## SECTION 11 -- TERMS AND CONCEPTS

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### Summary of Changes

Clarifies information on budget authority, reimbursable obligations, and budgetary resources.

Incorporates the *reimbursable obligations* concept from Circular No. A-11. (Section 11.3)

### 11.1 What special terms must I know when I use this Circular?

***Account*** in budget execution means a receipt account or an expenditure account established by the Treasury Department. It differs from an account established in the MAX data base which may combine two or more Treasury accounts.

***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 establishment of the Government for the purposes of this Circular. (Compare to *bureau.*)

***Allotment*** means authority delegated by the head or other authorized employee of an agency to agency employees to incur obligations within a specified amount, pursuant to OMB apportionment or reapportionment action or others statutory authority making funds available for obligation.

***Antideficiency Act*** means provisions of law that were passed by Congress to prevent departments and agencies from spending their entire appropriations during the first few months of the year. (See section 40.)

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

For purposes of the Antideficiency Act, the term *appropriation* means:

- Appropriated amounts;
- Funds; and
- Authority to make obligations by contract.

***Borrowing authority*** is a type of budget authority that permits obligations and outlays to be financed by borrowing.

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

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

***Budgetary resource*** means an amount available to enter into obligations in a given year. The term comprises new budget authority for that year, including spending authority from offsetting collections, and unobligated balances of budget authority provided in previous years, including recoveries of prior year obligations, and transfers.

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

***Cash equivalent transaction*** means a transaction in which the Government makes outlays or receives collections in a form other than cash or the cash does not accurately measure the cost of the transaction.

***Collection*** means money collected by the Government that the budget records as either a receipt, an offsetting collection, or an offsetting receipt.

***Contract authority*** is a type of budget authority that permits obligations to be incurred in advance of *either* an appropriation of the cash to make outlays to liquidate the obligations *or* offsetting collections.

***Cost*** means the cash value of the resources allocated to a particular program. When used in connection with Federal credit programs, the term means the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays.

***Credit program account*** means an account into which an appropriation for the cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to a financing account for the program. (See section 70.)

***Deferral*** means any executive branch action or inaction that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources. The President reports deferrals to Congress by special message. They are not identified separately in the budget. They may be identified separately on the apportionment and are identified separately on the budget execution reports.

***Deposit fund*** means an account established to record amounts held temporarily by the Government until ownership is determined (for example, earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (for example, State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government). Deposit fund transactions are excluded from the budget totals because the funds are not owned by the Government. Since increases in deposit fund balances reduce Treasury's need to borrow, they are a means of financing a deficit or a surplus.

***Direct loan*** means a disbursement of funds by the Government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes certain other kinds of transactions that extend credit. (Compare to *loan guarantee*. See section 70.)

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

***Emergency appropriation*** means an appropriation that the President and the Congress have designated as an emergency requirement under the BEA.

***Expenditure transfer*** -- See *transfers.*

***FACTS II*** means the Treasury Federal Agencies' Centralized Trial-balance System II. This system permits you to electronically submit budget execution data (SF 133).

***Federal funds group*** refers to the moneys collected and spent by the Government through accounts other than those designated as trust funds. The Federal funds group includes general, special, public enterprise, and intragovernmental funds. (Compare to *trust funds*. See section 11.7.)

***Financing account*** means the account that collects the cost payments from a credit program account and includes all cash flows to and from the Government resulting from direct loan obligations or loan guarantee commitments made on or after October 1, 1991. At least one financing account is associated with each credit program account. For programs with direct and guaranteed loans, there are separate financing accounts for direct loans and guaranteed loans. The transactions of the financing accounts, which are a *means of financing*, are not included in the budget totals. (Compare to *liquidating account*.)

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

***Foreign currency (FT) fund accounts*** are accounting mechanisms established by the Treasury to account for foreign currency that is acquired without payment of U.S. dollars. Use of these amounts requires appropriations or payment with appropriated dollars unless otherwise authorized by law. Foreign currency fund accounts are established with a two-digit agency prefix assigned by Treasury, the symbol "FT," and a three-digit foreign currency account code.

***Forward funding*** means appropriations of budget authority that become available for obligation in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year.

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

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

***Impoundment*** means any executive action or inaction that withholds, delays, or precludes the obligation or expenditure of budget authority. (See Guide, section 1.3.)

***Intragovernmental fund*** **--** See *revolving fund.*

***Liquidating account*** means an account for a credit program that includes all cash flows to and from the Government resulting from direct loan obligations and loan guarantee commitments made prior to October 1, 1991. Unlike financing accounts, these accounts are included in the budget totals. (Compare to *financing account*.)

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

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

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

***Obligated balance*** means the cumulative amount of budget authority that has been obligated but not yet outlayed, also known as unpaid obligations (which is made up of accounts payable and undelivered orders) net of accounts receivable and unfilled customers orders.

***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.

***Offsetting collections*** mean collections that by law, are credited directly to expenditure accounts. Usually, they are authorized to be spent for the purposes of the account without further annual action by Congress. They result from business-type or market-oriented activities with the public and other Government accounts. The authority to spend offsetting collections is a form of budget authority. (Compare to *receipts* and *offsetting receipts*.)

***Offsetting receipts*** mean collections that are deducted from gross budget authority and outlays, rather than added to receipts, and that are not authorized to be credited to expenditure accounts. Instead of being credited to expenditure accounts, they are credited to offsetting receipt accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they result from business-type or market-oriented activities with the public and other Government accounts. (Compare to *receipts* and *offsetting collections.*)

***Outlay*** means a payment to liquidate an obligation (other than the repayment of debt principal). Outlays are the measure of Government spending. Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the subsidy cost of direct loans and loan guarantees, and interest accrued on public issues of the public debt. See section 11.4 for further detail.

***Public enterprise fund*** -- See *revolving fund.*

***Reappropriation*** means an extension in law of the availability of unobligated balances of budget authority that have expired or would otherwise expire. A reappropriation counts as budget authority in the year in which the balance becomes newly available for obligation.

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

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

***Reimbursable obligation*** means an obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account.

***Rescission*** means a legislative action that cancels new budget authority or the availability of unobligated balances of budget authority prior to the time the authority would otherwise have expired.

***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.

***Special fund*** means a Federal fund account for receipts and/or offsetting receipts earmarked for specific purposes and an account for the expenditure of these receipts.

***Spending authority from offsetting collections*** is a type of budget authority that permits obligations and outlays to be financed by offsetting collections.

***Subsidy*** means the same as cost when it is used in connection with Federal credit programs.

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

***Transfer*** means to move budgetary resources from one budget account to another. Depending on the circumstances, the budget may record a transfer as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn’t involve an outlay.

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

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

***Unobligated balance*** means the cumulative amount of budget authority that is not obligated and that remains available for obligation under law. See section 11.2 for further detail.

***Warrant*** means an official document issued by the Secretary of the Treasury, pursuant to law, that establishes the amount of money authorized to be withdrawn from the central accounts maintained by the Treasury.

### 11.2 What are unexpended balances of budget authority?

Unexpended balances of budget authority are budgetary resources that have not been outlayed and/or spent. They include unobligated balances and obligated balances.

- *Unobligated balance* is the amount available for new obligation or adjustment to previous obligations remaining after deducting the cumulative obligations from the amount available for obligation.

- *Obligated balance* is the net amount of unpaid obligations and future collections.

  - *Unpaid obligations* (obligations determined under 31 U.S.C. 1501 for which outlays have not yet been made):

    A. *Accounts payable* are the amounts owed by an account on the basis of invoices or other evidence of receipt of goods and services, that is, the amount of goods and services received but not yet paid.

    B. *Undelivered orders* are the amount of goods and services ordered by an account but not yet received, i.e., the amount of orders for goods and services outstanding for which the liability has not yet accrued. This amount includes any orders for goods or services for which delivery or performance has not yet occurred. For purposes of this circular, you may omit small items of prepaid expense (such as subscriptions to periodicals) from the reports on undelivered orders.

  - *Future collections*:

    A. *Accounts receivable* are amounts receivable by an account from another Federal Government account or the public (the latter only when a provision of law specifies that such orders may be used as budget authority) for goods furnished and services rendered.

    B. *Unfilled customers' orders without advances,* from other accounts within the Federal Government, are for goods and services to be furnished on a reimbursable basis.

1. The order from within the Federal Government must be a valid obligation of the ordering account and for which reimbursements will be credited to the performing account.

2. Exclude orders from non-Federal sources, unless specifically authorized by law.

### 11.3 What are reimbursable obligations?

Reimbursable obligations mean those financed by spending authority from offsetting collections credited to an expenditure account in payment for goods and services provided by the account. Reimbursable obligations also include those for jointly-funded projects to carry out grant programs or other projects of common interest that are supported by more than one Federal agency.

More specifically, reimbursable obligations include:

- Obligations financed by offsetting collections from Federal or non-Federal sources for goods and services.

- All revolving fund obligations, regardless of how they are financed.

They don't include:

- Obligations of credit program and liquidating accounts.

- Obligations financed by budget authority from sources other than offsetting collections.

- Obligations financed by spending authority from loan principal repayments or proceeds of asset sales.

- Obligations financed by certain offsetting collections including:

  - Interest on Federal securities;

  - Interest on uninvested funds;

  - Offsetting governmental collections; and

  - Expenditure transfers from Federal accounts that are not payments for goods and services, such as legislated transfers of budget authority between Federal and trust fund accounts.

### 11.4 Are all outlays in the form of cash reimbursements?

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

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

- Repayment of debt, because we treat borrowing and the repayment of debt as a means of financing.

- Disbursements to the public by Federal credit programs, because we treat the cash flows to and from the Government for credit programs as a means of financing. We record outlays equal to the subsidy cost of direct loans and loan guarantees when the underlying direct or guaranteed loans are disbursed.

- Disbursements from deposit funds, because these funds are on deposit with the Government but are not owned by the Government and are therefore excluded from the budget.

- Refunds of receipts that result from overpayments, because they are recorded as reductions of receipts, rather than as outlays.

The timing for recording outlays for interest payments varies. Treasury records outlays for the interest on the public issues of Treasury debt securities as the interest accrues, not when it pays the cash. Most Treasury debt securities held by Government accounts are in the Government account series, however. Treasury normally records the interest payments on these securities when it pays the cash. (And you normally record an offsetting collection or receipt on a cash basis.)

Two trust funds in the Department of Defense, the Military retirement trust fund and the Education benefits trust fund, routinely have relatively large differences between purchase price and par (face) value. For these funds, we've instructed the Department to record the holdings of debt at par but record the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security. The Department records interest as the amortization occurs.

Outlays during a fiscal year may liquidate obligations incurred in the same year or in prior years. Obligations, in turn, may be incurred against budget authority provided in the same year or against unobligated balances of budget authority provided in prior years. Outlays, therefore, flow in part from budget authority provided for the year in which the money is spent and in part from budget authority provided in prior years. The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the spendout rate for that year.

### 11.5 How can I tell whether appropriations are legally available?

Whether appropriations are legally available depends on three things:

- The *purpose* of the obligation or expenditure must be authorized.
- The obligation and expenditure must be within the *amount* provided by law.
- The obligation and expenditure must occur within the *time* limits specified by law.

(a) *Purpose.*

Public funds are available only for the purposes for which they were appropriated. The appropriation or other laws may make the amounts available for purposes that are broad or narrow. In any event, you can only obligate and expend funds for the purposes authorized in the applicable appropriations act and other laws.

(b) *Amount*. The law may provide a *definite* amount or it may provide an *indefinite* amount.

- The amount is *definite* when the law itself specifies an amount of budget authority, such as $100 million. This type of authority includes authority stated as *not to exceed* a specified amount.

- The amount is *indefinite authority* when the law does not specify an amount of budget authority; rather the amount is determined by specified variable factors. Examples include an appropriation of all or part of the receipts from a certain source or an appropriation of such sums as are necessary.

At a minimum, you may not obligate or expend funds in excess of the amounts provided in law or the amount apportioned by OMB, whichever is lower.

(c) *Time (periods of availability).*

Laws specify when the appropriation is available for new obligations of budgetary resources (that is, to order new goods and services). In addition, laws specify when the appropriation is available to incur expenditures (that is, to pay bills). Appropriations are classified as annual, multi-year, and no-year.

- *Annual appropriations* are available for incurring new obligations for one fiscal year or less. Appropriations are classified as annual authority unless the language providing the authority specifies a longer period of availability for new obligations. This is because:

    - The enacting clause of each annual appropriations act specifies that the act is making appropriations for the fiscal year;

    - A permanent law (31 U.S.C. 1301(c)) specifies that amounts made available in appropriations acts are available after the fiscal year covered by the law in which it appears only if the law expressly makes it available for a longer period of time; and

    - A general provision in appropriations acts (almost without exception) specifies that the appropriations provided in the act are not available beyond the current fiscal year unless expressly so provided.

- *Multi-year appropriations* means budgetary resources that are available for new obligations for greater than one fiscal year.

- *No-year appropriations* are available for new obligations until the purposes for which they were provided are carried out. Unlike annual and multi-year authority, no-year authority does not expire. However, OMB or the agency head may cancel no-year authority provided that:

    - You have carried out the purposes for which the authority was provided; and

- You have not made any disbursements against the authority for at least two fiscal years.

## 11.6 What are the phases of availability for annual and multi-year appropriations?

Annual and multi-year appropriations pass through the following three phases of availability:

- *Unexpired phase* is the time period when the appropriations are available for incurring new obligations and paying old bills.

- *Expired phase* is the time period when the appropriations are no longer allowed to incur new obligations but are still available to pay old bills. During this phase, the appropriation is available to liquidate valid obligations incurred during the unexpired phase. You may make adjustments to increase or decrease valid obligations incurred during the unexpired period but not previously reported. Normally this phase lasts for five fiscal years except when a law specifically lengthens this phase.

    - Annual appropriations expire at the beginning of the subsequent fiscal year, unless otherwise specified by law.

    - Multi-year appropriations expire at the beginning of the year following the last year of availability for incurring new obligations, parallel to the treatment of annual appropriations.

- *Canceled phase* follows the expired phase. You cannot make payments from the canceled account for legitimately incurred obligations that have not been paid at the time the account is canceled. After an account is canceled, any obligations or adjustments to obligations that would have been properly chargeable to that appropriation may be paid from an unexpired appropriation that is available for the same purpose as the closed account, provided:

    - The obligation or adjustment is not already chargeable to another unexpired account; and

    - Payment of obligations against canceled appropriations from unexpired appropriations does not exceed one percent of an unexpired appropriation. You cannot use more than one percent of an unexpired appropriation to pay any combination of canceled obligations. This is a single, cumulative limit. It applies to one percent of the annual appropriation (not total budgetary resources) for annual accounts and to unexpired appropriations for multi-year accounts.

## 11.7 What are Treasury warrants and account identification codes?

Pursuant to law, the Secretary of the Treasury issues official documents, called "warrants," that establish the amount of money authorized to be withdrawn from the central accounts maintained by the Treasury. Each account established in the Treasury is identified by a code that consists of seven or more alphanumeric characters, for example:

| Department or agency code | Period of availability | Basic account symbol |
|---|---|---|
| 28 | 1 | 0230 |

| Department or agency code | Period of availability | Basic account symbol |
|---|---|---|
| 28 | 1/2 | 5443 |
| 28 | X | 8002 |

The Treasury account identification code includes a department or agency code, codes that provide the period of availability of the appropriation or fund account, and a four digit basic account symbol.

(a) *Department or agency code*.

The first two digits identify the agency responsible for the account. It is assigned by the Department of the Treasury. The Treasury accounts are used to determine whether or not the Antideficiency Act has been violated.

(b) *Period of availability*.

The next group of digits represents the period of availability of the account for new obligations. These digits are used during the unexpired, expired, and canceled periods, except in very rare cases (e.g., where there is a reappropriation).

- *Annual accounts*.--A single digit (0 through 9) represents the last digit of the fiscal year in which the account is available for new obligations. In the first example above, the year is 2001.

- *Multiple-year accounts*.--Two digits separated by a slash (/) indicate a multiple-year appropriation. The digit preceding the slash represents the first fiscal year for which the account is authorized to incur new obligations and the digit following the slash represents the last digit of the final fiscal year for which the account is available for new obligations. In the second example above, the years are 2001 and 2002.

- *No-year accounts*.--An "X" is used to designate a no-year appropriation which is available until the purposes for which it was provided are carried out.

(c) *Treasury basic account symbol*.

The last four digits are known as the four digit appropriation or fund account symbols. Different symbols are assigned to the different fund types. The range of four digit Treasury basic account symbols for each subgroup of central accounts is provided in parentheses in the table below.

- *Federal funds*. This group comprises all of the expenditure, receipt, and fund accounts that are not designated by law as trust funds.

| Fund Type | Treasury Account Symbol | Description |
|---|---|---|
| General fund expenditure accounts | (0000-3899) | Primarily record appropriations and expenditures of general fund receipts. |
| General fund receipt accounts | (0000-3899) | Record collections not earmarked by law for a specific purpose, e.g., income and corporate taxes, customs duties, and miscellaneous receipts. |
| Special fund expenditure accounts | (5000-5999) | Record appropriations and expenditures of special fund receipts. |
| Special fund receipt accounts | (5000-5999) | Record collections that are earmarked by law for a specific purpose and are not designated as trust fund receipts, e.g., the Land and water conservation fund. |
| Public enterprise revolving fund accounts | (4000-4499) | Record the permanent appropriations and expenditures of collections, primarily from outside the Federal government, that are earmarked to finance a continuing cycle of business-type operations. |
| Intragovernmental revolving funds | (4500-4999) | Record the permanent appropriations and expenditures of collections, primarily from other agencies and accounts, that are earmarked to finance a continuing cycle of business-type operations, e.g., working capital funds, industrial funds, stock funds and supply funds. |
| Management fund accounts | (3900-3999) | Record the permanent appropriations and expenditures of collections from two or more appropriations to carry out a common purpose or project not involving a continuing cycle of business-type operations. These accounts facilitate the administration and accounting for intragovernmental activities. |

- *Trust funds*. This group is comprised of all the expenditure, receipt, and fund accounts that are designated by law as trust funds.

| Trust Fund Type | Treasury Account Symbol | Description |
|---|---|---|
| Trust fund expenditure accounts | (8000-8399 and 8500-8999) | Record appropriations and expenditures of trust fund receipts. |

| Trust Fund Type | Treasury Account Symbol | Description |
|---|---|---|
| Trust fund receipt accounts | (8000-8399 and 8500-8999) | Record receipts earmarked for specific purposes in accordance with a statute that designates the funds as a trust fund, e.g., the Highway trust fund. |
| Trust revolving fund accounts | (8400-8499) | Record the permanent appropriation and expenditure of collections used to carry out a cycle of business-type operations in accordance with a statute that designates the fund as a trust fund, e.g., the Employees health benefits fund. |

- *Deposit Funds* (6000-6999) are funds accounts established to record amounts held temporarily by the Government until ownership is determined (e.g., earnest money paid by bidders for mineral leases) or held by the Government as an agent for others (e.g., State and local income taxes withheld from Federal employees' salaries and not yet paid to the State or local government).

- *Clearing Accounts* (3800-3899) are established to temporarily hold general, special, or trust collections pending clearance to the applicable receipt or expenditure account in the budget.