

Focus on Functions 900, 920, and 950 – Net Interest, Allowances, and Undistributed Offsetting Receipts

These functions differ from all the others in that they do not represent a particular national need. However, each is needed to fully reflect the net cost of all activities of the federal government.

NET INTEREST

Net interest reflects the net costs of servicing federal debt. Any changes to this function assumed in a budget proposal are almost always the result of decisions made about all other federal spending and revenues and how they impact debt. Net interest is generally shown as its own budget category.

Table 1: Function 900 Outlays by Major Component
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Interest paid on Treasury debt securities: 1/		
Interest paid to trust funds	154.1	1,567.4
Other	443.0	7,481.6
Interest received by trust funds 2/	-154.1	-1,567.4
Other interest	-53.1	-681.9
Other investment income	<u>-0.8</u>	<u>-8.1</u>
Total	389.1	6,791.5

1/ Adjusts CBO's spring 2018 baseline to assume emergency funding is one-time only.

2/ Includes off-budget amounts.

One tax expenditure is related to the net interest function. Individuals can defer tax on the interest they earn from United States savings bonds until they sell the bond or it reaches final maturity.

ALLOWANCES

Allowances generally reflect crosscutting policies – or, in some cases, a desired budgetary result of policies yet to be determined (in other words, a plug) – where it would be difficult or impossible to spread the impact across functions.

Baseline estimates for allowances are primarily related to Budget Control Act limitations. Within the discretionary category, the baseline includes plugs to reduce spending on the non-defense side of the budget so that it is consistent with the various requirements of the Act. A

similar plug for defense is included in the National Defense function. (Note that for National Defense, no plug is needed for 2019 because baseline levels are below the cap set in the Bipartisan Budget Act of 2018.) Congress will have to determine where to make these reductions or make further adjustments to the caps themselves, which return to austere levels in 2020. Similarly, within the mandatory category, the baseline includes a plug to reflect anticipated reductions to non-defense programs (excluding Medicare) from the Act's sequestration process. The anticipated defense and Medicare reductions are shown in their respective functions.

The policies (or lack thereof) included in this function change from year to year. At times, additional functions that serve the same purpose as allowances, such as function 930 (government-wide savings) used in recent years, are also shown in the budget resolution.

UNDISTRIBUTED OFFSETTING RECEIPTS

Undistributed offsetting receipts represent large offsets to spending that would greatly distort individual functions if they were classified with their main purpose. All baseline amounts in this function are classified in the mandatory category. Undistributed offsetting receipts are also undistributed by agency.

Table 2: Function 950 Outlays by Major Component
(In billions of dollars)

	<u>2019</u>	<u>2019-2028</u>
Employer share of employee retirement costs 1/.....	-91.9	-1,052.6
Rents and royalties on the Outer Continental Shelf.....	-5.1	-52.2
Electromagnetic spectrum auction receipts.....	<u>-2.8</u>	<u>-20.0</u>
Total	-99.8	-1,124.8

1/ Includes off-budget amounts.

Employer share of employee retirement costs: This reflects receipt of the payments federal agencies make to federal retirement programs on behalf of their military service members and civilian workforce. The payments agencies make to the funds are reflected with salaries and expenses across functions (these payments are largely discretionary). The payments from federal retirement accounts to retirees are reflected in Function 600 (Income Security).

Rents and royalties on the Outer Continental Shelf (OCS): The federal government manages the submerged land, subsoil, and seabed in the OCS. Receipts reflected here are paid by companies involved with exploring and drilling for oil and gas on the OCS.

Electromagnetic spectrum auction receipts: The federal government assigns certain portions of the electromagnetic spectrum, including for cellphone or digital television signals, based on competitive bidding. The receipts here reflect payments from the winning bidders.

Other: Other proposals, such as receipts from proposed sales of major assets, may also be included in this function.