available to establish and support a revolving fund to provide a more cost-effective means of purchasing fuel where the fuel cannot be shipped by means of surface transportation. The Budget proposes no funding in 2014 for these grants.

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT

(INCLUDING TRANSFERS OF FUNDS)

For the cost of direct loans and grants for the rural water, waste water, waste disposal, and solid waste management programs authorized by sections 306, 306A, 306C, 306D, 306E, and 310B and described in sections 306C(a)(2), 306D, 306E, and 381E(d)(2) of the Consolidated Farm and Rural Development Act, $304,000,000, to remain available until expended: Provided, That not to exceed 12 percent of the amount appropriated under this heading shall be for loans and grants including water and waste disposal systems grants authorized by 306C(a)(2)(B) and 306D of the Consolidated Farm and Rural Development Act, Federally recognized Native American Tribes authorized by 306C(a)(1), and the Department of Hawaiian Home Lands (of the State of Hawaii): Provided further, That funding provided for section 306D of the Consolidated Farm and Rural Development Act may be provided to a consortium formed pursuant to section 325 of Public Law 105–83: Provided further, That not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by the State of Alaska for training and technical assistance programs and not more than 2 percent of the funding provided for section 306D of the Consolidated Farm and Rural Development Act may be used by a consortium formed pursuant to section 325 of Public Law 105–83 for training and technical assistance programs: Provided further, That not to exceed 3 percent of the amount appropriated under this heading shall be for technical assistance grants for rural water and waste systems pursuant to section 306(a)(14) of such Act, unless the Secretary makes a determination of extreme need, of which not more than 30 percent shall be made available for a grant to a qualified non-profit multi-state regional technical assistance organization, with experience in working with small communities on water and waste water problems, the principal purpose of such grant shall be to assist rural communities with populations of 3,300 or less, in improving the planning, financing, development, operation, and management of water and waste water systems, and of which not more than 4 percent shall be for a qualified national Native American organization to provide technical assistance for rural water systems for tribal communities: Provided further, That not to exceed 2.5 percent of the amount appropriated under this heading shall be for contracting with qualified national organizations for a circuit rider program to provide technical assistance for rural water systems: Provided further, That not to exceed $4,000,000 shall be for solid waste management grants: Provided further, That any prior year balances for high energy cost grants authorized by section 19 of the Rural Electrification Act of 1936 (7 U.S.C. 918a) shall be transferred to and merged with the Rural Utilities Service, High Energy Cost Grants Account: Provided further, That sections 381E-H and 381N of the Consolidated Farm and Rural Development Act are not applicable to the funds made available under this heading.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

	Identification code 12–1980–0–1–452	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Water and waste disposal systems grants	471	498	354
0011	Water and waste disposal systems grants-Natural disaster	....	....	4
0012	Solid waste management grants	3	3	4
0013	Emergency Community Water Assistance Grants	3	12	....
0091	Direct program activities, subtotal	477	513	362
	Credit program obligations:			
0701	Direct loan subsidy	90	77	....
0702	Loan guarantee subsidy	....	2	1
0705	Reestimates of direct loan subsidy	14	16	....
0706	Interest on reestimates of direct loan subsidy	2	1	....
0791	Direct program activities, subtotal	106	96	1
0900	Total new obligations (object class 41.0)	583	609	363
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	91	90	59
1001	Discretionary unobligated balance brought fwd, Oct 1	91	90	....
1021	Recoveries of prior year unpaid obligations	64	55	....
1050	Unobligated balance (total)	155	145	59
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	513	516	304
1120	Appropriations transferred to other accts [12–2042]	–10	–10	....
1160	Appropriation, discretionary (total)	503	506	304
	Appropriations, mandatory:			
1200	Appropriation	15	17	....
1260	Appropriations, mandatory (total)	15	17	....
1900	Budget authority (total)	518	523	304
1930	Total budgetary resources available	673	668	363
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	90	59	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	3,084	2,621	2,091

RURAL WATER AND WASTE DISPOSAL PROGRAM ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–1980–0–1–452		2012 actual	2013 CR	2014 est.
3010	Obligations incurred, unexpired accounts	583	609	363
3020	Outlays (gross)	–949	–1,084	–875
3040	Recoveries of prior year unpaid obligations, unexpired	–64	–55	
3041	Recoveries of prior year unpaid obligations, expired	–33		
3050	Unpaid obligations, end of year	2,621	2,091	1,579
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3,084	2,621	2,091
3200	Obligated balance, end of year	2,621	2,091	1,579
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	503	506	304
	Outlays, gross:			
4010	Outlays from new discretionary authority	16	21	12
4011	Outlays from discretionary balances	904	1,038	860
4020	Outlays, gross (total)	920	1,059	872
	Mandatory:			
4090	Budget authority, gross	15	17	
	Outlays, gross:			
4100	Outlays from new mandatory authority	15	17	
4101	Outlays from mandatory balances	14	8	3
4110	Outlays, gross (total)	29	25	3
4180	Budget authority, net (total)	518	523	304
4190	Outlays, net (total)	949	1,084	875

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1980–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115001	Water and Waste Disposal Loans	947	951	1,200
115999	Total direct loan levels	947	951	1,200
	Direct loan subsidy (in percent):			
132001	Water and Waste Disposal Loans	9.58	8.07	–0.87
132999	Weighted average subsidy rate	9.58	8.07	–0.87
	Direct loan subsidy budget authority:			
133001	Water and Waste Disposal Loans	91	77	–10
133999	Total subsidy budget authority	91	77	–10
	Direct loan subsidy outlays:			
134001	Water and Waste Disposal Loans	70	96	91
134002	Water and Waste Disposal Emergency Supplemental Loans		1	1
134003	Water and Waste Disposal Loans - ARRA	56	50	28
134999	Total subsidy outlays	126	147	120
	Direct loan upward reestimates:			
135001	Water and Waste Disposal Loans	15	17	
135999	Total upward reestimate budget authority	15	17	
	Direct loan downward reestimates:			
137001	Water and Waste Disposal Loans	–126	–274	
137999	Total downward reestimate budget authority	–126	–274	
	Guaranteed loan levels supportable by subsidy budget authority:			
215001	Water and Waste Disposal Loan Guarantees	8	177	98
215999	Total loan guarantee levels	8	177	98
	Guaranteed loan subsidy (in percent):			
232001	Water and Waste Disposal Loan Guarantees	1.59	1.06	0.71
232999	Weighted average subsidy rate	1.59	1.06	0.71
	Guaranteed loan subsidy budget authority:			
233001	Water and Waste Disposal Loan Guarantees		2	1
233999	Total subsidy budget authority		2	1

This account funds the direct and guaranteed water and waste disposal loans, water and waste disposal grants, emergency community water assistance grants, and solid waste management grants.

Water and waste disposal loans are authorized under 7 U.S.C. 1926. The program provides direct loans to municipalities, counties, special purpose districts, certain Indian Tribes, and non-profit corporations to develop water and waste disposal systems in rural areas and towns with populations of less than 10,000. The program also guarantees water and waste disposal loans made by banks and other eligible lenders. In 2014 the projected loan level is $1.2 billion for direct loans. No guaranteed loans are proposed for 2014 due to the increase in cost for this program coupled with the low demand for these funds.

Water and waste disposal grants are authorized under Section 306(a)(2) of the Consolidated Farm and Rural Development Act, as amended. Grants are authorized to be made to associations, including nonprofit corporations, municipalities, counties, public and quasi-public agencies, and certain Indian tribes. The grants can be used to finance development, storage, treatment, purification, or distribution of water or the collection, treatment, or disposal of waste in rural areas and cities or towns with populations of less than 10,000. The amount of any development grant may not exceed 75 percent of the eligible development cost of the project. In 2014, $300 million is requested for this program.

Emergency community water assistance grants are authorized under Section 306A of the Consolidated Farm and Rural Development Act, as amended. Grants are made to public bodies and nonprofit organizations for construction or extension of water lines, repair or maintenance of existing systems, replacement of equipment, and payment of costs to correct emergency situations. These grants are funded on an as needed basis using flexibility of funds authority. The 2014 Budget assumes no funding for these grants.

Solid waste management grants are authorized under Section 310B(b) of the Consolidated Farm and Rural Development Act, as amended. Grants are made to non-profit organizations to provide regional technical assistance to local and regional governments and related agencies for the purpose of reducing or eliminating pollution of water resources, and for improving the planning and management of solid waste disposal facilities. In 2014 $4 million is requested for this program.

RURAL WATER AND WASTE DISPOSAL DIRECT LOANS FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4226–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0710	Direct loan obligations	947	951	1,200
0713	Payment of interest to Treasury	561	595	630
0740	Negative subsidy obligations			10
0742	Downward reestimate paid to receipt account	98	209	
0743	Interest on downward reestimates	28	64	
0900	Total new obligations	1,634	1,819	1,840
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	60	333	
1021	Recoveries of prior year unpaid obligations	159		
1023	Unobligated balances applied to repay debt	–80	–333	
1024	Unobligated balance of borrowing authority withdrawn	–139		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	980	966	980
1440	Borrowing authority, mandatory (total)	980	966	980
	Spending authority from offsetting collections, mandatory:			
1800	Collected	1,516	1,168	1,225
1801	Change in uncollected payments, Federal sources	–53	–70	–120
1825	Spending authority from offsetting collections applied to repay debt	–476	–245	–245
1850	Spending auth from offsetting collections, mand (total)	987	853	860
1900	Financing authority (total)	1,967	1,819	1,840
1930	Total budgetary resources available	1,967	1,819	1,840
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	333		

		2012 actual	2013 CR	2014 est.
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	4,349	3,872	3,242
3010	Obligations incurred, unexpired accounts	1,634	1,819	1,840
3020	Financing disbursements (gross)	–1,952	–2,449	–1,986
3040	Recoveries of prior year unpaid obligations, unexpired	–159		
3050	Unpaid obligations, end of year	3,872	3,242	3,096
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–412	–359	–289
3070	Change in uncollected pymts, Fed sources, unexpired	53	70	120
3090	Uncollected pymts, Fed sources, end of year	–359	–289	–169
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3,937	3,513	2,953
3200	Obligated balance, end of year	3,513	2,953	2,927
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	1,967	1,819	1,840
	Financing disbursements:			
4110	Financing disbursements, gross	1,952	2,449	1,986
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–141	–164	–120
4122	Interest on uninvested funds	–49	–54	–60
4123	Repayment of principal	–841	–449	–494
4123	Interest Received on Loans	–485	–501	–551
4130	Offsets against gross financing auth and disbursements (total)	–1,516	–1,168	–1,225
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	53	70	120
4160	Financing authority, net (mandatory)	504	721	735
4170	Financing disbursements, net (mandatory)	436	1,281	761
4180	Financing authority, net (total)	504	721	735
4190	Financing disbursements, net (total)	436	1,281	761

Status of Direct Loans (in millions of dollars)

Identification code 12–4226–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	947	951	1,200
1150	Total direct loan obligations	947	951	1,200
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	10,871	11,280	12,456
1231	Disbursements: Direct loan disbursements	1,264	1,625	1,345
1251	Repayments: Repayments and prepayments	–841	–449	–494
1261	Adjustments: Capitalized interest	1		
1263	Write-offs for default: Direct loans	–15		
1290	Outstanding, end of year	11,280	12,456	13,307

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. The subsidy cost of these loans is provided through the Rural Water and Waste Disposal Program Account. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account.

Balance Sheet (in millions of dollars)

Identification code 12–4226–0–3–452		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	176	614
	Investments in US securities:		
1106	Receivables, net	15	17
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	10,871	11,280
1402	Interest receivable	109	102
1405	Allowance for subsidy cost (-)	–735	–556
1499	Net present value of assets related to direct loans	10,245	10,826
1999	Total assets	10,436	11,457
	LIABILITIES:		
	Federal liabilities:		
2103	Debt	10,310	11,183
2105	Other	126	274
2999	Total liabilities	10,436	11,457
4999	Total liabilities and net position	10,436	11,457

Rural Water and Waste Water Disposal Guaranteed Loans Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4218–0–3–452		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Financing authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected			1
1850	Spending auth from offsetting collections, mand (total)			1
1930	Total budgetary resources available			1
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year			1
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross			1
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources			–1
4190	Financing disbursements, net (total)			–1

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4218–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on commitments:			
2131	Guaranteed loan commitments exempt from limitation	8	177	98
2150	Total guaranteed loan commitments	8	177	98
2199	Guaranteed amount of guaranteed loan commitments	7	159	88
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	62	78	85
2231	Disbursements of new guaranteed loans	26	18	57
2251	Repayments and prepayments	–10	–11	–12
2290	Outstanding, end of year	78	85	130
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	68	73	110

This account finances loan guarantee commitments for water systems and waste disposal facilities in rural areas.

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loans committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals. Loans made prior to 1992 are recorded in the Rural Development Insurance Fund Liquidating Account.

Rural Electrification and Telecommunications Loans Program Account

(INCLUDING TRANSFER OF FUNDS)

The principal amount of guaranteed rural electric loans made under section 306 of the Rural Electrification Act of 1936 (7 U.S.C. 936) shall be $4,000,000,000, and the principal amount of cost of money rural telecommunications loans made under section 305 of such Act (7 U.S.C. 935) shall be $690,000,000: Provided, That not less than $3,000,000,000 shall be used for the construction, acquisition, or improvement of renewable energy plants or for construction, acquisition or improvement of fossil-

RURAL ELECTRIFICATION AND TELECOMMUNICATIONS LOANS PROGRAM ACCOUNT—Continued

fueled electric generating plants (whether new or existing) that utilize carbon sequestration systems: Provided further, That funding may be made available for fossil-fuel electric generating peaking units (new or existing) to the extent that the peaking unit operates in conjunction with an electric generating plant that produces electricity from solar, wind, or other intermittent sources of energy: Provided further, That not more than $1,000,000,000 shall be available for environmental improvements to fossil-fuel electric generating plants that would reduce emission of air pollution including greenhouse gases.

In addition, for administrative expenses necessary to carry out the direct and guaranteed loan programs, $34,694,000, which shall be paid to the appropriation for "Rural Development, Salaries and Expenses''.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1230–0–1–271	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0705 Reestimates of direct loan subsidy	239	423	....
0706 Interest on reestimates of direct loan subsidy	100	83	....
0709 Administrative expenses	36	37	35
0900 Total new obligations	375	543	35
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	....	....	1
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	37	38	35
1120 Appropriations transferred to other accts [12–4609]	–1	....	....
1160 Appropriation, discretionary (total)	36	38	35
Appropriations, mandatory:			
1200 Appropriation	339	506	....
1260 Appropriations, mandatory (total)	339	506	....
1900 Budget authority (total)	375	544	35
1930 Total budgetary resources available	375	544	36
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	....	1	1
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	9	3	1
3010 Obligations incurred, unexpired accounts	375	543	35
3020 Outlays (gross)	–377	–545	–35
3041 Recoveries of prior year unpaid obligations, expired	–4	....	....
3050 Unpaid obligations, end of year	3	1	1
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	9	3	1
3200 Obligated balance, end of year	3	1	1
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	36	38	35
Outlays, gross:			
4010 Outlays from new discretionary authority	36	37	35
4011 Outlays from discretionary balances	2	2	....
4020 Outlays, gross (total)	38	39	35
Mandatory:			
4090 Budget authority, gross	339	506	....
Outlays, gross:			
4100 Outlays from new mandatory authority	339	506	....
4180 Budget authority, net (total)	375	544	35
4190 Outlays, net (total)	377	545	35

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1230–0–1–271	2012 actual	2013 CR	2014 est.
Direct loan levels supportable by subsidy budget authority:			
115004 FFB Electric Loans	4,318	4,742	4,000
115006 Treasury Telecommunications Loans	19	80	690
115007 FFB Telecommunications Loans	61	....	....
115008 FFB Guaranteed Underwriting	424	....	....
115999 Total direct loan levels	4,822	4,822	4,690
Direct loan subsidy (in percent):			
132004 FFB Electric Loans	–4.00	–6.29	–3.31
132006 Treasury Telecommunications Loans	–1.19	–1.14	–1.19
132007 FFB Telecommunications Loans	–3.64	....	....
132008 FFB Guaranteed Underwriting	–6.32	....	....
132999 Weighted average subsidy rate	–4.19	–6.20	–3.00
Direct loan subsidy budget authority:			
133004 FFB Electric Loans	–173	–298	–132
133006 Treasury Telecommunications Loans	....	–1	–8
133007 FFB Telecommunications Loans	–2	....	....
133008 FFB Guaranteed Underwriting	–27	....	....
133999 Total subsidy budget authority	–202	–299	–140
Direct loan subsidy outlays:			
134001 Electric Hardship Loans	–2	–6	–5
134004 FFB Electric Loans	–70	–167	–203
134005 Telecommunication Hardship Loans	–2	–3	–3
134006 Treasury Telecommunications Loans	....	....	–1
134007 FFB Telecommunications Loans	–3	–4	–3
134008 FFB Guaranteed Underwriting	....	–13	–20
134999 Total subsidy outlays	–77	–193	–235
Direct loan upward reestimates:			
135001 Electric Hardship Loans	5	23	....
135002 Municipal Electric Loans	3	....	....
135003 Treasury Electric Loans	4	6	....
135004 FFB Electric Loans	215	206	....
135005 Telecommunication Hardship Loans	3	4	....
135006 Treasury Telecommunications Loans	4	19	....
135007 FFB Telecommunications Loans	18	22	....
135008 FFB Guaranteed Underwriting	76	199	....
135011 Electric Loan Modifications	12	27	....
135999 Total upward reestimate budget authority	340	506	....
Direct loan downward reestimates:			
137001 Electric Hardship Loans	–65	–22	....
137002 Municipal Electric Loans	–8	–24	....
137003 Treasury Electric Loans	–9	–7	....
137004 FFB Electric Loans	–323	–295	....
137005 Telecommunication Hardship Loans	–8	–5	....
137006 Treasury Telecommunications Loans	–16	–6	....
137007 FFB Telecommunications Loans	–9	–9	....
137008 FFB Guaranteed Underwriting	–67	–12	....
137011 Electric Loan Modifications	–1	....	....
137999 Total downward reestimate budget authority	–506	–380	....
Guaranteed loan downward reestimates:			
Administrative expense data:			
3510 Budget authority	36	37	35
3590 Outlays from new authority	36	37	35

The Rural Utilities Service (RUS) conducts the rural electrification and the rural telecommunications loan programs. The rural electrification loan program finances the operation of generating plants, electric transmission, and distribution lines or systems. The rural telecommunications loan program provides funding for construction, expansion, and operation of telecommunications lines and facilities or systems. The Budget requests $690 million in 2014 for the telecommunications loan program.

The Budget supports the Administration's commitment to phase out fossil fuel subsidies. The total electric loan level included in the Budget is $4 billion, of which, up to $1 billion may be available for environmental improvements to fossil fuel electric generating plants that would reduce emissions of air pollutants, including greenhouse gases. The remaining funding would be limited to renewable energy, transmission, distribution, carbon capture projects on generation facilities, and low emission peaking units affiliated with energy facilities that produce electricity from solar, wind and other intermittent sources of energy.

RUS will cancel loans obligated, but not disbursed, more than ten years ago. Most electric loans obligated more than ten years ago have either been disbursed or cancelled. However, current law prohibits the cancellation of telecommunications loans in most instances. This has resulted in many outstanding obligations that are older than ten years. Since loans are issued for specific projects, and technology is changing at a very fast pace, it is doubtful that the original project will be accomplished ten years after a loan is approved.

As required by the Federal Credit Reform Act of 1990, this account records, for rural electrification and telecommunications programs, the subsidy costs associated with the direct and guaranteed loans obligated in 1992 and beyond (including modifications of direct loans or loan guarantees that resulted from obligations or commitments in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; the administrative expenses are estimated on a cash basis.

Object Classification (in millions of dollars)

Identification code 12–1230–0–1–271		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.3	Other goods and services from Federal sources	36	37	35
41.0	Grants, subsidies, and contributions	339	506	....
99.9	Total new obligations	375	543	35

Rural Electrification and Telecommunications Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4208–0–3–271		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0003	Interest on FFB Loans	1,365	1,383	1,155
	Credit program obligations:			
0710	Direct loan obligations	4,822	4,822	4,690
0713	Payment of interest to Treasury	645	813	918
0740	Negative subsidy obligations	202	299	140
0742	Downward reestimate paid to receipt account	305	224	....
0743	Interest on downward reestimates	202	156	....
0791	Direct program activities, subtotal	6,176	6,314	5,748
0900	Total new obligations	7,541	7,697	6,903
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	1,117	501	....
1021	Recoveries of prior year unpaid obligations	901	....	....
1023	Unobligated balances applied to repay debt	–1,121	–501	....
1024	Unobligated balance of borrowing authority withdrawn	–897	....	....
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	5,531	3,490	2,203
1440	Borrowing authority, mandatory (total)	5,531	3,490	2,203
	Spending authority from offsetting collections, mandatory:			
1800	Collected	4,799	4,986	5,350
1801	Change in uncollected payments, Federal sources	–6	–2	–1
1825	Spending authority from offsetting collections applied to repay debt	–2,282	–777	–649
1850	Spending auth from offsetting collections, mand (total)	2,511	4,207	4,700
1900	Financing authority (total)	8,042	7,697	6,903
1930	Total budgetary resources available	8,042	7,697	6,903
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	501	....	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	19,052	17,802	15,011
3010	Obligations incurred, unexpired accounts	7,541	7,697	6,903
3020	Financing disbursements (gross)	–7,890	–10,488	–8,407
3040	Recoveries of prior year unpaid obligations, unexpired	–901	....	....
3050	Unpaid obligations, end of year	17,802	15,011	13,507
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–9	–3	–1
3070	Change in uncollected pymts, Fed sources, unexpired	6	2	1
3090	Uncollected pymts, Fed sources, end of year	–3	–1	....
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	19,043	17,799	15,010
3200	Obligated balance, end of year	17,799	15,010	13,507
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	8,042	7,697	6,903
	Financing disbursements:			
4110	Financing disbursements, gross	7,890	10,488	8,407
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payment from program account	–341	–508	....
4122	Interest on uninvested funds	–203	–182	–163
4123	Repayment of principal	–2,620	–1,823	–1,990
4123	Interest received on loans	–1,598	–543	–1,371
4123	Other	–37	....	....
4123	Repayment of principal Cushion of Credit	....	–846	–800
4123	Repayment of interest Cushion of Credit	....	–1,084	–1,026
4130	Offsets against gross financing auth and disbursements (total)	–4,799	–4,986	–5,350
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	6	2	1
4160	Financing authority, net (mandatory)	3,249	2,713	1,554
4170	Financing disbursements, net (mandatory)	3,091	5,502	3,057
4180	Financing authority, net (total)	3,249	2,713	1,554
4190	Financing disbursements, net (total)	3,091	5,502	3,057

Status of Direct Loans (in millions of dollars)

Identification code 12–4208–0–3–271		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1131	Direct loan obligations exempt from limitation	4,822	4,822	4,690
1150	Total direct loan obligations	4,822	4,822	4,690
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	43,042	46,002	51,049
1231	Disbursements: Direct loan disbursements	5,579	7,716	6,360
	Repayments:			
1251	Repayments and prepayments - Cash	–2,620	–1,823	–1,990
1251	Repayments and prepayments - CoC	....	–846	–800
1264	Write-offs for default: Other adjustments, Reclassifed, net	1	....	....
1290	Outstanding, end of year	46,002	51,049	54,619

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from electric and telecommunication direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4208–0–3–271		2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	1,069	1,142
	Investments in US securities:		
1106	Receivables, net	314	461
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	40,071	42,897
1402	Interest receivable	28	253
1405	Allowance for subsidy cost (-)	–672	–759
1499	Net present value of assets related to direct loans	39,427	42,391
1999	Total assets	40,810	43,994
	LIABILITIES:		
	Federal liabilities:		
2103	Debt	40,314	9,826
2103	FFB	....	33,508
	Non-Federal liabilities:		
2202	Interest payable	22	301
2207	Other	474	359
2999	Total liabilities	40,810	43,994
4999	Total liabilities and net position	40,810	43,994

Rural Electrification and Telecommunications Direct Loan Financing Account—Continued

Balance Sheet—Continued

	Identification code 12–4208–0–3–271	2011 actual	2012 actual
	ASSETS:		
	Federal assets:		
1101	Fund balances with Treasury	113	99
	Investments in US securities:		
1106	Receivables, net	25	44
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	2,971	3,105
1402	Interest receivable	1	3
1405	Allowance for subsidy cost (-)	12	–7
1499	Net present value of assets related to direct loans	2,984	3,101
1999	Total assets	3,122	3,244
	LIABILITIES:		
	Federal liabilities:		
2102	Interest payable		5
2103	Debt	3,089	2,335
2103	FFB		884
2207	Non-Federal liabilities: Other	33	20
2999	Total liabilities	3,122	3,244
4999	Total liabilities and net position	3,122	3,244

Rural Electrification and Telecommunications Guaranteed Loans Financing Account

Status of Guaranteed Loans (in millions of dollars)

	Identification code 12–4209–0–3–271	2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	199	193	189
2251	Repayments and prepayments	–6	–4	–4
2290	Outstanding, end of year	193	189	185
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	193	189	185

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from guaranteed loans committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Rural Electrification and Telecommunications Liquidating Account

Program and Financing (in millions of dollars)

	Identification code 12–4230–0–3–999	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0002	Interest Expense, FFB direct	158	96	66
0005	Other: cushion of credit	186	180	156
0091	Direct program activities, subtotal	344	276	222
	Credit program obligations:			
0739	CoC for Financing		1,930	1,826
0900	Total new obligations	344	2,206	2,048
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2,997	4,808	3,349
1021	Recoveries of prior year unpaid obligations	43		
1023	Unobligated balances applied to repay debt		–1,042	
1050	Unobligated balance (total)	3,040	3,766	3,349
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation for CoC Borrower Interest	190	178	198
1200	Appropriation for CBOs	528	344	69
1200	Appropriation for RED Grants	192	180	156
1260	Appropriations, mandatory (total)	910	702	423
	Spending authority from offsetting collections, mandatory:			
1800	Collected	2,043	1,886	1,627
1825	Spending authority from offsetting collections applied to repay debt	–841	–799	–759
1850	Spending auth from offsetting collections, mand (total)	1,202	1,087	868
1900	Budget authority (total)	2,112	1,789	1,291
1930	Total budgetary resources available	5,152	5,555	4,640
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4,808	3,349	2,592
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	84	51	2,037
3010	Obligations incurred, unexpired accounts	344	2,206	2,048
3020	Outlays (gross)	–334	–220	–182
3040	Recoveries of prior year unpaid obligations, unexpired	–43		
3050	Unpaid obligations, end of year	51	2,037	3,903
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	84	51	2,037
3200	Obligated balance, end of year	51	2,037	3,903
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	2,112	1,789	1,291
	Outlays, gross:			
4100	Outlays from new mandatory authority	294	188	157
4101	Outlays from mandatory balances	40	32	25
4110	Outlays, gross (total)	334	220	182
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Loans Repaid - Cash	–1,373	–599	–449
4123	Interest Repaid - Cash	–212	–206	–142
4123	Cushion of Credit Deposits	–458	–384	–511
4123	Loans Repaid - CoC		–540	–404
4123	Interest Repaid - CoC		–147	–110
4123	Electric Underwriting Fee		–10	–11
4130	Offsets against gross budget authority and outlays (total)	–2,043	–1,886	–1,627
4160	Budget authority, net (mandatory)	69	–97	–336
4170	Outlays, net (mandatory)	–1,709	–1,666	–1,445
4180	Budget authority, net (total)	69	–97	–336
4190	Outlays, net (total)	–1,709	–1,666	–1,445

Status of Direct Loans (in millions of dollars)

	Identification code 12–4230–0–3–999	2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	2,596	4,285	3,252
	Repayments:			
1251	Repayments and prepayments - Cash	–1,373	–599	–449
1251	Repayments and prepayments - CoC		–540	–404
1261	Adjustments: Capitalized interest		106	82
	Write-offs for default:			
1264	Other adjustments, net (+ or -)	–735		
1264	Other adjustments, net (+ or -)	3,797		
1290	Outstanding, end of year	4,285	3,252	2,481

Status of Guaranteed Loans (in millions of dollars)

	Identification code 12–4230–0–3–999	2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year	97	96	91
2251	Repayments and prepayments	–1	–5	–5
2290	Outstanding, end of year	96	91	86
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	96	91	86

STATUS OF AGENCY DEBT

[In millions of dollars]

	2012 actual	2013 est.	2014 est.
Agency debt held by FFB:			
Outstanding FFB direct, start of year	1,835	1,119	760

Outstanding Certificate of Beneficial Ownership (CBO's), start of year	1,675	1,147	803
New agency borrowing, FFB direct	0	0	0
Repayments and prepayments, FFB Direct	–716	–359	–244
Repayments, CBO's	–528	–344	–69
Outstanding FFB direct, end of year	1,119	760	516
Outstanding CBO's, end of year	1,147	803	734

The Rural Telephone Bank was dissolved in 2006. To accomplish this, the Rural Telephone Bank liquidating account loans were used to redeem a portion of the Government's stock. The Rural Telephone Bank liquidating account loans were transferred to the Rural Electrification and Telecommunications liquidating account in 2006.

The Rural Utilities Service (RUS) continues to service all loans in this account, providing business management and technical assistance to the borrowers on a regular basis over the life of the loans.

Rural electric.—This program is financed through RUS direct loans for the construction and operation of generating plants, electric transmission, and distribution lines or systems.

As required by the Federal Credit Reform Act of 1990, this account records, for rural electrification and telecommunications programs, all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. All new activity in RETRF in 1992 and beyond is recorded in corresponding program and financing accounts.

The following tables reflect statistics on loans made through the liquidating account only. Since 1992 new electric and telephone loans have been made through a separate program account.

ELECTRIC PROGRAM STATISTICS

[dollars in millions]

	2012 actual	2013 est.	2014 est.
Cumulative RUS financed direct loans	21,832	21,832	21,832
Cumulative FFB financed direct loans	26,598	26,598	26,598
Cumulative RUS funds advanced	21,832	21,832	21,832
Unadvanced RUS funds, end of year	0	0	0
Cumulative RUS principal repaid	20,624	21,149	21,680
Cumulative RUS interest paid	13,632	13,972	14,312
Cumulative loan guarantee commitments\1\	0	0	0
Number of borrowers	287	261	235

Rural telecommunications.—This loan program is financed through RUS direct loans for the construction, expansion, and operation of telecommunications lines and facilities or systems.

TELECOMMUNICATIONS PROGRAM STATISTICS

[dollars in millions]

	2012 actual	2013 est.	2014 est.
Cumulative RUS financed direct loans	5,916	5,916	5,916
Cumulative FFB financed direct loans	562	562	562
Cumulative RUS funds advanced	5,916	5,916	5,916
Unadvanced RUS funds, end of period	0	0	0
Cumulative RUS principal repaid	5,507	5,622	5,742
Cumulative RUS interest paid	3,491	3,546	3,605
Cumulative loan guarantee commitments\1\	0	0	0
Number of borrowers	269	245	221

RURAL TELEPHONE BANK PROGRAM STATISTICS

[dollars in millions]

	2012 actual	2013 est.	2014 est.
Cumulative net loans	2,471	2,471	2,471
Cumulative loan funds, advanced	2,471	2,471	2,471
Unadvanced loan funds, end of year	0	0	0
Cumulative principal repaid	2,456	2,460	2,465
Cumulative interest paid	2,460	2,463	2,466
Number of borrowers	34	30	25

Balance Sheet (in millions of dollars)

Identification code 12–4230–0–3–999		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	2,907	4,466
1601	Direct loans, gross	2,178	4,065
1602	Interest receivable	41	157
1603	Allowance for estimated uncollectible loans and interest (-)	–1,467	–1,087
1699	Value of assets related to direct loans	752	3,135
1999	Total assets	3,659	7,601
	LIABILITIES:		
	Federal liabilities:		
2102	Interest payable	23	36
2103	Debt	3,979	3,359
2104	Resources payable to Treasury	14	586
2105	Other	–357	
2207	Non-Federal liabilities: Other		3,620
2999	Total liabilities	3,659	7,601
4999	Total liabilities and net position	3,659	7,601
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	174	394
1601	Direct loans, gross	418	220
1602	Interest receivable	1	1
1603	Allowance for estimated uncollectible loans and interest (-)	–19	–1
1699	Value of assets related to direct loans	400	220
1999	Total assets	574	614
	LIABILITIES:		
	Federal liabilities:		
2102	Interest payable	4	
2103	Debt	221	96
2104	Resources payable to Treasury	339	1
2207	Non-Federal liabilities: Other		507
2999	Total liabilities	564	604
	NET POSITION:		
3300	Cumulative results of operations	10	10
4999	Total liabilities and net position	574	614

Object Classification (in millions of dollars)

Identification code 12–4230–0–3–999		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.2	Other services from non-Federal sources	186	180	156
43.0	Interest and dividends	158	96	66
94.0	Financial transfers		1,930	1,826
99.9	Total new obligations	344	2,206	2,048

RURAL TELEPHONE BANK PROGRAM ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–1231–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0705	Reestimates of direct loan subsidy		2	
0706	Interest on reestimates of direct loan subsidy	1	3	
0900	Total new obligations (object class 41.0)	1	5	
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation	1	5	
1260	Appropriations, mandatory (total)	1	5	
1900	Budget authority (total)	1	5	
1930	Total budgetary resources available	1	5	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	3	1	1
3010	Obligations incurred, unexpired accounts	1	5	
3020	Outlays (gross)	–2	–5	–1
3041	Recoveries of prior year unpaid obligations, expired	–1		
3050	Unpaid obligations, end of year	1	1	
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	3	1	1
3200	Obligated balance, end of year	1	1	

RURAL TELEPHONE BANK PROGRAM ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–1231–0–1–452		2012 actual	2013 CR	2014 est.
	Budget authority and outlays, net:			
	Discretionary:			
	Outlays, gross:			
4011	Outlays from discretionary balances	1		1
	Mandatory:			
4090	Budget authority, gross	1	5	
	Outlays, gross:			
4100	Outlays from new mandatory authority	1	5	
4180	Budget authority, net (total)	1	5	
4190	Outlays, net (total)	2	5	1

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1231–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan subsidy outlays:			
134001	Rural Telephone Bank	1	1	1
134999	Total subsidy outlays	1	1	1
	Direct loan upward reestimates:			
135001	Rural Telephone Bank	1	4	
135999	Total upward reestimate budget authority	1	4	
	Direct loan downward reestimates:			
137001	Rural Telephone Bank	–2	–1	
137999	Total downward reestimate budget authority	–2	–1	

The Rural Telephone Bank (RTB) completed dissolution in 2006, therefore no federally funded RTB loans are proposed.

As required by the Federal Credit Reform Act of 1990, this account records, for the RTB, the subsidy costs associated with the direct loans obligated in 1992 and beyond as well as administrative expenses for the program. The subsidy amounts are estimated on a present value basis; administrative expenses are estimated on a cash basis.

RURAL TELEPHONE BANK DIRECT LOAN FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4210–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0713	Payment of interest to Treasury	18	19	19
0742	Downward reestimate paid to receipt account	2	1	
0900	Total new obligations	20	20	19
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1		3	2
1021	Recoveries of prior year unpaid obligations	57		
1023	Unobligated balances applied to repay debt	–1		
1024	Unobligated balance of borrowing authority withdrawn	–56		
1050	Unobligated balance (total)		3	2
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	2		
1440	Borrowing authority, mandatory (total)	2		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	74	53	55
1801	Change in uncollected payments, Federal sources	–1	–1	
1825	Spending authority from offsetting collections applied to repay debt	–52	–33	–36
1850	Spending auth from offsetting collections, mand (total)	21	19	19
1900	Financing authority (total)	23	19	19
1930	Total budgetary resources available	23	22	21
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	3	2	2
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	164	99	92
3010	Obligations incurred, unexpired accounts	20	20	19
3020	Financing disbursements (gross)	–28	–27	–27
3040	Recoveries of prior year unpaid obligations, unexpired	–57		
3050	Unpaid obligations, end of year	99	92	84
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–3	–2	–1
3070	Change in uncollected pymts, Fed sources, unexpired	1	1	
3090	Uncollected pymts, Fed sources, end of year	–2	–1	–1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	161	97	91
3200	Obligated balance, end of year	97	91	83
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	23	19	19
	Financing disbursements:			
4110	Financing disbursements, gross	28	27	27
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–2	–6	–1
4122	Interest on uninvested funds	–1	–2	–2
4123	Principal received on loans	–52	–27	–33
4123	Interest received on loans	–19	–18	–19
4130	Offsets against gross financing auth and disbursements (total)	–74	–53	–55
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	1	1	
4160	Financing authority, net (mandatory)	–50	–33	–36
4170	Financing disbursements, net (mandatory)	–46	–26	–28
4180	Financing authority, net (total)	–50	–33	–36
4190	Financing disbursements, net (total)	–46	–26	–28

Status of Direct Loans (in millions of dollars)

Identification code 12–4210–0–3–452		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	365	320	320
1231	Disbursements: Direct loan disbursements	7	27	27
1251	Repayments: Repayments and prepayments	–52	–27	–33
1290	Outstanding, end of year	320	320	314

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4210–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	12	16
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	365	320
1405	Allowance for subsidy cost (-)	28	27
1499	Net present value of assets related to direct loans	393	347
1999	Total assets	405	363
	LIABILITIES:		
2103	Federal liabilities: Debt	405	363
4999	Total liabilities and net position	405	363

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM

For the principal amount of broadband telecommunication loans, $63,356,000.

For grants for telemedicine and distance learning services in rural areas, as authorized by 7 U.S.C. 950aaa et seq., $24,950,000, to remain available until expended.

For the cost of broadband loans, as authorized by section 601 of the Rural Electrification Act, $8,268,000, to remain available until expended: Provided, That the cost of direct loans shall be as defined in section 502 of the Congressional Budget Act of 1974.

In addition, $10,372,000, to remain available until expended, for a grant program to finance broadband transmission in rural areas eligible for Distance Learning and Telemedicine Program benefits authorized by 7 U.S.C. 950aaa.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1232–0–1–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0010	Grants	26	45	44
	Credit program obligations:			
0701	Direct loan subsidy	2	5	33
0705	Reestimates of direct loan subsidy	6	39	
0706	Interest on reestimates of direct loan subsidy	2	17	
0791	Direct program activities, subtotal	10	61	33
0900	Total new obligations (object class 41.0)	36	106	77
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	25	45	33
1001	Discretionary unobligated balance brought fwd, Oct 1	25	45	
1021	Recoveries of prior year unpaid obligations	10		
1050	Unobligated balance (total)	35	45	33
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	37	38	44
1160	Appropriation, discretionary (total)	37	38	44
	Appropriations, mandatory:			
1200	Appropriation	9	56	
1260	Appropriations, mandatory (total)	9	56	
1900	Budget authority (total)	46	94	44
1930	Total budgetary resources available	81	139	77
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	45	33	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2,160	1,513	795
3010	Obligations incurred, unexpired accounts	36	106	77
3020	Outlays (gross)	–596	–824	–722
3040	Recoveries of prior year unpaid obligations, unexpired	–10		
3041	Recoveries of prior year unpaid obligations, expired	–77		
3050	Unpaid obligations, end of year	1,513	795	150
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2,160	1,513	795
3200	Obligated balance, end of year	1,513	795	150
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	37	38	44
	Outlays, gross:			
4010	Outlays from new discretionary authority		1	3
4011	Outlays from discretionary balances	587	767	719
4020	Outlays, gross (total)	587	768	722
	Mandatory:			
4090	Budget authority, gross	9	56	
	Outlays, gross:			
4100	Outlays from new mandatory authority	9	56	
4180	Budget authority, net (total)	46	94	44
4190	Outlays, net (total)	596	824	722

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–1232–0–1–452		2012 actual	2013 CR	2014 est.
	Direct loan levels supportable by subsidy budget authority:			
115003	Broadband Treasury Rate Loans	69	53	257
115999	Total direct loan levels	69	53	257
	Direct loan subsidy (in percent):			
132003	Broadband Treasury Rate Loans	3.55	9.47	13.05
132999	Weighted average subsidy rate	3.55	9.47	13.05
	Direct loan subsidy budget authority:			
133003	Broadband Treasury Rate Loans	2	5	34
133999	Total subsidy budget authority	2	5	34
	Direct loan subsidy outlays:			
134003	Broadband Treasury Rate Loans	1	3	4
134004	Broadband Treasury Rate Loans - ARRA	22	19	16
134999	Total subsidy outlays	23	22	20
	Direct loan upward reestimates:			
135001	Distance Learning and Telemedicine Loans	4	5	
135003	Broadband Treasury Rate Loans	4	51	
135999	Total upward reestimate budget authority	8	56	
	Direct loan downward reestimates:			
137001	Distance Learning and Telemedicine Loans	–7	–1	
137003	Broadband Treasury Rate Loans	–34	–19	
137999	Total downward reestimate budget authority	–41	–20	

The loan and grant program provides access to advanced telecommunications services for improved education and health care in rural areas throughout the country. The loans and grants help education and health care providers bring the most modern technology, level of care, and education to rural America so its citizens can compete regionally, nationally, and globally.

Since there is little demand for the Distance Learning, Telemedicine (DLT) loans, the Budget proposes no funding for DLT loans in 2014 while requesting $24.95 million for DLT grants. The request for Broadband grants is $10.4 million and the Broadband loan request is $8.3 million.

Distance Learning, Telemedicine, and Broadband Direct Loan Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4146–0–3–452		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0710	Direct loan obligations	69	53	257
0713	Payment of interest to Treasury	38	39	39
0742	Downward reestimate paid to receipt account	36	17	
0743	Interest on downward reestimates	6	2	
0900	Total new obligations	149	111	296
	Budgetary Resources:			
	Unobligated balance:			
1021	Recoveries of prior year unpaid obligations	361		
1023	Unobligated balances applied to repay debt	–10		
1024	Unobligated balance of borrowing authority withdrawn	–351		
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	127		137
1440	Borrowing authority, mandatory (total)	127		137
	Spending authority from offsetting collections, mandatory:			
1800	Collected	105	232	173
1801	Change in uncollected payments, Federal sources	–31	19	–14
1825	Spending authority from offsetting collections applied to repay debt	–52	–140	
1850	Spending auth from offsetting collections, mand (total)	22	111	159
1900	Financing authority (total)	149	111	296
1930	Total budgetary resources available	149	111	296
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,411	781	536
3010	Obligations incurred, unexpired accounts	149	111	296
3020	Financing disbursements (gross)	–418	–356	–211
3040	Recoveries of prior year unpaid obligations, unexpired	–361		
3050	Unpaid obligations, end of year	781	536	621
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–85	–54	–73

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND DIRECT LOAN FINANCING ACCOUNT—Continued

Program and Financing—Continued

Identification code 12–4146–0–3–452		2012 actual	2013 CR	2014 est.
3070	Change in uncollected pymts, Fed sources, unexpired	31	–19	14
3090	Uncollected pymts, Fed sources, end of year	–54	–73	–59
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1,326	727	463
3200	Obligated balance, end of year	727	463	562
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	149	111	296
	Financing disbursements:			
4110	Financing disbursements, gross	418	356	211
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–32	–78	–20
4122	Interest on uninvested funds	–7	–7	–4
4123	Repayment of principal	–42	–106	–125
4123	Interest received on loans	–24	–41	–24
4130	Offsets against gross financing auth and disbursements (total)	–105	–232	–173
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	31	–19	14
4160	Financing authority, net (mandatory)	75	–140	137
4170	Financing disbursements, net (mandatory)	313	124	38
4180	Financing authority, net (total)	75	–140	137
4190	Financing disbursements, net (total)	313	124	38

Status of Direct Loans (in millions of dollars)

Identification code 12–4146–0–3–452		2012 actual	2013 CR	2014 est.
	Position with respect to appropriations act limitation on obligations:			
1111	Limitation on direct loans	69	53	257
1150	Total direct loan obligations	69	53	257
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	695	949	1,141
1231	Disbursements: Direct loan disbursements	338	298	172
1251	Repayments: Repayments and prepayments	–42	–106	–125
1264	Write-offs for default: Charge Off - Misc and Assn Loans, net	–42		
1290	Outstanding, end of year	949	1,141	1,188

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4146–0–3–452		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	29	23
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	695	949
1402	Interest receivable	4	3
1405	Allowance for subsidy cost (-)	19	78
1405	Allowance for loss on interest receivable (-)	–3	–2
1499	Net present value of assets related to direct loans	715	1,028
1999	Total assets	744	1,051
	LIABILITIES:		
2103	Federal liabilities: Debt	744	1,051
4999	Total liabilities and net position	744	1,051

RURAL DEVELOPMENT INSURANCE FUND LIQUIDATING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4155–0–3–452		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	6	26	
1022	Capital transfer of unobligated balances to general fund	–6	–26	
	Budget authority:			
	Spending authority from offsetting collections, mandatory:			
1800	Collected	226	246	118
1820	Capital transfer of spending authority from offsetting collections to general fund	–200	–246	–118
1850	Spending auth from offsetting collections, mand (total)	26		
1930	Total budgetary resources available	26		
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	26		
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	26		
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–226	–246	–118
4180	Budget authority, net (total)	–200	–246	–118
4190	Outlays, net (total)	–226	–246	–118

Status of Direct Loans (in millions of dollars)

Identification code 12–4155–0–3–452		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	1,072	904	750
1251	Repayments: Repayments and prepayments	–168	–154	–73
1290	Outstanding, end of year	904	750	677

Status of Guaranteed Loans (in millions of dollars)

Identification code 12–4155–0–3–452		2012 actual	2013 CR	2014 est.
	Cumulative balance of guaranteed loans outstanding:			
2210	Outstanding, start of year		5	4
2210	Outstanding, start of year	9		
2251	Repayments and prepayments	–4	–1	–1
2290	Outstanding, end of year	5	4	3
	Memorandum:			
2299	Guaranteed amount of guaranteed loans outstanding, end of year	4	3	2

The Rural Development Insurance Fund (RDIF) was established on October 1, 1972, pursuant to section 116 of the Rural Development Act of 1972 (Public Law 92–419).

The fund is used to insure or guarantee loans for water systems and waste disposal facilities, community facilities, and industrial development in rural areas. Communities unable to afford low interest loans for water and waste disposal facilities are also able to obtain water and waste disposal grants.

The water and waste direct and guaranteed loan programs are administered by the Rural Utilities Service, the community facility direct and guaranteed loan programs are administered by the Rural Housing Service, and the business and industry direct and guaranteed loan programs are administered by the Rural Business-Cooperative Service.

As required by the Federal Credit Reform Act of 1990, this account records, for these loan programs, all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. All new activity in these programs is recorded in corresponding program accounts and financing accounts.

Balance Sheet (in millions of dollars)

Identification code 12–4155–0–3–452	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	6	26
1201 Non-Federal assets: Investments in non-Federal securities, net	34	34
1601 Direct loans, gross	1,072	904
1602 Interest receivable	10	8
1603 Allowance for estimated uncollectible loans and interest (-)	–117	–40
1699 Value of assets related to direct loans	965	872
1999 Total assets	1,005	932
LIABILITIES:		
2104 Federal liabilities: Resources payable to Treasury	1,004	931
2204 Non-Federal liabilities: Liabilities for loan guarantees	1	1
2999 Total liabilities	1,005	932
4999 Total liabilities and net position	1,005	932

RURAL COMMUNICATION DEVELOPMENT FUND LIQUIDATING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4142–0–3–452	2012 actual	2013 CR	2014 est.
Budgetary Resources:			
Budget authority:			
Spending authority from offsetting collections, mandatory:			
1800 Collected	2	2	....
1820 Capital transfer of spending authority from offsetting collections to general fund	–2	–2	....
Budget authority and outlays, net:			
Mandatory:			
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4123 Non-Federal sources	–2	–2	....
4180 Budget authority, net (total)	–2	–2	....
4190 Outlays, net (total)	–2	–2	....

Status of Direct Loans (in millions of dollars)

Identification code 12–4142–0–3–452	2012 actual	2013 CR	2014 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	2	2	....
1251 Repayments: Repayments and prepayments	....	–2	....
1290 Outstanding, end of year	2	....	....

The Rural Communication Development Fund was established pursuant to the Secretary's Memorandum No. 1988, approved May 22, 1979. No loans have been made through this account since 1992.

Balance Sheet (in millions of dollars)

Identification code 12–4142–0–3–452	2011 actual	2012 actual
ASSETS:		
1601 Direct loans, gross	2	2
1603 Allowance for estimated uncollectible loans and interest (-)	–1	–1
1699 Value of assets related to direct loans	1	1
1999 Total assets	1	1
LIABILITIES:		
2104 Federal liabilities: Resources payable to Treasury	1	1
4999 Total liabilities and net position	1	1

FOREIGN AGRICULTURAL SERVICE

Federal Funds

SALARIES AND EXPENSES

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses of the Foreign Agricultural Service, including not to exceed $158,000 for representation allowances and for expenses pursuant to section 8 of the Act approved August 3, 1956 (7 U.S.C. 1766), $178,826,000: Provided, That the Service may utilize advances of funds, or reimburse this appropriation for expenditures made on behalf of Federal agencies, public and private organizations and institutions under agreements executed pursuant to the agricultural food production assistance programs (7 U.S.C. 1737) and the foreign assistance programs of the United States Agency for International Development: Provided further, That funds made available for middle-income country training programs, funds made available for the Borlaug International Agricultural Science and Technology Fellowship program, and up to $2,000,000 of the Foreign Agricultural Service appropriation solely for the purpose of offsetting fluctuations in international currency exchange rates, subject to documentation by the Foreign Agricultural Service, shall remain available until expended.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–2900–0–1–352	2012 actual	2013 CR	2014 est.
0100 Balance, start of year	....	....	1
Receipts:			
0220 Deposits of Miscellaneous Contributed Funds, Foreign Agricultural Service.	....	1	1
0400 Total: Balances and collections	....	1	2
0799 Balance, end of year	....	1	2

Program and Financing (in millions of dollars)

Identification code 12–2900–0–1–352	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Trade Promotion	66	65	66
0002 Trade Policy	77	78	78
0003 Capacity Building\Food Security	40	41	41
0799 Total direct obligations	183	184	185
0801 Reimbursable Program	149	146	146
0900 Total new obligations	332	330	331
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	53	44	29
1011 Unobligated balance transfer from other accts [72–1037]	14	....	....
1011 Unobligated balance transfer from other accts [72–1021]	1	....	....
1021 Recoveries of prior year unpaid obligations	9	....	....
1050 Unobligated balance (total)	77	44	29
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	176	177	179
1121 Appropriations transferred from other accts [72–0306]	9	....	....
1160 Appropriation, discretionary (total)	185	177	179
Appropriations, mandatory:			
1200 Appropriation	....	2	2
1260 Appropriations, mandatory (total)	....	2	2
Spending authority from offsetting collections, discretionary:			
1700 Collected	30	136	63
1701 Change in uncollected payments, Federal sources	251	....	66
1750 Spending auth from offsetting collections, disc (total)	281	136	129
1900 Budget authority (total)	466	315	310
1930 Total budgetary resources available	543	359	339
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–167	....	....
1941 Unexpired unobligated balance, end of year	44	29	8

SALARIES AND EXPENSES—Continued

Program and Financing—Continued

Identification code 12–2900–0–1–352		2012 actual	2013 CR	2014 est.
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	220	187	28
3010	Obligations incurred, unexpired accounts	332	330	331
3011	Obligations incurred, expired accounts	53		
3020	Outlays (gross)	–370	–315	–311
3040	Recoveries of prior year unpaid obligations, unexpired	–9		
3041	Recoveries of prior year unpaid obligations, expired	–39	–174	
3050	Unpaid obligations, end of year	187	28	48
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–336	–580	–580
3070	Change in uncollected pymts, Fed sources, unexpired	–251		–66
3071	Change in uncollected pymts, Fed sources, expired	7		
3090	Uncollected pymts, Fed sources, end of year	–580	–580	–646
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–116	–393	–552
3200	Obligated balance, end of year	–393	–552	–598
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	466	313	308
	Outlays, gross:			
4010	Outlays from new discretionary authority	203	297	293
4011	Outlays from discretionary balances	167	16	16
4020	Outlays, gross (total)	370	313	309
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–113	–136	–63
4033	Non-Federal sources	–2		
4040	Offsets against gross budget authority and outlays (total)	–115	–136	–63
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–251		–66
4052	Offsetting collections credited to expired accounts	86		
4060	Additional offsets against budget authority only (total)	–165		–66
4070	Budget authority, net (discretionary)	186	177	179
4080	Outlays, net (discretionary)	255	177	246
	Mandatory:			
4090	Budget authority, gross		2	2
	Outlays, gross:			
4100	Outlays from new mandatory authority		2	2
4180	Budget authority, net (total)	186	179	181
4190	Outlays, net (total)	255	179	248

The Foreign Agricultural Service's (FAS) mission is linking U.S. agriculture to the world to enhance export opportunities and global food security. FAS helps to provide outlets for the wide variety of U.S. agricultural products, thereby enhancing economic activity for U.S. workers. FAS serves U.S. agriculture's interests by expanding and maintaining international export opportunities, supporting international economic development and trade and capacity building, and global food security. The outcomes envisioned are exports that help U.S. agriculture prosper, the expansion of U.S. exports of organics and crops produced using new technologies and food that are globally available, accessible, and appropriately used. In addition to its Washington-based staff, the agency maintains a network of overseas offices that serve as first responders in cases of market disruption. The overseas offices also provide the Department with critical market and policy intelligence, and they represent U.S. agriculture in consultations with foreign governments. The 2014 Budget includes $178.8 million for FAS, an increase of $1.4 million over the 2013 annualized Continuing Resolution level.

Trade Promotion.—A substantial portion of U.S. agricultural cash receipts come from export sales, making the vitality of rural America heavily dependent on international trade. U.S. farmers and ranchers are among the most productive and efficient in the world. However, they face complex and unfair obstacles in the global marketplace, where 95 percent of the world's consumers live. FAS trade promotion activities help U.S. food and agricultural exporters take advantage of market opportunities created by its trade policy and capacity building successes. FAS administers a set of market development tools that support U.S. exporters facing fierce competition in the international marketplace. A cooperative effort with the U.S. industry is needed to ensure that the U.S. agricultural sector has fair market access, a strong understanding of key market trends, and support in overcoming constraints such as tight credit in international markets. FAS administers programs and activities, working in partnership with private sector associations and state and regional trade groups, and U.S. food and agricultural exporters. U.S. producers are not guaranteed a role in the global marketplace. Successful marketing strategies depend on a strong understanding of market trends, such as rising incomes in countries such as China, Indonesia, and Mexico that stimulate demand for a more nutritious and varied diet. As markets change, farmers need the tools to introduce new products to new customers, maintain current sales in the face of new competition, and overcome constraints such as tight credit. The results of FAS efforts ultimately benefit both the farm and non-farm sectors of the U.S. economy through job creation and additional economic activity.

Trade Policy.—The agency's trade policy work ensures that U.S. exporters can sell safe, wholesome U.S. food and agricultural products around the world. With its network of knowledgeable overseas attaches and Washington experts, FAS is well positioned to harness a wide range of resources to address complex problems. FAS partners with the Office of the United States Trade Representative (USTR), other U.S. Government agencies and trade associations, as well as regional and international organizations, in a coordinated effort to negotiate trade agreements; establish transparent, science-based standards; and resolve trade barriers. Unfair trade barriers limit U.S. sales to many countries. As tariffs and other traditional trade barriers have been negotiated away, many importing countries have begun to erect new trade barriers using unscientific plant and animal health requirements and other technical barriers to limit trade. Removing existing barriers, while ensuring new ones are not introduced, will directly help U.S. food and agricultural exports thrive. U.S. farmers are taking full advantage of biotechnology and other new technologies to increase their productivity. They are also expanding production of organic products in response to growing consumer demand.

Capacity Building / Food Security.—FAS capacity building and food security activities lay the groundwork for furthering U.S. agriculture's trade interests in developing countries around the world. In-country institutional capacity-building, research, technical training, and food assistance activities target developing economies with promising market potential. Our farmers and scientists are among the most productive and advanced in the world, producing bountiful supplies of staple foods like wheat, rice, and soybeans, while developing new innovative crop technologies and farming techniques. FAS plays the lead role in coordinating the linkage of agricultural expertise to U.S. international development activities, ensuring alignment with U.S. trade and foreign affairs policies as well as the national security strategy. FAS administers several food assistance programs to help developing countries with humanitarian crises, economic development, and the transition from being food aid recipients to commercial importers. Programs administered by FAS consist of P.L. 480, Title I; Food for Progress; and the McGovern-Dole International Food for Education and Child Nutrition Program. These programs feature a mix of monetization, direct distribution, and local food aid commodity procurement to meet the specific needs of recipient countries. All funding for PL 480 Title II food aid is being replaced with funding through three other accounts managed by the U.S. Agency for International Development (USAID).

Object Classification (in millions of dollars)

Identification code 12–2900–0–1–352		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	79	78	79
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	2	3	3
11.8	Special personal services payments	2	2	2
11.9	Total personnel compensation	84	84	85
12.1	Civilian personnel benefits	37	25	25
21.0	Travel and transportation of persons	7	7	7
22.0	Transportation of things	1	1	1
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	4	1	1
24.0	Printing and reproduction		1	1
25.2	Other services from non-Federal sources	47	51	51
26.0	Supplies and materials	2	11	11
31.0	Equipment		1	1
41.0	Grants, subsidies, and contributions		1	1
99.0	Direct obligations	183	184	185
99.0	Reimbursable obligations	149	146	146
99.9	Total new obligations	332	330	331

Employment Summary

Identification code 12–2900–0–1–352		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	851	801	801
2001	Reimbursable civilian full-time equivalent employment	166	166	166

Trade Adjustment Assistance for Farmers

Program and Financing (in millions of dollars)

Identification code 12–1406–0–1–351		2012 actual	2013 CR	2014 est.
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	86	47	2
3011	Obligations incurred, expired accounts	2		
3020	Outlays (gross)	–41	–45	
3050	Unpaid obligations, end of year	47	2	2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	86	47	2
3200	Obligated balance, end of year	47	2	2
	Budget authority and outlays, net:			
	Mandatory:			
	Outlays, gross:			
4101	Outlays from mandatory balances	41	45	
4190	Outlays, net (total)	41	45	

The Trade Adjustment Assistance (TAA) for Farmers Program was reauthorized and modified by the American Recovery and Reinvestment Act of 2009 as established by Subtitle C of Title I of the Trade Act of 2002, which amended the Trade Act of 1974. The statute authorized appropriations to the Department of Agriculture not to exceed $90 million each year for 2009 and for 2010 and $22.5 million for the period beginning October 1, 2010 and ending December 31, 2010 to carry out the program. Title II of Public Law 112–40, the Trade Adjustment Assistance Extension Act of 2011, extended the authority for the program and authorized appropriations of $90 million for 2012 and 2013, and $22.5 million for the period October 1, 2013 through December 31, 2013. The 2014 Budget does not request funding for the program.

Foreign Assistance Programs

Multiple food aid programs are appropriated to USDA and administered by USDA or the U.S. Agency for International Development (USAID) to provide U.S. commodities, technical and financial assistance to address hunger and malnutrition needs worldwide. These programs address emergency needs and foster economic development activities to alleviate global food insecurity.

SUMMARY OF FOOD ASSISTANCE PROGRAMMING

[In millions of dollars]

	2012 actual	2013 est.	2014est.
McGovern-Dole International Food for Education and Child Nutrition (budget authority)	184	184	185
P.L. 480:			
Title I Credit (budget authority)	0	0	0
Title II Grants (budget authority)	1,466	1,475	0
Food for Progress:			
CCC Funded	246	255	255
Title I Funded (budget authority)	0	0	0
Bill Emerson Humanitarian Trust	0	0[1]	0[1]
Local and Regional Food Aid Procurement Program	5	0	0

[1] Assets of the trust can be released any time the Administrator of the U.S. Agency for International Development determines that P.L. 480 Title II funding for emergency needs is inadequate to meet these needs in any fiscal year.

Included in this category are the following activities carried out under Public Law 480 (P.L. 480):

Financing sales of agricultural commodities to developing countries for dollars on credit terms, or for local currencies (including for local currencies on credit terms) for use under sec. 104; and for furnishing commodities to carry out the Food for Progress Act of 1985, as amended (Title I).—Funds appropriated for P.L. 480 are used to finance all sales made pursuant to agreements concluded under the authority of Title I. No 2014 funding is requested for new direct credit under Title I; however, funding for administrative expenses associated with managing the existing loan portfolio is requested. No funding is requested for Title I ocean freight differential for 2014..

Sales are made to developing countries as defined in section 402(5) of P.L. 480 and must not displace expected commercial sales (secs. 403(e) and (h)). Agreements are made with developing countries for delivery in accordance with the terms of the agreement.

Payment by developing countries or private entities may be made over a period of not more than 30 years with a deferral of principal payments for up to five years. Interest accrues at a concessional rate as determined appropriate.

Section 411 of P.L. 480 authorizes the President to waive payments of principal and interest under dollar credit sales agreements for countries that meet certain enumerated requirements. Such debt relief may be provided only if the President notifies Congress and may not exceed the amount approved for such purpose in an Act appropriating funds to carry out P.L. 480.

Payment by a recipient country may be made in local currencies for use in carrying out activities under section 104 of P.L. 480.

Foreign currency received in payment for credit extended may be used for payment of U.S. obligations abroad, subject to the appropriation process. The P.L. 480 program is reimbursed for the dollar value of currencies so used.

The financing of sales of agricultural commodities for local currencies on credit terms is subject to the same terms that are applicable to dollar credit financing.

Funds appropriated to carry out Title I may be used to furnish commodities to carry out the Food for Progress Act of 1985. Such commodities may be furnished on credit terms or on a grant basis in order to assist developing countries and countries that are emerging democracies that have made a commitment to introduce and expand free enterprise elements in their agricultural economies.

FOREIGN ASSISTANCE PROGRAMS—Continued

Commodities supplied in connection with dispositions abroad (Title II).—To ensure the U.S. can respond most effectively to humanitarian crises and chronic food insecurity within current budget constraints, while reaching more people in need, the FY 2014 Budget shifts funding previously requested in P.L. 480 Title II, which is administered by USAID, to three other assistance accounts: International Disaster Assistance for emergency food response; Development Assistance to support the Community Development and Resilience Fund (CDRF) to address chronic food insecurity in areas of recurrent crises; and a new Emergency Food Assistance Contingency Fund. USAID's Office of Food for Peace will continue to manage these resources. (See the account narrative for additional information.) For any residual Title II funds, including carryover, recoveries, and offsetting collections, agricultural commodities are furnished to meet emergency relief needs and address the underlying causes of food insecurity through non-emergency programs. The Commodity Credit Corporation (the Corporation) is authorized to pay the costs of acquisition, packaging, processing, enrichment, preservation, fortification, transportation, handling, and other incidental costs incurred up to the time of delivery at U.S. ports. The Corporation also pays ocean freight charges, and pays transportation costs to points of entry other than ports in the case of landlocked countries, where carriers to a specific country are not available, where ports cannot be used effectively, or where a substantial savings in costs or time can be effected, and pays general average contributions arising from ocean transport. In addition, transportation costs from designated points of entry or ports of entry abroad to storage and distribution sites and associated storage and distribution costs may be paid for commodities made available to meet urgent and extraordinary relief requirements. P.L. 480 funds reimburse the Corporation for all of the cost items authorized above.

MCGOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION AND CHILD NUTRITION PROGRAM GRANTS

For necessary expenses to carry out the provisions of section 3107 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o-1), $185,126,000, to remain available until expended: Provided, That the Commodity Credit Corporation is authorized to provide the services, facilities, and authorities for the purpose of implementing such section, subject to reimbursement from amounts provided herein.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

	Identification code 12–2903–0–1–151	2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	McGovern-Dole International Food for Education & Child Nutrition Program	184	185	185
0801	Reimbursable program activity	8	12	12
0900	Total new obligations	192	197	197
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	34	38	26
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	184	185	185
1160	Appropriation, discretionary (total)	184	185	185
	Spending authority from offsetting collections, discretionary:			
1700	Collected	12		
1750	Spending auth from offsetting collections, disc (total)	12		
1900	Budget authority (total)	196	185	185
1930	Total budgetary resources available	230	223	211
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	38	26	14
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	14	13	7
3010	Obligations incurred, unexpired accounts	192	197	197
3020	Outlays (gross)	–193	–203	–191
3050	Unpaid obligations, end of year	13	7	13
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	14	13	7
3200	Obligated balance, end of year	13	7	13
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	196	185	185
	Outlays, gross:			
4010	Outlays from new discretionary authority	164	185	185
4011	Outlays from discretionary balances	29	18	6
4020	Outlays, gross (total)	193	203	191
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4033	Non-Federal sources	–12		
4180	Budget authority, net (total)	184	185	185
4190	Outlays, net (total)	181	203	191

The McGovern-Dole International Food for Education and Child Nutrition Program, as amended, is authorized under the Farm Security and Rural Investment Act of 2002 (Public Law 107–171). The program provides for the donation of U.S. agricultural commodities and associated technical and financial assistance to carry out preschool and school feeding programs in foreign countries in order to improve food security, reduce the incidence of hunger and malnutrition, and improve literacy and primary education. Maternal, infant, and child nutrition programs also are authorized. The 2014 Budget includes $185 million, which maintains the 2013 annualized level.

Object Classification (in millions of dollars)

	Identification code 12–2903–0–1–151	2012 actual	2013 CR	2014 est.
41.0	Direct obligations: Grants, subsidies, and contributions	184	185	185
99.0	Reimbursable obligations	8	12	12
99.9	Total new obligations	192	197	197

PUBLIC LAW 480 TITLE I OCEAN FREIGHT DIFFERENTIAL GRANTS

Program and Financing (in millions of dollars)

	Identification code 12–2271–0–1–351	2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	3		
	Budget authority:			
	Appropriations, discretionary:			
1131	Unobligated balance of appropriations permanently reduced	–3		
1160	Appropriation, discretionary (total)	–3		
1900	Budget authority (total)	–3		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2	2	2
3050	Unpaid obligations, end of year	2	2	2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2	2	2
3200	Obligated balance, end of year	2	2	2

		2012 actual	2013 CR	2014 est.
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	–3		
4180	Budget authority, net (total)	–3		

This account funds the title I ocean freight differential program. No funding is requested for 2014.

Food for Peace Title II Grants

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2278–0–1–151		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0002	Title II Grants	1,994	1,700	
0003	Title II Administrative Expenses		7	
0799	Total direct obligations	1,994	1,707	
0801	Reimbursable program	93	69	
0900	Total new obligations	2,087	1,776	
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	193	232	
1001	Discretionary unobligated balance brought fwd, Oct 1	173	143	
1021	Recoveries of prior year unpaid obligations	553		
1050	Unobligated balance (total)	746	232	
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1,466	1,475	
1160	Appropriation, discretionary (total)	1,466	1,475	
	Spending authority from offsetting collections, discretionary:			
1700	Collected	3		
1750	Spending auth from offsetting collections, disc (total)	3		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	35	69	
1801	Change in uncollected payments, Federal sources	69		
1850	Spending auth from offsetting collections, mand (total)	104	69	
1900	Budget authority (total)	1,573	1,544	
1930	Total budgetary resources available	2,319	1,776	
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	232		
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,520	1,405	1,411
3010	Obligations incurred, unexpired accounts	2,087	1,776	
3020	Outlays (gross)	–1,649	–1,770	–775
3040	Recoveries of prior year unpaid obligations, unexpired	–553		
3050	Unpaid obligations, end of year	1,405	1,411	636
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–20	–89	–89
3070	Change in uncollected pymts, Fed sources, unexpired	–69		
3090	Uncollected pymts, Fed sources, end of year	–89	–89	–89
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1,500	1,316	1,322
3200	Obligated balance, end of year	1,316	1,322	547
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1,469	1,475	
	Outlays, gross:			
4010	Outlays from new discretionary authority		778	
4011	Outlays from discretionary balances	1,649	854	706
4020	Outlays, gross (total)	1,649	1,632	706
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4033	Non-Federal sources	–3		
	Mandatory:			
4090	Budget authority, gross	104	69	
	Outlays, gross:			
4100	Outlays from new mandatory authority		69	
4101	Outlays from mandatory balances		69	69
4110	Outlays, gross (total)		138	69
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Federal sources	–35	–69	
	Additional offsets against gross budget authority only:			
4140	Change in uncollected pymts, Fed sources, unexpired	–69		
4170	Outlays, net (mandatory)	–35	69	69
4180	Budget authority, net (total)	1,466	1,475	
4190	Outlays, net (total)	1,611	1,701	775

The Budget shifts P.L. 480 Title II food aid funding to three other accounts managed by the U.S. Agency for International Development (USAID) as part of the Food Aid Reform described below. USAID's Office of Food for Peace (FFP) will continue to manage related emergency food and development assistance resources.

Food Aid Reform: The FY 2014 Food Aid Reform will ensure that the U.S. Government can respond most effectively to humanitarian crises and chronic food insecurity within current budget constraints, while reaching more people in need. It includes a shift of funding previously requested in P.L. 480 Title II to three other assistance accounts: International Disaster Assistance (IDA) for emergency food response; Development Assistance (DA) for the Community Development and Resilience Fund (CDRF) to address chronic food insecurity in areas of recurrent crises; and a new Emergency Food Assistance Contingency Fund. The CRDF will be composed of $330 million, replacing Title II non-emergency resources, including $80 million in DA from the Bureau for Food Security resources and $250 million in additional DA, to be implemented by NGOs that have received Title II funding. These jointly-funded CDRF programs will be managed by FFP and are a critical component of Feed the Future, strengthening the ability to address chronic poverty, build resilience, and help prevent food crises. The goal is to make food aid more timely and cost-effective and to improve program efficiencies and performance by shifting resources to programs that will allow the use of the right tool at the right time for responding to emergencies and chronic food insecurity. The range of tools and programs include interventions such as local and regional purchase, purchase of U.S. agricultural commodities and products, cash vouchers and transfers, and cash for work programs. Provided that the proposed food aid reforms are enacted and all the funding previously requested in P.L. 480 Title II is appropriated as described above, at least fifty-five percent of the requested (and appropriated) IDA funding of $1,416 million for emergency food assistance programs administered by FFP will be used for the purchase and transport of agricultural commodities produced in the United States. The reform will facilitate robust emergency and development programming. (The Budget also shifts $25 million of the efficiency savings to the Department of Transportations Maritime Administration for additional targeted operating subsidies for militarily-useful vessels and incentives to facilitate the retention of mariners.)

Object Classification (in millions of dollars)

Identification code 12–2278–0–1–151		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.3	Other goods and services from Federal sources		7	
41.0	Grants, subsidies, and contributions	1,994	1,700	
99.0	Direct obligations	1,994	1,707	
99.0	Reimbursable obligations	93	69	

FOOD FOR PEACE TITLE II GRANTS—Continued

Object Classification—Continued

Identification code 12–2278–0–1–151	2012 actual	2013 CR	2014 est.
99.9 Total new obligations	2,087	1,776	....

FOOD FOR PEACE TITLE I DIRECT CREDIT AND FOOD FOR PROGRESS PROGRAM ACCOUNT

(INCLUDING TRANSFERS OF FUNDS)

For administrative expenses to carry out the credit program of title I, Food for Peace Act (Public Law 83–480) and the Food for Progress Act of 1985, $2,628,000, which shall be paid to the appropriation for "Farm Service Agency, Salaries and Expenses'': Provided, That funds made available for the cost of agreements under title I of the Agricultural Trade Development and Assistance Act of 1954 and for title I ocean freight differential may be used interchangeably between the two accounts with prior notice to the Committees on Appropriations of both Houses of Congress.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–2277–0–1–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0705 Reestimates of direct loan subsidy	20	11	....
0706 Interest on reestimates of direct loan subsidy	18	8	....
0709 Administrative expenses	3	3	3
0900 Total new obligations	41	22	3
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	2	....	....
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	3	3	3
1131 Unobligated balance of appropriations permanently reduced	–2	....	....
1160 Appropriation, discretionary (total)	1	3	3
Appropriations, mandatory:			
1200 Appropriation	38	19	....
1260 Appropriations, mandatory (total)	38	19	....
1900 Budget authority (total)	39	22	3
1930 Total budgetary resources available	41	22	3
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	26	14	....
3010 Obligations incurred, unexpired accounts	41	22	3
3020 Outlays (gross)	–53	–36	–3
3050 Unpaid obligations, end of year	14	....	....
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	26	14	....
3200 Obligated balance, end of year	14	....	....
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	1	3	3
Outlays, gross:			
4010 Outlays from new discretionary authority	3	3	3
4011 Outlays from discretionary balances	12	14	....
4020 Outlays, gross (total)	15	17	3
Mandatory:			
4090 Budget authority, gross	38	19	....
Outlays, gross:			
4100 Outlays from new mandatory authority	38	19	....
4180 Budget authority, net (total)	39	22	3
4190 Outlays, net (total)	53	36	3

Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)

Identification code 12–2277–0–1–351	2012 actual	2013 CR	2014 est.
Direct loan upward reestimates:			
135001 P. L. 480 title I loans	38	19	....
135999 Total upward reestimate budget authority	38	19	....
Direct loan downward reestimates:			
137001 P. L. 480 title I loans	–10	–9	....
137999 Total downward reestimate budget authority	–10	–9	....
Administrative expense data:			
3510 Budget authority	3	3	3
3590 Outlays from new authority	3	3	3

As required by the Federal Credit Reform Act of 1990, this account records, for the P.L. 480 Program, the subsidy costs associated with the direct credit obligated in 1992 and beyond (including modifications of direct credit agreements that resulted from obligation in any year), as well as administrative expenses of this program. The subsidy amounts are estimated on a present value basis; and the administrative expenses and grants are estimated on a cash basis. The current balance of Title I debt owed to USDA is $4.8 billion. No additional funding is requested for new Title I credit financing in 2014. The 2014 Budget includes $2.8 million for administrative expenses.

Object Classification (in millions of dollars)

Identification code 12–2277–0–1–351	2012 actual	2013 CR	2014 est.
Direct obligations:			
25.3 Other goods and services from Federal sources	3	3	3
41.0 Grants, subsidies, and contributions	38	19	....
99.9 Total new obligations	41	22	3

P.L. 480 DIRECT CREDIT FINANCING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–4049–0–3–351	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0713 Payment of interest to Treasury	60	52	52
0742 Downward reestimate paid to receipt account	1	1	....
0743 Interest on downward reestimates	9	9	....
0900 Total new obligations	70	62	52
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	166	88	102
1023 Unobligated balances applied to repay debt	–118	–60	–70
1050 Unobligated balance (total)	48	28	32
Financing authority:			
Borrowing authority, mandatory:			
1400 Borrowing authority	1	60	52
1440 Borrowing authority, mandatory (total)	1	60	52
Spending authority from offsetting collections, mandatory:			
1800 Collected	143	96	78
1801 Change in uncollected payments, Federal sources	1	....	....
1825 Spending authority from offsetting collections applied to repay debt	–35	–20	....
1850 Spending auth from offsetting collections, mand (total)	109	76	78
1900 Financing authority (total)	110	136	130
1930 Total budgetary resources available	158	164	162
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	88	102	110
Change in obligated balance:			
Unpaid obligations:			
3010 Obligations incurred, unexpired accounts	70	62	52
3020 Financing disbursements (gross)	–70	–62	–52

	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–42	–43	–43
3070	Change in uncollected pymts, Fed sources, unexpired	–1		
3090	Uncollected pymts, Fed sources, end of year	–43	–43	–43
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	–42	–43	–43
3200	Obligated balance, end of year	–43	–43	–43
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	110	136	130
	Financing disbursements:			
4110	Financing disbursements, gross	70	62	52
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Payments from program account	–38	–19	
4122	Interest on uninvested funds	–8	–1	–1
4123	Interest received on loans	–23	–16	–16
4123	Principal received on loans	–74	–60	–61
4130	Offsets against gross financing auth and disbursements (total)	–143	–96	–78
	Additional offsets against financing authority only (total):			
4140	Change in uncollected pymts, Fed sources, unexpired	–1		
4160	Financing authority, net (mandatory)	–34	40	52
4170	Financing disbursements, net (mandatory)	–73	–34	–26
4180	Financing authority, net (total)	–34	40	52
4190	Financing disbursements, net (total)	–73	–34	–26

Status of Direct Loans (in millions of dollars)

Identification code 12–4049–0–3–351		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	1,140	1,066	1,006
1251	Repayments: Repayments and prepayments	–74	–60	–61
1290	Outstanding, end of year	1,066	1,006	945

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4049–0–3–351		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	124	45
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	1,140	1,066
1402	Interest receivable	43	46
1405	Allowance for subsidy cost (-)	–252	–278
1499	Net present value of assets related to direct loans	931	834
1901	Other Federal assets: Accounts Receivable	45	28
1999	Total assets	1,100	907
	LIABILITIES:		
	Federal liabilities:		
2103	Debt	1,042	888
2105	Other	58	19
2999	Total liabilities	1,100	907
4999	Total liabilities and net position	1,100	907

Debt Reduction—Financing Account

Program and Financing (in millions of dollars)

Identification code 12–4143–0–3–351		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
	Credit program obligations:			
0713	Payment of interest to Treasury	6	5	5
0715	Loan Subsidy	21		
0900	Total new obligations	27	5	5
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	93	98	108
1023	Unobligated balances applied to repay debt	–10	–3	–3
1050	Unobligated balance (total)	83	95	105
	Financing authority:			
	Borrowing authority, mandatory:			
1400	Borrowing authority	2		
1440	Borrowing authority, mandatory (total)	2		
	Spending authority from offsetting collections, mandatory:			
1800	Collected	40	18	18
1850	Spending auth from offsetting collections, mand (total)	40	18	18
1900	Financing authority (total)	42	18	18
1930	Total budgetary resources available	125	113	123
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	98	108	118
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts	27	5	5
3020	Financing disbursements (gross)	–27	–5	–5
	Financing authority and disbursements, net:			
	Mandatory:			
4090	Financing authority, gross	42	18	18
	Financing disbursements:			
4110	Financing disbursements, gross	27	5	5
	Offsets against gross financing authority and disbursements:			
	Offsetting collections (collected) from:			
4120	Federal sources	–21		
4122	Interest on uninvested funds	–4	–2	–2
4123	Loan Repayments - Principal	–15	–12	–12
4123	Loan Repayments- Interest		–4	–4
4130	Offsets against gross financing auth and disbursements (total)	–40	–18	–18
4160	Financing authority, net (mandatory)	2		
4170	Financing disbursements, net (mandatory)	–13	–13	–13
4180	Financing authority, net (total)	2		
4190	Negative subsidy BA total [11–0091]	–13	–13	–13

Status of Direct Loans (in millions of dollars)

Identification code 12–4143–0–3–351		2012 actual	2013 CR	2014 est.
	Cumulative balance of direct loans outstanding:			
1210	Outstanding, start of year	247	234	222
1251	Repayments: Repayments and prepayments	–13	–12	–12
1290	Outstanding, end of year	234	222	210

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from direct loans obligated in 1992 and beyond (including modifications of direct loans that resulted from obligations in any year). The amounts in this account are a means of financing and are not included in the budget totals.

Balance Sheet (in millions of dollars)

Identification code 12–4143–0–3–351		2011 actual	2012 actual
	ASSETS:		
1101	Federal assets: Fund balances with Treasury	93	97
	Net value of assets related to post-1991 direct loans receivable:		
1401	Direct loans receivable, gross	247	234
1402	Interest receivable		16
1405	Allowance for subsidy cost (-)	–226	–243
1499	Net present value of assets related to direct loans	21	7
1901	Other Federal assets: Accounts Receivable	7	8
1999	Total assets	121	112
	LIABILITIES:		
2104	Federal liabilities: Resources payable to Treasury	121	112

DEBT REDUCTION—FINANCING ACCOUNT—Continued

Balance Sheet—Continued

Identification code 12–4143–0–3–351	2011 actual	2012 actual
4999 Total liabilities and net position	121	112

EXPENSES, PUBLIC LAW 480, FOREIGN ASSISTANCE PROGRAMS, AGRICULTURE LIQUIDATING ACCOUNT

Program and Financing (in millions of dollars)

Identification code 12–2274–0–1–151	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
Credit program obligations:			
0715 Vietnam Education Fund	3	3	3
0900 Total new obligations (object class 41.0)	3	3	3
Budgetary Resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	45	110	....
1022 Capital transfer of unobligated balances to general fund	–45	–110	....
Budget authority:			
Spending authority from offsetting collections, mandatory:			
1800 Offsetting collections (cash) (Principal and interest)	372	335	278
1820 Capital transfer of spending authority from offsetting collections to general fund	–259	–332	–275
1850 Spending auth from offsetting collections, mand (total)	113	3	3
1930 Total budgetary resources available	113	3	3
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	110	....	....
Change in obligated balance:			
Unpaid obligations:			
3010 Obligations incurred, unexpired accounts	3	3	3
3020 Outlays (gross)	–3	–3	–3
Budget authority and outlays, net:			
Mandatory:			
4090 Budget authority, gross	113	3	3
Outlays, gross:			
4100 Outlays from new mandatory authority	3	3	3
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4120 Policy Program [Payment from Financing Fund]	–21	....	....
4123 Principal repayments	–271	–250	–215
4123 Interest repayments	–80	–85	–63
4130 Offsets against gross budget authority and outlays (total)	–372	–335	–278
4160 Budget authority, net (mandatory)	–259	–332	–275
4170 Outlays, net (mandatory)	–369	–332	–275
4180 Budget authority, net (total)	–259	–332	–275
4190 Outlays, net (total)	–369	–332	–275

Status of Direct Loans (in millions of dollars)

Identification code 12–2274–0–1–151	2012 actual	2013 CR	2014 est.
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	3,820	3,168	2,918
1251 Repayments: Repayments and prepayments	–271	–250	–215
1264 Write-offs for default: Other adjustments, net (+ or -)	–381	....	....
1290 Outstanding, end of year	3,168	2,918	2,703

As required by the Federal Credit Reform Act of 1990, this account records, for this program, all cash flows to and from the Government resulting from direct loans obligated prior to 1992. This account is shown on a cash basis. All new activity in this program in 1992 and beyond is recorded in corresponding program and financing accounts.

Balance Sheet (in millions of dollars)

Identification code 12–2274–0–1–151	2011 actual	2012 actual
ASSETS:		
1101 Federal assets: Fund balances with Treasury	45	110
1601 Direct loans, gross	3,820	3,168
1602 Interest receivable	868	824
1603 Allowance for estimated uncollectible loans and interest (-)	–2,005	–2,362
1699 Value of assets related to direct loans	2,683	1,630
1999 Total assets	2,728	1,740
LIABILITIES:		
2104 Federal liabilities: Resources payable to Treasury	1,948	1,633
2207 Non-Federal liabilities: Other	780	107
2999 Total liabilities	2,728	1,740
4999 Total liabilities and net position	2,728	1,740

FOOD AND NUTRITION SERVICE

Federal Funds

NUTRITION PROGRAMS ADMINISTRATION

For necessary administrative expenses of the Food and Nutrition Service for carrying out any domestic nutrition assistance program, $146,592,000: Provided, That of the funds provided herein, $2,000,000 shall be used for the purposes of section 4404 of Public Law 107–171, as amended by section 4401 of Public Law 110–246.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3508–0–1–605	2012 actual	2013 CR	2014 est.
Obligations by program activity:			
0001 Nutrition programs administration	135	137	145
0003 Congressional hunger center fellowship	2	2	2
0799 Total direct obligations	137	139	147
0801 Reimbursable administrative services provided to Federal agencies	1	....	....
0900 Total new obligations	138	139	147
Budgetary Resources:			
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	139	139	147
1160 Appropriation, discretionary (total)	139	139	147
Spending authority from offsetting collections, discretionary:			
1700 Collected	1	....	....
1750 Spending auth from offsetting collections, disc (total)	1	....	....
1900 Budget authority (total)	140	139	147
1930 Total budgetary resources available	140	139	147
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	–2	....	....
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	32	31	22
3010 Obligations incurred, unexpired accounts	138	139	147
3011 Obligations incurred, expired accounts	10	....	....
3020 Outlays (gross)	–139	–148	–146
3041 Recoveries of prior year unpaid obligations, expired	–10	....	....
3050 Unpaid obligations, end of year	31	22	23
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	32	31	22
3200 Obligated balance, end of year	31	22	23
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	140	139	147
Outlays, gross:			
4010 Outlays from new discretionary authority	115	117	124

4011	Outlays from discretionary balances	24	31	22
4020	Outlays, gross (total)	139	148	146
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–1	....	....
4180	Budget authority, net (total)	139	139	147
4190	Outlays, net (total)	138	148	146

This account funds the majority of the Federal operating expenses of the Food and Nutrition Service and the Center for Nutrition Policy and Promotion (CNPP). Funding is also provided for the Congressional Hunger Fellows Program.

Object Classification (in millions of dollars)

Identification code 12–3508–0–1–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	83	85	88
11.3	Other than full-time permanent	1	1	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	85	87	90
12.1	Civilian personnel benefits	24	25	25
21.0	Travel and transportation of persons	2	2	2
23.3	Communications, utilities, and miscellaneous charges	2	1	1
25.2	Other services from non-Federal sources	18	18	23
26.0	Supplies and materials	4	4	4
41.0	Grants, subsidies, and contributions	2	2	2
99.0	Direct obligations	137	139	147
99.0	Reimbursable obligations	1	....	....
99.9	Total new obligations	138	139	147

Employment Summary

Identification code 12–3508–0–1–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	934	1,006	1,006

Supplemental Nutrition Assistance Program

For necessary expenses to carry out the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.), $78,389,610,000, of which $5,000,000,000, to remain available through September 30, 2015, shall be placed in reserve for use only in such amounts and at such times as may become necessary to carry out program operations: Provided, That funds provided herein shall be expended in accordance with section 16 of the Food and Nutrition Act of 2008: Provided further, That, of the funds made available under this heading, $998,000 may be used to provide nutrition education services to state agencies and Federally recognized tribes participating in the Food Distribution Program on Indian Reservations: Provided further, That, of the funds made available under this heading, $1,498,000 may be available for the Center for Nutrition Policy and Promotion: Provided further, That, of the funds made available under this heading, $5,000,000 may be used to fund a national food consumption survey: Provided further, That this appropriation shall be subject to any work registration or workfare requirements as may be required by law: Provided further, That funds made available for the purposes of section 16(h)(1) of the Food and Nutrition Act of 2008 under this heading shall remain available until expended, notwithstanding section 16(h)(1) of the Food and Nutrition Act of 2008: Provided further, That funds made available under this heading for section 28(d)(1) of the Food and Nutrition Act of 2008 shall remain available through September 30, 2015: Provided further, That funds made available under this heading may be used to enter into contracts and employ staff to conduct studies, evaluations, or to conduct activities related to program integrity provided that such activities are authorized by the Food and Nutrition Act of 2008.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3505–0–1–605		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Benefits issued	66,304	68,708	66,089
0002	State administration	3,236	3,867	3,999
0003	Employment and training program	334	420	439
0004	Other program costs	111	140	170
0005	Nutrition Assistance for Puerto Rico	1,835	1,873	1,892
0006	Food Distribution Program on Indian Reservations (Commodities in lieu of food stamps)	65	61	64
0007	Food Distribution Program on Indian Reservations (Cooperator administrative expense)	38	39	40
0008	The Emergency Food Assistance Program (commodities)	260	266	268
0009	American Samoa	7	8	8
0010	Community food project	5	5	5
0011	Commonwealth of the Northern Mariana Islands	13	12	12
0012	Nutrition Education Grant Program	388	285	401
0013	Program access	5	5	5
0016	Health & Nutrition Pilot Projects	1	3	....
0017	RA - Benefits issued	8,177	6,691	453
0019	RA - Nutrition Assistance for Puerto Rico	165	128	108
0020	RA - American Samoa	1	....	....
0799	Total direct obligations	80,945	82,511	73,953
0801	Reimbursable program	66	65	65
0900	Total new obligations	81,011	82,576	74,018
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	29	2,814	3,004
1020	Adjustment of unobligated bal brought forward, Oct 1	3,000	....	....
1021	Recoveries of prior year unpaid obligations	8	....	....
1050	Unobligated balance (total)	3,037	2,814	3,004
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1	1	7
1131	Unobligated balance of appropriations permanently reduced	....	–11	....
1160	Appropriation, discretionary (total)	1	–10	7
	Appropriations, mandatory:			
1200	Appropriation	80,401	78,682	78,383
1200	Appropriation, Recovery Act	8,456	6,819	561
1220	Appropriations transferred to other accts [12–3510]	–400	....	....
1230	Appropriations and/or unobligated balance of appropriations permanently reduced	–11	....	....
1260	Appropriations, mandatory (total)	88,446	85,501	78,944
	Spending authority from offsetting collections, mandatory:			
1800	Collected	67	65	65
1850	Spending auth from offsetting collections, mand (total)	67	65	65
1900	Budget authority (total)	88,514	85,556	79,016
1930	Total budgetary resources available	91,551	88,370	82,020
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–7,726	–2,790	–3,000
1941	Unexpired unobligated balance, end of year	2,814	3,004	5,002
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2,563	3,076	2,984
3010	Obligations incurred, unexpired accounts	81,011	82,576	74,018
3011	Obligations incurred, expired accounts	198	....	....
3020	Outlays (gross)	–80,472	–82,668	–74,113
3040	Recoveries of prior year unpaid obligations, unexpired	–8	....	....
3041	Recoveries of prior year unpaid obligations, expired	–216	....	....
3050	Unpaid obligations, end of year	3,076	2,984	2,889
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2,563	3,076	2,984
3200	Obligated balance, end of year	3,076	2,984	2,889
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1	–10	7
	Outlays, gross:			
4010	Outlays from new discretionary authority	1	....	3
4011	Outlays from discretionary balances	79	1	1
4020	Outlays, gross (total)	80	1	4
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
	Mandatory:			
4090	Budget authority, gross	88,513	85,566	79,009

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM—Continued

Program and Financing—Continued

Identification code 12–3505–0–1–605		2012 actual	2013 CR	2014 est.
	Outlays, gross:			
4100	Outlays from new mandatory authority	78,508	80,003	71,475
4101	Outlays from mandatory balances	1,884	2,664	2,634
4110	Outlays, gross (total)	80,392	82,667	74,109
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Policy Program [Prior Year Collections]	–2		
4123	Baseline Program [State Option Plans]	–69	–65	–65
4130	Offsets against gross budget authority and outlays (total)	–71	–65	–65
	Additional offsets against gross budget authority only:			
4142	Offsetting collections credited to expired accounts	4		
4160	Budget authority, net (mandatory)	88,446	85,501	78,944
4170	Outlays, net (mandatory)	80,321	82,602	74,044
4180	Budget authority, net (total)	88,447	85,491	78,951
4190	Outlays, net (total)	80,401	82,603	74,048

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	88,447	85,491	78,951
Outlays	80,401	82,603	74,048
Legislative proposal, subject to PAYGO:			
Budget Authority			2,256
Outlays			2,215
Total:			
Budget Authority	88,447	85,491	81,207
Outlays	80,401	82,603	76,263

The Supplemental Nutrition Assistance Program (SNAP) is the primary source of nutrition assistance for low-income Americans.

This account also includes funds for a grant to Puerto Rico to administer a low-income nutrition assistance program, in lieu of the Supplemental Nutrition Assistance Program; funds to carry out the Emergency Food Assistance Act of 1983; and funds for food distribution and administrative expenses for Native Americans under section 4(b) of the Food and Nutrition Act.

The SNAP contingency fund level holds in reserve about one month's worth of benefits to cover unforeseen events, such as natural disasters and fluctuations in food prices.

Object Classification (in millions of dollars)

Identification code 12–3505–0–1–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	15	14	23
12.1	Civilian personnel benefits	4	4	4
21.0	Travel and transportation of persons	2	2	2
23.3	Communications, utilities, and miscellaneous charges	2		
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	46	81	88
26.0	Supplies and materials	325	327	332
31.0	Equipment		1	1
41.0	Grants, subsidies, and contributions	80,550	82,081	73,502
99.0	Direct obligations	80,945	82,511	73,953
99.0	Reimbursable obligations	66	65	65
99.9	Total new obligations	81,011	82,576	74,018

Employment Summary

Identification code 12–3505–0–1–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	154	164	239

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–3505–4–1–605		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Benefit issued			–8
0017	RA - Benefits issued			2,264
0900	Total new obligations (object class 41.0)			2,256
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation			–8
1200	Appropriation			2,264
1260	Appropriations, mandatory (total)			2,256
1930	Total budgetary resources available			2,256
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts			2,256
3020	Outlays (gross)			–2,215
3050	Unpaid obligations, end of year			41
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			41
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			2,256
	Outlays, gross:			
4100	Outlays from new mandatory authority			2,215
4180	Budget authority, net (total)			2,256
4190	Outlays, net (total)			2,215

CHILD NUTRITION PROGRAMS

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses to carry out the Richard B. Russell National School Lunch Act (42 U.S.C. 1751 et seq.), except section 21, and the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.), except sections 17 and 21; $20,487,229,000, to remain available through September 30, 2015, of which such sums as are made available under section 14222(b)(1) of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246), shall be merged with and available for the same time period as provided herein: Provided, That of the total amount available, $17,004,000 shall be available to carry out section 19 of the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.): Provided further, That of the total amount available, $35,000,000 shall be available to provide competitive grants to state agencies for subgrants to local educational agencies and schools to purchase the equipment needed to serve healthier meals, improve food safety, and to help support the establishment, maintenance, or expansion of the school breakfast program.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3539–0–1–605		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Above 185 of poverty	443	553	586
0002	130–185 of poverty	1,102	1,199	1,253
0003	Below 130 of poverty	8,882	9,711	9,878

0091	Subtotal, National School Lunch Program	10,427	11,463	11,717
0101	Above 185 of poverty	94	95	104
0102	130–185 of poverty	261	277	298
0103	Below 130 of poverty	2,995	3,233	3,441
0191	Subtotal, School Breakfast Program	3,350	3,605	3,843
0201	Above 185 of poverty	191	190	198
0202	130–185 of poverty	135	137	149
0203	Below 130 of poverty	2,481	2,515	2,598
0204	Audits	39	42	44
0205	CNR Add-ons		54	63
0291	Subtotal, Child and Adult Care Feeding Program	2,846	2,938	3,052
0301	Summer Food Service Program	400	436	468
0302	Special Milk Program	13	11	11
0303	State Administrative Expenses	276	291	248
0304	Commodity Procurement	999	1,059	1,103
0310	Coordinated Review Effort	9	12	10
0315	Food Safety Education	2	4	3
0320	CN Studies and Evaluations	12	36	20
0325	Computer Support and Processing	9	11	11
0340	Other Mandatory Program Costs	6	18	19
0391	Subtotal, Other mandatory activities	1,726	1,878	1,893
0401	Team Nutrition and HealthierUS Schools Challenge	15	19	17
0410	School Breakfast Expansion Grants		1	
0415	School Meals Equipment Grants			35
0491	Subtotal, discretionary activities	15	20	52
0501	Fresh Fruit and Vegetable Program	157	309	40
0502	Tech. Assist. Program Integrity/Administrative Reviews	6	13	8
0504	National Food Service Management Inst./Information Clearinghouse	5	5	5
0505	School Lunch Equipment Grants (Sect. 749)		1	
0507	Direct Certification Technical Assistance (Sect. 749)	10	12	
0508	Summer Demonstration Projects (Sect. 749)	18	34	
0520	Other Permanent Programs	10	98	10
0591	Subtotal, Permanent Programs	206	472	63
0900	Total new obligations	18,570	20,376	20,620
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	643	732	75
1001	Discretionary unobligated balance brought fwd, Oct 1	74	49	
1021	Recoveries of prior year unpaid obligations	404		
1050	Unobligated balance (total)	1,047	732	75
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	18	17	–67
1160	Appropriation, discretionary (total)	18	17	–67
	Appropriations, mandatory:			
1200	Appropriation	11,384	11,643	12,470
1200	Appropriation- Permanent Appropriation	18	73	23
1221	Appropriations transferred from other accts [12–5209]	6,887	7,986	8,124
1260	Appropriations, mandatory (total)	18,289	19,702	20,617
	Spending authority from offsetting collections, mandatory:			
1800	Collected	14		
1850	Spending auth from offsetting collections, mand (total)	14		
1900	Budget authority (total)	18,321	19,719	20,550
1930	Total budgetary resources available	19,368	20,451	20,625
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–66		
1941	Unexpired unobligated balance, end of year	732	75	5
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	2,822	2,676	2,186
3010	Obligations incurred, unexpired accounts	18,570	20,376	20,620
3011	Obligations incurred, expired accounts	25		
3020	Outlays (gross)	–18,332	–20,866	–20,581
3040	Recoveries of prior year unpaid obligations, unexpired	–404		
3041	Recoveries of prior year unpaid obligations, expired	–5		
3050	Unpaid obligations, end of year	2,676	2,186	2,225
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	2,822	2,676	2,186
3200	Obligated balance, end of year	2,676	2,186	2,225
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	18	17	–67
	Outlays, gross:			
4010	Outlays from new discretionary authority	4	5	–88
4011	Outlays from discretionary balances	30	77	20
4020	Outlays, gross (total)	34	82	–68
	Mandatory:			
4090	Budget authority, gross	18,303	19,702	20,617
	Outlays, gross:			
4100	Outlays from new mandatory authority	15,022	17,369	17,751
4101	Outlays from mandatory balances	3,276	3,415	2,898
4110	Outlays, gross (total)	18,298	20,784	20,649
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4120	Policy Program [Prior Year Collections - Commodities]	–15		
4123	Policy Program [Prior Year Collections]	–8		
4130	Offsets against gross budget authority and outlays (total)	–23		
	Additional offsets against gross budget authority only:			
4142	Offsetting collections credited to expired accounts	9		
4160	Budget authority, net (mandatory)	18,289	19,702	20,617
4170	Outlays, net (mandatory)	18,275	20,784	20,649
4180	Budget authority, net (total)	18,307	19,719	20,550
4190	Outlays, net (total)	18,309	20,866	20,581

The Child Nutrition Programs provide reimbursement to State agencies for cash and commodity meal subsidies through the National School Lunch Program (NSLP), School Breakfast Program (SBP), Special Milk Program, Summer Food Service Program (SFSP), and Child and Adult Care Food Program (CACFP). These programs provide nutritionally balanced, low-cost or free breakfasts and lunches to children every school day; provide nutrition assistance to children when school is not in session during summer months; and improve the quality of day care, making it more affordable for low-income families by providing reimbursement for nutritious meals and snacks. In addition, the Fresh Fruit and Vegetable program (FFVP), targeted to low-income elementary schools, provides fresh fruits and vegetables at no charge to children during the school day. The 2014 Budget will support almost 5.6 billion lunches and snacks served to 32.1 million children in the NSLP, over 2.4 billion breakfasts served to 14.0 million children in the SBP, and over 2.0 billion meals and snacks served in day care facilities.

Object Classification (in millions of dollars)

Identification code 12–3539–0–1–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	13	18	18
12.1	Civilian personnel benefits	4	6	6
21.0	Travel and transportation of persons	1	1	1
24.0	Printing and reproduction	2		
25.2	Other services from non-Federal sources	15	37	38
26.0	Supplies and materials (Commodities)	999	1,059	1,103
41.0	Grants, subsidies, and contributions	17,536	19,255	19,454
99.9	Total new obligations	18,570	20,376	20,620

Employment Summary

Identification code 12–3539–0–1–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	198	221	221

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

For necessary expenses to carry out the special supplemental nutrition program as authorized by section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786), $7,141,625,000, to remain available through September 30, 2015, of which $50,000,000 shall be placed in reserve, to remain available until expended, to be allocated as the Secretary deems necessary, notwithstanding section 17(i) of such Act, to support partcipation should cost or participation exceed budget estimates: Provided, That notwithstanding section 17(h)(10) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(h)(10)), of the amounts made available under this heading, $60,000,000 shall be used for breast-feeding peer counselors and other related activities, $14,000,000 shall be used for infrastructure, and

SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)—Continued

$30,000,000 shall be used for management information systems: Provided further, That none of the funds provided in this account shall be available for the purchase of infant formula except in accordance with the cost containment and competitive bidding requirements specified in section 17 of such Act: Provided further, That none of the funds provided shall be available for activities that are not fully reimbursed by other Federal Government departments or agencies unless authorized by section 17 of such Act.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–3510–0–1–605		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Grants to States	7,074	7,024	7,128
0004	WIC EBT/MIS	10		30
0010	Infrastructure Grants and Technical Assistance	3		14
0020	Breastfeeding Peer Counselors and Bonuses	60	60	60
0030	Program Initiatives and Evaluations	19	20	16
0091	Direct program activities (discretionary), subtotal	7,166	7,104	7,248
0101	UPC Database (mandatory)	2	1	1
0900	Total new obligations	7,168	7,105	7,249
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	26	166	41
1001	Discretionary unobligated balance brought fwd, Oct 1	25	166	
1020	Adjustment of unobligated bal brought forward, Oct 1	125		
1021	Recoveries of prior year unpaid obligations	164	320	157
1050	Unobligated balance (total)	315	486	198
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	6,618	6,659	7,142
1121	Appropriations transferred from other accts [12–3505]	400		
1160	Appropriation, discretionary (total)	7,018	6,659	7,142
	Appropriations, mandatory:			
1200	Appropriation - Permanent Appropriation	1	1	1
1260	Appropriations, mandatory (total)	1	1	1
	Spending authority from offsetting collections, discretionary:			
1700	Collected	1		
1750	Spending auth from offsetting collections, disc (total)	1		
1900	Budget authority (total)	7,020	6,660	7,143
1930	Total budgetary resources available	7,335	7,146	7,341
	Memorandum (non-add) entries:			
1940	Unobligated balance expiring	–1		
1941	Unexpired unobligated balance, end of year	166	41	92
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1,214	1,378	1,492
3010	Obligations incurred, unexpired accounts	7,168	7,105	7,249
3011	Obligations incurred, expired accounts	1		
3020	Outlays (gross)	–6,838	–6,671	–7,008
3040	Recoveries of prior year unpaid obligations, unexpired	–164	–320	–157
3041	Recoveries of prior year unpaid obligations, expired	–3		
3050	Unpaid obligations, end of year	1,378	1,492	1,576
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1,214	1,378	1,492
3200	Obligated balance, end of year	1,378	1,492	1,576
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	7,019	6,659	7,142
	Outlays, gross:			
4010	Outlays from new discretionary authority	5,793	5,321	5,638
4011	Outlays from discretionary balances	1,045	1,349	1,369
4020	Outlays, gross (total)	6,838	6,670	7,007
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4033	Non-Federal sources	–1		
	Mandatory:			
4090	Budget authority, gross	1	1	1
	Outlays, gross:			
4101	Outlays from mandatory balances		1	1
4180	Budget authority, net (total)	7,019	6,660	7,143
4190	Outlays, net (total)	6,837	6,671	7,008

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides low-income at-risk pregnant and post-partum women, infants, and children nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals. The 2014 Budget supports nutrition benefits for the 8.9 million individuals expected to participate in the program each month.

Object Classification (in millions of dollars)

Identification code 12–3510–0–1–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	2	3	3
12.1	Civilian personnel benefits	1	1	1
25.2	Other services from non-Federal sources	3	16	16
26.0	Supplies and materials		1	1
41.0	Grants, subsidies, and contributions	7,162	7,084	7,228
99.9	Total new obligations	7,168	7,105	7,249

Employment Summary

Identification code 12–3510–0–1–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	28	30	35

COMMODITY ASSISTANCE PROGRAM

For necessary expenses to carry out disaster assistance and the Commodity Supplemental Food Program as authorized by section 4(a) of the Agriculture and Consumer Protection Act of 1973 (7 U.S.C. 612c note); the Emergency Food Assistance Act of 1983; special assistance for the nuclear affected islands, as authorized by section 103(f)(2) of the Compact of Free Association Amendments Act of 2003 (Public Law 108–188); and the Farmers' Market Nutrition Program, as authorized by section 17(m) of the Child Nutrition Act of 1966, $271,701,000, to remain available through September 30, 2015: Provided, That none of these funds shall be available to reimburse the Commodity Credit Corporation for commodities donated to the program: Provided further, That notwithstanding any other provision of law, effective with funds made available in fiscal year 2014 to support the Seniors Farmers' Market Nutrition Program, as authorized by section 4402 of the Farm Security and Rural Investment Act of 2002, such funds shall remain available through September 30, 2015: Provided further, That of the funds made available under section 27(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036(a)), the Secretary may use up to 10 percent for costs associated with the distribution of commodities: Provided further, That of the total amount available under this account, $2,000,000 shall be available for program integrity activities associated with the Emergency Food Assistance Program, including, but not limited to, grants to States, and section 204(a) of the Emergency Food Assistance Act of 1983, as amended, shall not apply to such grants.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution as well as amounts from P.L. 113–2, the Disaster Relief Appropriations Act, 2013 (no language shown).

Program and Financing (in millions of dollars)

Identification code 12–3507–0–1–605		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Commodity procurement	147	148	158
0002	Administrative costs	42	43	44
0091	Subtotal, commodity supplemental food program	189	191	202
0105	TEFAP Administrative	49	49	49

0106	TEFAP disaster assistance		6	
0107	TEFAP program integrity			2
0110	Senior farmers' market	22	21	21
0115	Farmers' market nutrition program	20	17	17
0120	Pacific island and disaster assistance	1	1	1
0130	NSIP (Transfer Funds)	2		
0191	Direct program activities, subtotal	94	94	90
0900	Total new obligations	283	285	292
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	2	4	
1001	Discretionary unobligated balance brought fwd, Oct 1	2	4	
1020	Adjustment of unobligated bal brought forward, Oct 1	–2		
1021	Recoveries of prior year unpaid obligations	6		
1050	Unobligated balance (total)	6	4	
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	242	254	272
1100	Discretionary, TEFAP disaster assistance pursuant to Disaster Relief Appropriation Act, 2013 P.L. 113–2, Appropriations Committee		6	
1121	Appropriations transferred from other accts [75–0142]	2		
1160	Appropriation, discretionary (total)	244	260	272
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [12–4336]	21	21	21
1260	Appropriations, mandatory (total)	21	21	21
	Spending authority from offsetting collections, discretionary:			
1700	Collected	16		
1750	Spending auth from offsetting collections, disc (total)	16		
1900	Budget authority (total)	281	281	293
1930	Total budgetary resources available	287	285	293
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	4		1
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	41	42	47
3001	Adjustments to unpaid obligations, brought forward, Oct 1	2		
3010	Obligations incurred, unexpired accounts	283	285	292
3020	Outlays (gross)	–278	–280	–292
3040	Recoveries of prior year unpaid obligations, unexpired	–6		
3050	Unpaid obligations, end of year	42	47	47
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	43	42	47
3200	Obligated balance, end of year	42	47	47
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	260	260	272
	Outlays, gross:			
4010	Outlays from new discretionary authority	209	223	234
4011	Outlays from discretionary balances	48	36	37
4020	Outlays, gross (total)	257	259	271
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Baseline Program [Commodity Collections]	–19		
	Additional offsets against gross budget authority only:			
4052	Offsetting collections credited to expired accounts	3		
4070	Budget authority, net (discretionary)	244	260	272
4080	Outlays, net (discretionary)	238	259	271
	Mandatory:			
4090	Budget authority, gross	21	21	21
	Outlays, gross:			
4100	Outlays from new mandatory authority	14	14	14
4101	Outlays from mandatory balances	7	7	7
4110	Outlays, gross (total)	21	21	21
4180	Budget authority, net (total)	265	281	293
4190	Outlays, net (total)	259	280	292

This account funds the Commodity Supplemental Food Program (CSFP), The Emergency Food Assistance Program (TEFAP), farmers' market nutrition programs, assistance for the nuclear-affected islands, and disaster relief.

CSFP provides food packages for low-income women, infants, and children, and low-income elderly persons. It also funds State administrative expenses. TEFAP provides cash to support State administrative activities and to maintain the storage and distribution pipeline for USDA and privately-donated commodities (TEFAP commodities are separately funded through the Supplemental Nutrition Assistance Program (SNAP) account). The account also funds two programs which provide low-income participants vouchers to purchase produce at farmers' markets. The Senior Farmers' Market Nutrition Program is funded by transfer from the Commodity Credit Corporation. The WIC Farmers' Market Program is funded by discretionary appropriation.

Object Classification (in millions of dollars)

Identification code 12–3507–0–1–605		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent			1
26.0	Supplies and materials (commodities)	149	150	158
41.0	Grants, subsidies, and contributions	134	135	133
99.9	Total new obligations	283	285	292

Employment Summary

Identification code 12–3507–0–1–605		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment		3	8

FOREST SERVICE

Federal Funds

CAPITAL IMPROVEMENT AND MAINTENANCE

(INCLUDING TRANSFER OF FUNDS)

For necessary expenses of the Forest Service, not otherwise provided for, $328,783,000, to remain available until expended, for construction, capital improvement, maintenance and acquisition of buildings and other facilities and infrastructure; and for construction, reconstruction, and maintenance of forest roads and trails by the Forest Service as authorized by 16 U.S.C. 532–538 and 23 U.S.C. 101 and 205: Provided, That funds becoming available in fiscal year 2014 under the Act of March 4, 1913 (16 U.S.C. 501) shall be transferred to the General Fund of the Treasury and shall not be available for transfer or obligation for any other purpose unless the funds are appropriated.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution as well as amounts from P.L. 113–2, the Disaster Relief Appropriations Act, 2013 (no language shown).

Program and Financing (in millions of dollars)

Identification code 12–1103–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Capital improvement and maintenance	398	475	325
0801	Reimbursable program	29	25	25
0900	Total new obligations	427	500	350
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	100	58	13
1021	Recoveries of prior year unpaid obligations	4		
1050	Unobligated balance (total)	104	58	13
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	395	396	329
1100	Appropriation, Discretionary, Emergency pursuant to 2011 Budget Control Act, Appropriations Committee		4	
1120	Appropriations transferred to other accts [12–1106]	–11		
1120	Appropriations transferred to other accts [12–1115]	–30		
1121	Appropriations transferred from other accts [12–1115]		30	
1130	Appropriations permanently reduced	–1		

CAPITAL IMPROVEMENT AND MAINTENANCE—Continued

Program and Financing—Continued

Identification code 12–1103–0–1–302		2012 actual	2013 CR	2014 est.
1160	Appropriation, discretionary (total)	353	430	329
	Spending authority from offsetting collections, discretionary:			
1700	Collected	26	25	25
1701	Change in uncollected payments, Federal sources	2		
1750	Spending auth from offsetting collections, disc (total)	28	25	25
1900	Budget authority (total)	381	455	354
1930	Total budgetary resources available	485	513	367
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	58	13	17
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	383	216	266
3010	Obligations incurred, unexpired accounts	427	500	350
3011	Obligations incurred, expired accounts	5		
3020	Outlays (gross)	–589	–450	–389
3040	Recoveries of prior year unpaid obligations, unexpired	–4		
3041	Recoveries of prior year unpaid obligations, expired	–6		
3050	Unpaid obligations, end of year	216	266	227
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–60	–62	–62
3070	Change in uncollected pymts, Fed sources, unexpired	–2		
3090	Uncollected pymts, Fed sources, end of year	–62	–62	–62
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	323	154	204
3200	Obligated balance, end of year	154	204	165
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	381	455	354
	Outlays, gross:			
4010	Outlays from new discretionary authority	301	296	230
4011	Outlays from discretionary balances	288	154	159
4020	Outlays, gross (total)	589	450	389
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–7	–7	–7
4033	Non-Federal sources	–19	–18	–18
4040	Offsets against gross budget authority and outlays (total)	–26	–25	–25
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–2		
4070	Budget authority, net (discretionary)	353	430	329
4080	Outlays, net (discretionary)	563	425	364
4180	Budget authority, net (total)	353	430	329
4190	Outlays, net (total)	563	425	364

The 2014 Budget requests $328,783,000 for Capital Improvement and Maintenance, a decrease of $67,718,000 below the 2013 annualized CR level. Funding provides for capital improvement and maintenance of Forest Service assets including facilities, roads, and trails. Addressing critical maintenance and operational components of the Forest Service demonstrates our commitment to maintaining a healthy environment. The program emphasizes an efficient and effective infrastructure that supports public and administrative uses and quality recreation experiences with minimal impact to ecosystem stability and conditions.

Capital improvement of facilities, roads, and trails includes alteration of existing assets to change the function of the assets, or expansion of an asset to change the capacity or to serve needs that are different from what was originally intended . The Budget shifts activities previously conducted under the Legacy Roads and Trails program, such as road decommissioning, to the Integrated Resource Restoration program under the National Forest System appropriation.

Facilities.—Provides for capital improvement and maintenance of recreation developed sites, fire, administrative, and other facilities, including visitor centers, research facilities, telecommunication sites and towers, and dams. The program also includes the acquisition of buildings and other facilities necessary to carry out the mission of the Forest Service.

Roads.—Provides for capital improvement and maintenance of the national forest road system, including bridges and terminal facilities such as parking lots, trailhead parking, camping spurs, and truck turnarounds. The agency continues to address the growing road system maintenance backlog. Funding priorities are health and safety and resource protection, including clean water, aquatic passage, and mission critical needs.

Trails.—Provides for capital improvement and maintenance of National Forest System trails. Funding is used to protect capital investments by keeping trails open for access and protecting vegetation, soil, and water quality. Work includes clearing the pathway of encroaching vegetation and fallen trees, and repairing or improving trail signs, treadways, drainage facilities, and bridges.

Infrastructure Improvement.—Provides for capital improvement and maintenance directed toward reducing the backlog in deferred maintenance on National Forest System roads and trails, as well as recreation developed sites and fire, administrative, and other facilities. Funding priorities are to ensure the safety of the public, agency employees, volunteers and contractors.

Object Classification (in millions of dollars)

Identification code 12–1103–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	135	135	124
11.3	Other than full-time permanent	11	11	11
11.5	Other personnel compensation	4	4	4
11.9	Total personnel compensation	150	150	139
12.1	Civilian personnel benefits	49	49	45
13.0	Benefits for former personnel	4	5	3
21.0	Travel and transportation of persons	2	2	2
22.0	Transportation of things	2	2	2
23.1	Rental payments to GSA	4	5	5
23.2	Rental payments to others	5	6	6
23.3	Communications, utilities, and miscellaneous charges	9	11	7
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	89	126	50
25.3	Other goods and services from Federal sources	47	73	35
25.4	Operation and maintenance of facilities	3	4	2
25.7	Operation and maintenance of equipment	5	6	4
26.0	Supplies and materials	9	11	7
31.0	Equipment	3	4	3
32.0	Land and structures	7	8	6
41.0	Grants, subsidies, and contributions	10	12	8
99.0	Direct obligations	399	475	325
99.0	Reimbursable obligations	27	25	25
99.5	Below reporting threshold	1		
99.9	Total new obligations	427	500	350

Employment Summary

Identification code 12–1103–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	2,446	2,446	2,247
2001	Reimbursable civilian full-time equivalent employment	235	235	235
3001	Allocation account civilian full-time equivalent employment	93	93	93

FOREST AND RANGELAND RESEARCH

For necessary expenses of forest and rangeland research as authorized by law, $310,236,000, to remain available until expended: Provided, That of the funds provided, $66,805,000 is for the forest inventory and analysis program.

Gifts, Donations and Bequests for Forest and Rangeland Research

For expenses authorized by 16 U.S.C. 1643(b), $40,000, to remain available until expended, to be derived from the fund established pursuant to the above Act.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1104–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0006	Forest and rangeland research	320	325	347
0801	Reimbursable program	22	20	20
0900	Total new obligations	342	345	367
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	42	45	46
1021	Recoveries of prior year unpaid obligations	2		
1050	Unobligated balance (total)	44	45	46
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	296	297	310
1121	Appropriations transferred from other accts [12–1115]	26	29	27
1160	Appropriation, discretionary (total)	322	326	337
	Spending authority from offsetting collections, discretionary:			
1700	Collected	20	20	20
1701	Change in uncollected payments, Federal sources	1		
1750	Spending auth from offsetting collections, disc (total)	21	20	20
1900	Budget authority (total)	343	346	357
1930	Total budgetary resources available	387	391	403
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	45	46	36
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	157	142	98
3010	Obligations incurred, unexpired accounts	342	345	367
3020	Outlays (gross)	–355	–389	–379
3040	Recoveries of prior year unpaid obligations, unexpired	–2		
3050	Unpaid obligations, end of year	142	98	86
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–40	–41	–41
3070	Change in uncollected pymts, Fed sources, unexpired	–1		
3090	Uncollected pymts, Fed sources, end of year	–41	–41	–41
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	117	101	57
3200	Obligated balance, end of year	101	57	45
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	343	346	357
	Outlays, gross:			
4010	Outlays from new discretionary authority	263	277	286
4011	Outlays from discretionary balances	92	112	93
4020	Outlays, gross (total)	355	389	379
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–16	–16	–16
4033	Non-Federal sources	–4	–4	–4
4040	Offsets against gross budget authority and outlays (total)	–20	–20	–20
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–1		
4070	Budget authority, net (discretionary)	322	326	337
4080	Outlays, net (discretionary)	335	369	359
4180	Budget authority, net (total)	322	326	337
4190	Outlays, net (total)	335	369	359

The 2014 Budget requests $310,236,000 for Forest and Rangeland Research (Forest Service R&D), an increase of $13,129,000 above the 2013 annualized CR level. Funding maintains an essential level of basic research associated with the Priority Research Areas and Strategic Program Areas. Forest Service R&D provides scientific information and new technologies to support sustainable management of the Nation's forests and rangelands that sustain jobs and provide economic benefits. Forest Service R&D conducts ecological and social science research to understand ecosystems, how humans influence those ecosystems, how those ecosystems respond to the impacts of climate change, and how forests can be managed sustainably to enable both environmental conservation and economic opportunities. These products and services increase the basic biological and physical knowledge of the composition, structure, and function of forest and grassland ecosystems.

Forest Service R&D is federally mandated to provide new knowledge and technologies to foster healthy watersheds, forest products, wildlife protection, outdoor recreation opportunities, and other benefits, across all U.S. territories and States. Research is conducted at five Research Stations, the Forest Products Laboratory, and the International Institute of Tropical Forestry located in Puerto Rico. The Forest Service R&D structure has two components: Priority Research Areas and Strategic Program Areas. The Priority Research Areas address national needs in seven areas: Forest Inventory and Analysis, Forest Disturbances, Watershed Management and Restoration, Bioenergy and Biobased Products, Urban Natural Resources Stewardship, Nanotechnology, and Localized Needs Research. Strategic Program Areas include Wildland Fire and Fuels; Invasive Species; Recreation; Resource Management and Use; Water, Air, and Soil; Wildlife and Fish; and Inventory and Monitoring. The Budget sustains the outputs and products on which land managers depend for developing management options, strategies and systems for addressing current issues.

Object Classification (in millions of dollars)

Identification code 12–1104–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	151	151	149
11.3	Other than full-time permanent	6	6	6
11.5	Other personnel compensation	4	4	4
11.9	Total personnel compensation	161	161	159
12.1	Civilian personnel benefits	48	48	47
13.0	Benefits for former personnel	1	1	1
21.0	Travel and transportation of persons	5	5	5
22.0	Transportation of things	2	2	2
23.1	Rental payments to GSA	4	4	4
23.2	Rental payments to others	4	4	4
23.3	Communications, utilities, and miscellaneous charges	6	6	6
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	18	18	18
25.3	Other goods and services from Federal sources	18	18	18
25.5	Research and development contracts	27	30	54
25.7	Operation and maintenance of equipment	1	1	1
26.0	Supplies and materials	6	6	6
31.0	Equipment	6	6	6
41.0	Grants, subsidies, and contributions	12	14	15
99.0	Direct obligations	320	325	347
99.0	Reimbursable obligations	19	20	20
99.5	Below reporting threshold (Direct/Reimb)	3		
99.9	Total new obligations	342	345	367

Employment Summary

Identification code 12–1104–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	2,069	2,069	2,043
2001	Reimbursable civilian full-time equivalent employment	95	95	90

National Forest System

For necessary expenses of the Forest Service, not otherwise provided for, for management, protection, improvement, and utilization of the National Forest System, $1,556,662,000, to remain available until expended, and in addition, $5,000,000 for the processing of grazing permits and leases, to remain available until expended, to be reduced by amounts collected by the Forest Service and credited to this appropriation, which shall be derived by a $1.00 per head month administrative fee, as provided for in this Act: Provided, That of the funds provided, $39,851,000 shall be deposited in the Collaborative Forest Landscape Restoration Fund for ecological restoration treatments as authorized by 16 U.S.C. 7303(f): Provided further, That funds provided under this heading may be used for necessary expenses of the Forest Service to manage Federal lands in Alaska for subsistence uses under title VIII of the Alaska National Interest Lands Conservation Act (Public Law 96–487): Provided further, That funds provided under this heading shall be available for urgently needed road decommissioning, road and trail repair and maintenance and associated activities, and removal of fish passage barriers, especially in areas where Forest Service roads may be contributing to water quality problems in streams and water bodies that support threatened, endangered or sensitive species or community water sources, as authorized by Public Law 88–567, as amended (16 U.S.C. 532–538) and Public Law 85–767, as amended (23 U.S.C. 101 and 205): Provided further, That funds provided herein shall be available for the decommissioning of roads which are no longer needed, including unauthorized roads not part of the transportation system: Provided further, That for fiscal year 2014 through fiscal year 2019, the Secretary may authorize the expenditure or transfer of such sums as necessary to the Department of the Interior, Bureau of Land Management, for removal, preparation, and adoption of excess wild horses and burros from National Forest System lands, and for the performance of cadastral surveys to designate the boundaries of such lands.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1106–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	National forest system	1,565	1,710	1,549
0801	Reimbursable program	52	65	69
0900	Total new obligations	1,617	1,775	1,618
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	148	130	34
1021	Recoveries of prior year unpaid obligations	6		
1050	Unobligated balance (total)	154	130	34
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1,557	1,564	1,557
1120	Appropriations transferred to other accts [12–1115]	–50		
1121	Appropriations transferred from other accts [12–1103]	11		
1121	Appropriations transferred from other accts [12–1115]	20		
1121	Appropriations transferred from other accts [12–1115]		50	
1130	Appropriations permanently reduced	–2		
1160	Appropriation, discretionary (total)	1,536	1,614	1,557
	Spending authority from offsetting collections, discretionary:			
1700	Collected	67	65	65
1700	Ofsetting Collections (Grazing fees)			5
1701	Change in uncollected payments, Federal sources	–10		
1750	Spending auth from offsetting collections, disc (total)	57	65	70
1900	Budget authority (total)	1,593	1,679	1,627
1930	Total budgetary resources available	1,747	1,809	1,661
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	130	34	43
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	438	385	560
3010	Obligations incurred, unexpired accounts	1,617	1,775	1,618
3020	Outlays (gross)	–1,664	–1,600	–1,716
3040	Recoveries of prior year unpaid obligations, unexpired	–6		
3050	Unpaid obligations, end of year	385	560	462
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–102	–92	–92
3070	Change in uncollected pymts, Fed sources, unexpired	10		
3090	Uncollected pymts, Fed sources, end of year	–92	–92	–92
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	336	293	468
3200	Obligated balance, end of year	293	468	370
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	1,593	1,679	1,627
	Outlays, gross:			
4010	Outlays from new discretionary authority	1,366	1,427	1,382
4011	Outlays from discretionary balances	298	173	334
4020	Outlays, gross (total)	1,664	1,600	1,716
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–43	–42	–42
4033	Non-Federal sources	–24	–23	–28
4040	Offsets against gross budget authority and outlays (total)	–67	–65	–70
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	10		
4070	Budget authority, net (discretionary)	1,536	1,614	1,557
4080	Outlays, net (discretionary)	1,597	1,535	1,646
4180	Budget authority, net (total)	1,536	1,614	1,557
4190	Outlays, net (total)	1,597	1,535	1,646

The 2014 Budget requests $1,556,662,000 for the National Forest System (NFS), an decrease of 6,987,000 below the 2013 annualized continuing resolution (CR) level for the stewardship and management of the 193 million acres of national forests and grasslands. This includes the 155 National Forests and 20 National Grasslands located in 44 States and Puerto Rico that are managed under multiple-use and sustained-yield principles. The natural resources of timber, minerals, range, wildlife, outdoor recreation, watershed, and soil are used in a planned combination that best meets the needs of the Nation without impairing productivity of the land or damaging the environment.

These management and utilization principles are recognized in the Multiple-Use Sustained-Yield Act of 1960 (16 U.S.C. 528–531) and use an ecological approach to managing the NFS. NFS operations and maintenance provide for the planning, assessment, and conservation of ecosystems while delivering multiple public services and uses. These are delivered through the principal NFS programs of integrated resource restoration; land management planning, assessment, and monitoring; recreation, heritage, and wilderness; grazing management; minerals and geology management; landownership management; and law enforcement operations. These programs maintain the capability to manage natural resources in a manner consistent with ecological principles and responsibilities.

Following the Secretary's "All Lands" vision, the Budget focuses on meeting the challenges of ecological restoration through collaborative approaches to address fire and fuels, invasive species, and watershed degradation; engaging communities to help Americans reconnect to the outdoors, expand on recreation benefits and create a wide range of opportunities for economic expansion to retain and create jobs; and partnering with communities and fellow agencies to reduce the threat of wildland fires. The goals of these efforts are to reestablish and retain the resilience of NFS lands, to achieve sustainable management and use, and to provide a broad range of ecosystem services. Healthy and resilient landscapes have a greater capacity to survive natural disturbances, provide for the natural storage and sustained delivery of high quality water, and are more resilient and adaptable to changing environmental conditions.

Specific conservation and restoration actions depend on the particular needs and priorities identified for a given landscape. These may include management of off-highway vehicle use and other recreation activities, road decommissioning, mitigation of abandoned mine and hazardous material sites, enhanced administration of grazing authorizations, and other actions identified as necessary for ecosystem restoration.

The Budget emphasizes Integrated Resource Restoration (IRR) as a priority approach to accomplish on-the-ground restoration. IRR promotes improved forest and grassland health and resilience using landscape scale restoration to recover watershed health and clean water and create or maintain local economic opportunities and jobs. IRR does this by improving the efficient delivery of NFS programs throughout the Nation and integrating watershed protection and restoration into all aspects of our management of national forests and grasslands. This allows the Forest Service to more effectively accomplish forest health and water quality improvement goals.

The Budget also invests in the Collaborative Forest Landscape Restoration Program (CFLRP), which fosters collaborative, science-based restoration on priority forest landscapes across the Nation. The CFLRP was established specifically to create job stability, achieve a reliable wood supply, restore forest health, and reduce the costs of fire suppression in overgrown forests. The ultimate goal of the CFLRP is to collaboratively achieve improved forest benefits for people, water, and wildlife in a way that can be shared across broad landscapes.

The Budget proposes to fund Restoration Partnerships at $10,029,000. This new program will develop public-private partnerships intended to reduce risk to fire-prone communities. Projects will protect and enhance water quality in municipal watersheds and maintain and restore resilience to aquatic ecosystems through the agency's Watershed Condition Framework (WCF). National forests that largely comprise a municipal watershed area, forests with special use utility permits, and priority partnership actions within the WCF will be eligible for restoration partnership funding. This program will support Restoration Partnership projects reducing fire risk through hazardous fuels reduction, forest thinning, and similar vegetative activities to protect and enhance water quality and reduce risk to utility investments, while providing ancillary benefits for public recreation, trails, and fish and wildlife management.

The Budget reflects the continuing emphasis on Forest Service program performance and accountability agency-wide. The Forest Service business rules for accomplishment reporting incorporate not only directly funded work, but also accomplishments achieved through integration between program areas or partnerships with external groups. This effort improves performance and accountability by shifting focus to accomplishments that naturally align other programs and partner organizations to achieve multiple goals.

Object Classification (in millions of dollars)

Identification code 12–1106–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	671	671	670
11.3	Other than full-time permanent	40	40	40
11.5	Other personnel compensation	34	34	34
11.9	Total personnel compensation	745	745	744
12.1	Civilian personnel benefits	255	255	255
13.0	Benefits for former personnel	8	9	8
21.0	Travel and transportation of persons	15	15	15
22.0	Transportation of things	9	10	9
23.1	Rental payments to GSA	15	16	15
23.2	Rental payments to others	20	22	20
23.3	Communications, utilities, and miscellaneous charges	35	38	35
24.0	Printing and reproduction	3	3	3
25.2	Other services from non-Federal sources	194	266	187
25.3	Other goods and services from Federal sources	149	203	143
25.4	Operation and maintenance of facilities	1	1	1
25.5	Research and development contracts	....	1	....
25.7	Operation and maintenance of equipment	6	7	6
26.0	Supplies and materials	34	37	34
31.0	Equipment	23	25	23
41.0	Grants, subsidies, and contributions	51	56	50
42.0	Insurance claims and indemnities	1	1	1
99.0	Direct obligations	1,564	1,710	1,549
99.0	Reimbursable obligations	52	65	69
99.5	Below reporting threshold	1	....	....
99.9	Total new obligations	1,617	1,775	1,618

Employment Summary

Identification code 12–1106–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	11,442	11,442	11,429
2001	Reimbursable civilian full-time equivalent employment	321	321	321
3001	Allocation account civilian full-time equivalent employment	1,555	1,555	1,555

State and Private Forestry

For necessary expenses of cooperating with and providing technical and financial assistance to States, territories, possessions, and others, and for forest health management, including treatments of pests, pathogens, and invasive or noxious plants and for restoring and rehabilitating forests damaged by pests or invasive plants, cooperative forestry, and education and land conservation activities and conducting an international program as authorized, $239,954,000, to remain available until expended, as authorized by law; of which $60,000,000 is to be derived from the Land and Water Conservation Fund.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1105–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	State and private forestry	292	292	280
0002	Forest Legacy	57	57	60
0799	Total direct obligations	349	349	340
0801	Reimbursable program	56	60	55
0900	Total new obligations	405	409	395
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	90	104	101
1021	Recoveries of prior year unpaid obligations	7	....	....
1050	Unobligated balance (total)	97	104	101
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	200	201	180
1101	Appropriation (Legacy)	53	54	60
1120	Appropriations transferred to other accts [12–1115]	–5	....	....
1121	Appropriations transferred from other accts [12–1115]	86	86	....
1121	Appropriations transferred from other accts [12–1115]	....	5	....
1160	Appropriation, discretionary (total)	334	346	240
	Spending authority from offsetting collections, discretionary:			
1700	Collected	60	60	60
1701	Change in uncollected payments, Federal sources	18	....	....
1750	Spending auth from offsetting collections, disc (total)	78	60	60
1900	Budget authority (total)	412	406	300
1930	Total budgetary resources available	509	510	401
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	104	101	6
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	609	612	627

STATE AND PRIVATE FORESTRY—Continued

Program and Financing—Continued

Identification code 12–1105–0–1–302		2012 actual	2013 CR	2014 est.
3010	Obligations incurred, unexpired accounts	405	409	395
3020	Outlays (gross)	–395	–394	–362
3040	Recoveries of prior year unpaid obligations, unexpired	–7		
3050	Unpaid obligations, end of year	612	627	660
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–53	–71	–71
3070	Change in uncollected pymts, Fed sources, unexpired	–18		
3090	Uncollected pymts, Fed sources, end of year	–71	–71	–71
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	556	541	556
3200	Obligated balance, end of year	541	556	589
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	412	406	300
	Outlays, gross:			
4010	Outlays from new discretionary authority	129	158	120
4011	Outlays from discretionary balances	266	236	242
4020	Outlays, gross (total)	395	394	362
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–60	–60	–60
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–18		
4070	Budget authority, net (discretionary)	334	346	240
4080	Outlays, net (discretionary)	335	334	302
4180	Budget authority, net (total)	334	346	240
4190	Outlays, net (total)	335	334	302

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	334	346	240
Outlays	335	334	302
Legislative proposal, subject to PAYGO:			
Budget Authority			25
Outlays			6
Total:			
Budget Authority	334	346	265
Outlays	335	334	308

The 2014 Budget requests $239,954,000 for State and Private Forestry (S&PF), a decrease of $14,520,000 below the 2013 annualized CR level. Funds provide technical and financial assistance to landowners and resource managers. S&PF programs help sustain the Nation's urban and rural forests and protect communities and the environment from wildland fires, insects, disease, and invasive plants. S&PF provides assistance to landowners and resource managers to help sustain forests on State and private lands, in both rural and urban areas, to meet domestic and international demands for goods and services. S&PF programs also help facilitate sound stewardship and provide tools to address forest health threats on lands of all ownerships on a landscape scale, while maintaining the flexibility for individual forest landowners to pursue their objectives. The International Forestry program is included as part of the S&PF appropriation. To improve the transparency of funding for forest health and fire assistance, the budget proposes to shift funds for State and Volunteer Fire Assistance from S&PF to Wildland Fire Management (WFM) and Federal and Cooperative Forest Health Management from WFM to S&PF. This allows for the full funding amount to be reflected in a single account.

Landscape Scale Restoration.—The Budget establishes the Landscape Scale Restoration program and formalizes the S&PF Redesign process. It includes funding for competitive projects focused on issues and landscapes of national importance and on activities that promise meaningful outcomes on the ground. Evidence of these improved outcomes will be identified through improved data collection on project accomplishments by leveraging existing investments in streamlined spatial reporting tools. Building upon the successes of the State and Private Forestry Redesign process, Landscape Scale Restoration focuses and prioritizes resources to better shape and influence forest land use on a scale, and in a way, that optimizes public benefits from trees and forests. The funds continue to improve our ability to identify the greatest threats to forest sustainability and accomplish meaningful change in high-priority areas. As a competitive grant program, it provides flexible opportunities to fund innovative projects across program boundaries and across landscape jurisdictions to address priorities and needs consistent with the State Forest Action Plans. Projects will focus on restoring healthy and resilient forests and communities in priority areas that States have identified. These high-priority needs are essential to addressing today's critical restoration issues on Federal, State and private lands. This program will continue to help ensure the ability of the Nation's forests to sustain and enrich the well-being of all citizens and communities.

Forest Health Management.—Includes funding for Federal and cooperative lands to maintain healthy, productive ecosystems by preventing, detecting, and suppressing damaging native and invasive forest and tree insects and diseases across all land ownerships and invasive plants on cooperative lands. Through the continued use of a science-based forest health risk map, the Budget reflects allocations of program funding that address national priorities and reduce risk in the most effective and efficient manner. The agency will document changes in insect, disease, and invasive plant geographic range, population dynamics of host preferences of pests, and other changes in pest activity and will explore gene conservation efforts to conserve at-risk tree species projected to be negatively impacted by climate change.

Cooperative Forestry.—Includes funding for the Forest Stewardship, Forest Legacy, Community Forest and Open Space Conservation, and Urban and Community Forestry programs. This suite of complementary programs helps maintain the integrity of our nation's valuable forested landscapes and supports the Federal interest in obtaining public benefits from private forests that include an array of social, economic, and environmental benefits. The Cooperative Forestry programs will continue to provide assistance to landowners, conserve private lands, and support the priorities identified in State Forest Action Plans. The Forest Service will track how cooperative funds are targeted to priority areas and themes identified in State Forest Action Plans.

Forest Stewardship Program.—Provides professional forestry assistance to landowners to encourage sound environmental management of non-industrial private forest lands.

Forest Legacy Program.—Partners with States to protect environmentally sensitive forestlands. Consistent with the President's commitment to the America's Great Outdoors Initiative, the Budget includes funding for the Forest Legacy Program through the Land and Water Conservation Fund to support the acquisition of conservation easements and other interests in forest lands threatened by conversion. These conservation easements will protect air and water quality, provide access for recreation, and provide habitat for threatened or endangered wildlife and fish.

Community Forest and Open Space Conservation.—Achieves community benefits through grants to local and Tribal governments and qualified nonprofit organizations to establish community forests by acquiring and protecting forestlands.

Urban and Community Forestry.—Provides technical, financial and educational assistance to cities and towns nationwide so they can improve the condition and extent of their trees and forests to achieve the full range of benefits and services from these resources. This program improves the lives of most Americans near where they live and work.

International Forestry.—Provides funding for high priority investments in natural resource conservation issues, including invasive species, biodiversity conservation, migratory species, and advancing U.S. policy interests.

Object Classification (in millions of dollars)

Identification code 12–1105–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	53	53	44
11.3	Other than full-time permanent	2	2	2
11.5	Other personnel compensation	2	2	2
11.9	Total personnel compensation	57	57	48
12.1	Civilian personnel benefits	17	17	14
21.0	Travel and transportation of persons	3	3	3
22.0	Transportation of things	1	1	1
23.1	Rental payments to GSA	2	2	2
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	2	2	2
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	15	15	15
25.3	Other goods and services from Federal sources	8	8	8
25.5	Research and development contracts	2	2	2
26.0	Supplies and materials	3	3	3
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	236	236	239
99.0	Direct obligations	349	349	340
99.0	Reimbursable obligations	54	60	55
99.5	Below reporting threshold	2	....	....
99.9	Total new obligations	405	409	395

Employment Summary

Identification code 12–1105–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	728	728	601
2001	Reimbursable civilian full-time equivalent employment	36	36	36

STATE AND PRIVATE FORESTRY

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–1105–4–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [14–5005]	....	....	25
1260	Appropriations, mandatory (total)	....	....	25
1930	Total budgetary resources available	....	....	25
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	....	....	25
	Change in obligated balance:			
	Unpaid obligations:			
3020	Outlays (gross)	....	....	–6
3050	Unpaid obligations, end of year	....	....	–6
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year	....	....	–6
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	....	....	25
	Outlays, gross:			
4100	Outlays from new mandatory authority	....	....	6
4180	Budget authority, net (total)	....	....	25
4190	Outlays, net (total)	....	....	6

MANAGEMENT OF NATIONAL FOREST LANDS FOR SUBSISTENCE USES

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1119–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Management of national forest lands for subsistence uses	3	3	....
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	3	3	....
1160	Appropriation, discretionary (total)	3	3	....
1930	Total budgetary resources available	3	3	....
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1	2	2
3010	Obligations incurred, unexpired accounts	3	3	....
3020	Outlays (gross)	–2	–3	–1
3050	Unpaid obligations, end of year	2	2	1
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1	2	2
3200	Obligated balance, end of year	2	2	1
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	3	3	....
	Outlays, gross:			
4010	Outlays from new discretionary authority	2	2	....
4011	Outlays from discretionary balances	....	1	1
4020	Outlays, gross (total)	2	3	1
4180	Budget authority, net (total)	3	3	....
4190	Outlays, net (total)	2	3	1

The 2014 Presidents Budget does not propose a separate funding level for Subsistence Management. This is a decrease of $2,589,000 from the 2013 Annualized CR. The Forest Service will continue to meet its responsibilities under the 1980 Alaska National Interest Lands Conservation Act (ANILCA). The most critical subsistence management related components will be achieved through other NFS funds, such as Integrated Resource Restoration, Recreation Management, and Law Enforcement Operation funds that complement the objectives of the subsistence program.

Object Classification (in millions of dollars)

Identification code 12–1119–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	1	1	....
25.2	Other services from non-Federal sources	1	2	....
99.0	Direct obligations	2	3	....
99.5	Below reporting threshold	1	....	....
99.9	Total new obligations	3	3	....

MANAGEMENT OF NATIONAL FOREST LANDS FOR SUBSISTENCE USES—Continued

Employment Summary

Identification code 12–1119–0–1–302	2012 actual	2013 CR	2014 est.
1001 Direct civilian full-time equivalent employment	15	15	....

WILDLAND FIRE MANAGEMENT

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses for forest fire presuppression activities on National Forest System lands, for emergency fire suppression on or adjacent to such lands or other lands under fire protection agreement, hazardous fuels reduction on or adjacent to such lands, for state and volunteer fire assistance, and for emergency rehabilitation of burned-over National Forest System lands and water, $2,046,669,000, to remain available until expended: Provided, That such funds including unobligated balances under this heading, are available for repayment of advances from other appropriations accounts previously transferred for such purposes: Provided further, That such funds shall be available to reimburse State and other cooperating entities for services provided in response to wildfire and other emergencies or disasters to the extent such reimbursements by the Forest Service for non-fire emergencies are fully repaid by the responsible emergency management agency: Provided further, That, notwithstanding any other provision of law, $6,914,000 of funds appropriated under this appropriation shall be available for the Forest Service in support of fire science research authorized by the Joint Fire Science Program, including all Forest Service authorities for the use of funds, such as contracts, grants, research joint venture agreements, and cooperative agreements: Provided further, That all authorities for the use of funds, including the use of contracts, grants, and cooperative agreements, available to execute the Forest and Rangeland Research appropriation, are also available in the utilization of these funds for Fire Science Research: Provided further, That funds provided shall be available for emergency rehabilitation and restoration, hazardous fuels reduction activities , support to Federal emergency response, and wildfire suppression activities of the Forest Service: Provided further, That of the funds provided, $201,228,000 is for hazardous fuels reduction activities, and $19,795,000 is for research activities and to make competitive research grants pursuant to the Forest and Rangeland Renewable Resources Research Act, as amended (16 U.S.C. 1641 et seq.), $69,459,000 is for State fire assistance, and $11,205,000 is for volunteer fire assistance under section 10 of the Cooperative Forestry Assistance Act of 1978 (16 U.S.C. 2106): Provided further, That amounts in this paragraph may be transferred to the "Forest and Rangeland Research'' account to fund forest and rangeland research and the Joint Fire Science Program: Provided further, That the costs of implementing any cooperative agreement between the Federal Government and any non-Federal entity may be shared, as mutually agreed on by the affected parties: Provided further, That funds provided herein may be used by the Secretary of Agriculture to enter into procurement contracts or cooperative agreements or to issue grants for hazardous fuels reduction and for training or monitoring associated with such hazardous fuels reduction activities on Federal land or on non-Federal land if the Secretary determines such activities benefit resources on Federal land: Provided further, That funds made available to implement the Community Forest Restoration Act, Public Law 106–393, title VI, shall be available for use on non-Federal lands in accordance with authorities made available to the Forest Service under the "State and Private Forestry'' appropriation: Provided further, That the Secretary of the Interior and the Secretary of Agriculture may authorize the transfer of funds appropriated for wildland fire management, in an aggregate amount not to exceed $50,000,000, between the Departments when such transfers would facilitate and expedite wildland fire management programs and projects: Provided further, That, of the funds provided for hazardous fuels reduction, not to exceed $10,500,000 may be used to make grants, using any authorities available to the Forest Service under the "State and Private Forestry'' appropriation, for the purpose of creating incentives for increased use of biomass from National Forest System lands: Provided further, That Section 5 of the Act of May 27, 1955 (42 U.S.C. 1856d), is amended in subsection (b) by inserting "or Department of Agriculture" after "Department of Defense".

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1115–0–1–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Wildland fire management	2,669	2,500	2,320
0801	Reimbursable program	124	175	175
0900	Total new obligations	2,793	2,675	2,495
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	374	177	10
1011	Unobligated balance transfer from other accts [12–9921]	175	....	....
1021	Recoveries of prior year unpaid obligations	99	....	....
1050	Unobligated balance (total)	648	177	10
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	1,738	1,971	2,047
1100	Appropriation - Fire Repayment PL 112–175, Sec. 141b	....	400	....
1120	Appropriations transferred to other accts [14–1125]	–4	....	....
1120	Appropriations transferred to other accts [12–1104]	–26	–29	–27
1120	Appropriations transferred to other accts [12–1105]	–86	–86	....
1120	Appropriations transferred to other accts [12–1106]	–20	....	....
1120	Appropriations transferred to other accts [12–9923]	....	–20	....
1120	Appropriations transferred to other accts [12–9921]	....	–135	....
1120	Appropriations transferred to other accts [12–1103]	....	–30	....
1120	Appropriations transferred to other accts [12–1105]	....	–5	....
1120	Appropriations transferred to other accts [12–1106]	....	–50	....
1121	Appropriations transferred from other accts [12–1106]	50	....	....
1121	Appropriations transferred from other accts [12–1120]	315	317	315
1121	Appropriations transferred from other accts [12–1105]	5	....	....
1121	Appropriations transferred from other accts [12–1103]	30	....	....
1121	Appropriations transferred from other accts [12–9923]	20	....	....
1121	Appropriations transferred from other accts [14–1125]	3	....	....
1130	Appropriations permanently reduced	–3	....	....
1160	Appropriation, discretionary (total)	2,022	2,333	2,335
	Spending authority from offsetting collections, discretionary:			
1700	Collected	267	175	175
1701	Change in uncollected payments, Federal sources	33	....	....
1750	Spending auth from offsetting collections, disc (total)	300	175	175
1900	Budget authority (total)	2,322	2,508	2,510
1930	Total budgetary resources available	2,970	2,685	2,520
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	177	10	25
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	984	1,018	746
3010	Obligations incurred, unexpired accounts	2,793	2,675	2,495
3020	Outlays (gross)	–2,659	–2,947	–2,680
3040	Recoveries of prior year unpaid obligations, unexpired	–99	....	....
3041	Recoveries of prior year unpaid obligations, expired	–1	....	....
3050	Unpaid obligations, end of year	1,018	746	561
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–229	–262	–262
3070	Change in uncollected pymts, Fed sources, unexpired	–33	....	....
3090	Uncollected pymts, Fed sources, end of year	–262	–262	–262
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	755	756	484
3200	Obligated balance, end of year	756	484	299
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	2,322	2,508	2,510
	Outlays, gross:			
4010	Outlays from new discretionary authority	2,082	2,132	2,134
4011	Outlays from discretionary balances	577	815	546
4020	Outlays, gross (total)	2,659	2,947	2,680
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–167	–109	–109

4033	Non-Federal sources	–100	–66	–66
4040	Offsets against gross budget authority and outlays (total)	–267	–175	–175
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–33		
4070	Budget authority, net (discretionary)	2,022	2,333	2,335
4080	Outlays, net (discretionary)	2,392	2,772	2,505
4180	Budget authority, net (total)	2,022	2,333	2,335
4190	Outlays, net (total)	2,392	2,772	2,505

The 2014 Budget requests $2,046,669,000 for Wildland Fire Management (WFM), an increase of $75,279,000 above the 2013 annualized CR level to fund Forest Service fire preparedness, fire suppression, hazardous fuels treatments, joint fire sciences, research and development, and cooperative fire programs on National Forest System (NFS) lands, adjacent State and private lands, and other lands under fire protection agreement.

Preparedness.—To protect NFS lands from damage by wildfires commensurate with the threat to life, values at risk, public values, and management objectives.

Preparedness provides the basic fire organization and capability to prevent forest fires and to take prompt, effective initial attack suppression operations action on wildfires. This funding covers expenses associated with planning, prevention, detection, information, and education; pre-incident training; equipment and supply purchase and replacement; aviation services; and other preparedness activities.

Through this program the Forest Service also assists other Federal agencies and States with planning assistance, sharing joint equipment use contracts, and interagency fire coordination centers. Readiness levels reflect improvements in efficiencies and management controls, including those gained through a centralized aviation services office, as well as management of national shared resources such as: large airtankers, helitankers, hotshot crews, and smokejumpers.

Suppression.—Risk-informed suppression of wildland fires on or threatening NFS lands, Department of the Interior lands, or other lands under fire protection agreements. The Budget request responsibly budgets for wildfires, providing funding at the 10-year average of suppression costs, adjusted for inflation, and includes indirect costs as required by Congress. Suppression, FLAME, and preparedness costs have been realigned to inform accurate costs of initial attack, large complex fires, and readiness. To improve the management of wildland fire resources, the Forest Service will:

— Utilize the Senior Fire Leadership Council to provide executive level oversight and leadership of Wildland Fire Suppression practices.

— Implement key findings from large fire cost reviews.

— Continue implementation of performance improvements including monitoring and analyzing large fire suppression expenditures with the stratified cost index and reducing the number of human-caused ignitions.

— Utilize a risk-informed management response strategy for unplanned ignitions to manage risk, maximize resource utilization, manage loss, and contain costs.

— Implement Phase 1 and Phase 2, and initiate development of Phase 3 of the Cohesive Strategy for Wildland Fire Management.

— Accurately share firefighting costs in the Wildland Urban Interface (WUI) between responding agencies.

— Continue to use the Wildland Fire Decision Support System (WFDSS) to support managers in analyzing risk relative to strategic suppression decisions which affect suppression costs, firefighter and public safety, and impacts to property and resources.

— Utilize an integrated system to procure and allocate firefighting assets that improves the systems for determining the appropriate type and quantity of firefighting assets needed for the fire season or for effectively and efficiently procuring them.

— Place priority on those projects associated with a community wildfire protection plan, or equivalent.

These actions highlight important refinements within the Forest Service wildland fire management program that strengthen oversight and accountability of suppression spending and use risk management principles to guide decision-making at the strategic, program, and operational levels. As part of these efforts, the Forest Service will categorize incidents by risk and apply operational and managerial protocols to guide the risk-informed allocation and use of resources; improve firefighter and community safety; and develop and use credible performance indicators. By identifying and analyzing risk in a systematic fashion, the Forest Service is better equipped to assess wildfire intensity and associated threats posed to lives, improved property, or the environment. This risk-informed fire protection system allows agency administrators the ability to choose from a full spectrum of wildfire management actions and appropriately scale their responses to the risks posed.

Fire Operations—Other.—The Other Fire Operations programs include Hazardous Fuels, National Fire Plan Research and Development, Joint Fire Sciences, State Fire Assistance, and Volunteer Fire Assistance. Funding will focus on treating hazardous fuels in the WUI and highest priority areas, research and technology transfer activities, and providing vital support to assist local communities and State foresters develop firefighting capacity to provide critical preparedness and response actions for communities at risk. State and Volunteer Fire Assistance programs includes funding to enhance the capacity of States to provide effective initial attack and coordinated fire suppression response, reduce hazardous fuels in and adjacent to communities, and purchase and maintain equipment. Funding also supports training, planning, and fire prevention and education programs. The request for Hazardous Fuels provides funding for treatment of hazardous fuels within WUI and highest priority areas of NFS lands and adjacent State and private lands. Treatments for purposes other than community protection (non-Wildland Urban Interface) will be funded through the NFS appropriation.

Hazardous fuel reduction modifies the arrangement of or reduces the volume of naturally occurring flammable vegetation and forest litter. The program includes prescribed burning, mechanical treatments, and other methods. Treatments are designed to alter fire behavior and reduce negative impacts of wildland fires such as erosion or soils that, due to high fire temperatures, shed water rather than absorbing it. Managing forest fuels and increasing the use of fire is necessary to maintain the carbon sequestration capability of NFS lands.

The strategy of focusing treatments on the WUI and highest priority areas will help minimize large, destructive, and costly wildfires, thereby protecting both communities and natural resources, and reducing safety risks to firefighters and the public. In 2014, the Forest Service will continue to use the Hazardous Fuels Prioritization and Allocation (HFPAS) System to allocate funds to the field. Additional modifications to HFPAS will be made as better data and information becomes available. Funding will be prioritized for communities that have identified acres to be treated in Community Wildfire Protection Plans and made an investment in implementing local solutions to protection against wildland fire.

To improve the transparency of funding for forest health and fire assistance, the budget proposes to shift funds for State and

WILDLAND FIRE MANAGEMENT—Continued

Volunteer Fire Assistance from State and Private Forestry to WFM and Federal and Cooperative Forest Health Management from WFM to State and Private Forestry. This allows for the full funding amount to be reflected in a single account.

Object Classification (in millions of dollars)

Identification code 12–1115–0–1–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	475	475	455
11.3	Other than full-time permanent	63	63	63
11.5	Other personnel compensation	283	283	283
11.8	Special personal services payments	51	51	51
11.9	Total personnel compensation	872	872	852
12.1	Civilian personnel benefits	270	270	258
13.0	Benefits for former personnel	36	35	35
21.0	Travel and transportation of persons	50	50	44
22.0	Transportation of things	7	7	7
23.1	Rental payments to GSA	13	13	13
23.2	Rental payments to others	29	29	29
23.3	Communications, utilities, and miscellaneous charges	39	39	39
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	793	675	595
25.3	Other goods and services from Federal sources	214	191	138
25.4	Operation and maintenance of facilities	1	1	1
25.7	Operation and maintenance of equipment	4	4	4
26.0	Supplies and materials	84	82	71
31.0	Equipment	19	19	19
32.0	Land and structures	1	1	1
41.0	Grants, subsidies, and contributions	234	210	212
42.0	Insurance claims and indemnities	1	1	1
99.0	Direct obligations	2,668	2,500	2,320
99.0	Reimbursable obligations	125	175	175
99.9	Total new obligations	2,793	2,675	2,495

Employment Summary

Identification code 12–1115–0–1–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	11,794	11,794	11,291
2001	Reimbursable civilian full-time equivalent employment	39	39	39

FLAME WILDFIRE SUPPRESSION RESERVE FUND

(INCLUDING TRANSFERS OF FUNDS)

For necessary expenses for large fire suppression operations of the Department of Agriculture and as a reserve fund for suppression and Federal emergency response activities, $315,000,000, to remain available until expended: Provided, That such amounts are available only for transfer to the "Wildland Fire Management'' account and only following a declaration by the Secretary that either (1) a wildland fire suppression event meets certain previously established risk-based written criteria for significant complexity, severity, or threat posed by the fire or (2) funds in the "Wildland Fire Management'' account will be exhausted within 30 days.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Program and Financing (in millions of dollars)

Identification code 12–1120–0–1–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Appropriations, discretionary:			
1100	Appropriation	316	317	315
1120	Appropriations transferred to other accts [12–1115]	–315	–317	–315
1130	Appropriations permanently reduced	–1		

The 2014 Budget requests $315,000,000 for the FLAME Wildfire Suppression Reserve Fund, a decrease of $2,311,000 below the 2013 annualized CR level. The FLAME Wildfire Suppression Reserve Fund and the Suppression appropriation fully fund the 10-year average cost of fire suppression obligations, adjusted for inflation. The Secretary may permit transfers from this account to cover severe complex fire events. The Secretary may also transfer funds in the event that USDA has exhausted its suppression resources due to an active fire season.

RANGE BETTERMENT FUND

For necessary expenses of range rehabilitation, protection, and improvement, 50 percent of all moneys received during the prior fiscal year, as fees for grazing domestic livestock on lands in National Forests in the 16 Western States, pursuant to section 401(b)(1) of Public Law 94–579, as amended, to remain available until expended, of which not to exceed 6 percent shall be available for administrative expenses associated with on-the-ground range rehabilitation, protection, and improvements.

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–5207–0–2–302		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	3	3	2
	Receipts:			
0220	Receipts, Cooperative Range Improvements	3	2	3
0400	Total: Balances and collections	6	5	5
	Appropriations:			
0500	Range Betterment Fund	–3	–3	–2
0799	Balance, end of year	3	2	3

Program and Financing (in millions of dollars)

Identification code 12–5207–0–2–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Range betterment fund	2	3	3
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1		1	1
	Budget authority:			
	Appropriations, discretionary:			
1101	Appropriation (special or trust fund)	3	3	2
1160	Appropriation, discretionary (total)	3	3	2
1930	Total budgetary resources available	3	4	3
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	1	1	
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	1		
3010	Obligations incurred, unexpired accounts	2	3	3
3020	Outlays (gross)	–3	–3	–3
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	1		
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	3	3	2
	Outlays, gross:			
4010	Outlays from new discretionary authority	2	2	2
4011	Outlays from discretionary balances	1	1	1
4020	Outlays, gross (total)	3	3	3
4180	Budget authority, net (total)	3	3	2
4190	Outlays, net (total)	3	3	3

The 2014 Budget requests $1,922,000 for the Range Betterment Fund, a decrease of $1,355,000 below the 2013 annualized CR level. This program emphasizes essential structural and non-structural improvements prescribed in grazing allotment National

Environmental Policy Act decision documents. Treatment of invasive plant species related to permitted livestock use continues to be a priority for non-structural rangeland improvement work. Fifty percent of grazing fees from National Forests in the 16 western States, once appropriated, are used to protect and improve rangeland productivity primarily through revegetation, construction and reconstruction, and maintenance of improvements under authority of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1751), as amended.

Object Classification (in millions of dollars)

Identification code 12–5207–0–2–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	1	1	1
26.0	Supplies and materials	1	2	2
99.9	Total new obligations	2	3	3

Employment Summary

Identification code 12–5207–0–2–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	8	8	7

STEWARDSHIP CONTRACTING PRODUCT SALES

Program and Financing (in millions of dollars)

Identification code 12–5540–0–2–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Stewardship contracting	7	12	2
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	8	12	10
1021	Recoveries of prior year unpaid obligations	1		
1050	Unobligated balance (total)	9	12	10
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	10	10	
1260	Appropriations, mandatory (total)	10	10	
1930	Total budgetary resources available	19	22	10
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	12	10	8
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	9	7	8
3010	Obligations incurred, unexpired accounts	7	12	2
3020	Outlays (gross)	–8	–11	–5
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	7	8	5
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	9	7	8
3200	Obligated balance, end of year	7	8	5
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	10	10	
	Outlays, gross:			
4100	Outlays from new mandatory authority		5	
4101	Outlays from mandatory balances	8	6	5
4110	Outlays, gross (total)	8	11	5
4180	Budget authority, net (total)	10	10	
4190	Outlays, net (total)	8	11	5

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	10	10	
Outlays	8	11	5
Legislative proposal, subject to PAYGO:			
Budget Authority			10
Outlays			5
Total:			
Budget Authority	10	10	10
Outlays	8	11	10

Stewardship Contracting.—The Forest Service may enter into stewardship projects via agreement or contract to perform services to achieve land management goals and meet local and rural community needs. Stewardship contracting enables the Forest Service to apply the value of timber or other forest products from stewardship sales as an offset against the costs to accomplish land and resource management objectives. If the offset value exceeds the value of the resource improvement treatments, those receipts are retained and deposited in the Stewardship Contracting Fund and are available until expended for other authorized stewardship projects (16 U.S.C. 2104 note). The Budget proposes permanent reauthorization of stewardship contracting. The current authority expires at the end of 2013.

Object Classification (in millions of dollars)

Identification code 12–5540–0–2–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.2	Other services from non-Federal sources	6	11	2
41.0	Grants, subsidies, and contributions	1	1	
99.9	Total new obligations	7	12	2

STEWARDSHIP CONTRACTING PRODUCT SALES

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–5540–4–2–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Stewardship contracting			10
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)			10
1260	Appropriations, mandatory (total)			10
1930	Total budgetary resources available			10
	Change in obligated balance:			
	Unpaid obligations:			
3010	Obligations incurred, unexpired accounts			10
3020	Outlays (gross)			–5
3050	Unpaid obligations, end of year			5
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			5
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			10
	Outlays, gross:			
4100	Outlays from new mandatory authority			5
4180	Budget authority, net (total)			10
4190	Outlays, net (total)			5

Object Classification (in millions of dollars)

Identification code 12–5540–4–2–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
25.2	Other services from non-Federal sources			9
41.0	Grants, subsidies, and contributions			1
99.9	Total new obligations			10

LAND ACQUISITION

For expenses necessary to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460l-4 through 11), including administrative expenses, and for acquisition of land or waters, or interest therein, in accordance with statutory authority applicable to the Forest Service, $57,984,000, to be derived from the Land and Water Conservation Fund and to remain available until expended.

ACQUISITION OF LANDS FOR NATIONAL FORESTS SPECIAL ACTS

For acquisition of lands within the exterior boundaries of the Cache, Uinta, and Wasatch National Forests, Utah; the Toiyabe National Forest, Nevada; and the Angeles, San Bernardino, Sequoia, and Cleveland National Forests, California, as authorized by law, $912,000, to be derived from forest receipts.

ACQUISITION OF LANDS TO COMPLETE LAND EXCHANGES

For acquisition of lands, such sums, to be derived from funds deposited by State, county, or municipal governments, public school districts, or other public school authorities, and for authorized expenditures from funds deposited by non-Federal parties pursuant to Land Sale and Exchange Acts, pursuant to the Act of December 4, 1967, as amended (16 U.S.C. 484a), to remain available until expended (16 U.S.C. 460l-516–617a, 555a; Public Law 96–586; Public Law 76–589, 76–591; and Public Law 78–310).

Note.—A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Resolution, 2013 (P.L. 112–175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–9923–0–2–302		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	2	6	7
	Adjustments:			
0190	Adjustment - small receipt balances were missing.	4		
0199	Balance, start of year	6	6	7
	Receipts:			
0220	Deposits, Acquisitions of Lands for National Forests, Special Acts	1	1	1
0221	Land Acquisition Proceeds for Exchanges, Acquisition of Lands to Complete Land Exchanges	5	45	22
0222	Facility Realignment and Enhancement Receipts, Acquisition of Lands to Complete Land Exchanges		1	1
0299	Total receipts and collections	6	47	24
0400	Total: Balances and collections	12	53	31
	Appropriations:			
0500	Land Acquisition	–1	–1	–1
0501	Land Acquisition	–5	–45	–22
0599	Total appropriations	–6	–46	–23
0799	Balance, end of year	6	7	8

Program and Financing (in millions of dollars)

Identification code 12–9923–0–2–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Land Acquisition (12X5004 LALW) Discretionary	45	64	64
0002	Land Facilities Enchancement (12X5216 EXSC/SL) Mandatory	4	28	30
0003	Land Acquisition - Special Acts (12Y5208) Discretionary	1	1	1
0900	Total new obligations	50	93	95
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	48	38	64
1001	Discretionary unobligated balance brought fwd, Oct 1	17	27	
1021	Recoveries of prior year unpaid obligations	1		
1050	Unobligated balance (total)	49	38	64
	Budget authority:			
	Appropriations, discretionary:			
1101	Appropriation: Land Acquisition (12X5004)	53	53	58
1101	Appropriation: Special Acts (12Y5208)	1	1	1
1120	Appropriations transferred to other accts [12–1115]	–20		
1121	Appropriations transferred from other accts [12–1115]		20	
1160	Appropriation, discretionary (total)	34	74	59
	Appropriations, mandatory:			
1201	Appropriation (12X5216 EXSC EXSL)	5	45	22
1260	Appropriations, mandatory (total)	5	45	22
1900	Budget authority (total)	39	119	81
1930	Total budgetary resources available	88	157	145
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	38	64	50
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	17	12	23
3010	Obligations incurred, unexpired accounts	50	93	95
3020	Outlays (gross)	–54	–82	–85
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	12	23	33
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	17	12	23
3200	Obligated balance, end of year	12	23	33
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	34	74	59
	Outlays, gross:			
4010	Outlays from new discretionary authority	39	56	44
4011	Outlays from discretionary balances	10	14	25
4020	Outlays, gross (total)	49	70	69
	Mandatory:			
4090	Budget authority, gross	5	45	22
	Outlays, gross:			
4100	Outlays from new mandatory authority		9	4
4101	Outlays from mandatory balances	5	3	12
4110	Outlays, gross (total)	5	12	16
4180	Budget authority, net (total)	39	119	81
4190	Outlays, net (total)	54	82	85

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	39	119	81
Outlays	54	82	85
Legislative proposal, subject to PAYGO:			
Budget Authority			34
Outlays			26
Total:			
Budget Authority	39	119	115
Outlays	54	82	111

The 2014 Budget requests $59,113,000 for the Land Acquisition accounts, an increase of $5,083,000 above the 2013 annualized CR level. This heading consolidates land acquisition authorities for acquisition of lands, waters, or interest therein, as authorized by law. Consistent with the President's commitment to the America's Great Outdoors Initiative, the Budget will provide funding for land acquisition through the Land and Water Conservation Fund to support the acquisition of high-priority forests and grasslands. The 2014 Federal Land Acquisition program builds on efforts started in 2012 and 2013 to strategically invest in interagency landscape-scale conservation projects while continuing to meet agency-specific programmatic needs. The Department of the Interior and the U.S. Forest Service collaborated extensively to develop a process to more effectively coordinate land acquisitions with government and local community partners to achieve the highest priority shared conservation goals.

Land Acquisition.—Lands and other interests are acquired adjacent to areas of the National Forest System for such purposes as outdoor recreation, wilderness management, wildlife habitat conservation, watershed protection and enhancement, resource management, and land consolidation.

Mandatory Land and Water Conservation Fund.—The Administration proposes to permanently authorize annual mandatory funding, without further appropriation or fiscal year limitation for Departments of Agriculture and the Interior Land and Water Conservation Fund programs beginning in fiscal year 2014.

Acquisition of Lands for National Forests, Special Acts.—To acquire lands within critical watersheds to provide soil stabilization and restoration of vegetation. Public Laws 76–589, 76–591 and 78–310 (54 Stat. 297, 298, 299, and 402; and 58 Stat. 227–228) authorize appropriations for the purchase of lands to minimize erosion and flood damage to critical watersheds within the following National Forests: the Cache, Uinta, and Wasatch, Utah; the Toiyabe, Nevada; and the Angeles, Cleveland, San Bernardino, and Sequoia, California. Appropriations are made from receipts on these national forests.

Acquisition of Lands to Complete Land Exchanges.—Deposits are made by State, county, or municipal governments, public school authorities, or non-Federal parties and are used to acquire lands for National Forest System purposes or for other authorized purposes.

Land Facilities Enhancement Fund.—This fund includes the Conveyance of Administrative Sites Program and the Sites Specific Lands Acts Program. These programs enable specific national forests to convey land or facilities and use the proceeds to acquire, construct, or improve land and facilities within the same national forest or State. They also provide for the realignment of the agency's facility portfolio by providing an incentive for local managers to liquidate obsolete or underutilized assets and reinvest in assets that best support the agency's mission (U.S.C. 590d note).

Object Classification (in millions of dollars)

Identification code 12–9923–0–2–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
11.1	Personnel compensation: Full-time permanent	5	5	5
12.1	Civilian personnel benefits	2	2	2
25.2	Other services from non-Federal sources	1	2	2
25.3	Other goods and services from Federal sources	1	2	2
25.7	Operation and maintenance of equipment	1	2	2
32.0	Land and structures	39	80	82
99.0	Direct obligations	49	93	95
99.5	Below reporting threshold	1		
99.9	Total new obligations	50	93	95

Employment Summary

Identification code 12–9923–0–2–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	71	72	72
3001	Allocation account civilian full-time equivalent employment	131	131	131

Land Acquisition

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–9923–4–2–302		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1221	Appropriations transferred from other accts [14–5005]			34
1260	Appropriations, mandatory (total)			34
1900	Budget authority (total)			34
1930	Total budgetary resources available			34
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year			34
	Change in obligated balance:			
	Unpaid obligations:			
3020	Outlays (gross)			–26
3050	Unpaid obligations, end of year			–26
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			–26
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			34
	Outlays, gross:			
4100	Outlays from new mandatory authority			26
4180	Budget authority, net (total)			34
4190	Outlays, net (total)			26

Forest Service Permanent Appropriations

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	67	143	189
	Receipts:			
0220	National Forests Fund	–2		
0221	National Forests Fund, Payments to States	113	70	70
0222	National Forests Fund, Payments to States			61
0223	Timber Roads, Purchaser Elections	4	2	2
0224	National Forests Fund, Roads and Trails for States	19		18
0225	Timber Salvage Sales	25	20	19
0226	Deposits, Brush Disposal	9	9	9
0227	Rents and Charges for Quarters, Forest Service	8	9	9
0228	Timber Sales Pipeline Restoration Fund	8	7	7
0229	Recreational Fee Demonstration Program, Forest Service	67	68	68
0230	Midewin National Tallgrass Prairie Rental Fees	1	1	1
0231	Charges, User Fees, and Natural Resource Utilization, Land between the Lakes, Forest Service	4	4	4
0232	Administration of Rights-of-way and Other Land Uses	2	2	2
0233	Miscellaneous Collections, Valles Caldera Fund	1	1	1
0234	Funds Retained, Stewardship Contracting Product Sales	10	10	
0235	Funds Retained, Stewardship Contracting Product Sales			10
0236	National Grasslands	104	80	80
0237	Miscellaneous Special Funds, Forest Service	63	40	15
0299	Total receipts and collections	436	323	376
0400	Total: Balances and collections	503	466	565
	Appropriations:			
0500	Stewardship Contracting Product Sales	–10	–10	
0501	Stewardship Contracting Product Sales			–10
0502	Forest Service Permanent Appropriations	–350	–267	–245
0503	Forest Service Permanent Appropriations			–61
0599	Total appropriations	–360	–277	–316
0799	Balance, end of year	143	189	249

Program and Financing (in millions of dollars)

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Brush disposal (5206)	7	9	9
0002	Restoration of Forest Lands and Improvements (5215)	14	40	40
0003	Recreation fee demonstration / enhancement programs (5268)	62	76	76
0004	Timber Roads - Purchaser Election program (5202)	1	2	2
0005	Timber Salvage Sale program (5204)	23	21	19
0006	Timber Pipeline Restoration fund (includes forest botanical products) (5264)	5	8	8
0007	Resource Management Timber Receipts (5220)	2		
0008	Midewin Tallgrass Prairie funds (5277)	1	1	1
0009	Operation and maintenance of quarters (5219)	7	10	10
0010	Land between the lakes management fund (5360)	4	4	4
0011	Valles Caldera fund (5363)	1	1	1
0012	Administration of rights-of-way and other land uses (5361 - URRF, URMN)	1	2	2
0013	Payment to States - National Forest Fund (5201)	137	129	64
0014	Payment to States - transfers from Treasury (1117)	225	207	
0015	Payments to Minnesota (5213)	6	6	6
0016	Payments to Counties - National Grasslands (5896)	23	20	20
0799	Total direct obligations	519	536	262
0801	Admin rights of way - Reimbursable program (5361 - URMJ)	5	8	8
0900	Total new obligations	524	544	270
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	601	484	545

FOREST SERVICE PERMANENT APPROPRIATIONS—Continued

Program and Financing—Continued

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
1010	Unobligated balance transfer to other accts [12–1115]	–175		
1021	Recoveries of prior year unpaid obligations	2		
1050	Unobligated balance (total)	428	484	545
	Budget authority:			
	Appropriations, discretionary:			
1130	Appropriations permanently reduced		–12	–18
1160	Appropriation, discretionary (total)		–12	–18
	Appropriations, mandatory:			
1200	Appropriation	225	207	
1201	Appropriation (special or trust fund)	350	267	245
1221	Appropriations transferred from other accts [12–1115]		135	
1260	Appropriations, mandatory (total)	575	609	245
	Spending authority from offsetting collections, mandatory:			
1800	Collected	5	8	8
1850	Spending auth from offsetting collections, mand (total)	5	8	8
1900	Budget authority (total)	580	605	235
1930	Total budgetary resources available	1,008	1,089	780
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	484	545	510
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	84	77	42
3010	Obligations incurred, unexpired accounts	524	544	270
3020	Outlays (gross)	–529	–579	–305
3040	Recoveries of prior year unpaid obligations, unexpired	–2		
3050	Unpaid obligations, end of year	77	42	7
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	84	77	42
3200	Obligated balance, end of year	77	42	7
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross		–12	–18
	Outlays, gross:			
4010	Outlays from new discretionary authority		–12	–18
	Mandatory:			
4090	Budget authority, gross	580	617	253
	Outlays, gross:			
4100	Outlays from new mandatory authority	232	525	216
4101	Outlays from mandatory balances	297	66	107
4110	Outlays, gross (total)	529	591	323
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–5	–8	–8
4180	Budget authority, net (total)	575	597	227
4190	Outlays, net (total)	524	571	297
	Memorandum (non-add) entries:			
5000	Total investments, SOY: Federal securities: Par value			3
5001	Total investments, EOY: Federal securities: Par value		3	3

Summary of Budget Authority and Outlays (in millions of dollars)

	2012 actual	2013 CR	2014 est.
Enacted/requested:			
Budget Authority	575	597	227
Outlays	524	571	297
Legislative proposal, subject to PAYGO:			
Budget Authority			248
Outlays			211
Total:			
Budget Authority	575	597	475
Outlays	524	571	508

Brush Disposal.—Funds from payments by purchasers of National Forest timber to dispose of or treat slash and other debris that result from cutting operations (16 U.S.C. 490).

Restoration of Forestlands and Improvements.—Funds from claim settlements involving damage to lands or improvements and from forfeiture of deposits and bonds by permittees and timber purchasers are used for the restoration made necessary by the action which led to the settlement of forfeiture (16 U.S.C. 579c).

Recreation Fees, Forest Service (also referred to as the Federal Lands Recreation Enhancement Fund).—The Secretary may implement a fee program for certain recreation sites on Federal lands. Fees collected from users of recreation facilities are used to pay for on-the-ground operation, maintenance, and improvements of recreation sites and services to maintain and enhance recreation opportunities, visitor experiences, and related habitat. (16 U.S.C. 6806 and 6807, P.L. 108–447, Div. J, [title VIII, Sec. 807 and Sec. 808] Dec. 8, 2004, 118 Stat. 3388). The Administration proposes to permanently reauthorize the Departments of Agriculture and the Interior recreation fee program under the Federal Lands Recreation Enhancement Act, which is set to expire on December 8, 2014.

Timber Purchaser Election Roads Construction.—Funds from timber receipts for Government-constructed permanent roads for purchasers of timber who qualify as small businesses and elect to have the Forest Service construct the roads designated under the timber sale contract (16 U.S.C. 472a(i)).

Timber Salvage Sales.—Funds are used for salvage of insect-infested, dead, damaged, or down timber, and to remove associated trees for stand improvement (16 U.S.C. 472a(h)).

Timber Sales Pipeline Restoration Fund.—Funds are used for restoring the timber pipeline and funding the backlog of recreation projects on National Forest System lands. This fund includes Forest Botanical Products fees (P.L. 104–134, Sec. 101 (c), [Title III Sec. 327], April 26, 1996, 110 Stat. 1321–206 and 207)

Forest Botanical Products.—Fees are assessed based on the fair market value for the sale of forest botanical products. The fees cover the costs of analyzing, granting, modifying, and monitoring the harvest of these products; the determination of sustainable harvest levels; and the establishment of personal use levels for which fees would not be collected (16 U.S.C. 528 note).

Midewin National Tallgrass Prairie funds.—Funds collected through user and rental fees can be used as follows:

Midewin National Tallgrass Prairie Rental Fees.—Monies received under a special use authorization are available to cover the cost to the United States of prairie improvement work at the Midewin National Tallgrass Prairie (Public Law 104–106, Div. B, [Title XXIX, sec. 2915 (b), (c)], Feb. 10, 1996, 110 Stat. 601).

Midewin National Tallgrass Prairie Restoration Fund.—Monies received from user fees and the salvage value proceeds from sale of any facilities and improvements are available to cover the costs of restoration and administrative activities. (Public Law 104–106, Div. B, [Title XXIX, sec. 2915 (d), (e), and (f)], Feb. 10, 1996, 110 Stat. 601).

Operation and Maintenance of Quarters.—Quarters rental deductions are collected from employees occupying Forest Service housing facilities. Amounts are deposited into a special fund and are available for the maintenance and operation of employee-occupied quarters (5 U.S.C. 5911).

Land between the Lakes Management Fund.—Under the Land between the Lakes Protection Act of 1998, all amounts received from charges, user fees and natural resource use on the Land between the Lakes National Recreation Area (LBLNRA) are deposited into this fund. The funds are available for the management of the LBLNRA, including payments, salaries, and expenses (16 U.S.C. 460lll-24) (P.L. 105–277, div. A, Sec. 101(e) [title V, Sec. 524], Oct. 21, 1998, 112 Stat. 2681–315).

Valles Caldera Fund.—Funds authorized under the Valles Caldera Preservation Act (Public Law 106–248) are available without further appropriation for any purpose consistent with the purposes of the Act. All monies received from donations under subsection (g) or from the management of the Preserve are available for the administration, preservation, restoration, operation and maintenance, improvement, repair, and related expenses incurred with respect to properties under its management jurisdiction (16 U.S.C. 698v-4, 698v-6).

Administration of Rights-of-Way (Cost Recovery Lands Minor Projects) and Other Land Uses.—Fees collected from applicants and holders of special use authorizations are available to pay for processing applications and monitoring compliance with special use authorizations. Flat fees are assessed for permits that require less than 50 hours of agency time to process or monitor. (31 U.S.C. 9701; 43 U.S.C. 1764(g); 30 U.S.C. 815(1); P.L. 82137; P.L. 66146; P.L. 94579; 113 Stat. 1501A-196197 as amended by 118 Stat. 3105; 119 Stat. 555 and P.L. 110161; 16 U.S.C. 46016d; 117 Stat. 294297). In addition to the Cost Recovery Lands Minor Projects, this fund also includes:

Commercial Filming.—The Act of May 26, 2000 permits the collection and use of fees from commercial filming and still photography permits. (16 U.S.C. 460l-6d) (P. L. 106–206).

Organizational Camps.—The National Forest Organizational Camp Fee Improvement Act of 2003 permits the collection of land use fees from organizational camps located on national forests. (16 U.S.C. 6231 et seq.) (P.L. 108–7).

Administration of Rights-of-Way Reimbursable Program (Cost Recovery Lands Major Projects).—See description of Administration of Rights-of-Way above. (31 U.S.C. 9701; 43 U.S.C. 1764(g); 30 U.S.C. 815(1); P.L. 82137; P.L. 66146; P.L. 94579; 113 Stat. 1501A-196197 as amended by 118 Stat. 3105; 119 Stat. 555 and P.L. 110161; 16 U.S.C. 46016d; 117 Stat. 294297).

Payments to States.—The Secure Rural Schools and Community Self-Determination Act of 2000 (SRS Act), P.L. 106–393, was enacted to provide for transitional assistance to rural counties affected by the decline in revenue from timber harvests on federal lands. The last payment authorized under P.L. 106–393 was for 2006. Section 601 of Division C of P.L. 110–343 amended and reauthorized the SRS Act (P.L. 106–393) through 2011, and P.L. 112–141 reauthorized the program through 2012. The SRS Act, as amended, retains the original title. The amended SRS Act was similar to P.L. 106–393, although it is structured to phase out payments. The amended Act is no longer authorized at the end of 2012 with the last payment being issued in 2013.

If the SRS Act is not reauthorized, States will revert to the Payments to States Act of 1908, as amended (16 U.S.C. 500). This Act requires with a few exceptions, that 25 percent of all monies received from the national forests and deposited into the National Forest Fund during a fiscal year from timber, grazing, special-use permits, power and mineral leases, and admission and user fees be paid to the States in which the national forests are located, for public schools and public roads in the county or counties in which the national forests are situated.

The Budget reflects a five-year reauthorization, starting in 2013, of the Secure Rural Schools Act with funding through mandatory appropriations. This SRS proposal revises the allocation split between the three portions of the program from the current authority emphasizing enhancement of forest ecosystems, restoration and improvement of land health and water quality and the increase of economic activity. The 2014 payment is proposed to be $278 million.

Payment to Minnesota.—At the close of each fiscal year, the State of Minnesota is paid 0.75 percent of the appraised value of certain Superior National Forest lands in the counties of Cook Lake and St. Louis for distribution to these counties (16 U.S.C. 577g).

Payments to Counties, National Grasslands.—This program provides an annual payment to counties in which Title III-Bankhead-Jones Acquired Lands are located for funding public schools and roads. Of the net revenues for use of Title III Bankhead-Jones Farm Tenant Act lands, 25 percent is paid to the counties in which such lands are located for public school and road purposes (7 U.S.C. 1012).

Roads and Trails (10 Percent) Fund.—Under this fund, 10 percent of all national forest receipts are used by the Forest Service to repair or reconstruct roads, bridges, and trails on NFS lands. Funds are directed towards correcting road and trail deficiencies that adversely affect ecosystems. Beginning in 1999 , the authority was expanded to allow the use of funds for the purpose of improving forest health conditions, and repairing or reconstructing roads and bridges on NFS lands in the wildland-urban interface where there is an abnormally high risk of fire. (16 U.S.C. 501). Refer to the Capital Improvement and Maintenance appropriation for details of activities funded for roads and trails. Since 2008, Congress directed that funds becoming available under the Act of March 4, 1913, be transferred to Treasury.

Licensee Program.—Funds from fees for the use of characters by private enterprises are collected under regulations promulgated by the Secretary. Funds collected and used annually are less than $1 million. The licensee program includes the following:

Smokey Bear.—For furthering the nationwide forest fire prevention campaign (16 U.S.C. 580p(2)).

Woodsy Owl.—For promoting wise use of the environment and programs which foster maintenance and improvement of environmental quality (16 U.S.C. 580p(1)).

Quinault Special Management Area.—The Act of November 8, 1988 assigns responsibility to the Forest Service for managing the natural resources and distributing proceeds from the sale of forest products in the Quinault Special Management Area of the Olympic National Forest. Receipts from use of this land are divided between the State of Washington (45 percent), the Quinault Tribe (45 percent) and the Quinault Special Management Area fund (10 percent) for use by the Olympic National Forester to administer future timber sales. Funds collected and used annually are less than $1 million (P.L 100–638) (102 Stat. 3327).

Hardwood Technology Transfer and Applied Research Fund.—The Hardwood Technology Transfer and Applied Research fund allows for funds to be collected from leasing the Wood Education and Research Center (WERC) wood shop and rough mill under a special use permit. These funds are available for the management and operation of the WERC and the payment of salaries and expenses. Funds collected and used annually are less than $1 million (P.L. 106–113, div. B, 1000(a)(3) [Title III, 332], Nov. 29, 1999, 113 Stat. 1535, 1501A197).

Object Classification (in millions of dollars)

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	44	44	42
11.3	Other than full-time permanent	12	12	12
11.5	Other personnel compensation	4	4	4
11.9	Total personnel compensation	60	60	58
12.1	Civilian personnel benefits	17	17	16
13.0	Benefits for former personnel	2	2	1
21.0	Travel and transportation of persons	2	2	2
22.0	Transportation of things	1	1	1
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	4	4	4
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	48	51	19

FOREST SERVICE PERMANENT APPROPRIATIONS—Continued

Object Classification—Continued

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
25.3	Other goods and services from Federal sources	8	9	4
25.7	Operation and maintenance of equipment	1	1	1
26.0	Supplies and materials	8	8	8
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	362	376	144
42.0	Insurance claims and indemnities	2	2	1
99.0	Direct obligations	518	536	262
99.0	Reimbursable obligations	5	8	8
99.5	Below reporting threshold	1		
99.9	Total new obligations	524	544	270

Employment Summary

Identification code 12–9921–0–2–999		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	1,243	1,400	1,182
2001	Reimbursable civilian full-time equivalent employment	48	68	68

FOREST SERVICE PERMANENT APPROPRIATIONS

(Legislative proposal, subject to PAYGO)

Program and Financing (in millions of dollars)

Identification code 12–9921–4–2–999		2012 actual	2013 CR	2014 est.
	Budgetary Resources:			
	Budget authority:			
	Appropriations, mandatory:			
1200	Appropriation (SRS Warrant)			196
1201	Appropriation (special or trust fund)			61
1230	Appropriations and/or unobligated balance of appropriations permanently reduced (Purchaser Elect pay for Stewardship)			–9
1260	Appropriations, mandatory (total)			248
1930	Total budgetary resources available			248
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year			248
	Change in obligated balance:			
	Unpaid obligations:			
3020	Outlays (gross)			–211
3050	Unpaid obligations, end of year			–211
	Memorandum (non-add) entries:			
3200	Obligated balance, end of year			–211
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross			248
	Outlays, gross:			
4100	Outlays from new mandatory authority			211
4180	Budget authority, net (total)			248
4190	Outlays, net (total)			211

WORKING CAPITAL FUND

Program and Financing (in millions of dollars)

Identification code 12–4605–0–4–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0801	Working capital fund	237	245	245
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	134	142	142
1021	Recoveries of prior year unpaid obligations	1		
1050	Unobligated balance (total)	135	142	142
	Budget authority:			
	Spending authority from offsetting collections, discretionary:			
1700	Collected	243	245	245
1701	Change in uncollected payments, Federal sources	1		
1750	Spending auth from offsetting collections, disc (total)	244	245	245
1930	Total budgetary resources available	379	387	387
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	142	142	142
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	45	45	18
3010	Obligations incurred, unexpired accounts	237	245	245
3020	Outlays (gross)	–236	–272	–256
3040	Recoveries of prior year unpaid obligations, unexpired	–1		
3050	Unpaid obligations, end of year	45	18	7
	Uncollected payments:			
3060	Uncollected pymts, Fed sources, brought forward, Oct 1	–1	–2	–2
3070	Change in uncollected pymts, Fed sources, unexpired	–1		
3090	Uncollected pymts, Fed sources, end of year	–2	–2	–2
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	44	43	16
3200	Obligated balance, end of year	43	16	5
	Budget authority and outlays, net:			
	Discretionary:			
4000	Budget authority, gross	244	245	245
	Outlays, gross:			
4010	Outlays from new discretionary authority	197	208	208
4011	Outlays from discretionary balances	39	64	48
4020	Outlays, gross (total)	236	272	256
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4030	Federal sources	–241	–243	–243
4033	Non-Federal sources	–2	–2	–2
4040	Offsets against gross budget authority and outlays (total)	–243	–245	–245
	Additional offsets against gross budget authority only:			
4050	Change in uncollected pymts, Fed sources, unexpired	–1		
4080	Outlays, net (discretionary)	–7	27	11
4190	Outlays, net (total)	–7	27	11

The Working Capital Fund is a self-sustaining revolving fund that provides services to national forests, to research experiment stations, to other Federal agencies when necessary, to State and private agencies as provided by law, and to persons who cooperate with the Forest Service in fire control and other authorized programs. Forestry-related supply and support services include:

Equipment Services.—The Fund owns, operates, maintains, replaces, and repairs common-use, motor-driven, and similar equipment. This equipment is rented to administrative units, that is, national forests, research experiment stations, and other units, and, in some cases, to other agencies, at rates which recover the cost of operation, repair and maintenance, management, and depreciation. The rates also include an increment which provides additional cash which, when added to depreciation earnings and the residual value of equipment, provides sufficient funds to replace the equipment. The Budget includes Forest Service implementation, in conjunction with the General Services Administration, of a vehicle allocation methodology that analyzes fleet vehicle effectiveness, cost to serve, life cycle costs, vehicle pooling, procurement practices, and reduction of operating costs.

Aircraft Services.—The Fund operates, maintains, and repairs Forest Service-owned aircraft used in fire surveillance and suppression and in other Forest Service programs. The aircraft are rented to national forests, research experiment stations, and in some cases to other agencies, at rates which recover the cost of depreciation, operation, maintenance, repair, and improvements in the airworthiness of the aircraft. Aircraft replacement costs are financed from either appropriated funds or the Forest Service Working Capital Fund, or a combination of both.

Supply Services.—The fund operates the following common services, and provides for cost-recovery of Working Capital Fund Program Management: photo reproduction laboratories that store, reproduce, and supply aerial photographs, aerial maps, and other photographs of national forest lands. Photographic reproductions are sold to national forests, research experiment stations, and others at cost. Sign shops that manufacture and supply special signs for the national forests for use in regulating traffic and as information to the public and other users of the national forests. Signs are sold to national forests and research experiment stations at cost.

Nurseries.—The fund operates seed supply services that provide tree seeds for direct seeding or sowing in nurseries for the production of trees. Activities include purchase or collection of cones, extraction of seeds, cleaning and testing, and storage and delivery. The fund operates in conjunction with forest tree nurseries and cold storage facilities for storage of tree seedlings. Tree seedlings are sold to national forests, State foresters, and other cooperators at cost.

Object Classification (in millions of dollars)

Identification code 12–4605–0–4–302		2012 actual	2013 CR	2014 est.
	Reimbursable obligations:			
	Personnel compensation:			
11.1	Full-time permanent	37	37	37
11.3	Other than full-time permanent	2	2	2
11.5	Other personnel compensation	3	3	3
11.9	Total personnel compensation	42	42	42
12.1	Civilian personnel benefits	13	13	13
21.0	Travel and transportation of persons	2	2	2
22.0	Transportation of things	1	1	1
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	2	2	2
24.0	Printing and reproduction	1	1	1
25.2	Other services from non-Federal sources	12	14	14
25.3	Other goods and services from Federal sources	3	3	3
25.7	Operation and maintenance of equipment	18	19	19
26.0	Supplies and materials	72	75	75
31.0	Equipment	70	72	72
99.9	Total new obligations	237	245	245

Employment Summary

Identification code 12–4605–0–4–302		2012 actual	2013 CR	2014 est.
2001	Reimbursable civilian full-time equivalent employment	658	658	658

Trust Funds

Forest Service Trust Funds

Special and Trust Fund Receipts (in millions of dollars)

Identification code 12–9974–0–7–302		2012 actual	2013 CR	2014 est.
0100	Balance, start of year	....	....	....
	Receipts:			
0200	Transfers from General Fund of Amounts Equal to Certain Customs Duties, Reforestation Trust Fund	30	30	30
0220	Forest Service Cooperative Fund	72	73	77
0240	General Fund Payment from Wildland Fire Management, Forest Service Cooperative Fund	....	160	....
0299	Total receipts and collections	102	263	107
0400	Total: Balances and collections	102	263	107
	Appropriations:			
0500	Forest Service Trust Funds	–102	–103	–107
0501	Forest Service Trust Funds	....	–160	....
0599	Total appropriations	–102	–263	–107
0799	Balance, end of year	....	....	....

Program and Financing (in millions of dollars)

Identification code 12–9974–0–7–302		2012 actual	2013 CR	2014 est.
	Obligations by program activity:			
0001	Cooperative work trust fund (8028 - CWKV/K2)	219	74	70
0002	Cooperative work advance payments (8028 - CWF2)	12	14	18
0003	Reforestation trust fund (8046 - RTRT)	29	30	30
0799	Total direct obligations	260	118	118
0801	Reimbursable program-coop work other (8028 - CWFS)	27	60	60
0900	Total new obligations	287	178	178
	Budgetary Resources:			
	Unobligated balance:			
1000	Unobligated balance brought forward, Oct 1	353	194	335
1021	Recoveries of prior year unpaid obligations	1	....	....
1050	Unobligated balance (total)	354	194	335
	Budget authority:			
	Appropriations, mandatory:			
1201	Appropriation (special or trust fund)	102	103	107
1201	Appropriation (General Fund Repayment from Wildfire Management)	....	160	....
1260	Appropriations, mandatory (total)	102	263	107
	Spending authority from offsetting collections, mandatory:			
1800	Collected (CWFS)	25	56	56
1850	Spending auth from offsetting collections, mand (total)	25	56	56
1900	Budget authority (total)	127	319	163
1930	Total budgetary resources available	481	513	498
	Memorandum (non-add) entries:			
1941	Unexpired unobligated balance, end of year	194	335	320
	Change in obligated balance:			
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, Oct 1	42	41	....
3010	Obligations incurred, unexpired accounts	287	178	178
3020	Outlays (gross)	–287	–219	–178
3040	Recoveries of prior year unpaid obligations, unexpired	–1	....	....
3050	Unpaid obligations, end of year	41	....	....
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year	42	41	....
3200	Obligated balance, end of year	41	....	....
	Budget authority and outlays, net:			
	Mandatory:			
4090	Budget authority, gross	127	319	163
	Outlays, gross:			
4100	Outlays from new mandatory authority	39	177	99
4101	Outlays from mandatory balances	248	42	79
4110	Outlays, gross (total)	287	219	178
	Offsets against gross budget authority and outlays:			
	Offsetting collections (collected) from:			
4123	Non-Federal sources	–25	–56	–56
4180	Budget authority, net (total)	102	263	107
4190	Outlays, net (total)	262	163	122
	Memorandum (non-add) entries:			
5000	Total investments, SOY: Federal securities: Par value	....	....	6
5001	Total investments, EOY: Federal securities: Par value	....	6	6

Cooperative Work Trust Fund-Knutsen Vandenberg.—Funds, including deposits from purchasers of timber, are received and used for specified work in forest investigations, protection, and improvement of the National Forest System, including protection, reforestation, and administration of private lands adjacent to National Forests (7 U.S.C. 2269; 16 U.S.C. 498, 535, 572, 572a, 576b, 1643; and 31 U.S.C. 1321).

Cooperative Work Trust Fund-Advanced Payments (Non-Agreement Based).—This fund is used to collect deposits received from partners and cooperators for protecting and improving resources of the National Forest System as authorized by permits or sale contracts. Under this fund deposits from multiple contributors can be pooled; the majority of these pooled collections are not subject to refunds, in accordance with the provisions of the respective authorizing instrument. Deposit funds support a wide variety of activities that benefit and support programs in Forest

FOREST SERVICE TRUST FUNDS—Continued

and Rangeland Research, on National Forest System lands, and for other agency activities. There are multiple statutes that authorize this fund including 16 U.S.C. 572 and 31 U.S.C. 1321.

Reforestation Trust Fund.—Amounts from this account are used for reforestation and timber stand improvement (16 U.S.C. 1606a(d)).

Cooperative Work Trust Fund-Reimbursable Program (Agreement Based).—This fund is used to collect deposits received from partners and cooperators for protecting and improving resources of the National Forest System as authorized by cooperative agreements. Deposit funds support a wide variety of activities that benefit and support programs in Forest and Rangeland Research, on National Forest System lands, and for other agency activities. There are multiple statutes that authorize this fund including 16 U.S.C. 498, 16 U.S.C. 532–537, and 31 U.S.C. 1321.

Land between the Lakes Trust Fund.—Interest earned from funds transferred by the Tennessee Valley Authority is available for public education, grants, recreation internships, conservation and multiple-use management of the Land between the Lakes. Funds collected and used annually are less than $1 million (16 U.S.C. 460lll-31).

Object Classification (in millions of dollars)

Identification code 12–9974–0–7–302		2012 actual	2013 CR	2014 est.
	Direct obligations:			
	Personnel compensation:			
11.1	Full-time permanent	36	44	44
11.3	Other than full-time permanent	3	4	4
11.5	Other personnel compensation	2	2	2
11.9	Total personnel compensation	41	50	50
12.1	Civilian personnel benefits	13	16	16
13.0	Benefits for former personnel	1	1	1
23.1	Rental payments to GSA	1	1	1
23.2	Rental payments to others	1	1	1
23.3	Communications, utilities, and miscellaneous charges	2	1	1
25.2	Other services from non-Federal sources	186	40	40
25.3	Other goods and services from Federal sources	8	4	4
26.0	Supplies and materials	5	2	2
31.0	Equipment	1	1	1
41.0	Grants, subsidies, and contributions	1	1	1
99.0	Direct obligations	260	118	118
99.0	Reimbursable obligations	25	60	60
99.5	Below reporting threshold	2		
99.9	Total new obligations	287	178	178

Employment Summary

Identification code 12–9974–0–7–302		2012 actual	2013 CR	2014 est.
1001	Direct civilian full-time equivalent employment	718	872	872
2001	Reimbursable civilian full-time equivalent employment	176	308	308

ADMINISTRATIVE PROVISIONS, FOREST SERVICE

(INCLUDING TRANSFERS OF FUNDS)

Appropriations to the Forest Service for the current fiscal year shall be available for: (1) purchase of passenger motor vehicles; acquisition of passenger motor vehicles from excess sources, and hire of such vehicles; purchase, lease, operation, maintenance, and acquisition of aircraft to maintain the operable fleet for use in Forest Service wildland fire programs and other Forest Service programs; notwithstanding other provisions of law, existing aircraft being replaced may be sold, with proceeds derived or trade-in value used to offset the purchase price for the replacement aircraft; (2) services pursuant to 7 U.S.C. 2225, and not to exceed $100,000 for employment under 5 U.S.C. 3109; (3) purchase, erection, and alteration of buildings and other public improvements (7 U.S.C. 2250); (4) acquisition of land, waters, and interests therein pursuant to 7 U.S.C. 428a; (5) for expenses pursuant to the Volunteers in the National Forest Act of 1972 (16 U.S.C. 558a, 558d, and 558a note); (6) the cost of uniforms as authorized by 5 U.S.C. 5901–5902; and (7) for debt collection contracts in accordance with 31 U.S.C. 3718(c).

Any appropriations or funds available to the Forest Service may be transferred to the Wildland Fire Management appropriation for forest firefighting, emergency rehabilitation of burned-over or damaged lands or waters under its jurisdiction, and fire preparedness due to severe burning conditions upon the Secretary's notification of the House and Senate Committees on Appropriations that all fire suppression funds appropriated under the headings "Wildland Fire Management" and "FLAME Wildfire Suppression Reserve Fund" will be obligated within 30 days.

Funds appropriated to the Forest Service shall be available for assistance to or through the Agency for International Development in connection with forest and rangeland research, technical information, and assistance in foreign countries, and shall be available to support forestry and related natural resource activities outside the United States and its territories and possessions, including technical assistance, education and training, and cooperation with U.S., private, and international organizations. The Forest Service, acting for the International Program, may sign direct funding agreements with foreign governments and institutions as well as other domestic agencies (including the U.S. Agency for International Development, the Department of State, and the Millennium Challenge Corporation), U.S. private sector firms, institutions and organizations to provide technical assistance and training programs overseas on forestry and rangeland management.

None of the funds made available to the Forest Service in this Act or any other Act with respect to any fiscal year shall be subject to transfer under the provisions of section 702(b) of the Department of Agriculture Organic Act of 1944 (7 U.S.C. 2257), section 442 of Public Law 106–224 (7 U.S.C. 7772), or section 10417(b) of Public Law 107–107 (7 U.S.C. 8316(b)).

Not more than $82,000,000 of funds available to the Forest Service shall be transferred to the Working Capital Fund of the Department of Agriculture and not more than $14,500,000 of funds available to the Forest Service shall be transferred to the Department of Agriculture for Department Reimbursable Programs, commonly referred to as Greenbook charges. Nothing in this paragraph shall prohibit or limit the use of reimbursable agreements requested by the Forest Service in order to obtain services from the Department of Agriculture's National Information Technology Center. Nothing in this paragraph shall limit the Forest Service portion of implementation costs to be paid to the Department of Agriculture for the Financial Management Modernization Initiative.

Funds available to the Forest Service shall be available for priority projects within the scope of the approved budget, which shall be carried out by the Youth Conservation Corps and shall be carried out under the authority of the Public Lands Corps Act of 1993, Public Law 103–82, as amended by Public Lands Corps Healthy Forests Restoration Act of 2005, Public Law 109–154.

Of the funds available to the Forest Service, $4,000 is available to the Chief of the Forest Service for official reception and representation expenses.

Pursuant to sections 405(b) and 410(b) of Public Law 101–593, of the funds available to the Forest Service, up to $3,000,000 may be advanced in a lump sum to the National Forest Foundation to aid conservation partnership projects in support of the Forest Service mission, without regard to when the Foundation incurs expenses, for projects on or benefitting National Forest System lands or related to Forest Service programs: Provided, That of the Federal funds made available to the Foundation, no more than $300,000 shall be available for administrative expenses: Provided further, That the Foundation shall obtain, by the end of the period of Federal financial assistance, private contributions to match on at least one-for-one basis funds made available by the Forest Service: Provided further, That the Foundation may transfer Federal funds to a Federal or a non-Federal recipient for a project at the same rate that the recipient has obtained the non-Federal matching funds: Provided further, That authorized investments of Federal funds held by the Foundation may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States.

Pursuant to section 2(b)(2) of Public Law 98–244, up to $3,000,000 of the funds available to the Forest Service may be advanced to the National Fish and Wildlife Foundation in a lump sum to aid cost-share conservation *projects, without regard to when expenses are incurred, on or benefitting National Forest System lands or related to Forest Service programs: Provided, That such funds shall be matched on at least a one-for-one basis by the Foundation or its sub-recipients: Provided further, That the Foundation may transfer Federal funds to a Federal or non-Federal recipient for a project at the same rate that the recipient has obtained the non-Federal matching funds.*

Funds appropriated to the Forest Service shall be available for interactions with and providing technical assistance to rural communities and natural resource-based businesses for sustainable rural development purposes.

Funds appropriated to the Forest Service shall be available for payments to counties within the Columbia River Gorge National Scenic Area, pursuant to section 14(c)(1) and (2), and section 16(a)(2) of Public Law 99–663.

Any funds appropriated to the Forest Service may be used to meet the non-Federal share requirement in section 502(c) of the Older Americans Act of 1965 (42 U.S.C. 3056(c)(2)).

Funds available to the Forest Service, not to exceed $55,000,000, shall be assessed for the purpose of performing fire, administrative and other facilities maintenance and decommissioning. Such assessments shall occur using a square foot rate charged on the same basis the agency uses to assess programs for payment of rent, utilities, and other support services.

Notwithstanding any other provision of law, any appropriations or funds available to the Forest Service not to exceed $500,000 may be used to reimburse the Office of the General Counsel (OGC), Department of Agriculture, for travel and related expenses incurred as a result of OGC assistance or participation requested by the Forest Service at meetings, training sessions, management reviews, land purchase negotiations and similar non–litigation-related matters. Future budget justifications for both the Forest Service and the Department of Agriculture should clearly display the sums previously transferred and the requested funding transfers.

An eligible individual who is employed in any project funded under title V of the Older Americans Act of 1965 (42 U.S.C. 3056 et seq.) and administered by the Forest Service shall be considered to be a Federal employee for purposes of chapter 171 of title 28, United States Code.

The 19th unnumbered paragraph under the heading "Administrative Provisions, Forest Service" in title III of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2006, Public Law 109–54, as amended, is amended by striking "2014" and inserting "2019".

GENERAL FUND RECEIPT ACCOUNTS

(in millions of dollars)

	2012 actual	2013 CR	2014 est.
Offsetting receipts from the public:			
12–181100 National Grasslands	....	76	60
12–222100 National Forest Fund	18	12	62
Legislative proposal, subject to PAYGO	....	....	–62
12–267530 Biorefinery Assistance, Downward Reestimates of Subsidies	....	35	....
12–270110 Agriculture Credit Insurance, Negative Subsidies	1	3	6
12–270130 Agriculture Credit Insurance, Downward Reestimates of Subsidies	208	202	....
12–270210 Rural Electrification and Telephone Loans, Negative Subsidies	78	195	235
12–270230 Rural Electrification and Telephone Loans, Downward Reestimates of Subsidies	507	379	....
12–270330 Rural Water and Waste Disposal, Downward Reestimates of Subsidies	126	274	....
12–270510 Rural Community Facility, Negative Subsidies	3	16	41
12–270530 Rural Community Facility, Downward Reestimates of Subsidies	132	68	....
12–270610 Rural Housing Insurance, Negative Subsidies	12	52	42
12–270630 Rural Housing Insurance, Downward Reestimates of Subsidies	68	36	....
12–270730 Rural Business and Industry, Downward Reestimates of Subsidies	40	9	....
12–270830 P.L. 480 Loan Program, Downward Reestimates of Subsidies	10	9	....
12–271030 Rural Development Loans, Downward Reestimates of Subsidies	5	4	....
12–271130 Rural Telephone Bank Loans, Downward Reestimates of Subsidies	2	1	....
12–271330 Economic Development Loans, Downward Reestimates of Subsidies	1	1	....
12–274630 Downward Reestimates, Distance Learning, Telemedicine, and Broadband Program	42	19	....
12–275430 Apple Loan Program, Downward Reestimates of Subsidies	4	....	....
12–275610 Negative Subsidies, Farm Storage Facility Loans	4	4	7
12–275630 Farm Storage Facility Loans, Downward Reestimate of Subsidies	14	26	....
12–275730 Commodity Credit Corporation Export Guarantee Financing, Downward Reestimate of Subsidies	7	27	....
12–277930 Multifamily Housing Revitalization Fund, Downward Reestimates of Subsidies	11	3	....
12–278630 Rural Energy for America Program, Downward Reestimates of Subsidies	....	5	....
12–279310 Commodity Credit Corporation Export Guarantee Financing, Negative Subsidies	34	55	59
12–322000 All Other General Fund Proprietary Receipts Including Budget Clearing Accounts	11	5	5
General Fund Offsetting receipts from the public	1,338	1,516	455
Intragovernmental payments:			
12–388500 Undistributed Intragovernmental Payments and Receivables from Cancelled Accounts	–24	....	....
General Fund Intragovernmental payments	–24	....	....

TITLE VII—GENERAL PROVISIONS

(INCLUDING CANCELLATIONS AND TRANSFERS OF FUNDS)

SEC. 701. Within the unit limit of cost fixed by law, appropriations and authorizations made for the Department of Agriculture for the current fiscal year under this Act shall be available for the purchase, in addition to those specifically provided for, of not to exceed 69 passenger motor vehicles of which 69 shall be for replacement only, and for the hire of such vehicles.

SEC. 702. The Secretary of Agriculture may transfer unobligated balances of discretionary funds appropriated by this Act or other available unobligated discretionary balances of the Department of Agriculture to the Working Capital Fund for the acquisition of plant and capital equipment necessary for the delivery of financial, administrative, and information technology services of primary benefit to the agencies of the Department of Agriculture: Provided, That none of the funds made available by this Act or any other Act shall be transferred to the Working Capital Fund without the prior notification to the agency administrator: Provided further, That none of the funds transferred to the Working Capital Fund pursuant to this section shall be available for obligation without the prior notification to the Committees on Appropriations of both Houses of Congress: Provided further, That of annual income amounts in the Working Capital Fund of the Department of Agriculture allocated for the National Finance Center, the Secretary may reserve not more than 4 percent for the replacement or acquisition of capital equipment, including equipment for the improvement and implementation of a financial management plan, information technology, and other systems of the National Finance Center or to pay any unforeseen, extraordinary cost of the National Finance Center: Provided further, That none of the amounts reserved shall be available for obligation unless the Secretary submits notification of the obligation to the Committees on Appropriations of the House of Representatives and the Senate: Provided further, That the limitation on the obligation of funds pending notification to Congressional Committees shall not apply to any obligation that, as determined by the Secretary, is necessary to respond to a declared state of emergency that significantly impacts the operations of the National Finance Center; or to evacuate employees of the National Finance Center to a safe haven to continue operations of the National Finance Center.

SEC. 703. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 704. No funds appropriated by this Act may be used to pay negotiated indirect cost rates on cooperative agreements or similar arrangements between the United States Department of Agriculture and nonprofit institutions in excess of 10 percent of the total direct cost of the agreement when the purpose of such cooperative arrangements is to carry out programs of mutual interest between the two parties. This does not preclude appropriate payment of indirect costs on grants and contracts with such institutions when such indirect costs are computed on a similar basis for all agencies for which appropriations are provided in this Act.

SEC. 705. Appropriations to the Department of Agriculture for the cost of direct and guaranteed loans made available in the current fiscal year shall remain available until expended to disburse obligations made in the current fiscal year for the following accounts: the Rural Development Loan Fund program account, the Rural Electrification and Telecommunication Loans program account, and the Rural Housing Insurance Fund program account.

SEC. 706. None of the funds appropriated by this Act may be used to carry out section 410 of the Federal Meat Inspection Act (21 U.S.C. 679a) or section 30 of the Poultry Products Inspection Act (21 U.S.C. 471).

SEC. 707. None of the funds made available to the Department of Agriculture by this Act may be used to acquire new information technology systems or significant upgrades, as determined by the Office of the Chief Information Officer, without the approval of the Chief Information Officer and the concurrence of the Executive Information Technology Investment Review Board: Provided, That notwithstanding any other provision of law, none of the funds appropriated or otherwise made available by this Act may be transferred to the Office of the Chief Information Officer unless notification has been transmitted to the Committees on Appropriations of both Houses of Congress: Provided further, That none of the funds available to the Department of Agriculture for information technology shall be obligated for projects over $25,000 prior to receipt of written approval by the Chief Information Officer.

SEC. 708. Funds made available under section 1240I and section 1241(a) of the Food Security Act of 1985 and section 524(b) of the Federal Crop Insurance Act (7 U.S.C. 1524(b)) in the current fiscal year shall remain available until expended to disburse obligations made in the current fiscal year.

SEC. 709. Notwithstanding any other provision of law, any former RUS borrower that has repaid or prepaid an insured, direct or guaranteed loan under the Rural Electrification Act of 1936, or any not-for-profit utility that is eligible to receive an insured or direct loan under such Act, shall be eligible for assistance under section 313(b)(2)(B) of such Act in the same manner as a borrower under such Act.

SEC. 710. Notwithstanding any other provision of law, for the purposes of a grant under section 412 of the Agricultural Research, Extension, and Education Reform Act of 1998, none of the funds in this or any other Act may be used to prohibit the provision of in-kind support from non-Federal sources under section 412(e)(3) of such Act in the form of unrecovered indirect costs not otherwise charged against the grant, consistent with the indirect rate of cost approved for a recipient.

SEC. 711. Except as otherwise specifically provided by law, unobligated balances remaining available at the end of the fiscal year from appropriations made available for salaries and expenses in this Act for the Farm Service Agency and the Rural Development mission area, shall remain available through September 30, 2015, for information technology expenses.

SEC. 712. The Secretary of Agriculture may authorize a State agency to use funds provided in this Act to exceed the maximum amount of liquid infant formula specified in 7 CFR 246.10 when issuing liquid infant formula to participants.

SEC. 713. None of the funds appropriated or otherwise made available by this Act may be used for first-class travel by the employees of agencies funded by this Act in contravention of sections 301–10.122 through 301–10.124 of title 41, Code of Federal Regulations.

SEC. 714. (a) In the case of each program established or amended by the Food, Conservation, and Energy Act of 2008 (Public Law 110–246), other than by title I or subtitle A of title III of such Act, that is authorized or required to be carried out using funds of the Commodity Credit Corporation—

(1) such funds shall be available for salaries and related administrative expenses, including technical assistance, associated with the implementation of the program, without regard to the limitation on the total amount of allotments and fund transfers contained in section 11 of the Commodity Credit Corporation Charter Act (15 U.S.C. 714i); and

(2) the use of such funds for such purpose shall not be considered to be a fund transfer or allotment for purposes of applying the limitation on the total amount of allotments and fund transfers contained in such section.

(b) The authority provided by this section shall apply without limitation to programs that receive definite budget authority.

(c) Up to a total of $50,000,000 may be used to carry out this section for programs that receive permanent indefinite authority.

SEC. 715. Sections 412(e)(1) and 501(d) of the Food for Peace Act (7 U.S.C. 1736f(e)(1) and 7 U.S.C. 1737(d), respectively), are amended by striking "amounts made available" and inserting "amounts appropriated".

SEC. 716. Of the funds made available by this Act, not more than $2,900,000 shall be used to cover necessary expenses of activities related to all advisory committees, panels, commissions, and task forces of the Department of Agriculture, except for panels used to comply with negotiated rule makings and panels used to evaluate competitively awarded grants.

SEC. 717. None of the funds in this Act shall be available to pay indirect costs charged against any agricultural research, education, or extension grant awards issued by the National Institute of Food and Agriculture that exceed 30 percent of total Federal funds provided under each award: Provided, That notwithstanding section 1462 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3310), funds provided by this Act for grants awarded competitively by the National Institute of Food and Agriculture shall be available to pay full allowable indirect costs for each grant awarded under section 9 of the Small Business Act (15 U.S.C. 638).

SEC. 718. The Secretary may reserve, through June 30, 2014, up to 5 percent of the funding available for the following items for projects in areas that are engaged in strategic regional development planning as defined by the Secretary: business and industry guaranteed loans; rural development loan fund; rural business and cooperative grants; rural economic development program; rural microenterprise program; rural energy for America program; value-added producer grants; broadband program; water and waste program; and rural community facilities program.

SEC. 719. Notwithstanding section 310B(g)(5) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1932(g)(5)), the Secretary may assess a one-time fee for any guaranteed business and industry loan in an amount that does not exceed 3 percent of the guaranteed principal portion of the loan.

SEC. 720. None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out the following: (a) a Conservation Stewardship Program as authorized by Chapter 2 of subtitle D of title XII of the Food Security Act of 1985, as amended (16 U.S.C. 3838d-3838i), to enroll in excess of 11,991,222 acres in the fiscal year 2014. Such program shall be permanently reduced by 777,778 acres; (b) an Agricultural Management Assistance Program as authorized by section 524 of the Federal Crop Insurance Act, as amended (7 U.S.C. 1524), in excess of $2,500,000 for the Natural Resources Conservation Service. Funds exceeding this amount for fiscal year 2014 are hereby permanently cancelled; (c) an Environmental Quality Incentives Program as authorized by sections 1240–1240H of the Food Security Act of 1985, as amended (16 U.S.C. 3839aa-3839aa(8)), in excess of $1,350,000,000. Funds exceeding this amount for fiscal year 2014 are hereby permanently cancelled; (d) a program authorized by section 14(h)(1) of the Watershed Protection and Flood Prevention Act (16 U.S.C. 1012(h)(1)). Of the funds available under such section for fiscal year 2014, $165,000,000 are hereby permanently cancelled; (e) a Wildlife Habitat Incentives Program established under section 1240N of the Food Security Act of 1985, as amended (16 U.S.C. 3839bb-1), in excess of $45,000,000. Funds exceeding this amount for fiscal year 2014 are hereby permanently cancelled; (f) a Farmland Protection Program as authorized by section 1238I of the Food Security Act of 1985 (16 U.S.C. 3838i) in excess of $150,000,000. Funds exceeding this amount for fiscal year 2014 are hereby permanently cancelled.

SEC. 721. In addition to amounts otherwise made available by this Act, there is appropriated from the Commodity Credit Corporation to implement the Voluntary Public Access and Habitat Incentive Program (16 U.S.C. 3839bb-5), $5,000,000, to remain available until expended.

SEC. 722. Of the unobligated balances in the Natural Resources Conservation Service, Resource Conservation and Development account, $2,017,000 are hereby permanently cancelled: Provided, That no amounts may be cancelled from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

SEC. 723. In carrying out subsection (h) of section 502 of the Housing Act of 1949, the Secretary may use the authority described in subsections (h) and (j) of section 538 of such Act.

SEC. 724. None of the funds appropriated or otherwise made available by this or any other Act shall be used to pay the salaries and expenses of personnel to carry out a program under subsection (b)(2)(A)(vi) of section 14222 of Public Law 110–246 in excess of $981,000,000: Provided, That none of the funds made available in this or any other Act shall be used for salaries and expenses to carry out in this fiscal year section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act, as amended, except in an amount that excludes the transfer of $119,000,000 of the funds to be transferred under subsection (c) of section 14222 of Public Law 110–246, until October 1, 2014: Provided further, That $119,000,000 made available October 1, 2014, to carry out Section 19(i)(1)(E) of the Richard B. Russell National School Lunch Act, as amended, shall be excluded from the limitation described in subsection (b)(2)(A)(vii) of section 14222 of Public Law 110–246: Provided further, That of the available unobligated balances under (b)(2)(A)(vi) of section 14222 of Public Law 110–246, $166,000,000 are hereby permanently cancelled.

SEC. 725. None of the funds made available in this Act may be used to pay the salaries or expenses of personnel to—(1) inspect horses under section 3 of the Federal Meat Inspection Act (21 U.S.C. 603); (2) inspect horses under section 903 of the Federal Agriculture Improvement and Reform Act of 1996 (7 U.S.C. 1901 note; Public Law 104127); or (3) implement or enforce section 352.19 of title 9, Code of Federal Regulations.