

Appendix I

GLOSSARY OF BUDGET TERMS

Appropriation is the specific authority to obligate and expend funds provided for in appropriation bills, which are prepared by the appropriation committees, passed by Congress and signed into law by the President. Appropriations are provided in line-item detail. The time over which monies may be obligated is specified, varying from one year for personnel and operation and maintenance to two years for research, development, test and evaluation and three years (normally) for procurement and construction (extended to five years for shipbuilding).

Authorization is substantive legislation that provides the authority for an agency to carry out a particular program. Authorization may be annual, for a specified number of years, or indefinite. Most national defense activities require annual authorization before Congress may appropriate funds.

Budget authority (BA) is the authority to enter into obligations that will result in the payment of government funds. Budget authority is normally provided in the form of appropriations. The defense budget as presented to Congress is expressed in terms of budget authority.

Constant dollars measure the value of purchased goods and services at price levels that are the same as the base or reference year. Constant dollars do not reflect adjustments for inflationary changes that have occurred or are forecast to occur outside the base year.

Current or “then year” dollars are the dollar figures in the budget (or in the accounting records) actually associated with the stated date (past, present or projected). When a price or cost is stated in current dollars, it contains all inflationary increases expected to occur in a program over the duration of the spendout of an appropriation. Current dollars are also called “then year” dollars or “budget” dollars.

Deficit is the amount by which outlays exceed receipts. The reverse is called “surplus.”

The Department of Defense (DoD) Budget, which carries the Federal Account Number 051, includes funding of DoD itself. The budget that comes under the jurisdiction of the Secretary of Defense, it is frequently referred to as the “Pentagon budget.”

Discretionary spending is what the President and Congress must decide to spend for the next fiscal year through 13 annual appropriation bills. Two of the annual appropriation bills (the Department of Defense Appropriation Bill and the Military Construction Appropriation Bill) pertain to the Department of Defense.

Emergency spending is spending which the President and Congress have designated as an emergency requirement. Such spending is not subject to limits established on discretionary spending or “pay-as-you-go” rules established for direct (mandatory) spending.

Entitlement authority is a provision of law that legally obligates the federal government to make specified payments to any person or government that meets the eligibility requirements established by that law. Example: Social Security.

Fiscal year (FY) is the federal government’s accounting period. It begins 1 October and ends 30 September, and is designated by the calendar year in which it ends.

Gross domestic product (GDP) measures the market value of all goods and services produced during a particular period by individuals, businesses and government in the United States, whether they are U.S. or foreign citizens or American-owned or foreign-owned firms. GDP is currently used as the most reliable indicator of U.S. economic activity.

Gross national product (GNP) measures the market value of all goods and services produced during a particular period by U.S. individuals, businesses and government, including income earned by U.S.-owned corporations overseas and by U.S. residents working abroad but excluding income earned in the United States by residents of other nations.

National Defense Budget, which carries the Federal Account Number 050 as a designator, includes not only the Department of Defense (military) budget, but also funding for defense-related activities of the Department of Energy (primarily weapons activities and related support) and miscellaneous military activities of federal agencies.

Obligations are binding agreements that will result in outlays, immediately or in the future.

Outlays are the measure of government spending. They are the payments actually made for goods and services and interest payments during a particular year. These payments (outlays) lag obligations because of the sequential cycle of congressional appropriations, contracting, placing orders, receiving goods or services and (finally) making payments.

Receipts are collections from taxes or other payments to the federal government.

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

Total Obligational Authority (TOA) is a DoD term that includes the total value of the direct program regardless of the method of financing. As a practical matter TOA totals in the aggregate do not differ significantly from budget authority (BA). TOA is used in managing the service budgets, as it is the most accurate reflection of program value. The differences are attributed principally to offsetting receipts, such as recoveries from foreign military sales, and financing adjustments. For example, application of sales receipts will increase TOA but not BA. Legislation transferring unobligated funds for which the purpose has changed are reflected in the BA with no effect on TOA.