

## 12. 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.

As discussed below, offsetting collections and offsetting receipts are cash inflows to a budget account that are usually used to finance Government activities. The spending associated with these activities is included in total or “gross outlays.” For 2016, gross outlays to the public were \$4,352 billion,<sup>1</sup> or 23.6 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 2016, net outlays were \$3,853 billion or 20.9 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 2016, governmental receipts were \$3,268 billion, or 17.8 percent of GDP, and the deficit was \$585 billion, or 3.2 percent of GDP.

There are two sources of offsetting receipts and offsetting collections: from the public and from other budget accounts. In 2016, offsetting receipts and offsetting collections from the public were \$499 billion, while intragovernmental offsetting receipts and offsetting collections were \$1,141 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 made by these accounts, with no net impact on the deficit or surplus.<sup>2</sup>

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 and (net) outlays that reflect the amount of resources allocated by the Government through collective political choice, rather than through the marketplace.<sup>3</sup> These activities include the sale of postage stamps, land, timber, and electricity; charging fees for services provided to the public (e.g., admission to national parks); and collecting premiums for health care benefits (e.g., Medicare Parts B and D).

A relatively small portion (\$25.1 billion in 2016) 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. 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.<sup>4</sup>

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 and military retirement pension and health benefits

<sup>3</sup> 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 8 of this volume, “Budget Concepts.”

<sup>4</sup> This category of receipts is known as “offsetting 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 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.

<sup>1</sup> Gross outlays to the public are derived by subtracting intragovernmental outlays from gross outlays. For 2016, gross outlays were \$5,493 billion. Intragovernmental outlays are payments from one Government account to another Government account. For 2016, intragovernmental outlays totaled \$1,141 billion.

<sup>2</sup> For the purposes of this discussion, “collections from the public” include collections from non-budgetary Government accounts, such as credit financing accounts and deposit funds. For more information on these non-budgetary accounts, see Chapter 9, “Coverage of the Budget.”

funds, and agency payments to funds for employee health insurance and retirement benefits. Although these intragovernmental collections exactly offset the payments themselves, with no 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 today 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 re-

**Table 12-1. OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC**

(In billions of dollars)

	Actual 2016	Estimate	
		2017	2018
<b>Offsetting collections (credited to expenditure accounts):</b>			
User charges:			
Postal Service stamps and other USPS fees (off-budget) .....	69.8	69.7	73.2
Defense Commissary Agency .....	5.3	5.5	5.0
Employee contributions for employees and retired employees health benefits funds .....	14.8	15.9	17.0
Sale of energy:			
Tennessee Valley Authority .....	44.2	43.2	43.7
Bonneville Power Administration .....	3.4	4.0	4.0
All other user charges .....	70.8	67.0	73.4
Subtotal, user charges .....	208.3	205.3	216.3
Other collections credited to expenditure accounts:			
Commodity Credit Corporation fund .....	6.8	7.7	7.4
Supplemental Security Income (collections from the States) .....	2.6	2.7	2.7
Other collections .....	20.9	19.9	20.1
Subtotal, other collections .....	30.2	30.2	30.2
Subtotal, offsetting collections .....	238.5	224.3	234.8
<b>Offsetting receipts (deposited in receipt accounts):</b>			
User charges:			
Medicare premiums .....	72.5	79.2	91.4
Spectrum auction, relocation, and licenses .....	8.4	0.0	8.8
Outer Continental Shelf rents, bonuses, and royalties .....	2.8	4.0	4.5
All other user charges .....	37.5	37.5	38.7
Subtotal, user charges deposited in receipt accounts .....	121.2	120.8	143.4
Other collections deposited in receipt accounts:			
Military assistance program sales .....	32.1	37.4	36.0
Interest received from credit financing accounts .....	41.5	45.0	46.7
Proceeds, GSE equity related transactions .....	11.5	23.4	17.3
All other collections deposited in receipt accounts .....	54.2	62.0	50.0
Subtotal, other collections deposited in receipt accounts .....	139.3	167.8	149.9
Subtotal, offsetting receipts .....	260.5	288.6	293.3
<b>Total, offsetting collections and offsetting receipts from the public .....</b>	<b>499.0</b>	<b>512.9</b>	<b>528.1</b>
Total, offsetting collections and offsetting receipts excluding off-budget .....	429.0	443.2	454.9
<b>ADDENDUM:</b>			
User charges that are offsetting collections and offsetting receipts <sup>1</sup> .....	329.5	326.1	359.6
Other offsetting collections and offsetting receipts from the public .....	169.5	186.8	168.5

<sup>1</sup> Excludes user charges that are classified on the receipts side of the budget. For total user charges, see Table 12-3.

**Table 12–2. SUMMARY OF OFFSETTING RECEIPTS BY TYPE**

(In millions of dollars)

Receipt Type	Actual 2016	Estimate					
		2017	2018	2019	2020	2021	2022
Intragovernmental .....	798,075	767,842	784,834	811,307	852,320	897,448	944,185
Receipts from non-Federal sources:							
Proprietary .....	240,616	275,225	271,135	276,618	287,823	297,906	310,955
Offsetting governmental .....	19,868	13,391	22,140	15,530	16,054	14,948	15,389
Total, receipts from non-Federal sources .....	260,484	288,616	293,275	292,148	303,877	312,854	326,344
Total, offsetting receipts .....	1,058,559	1,056,458	1,078,109	1,103,455	1,156,197	1,210,302	1,270,529

ceipts 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 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 12–1 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 outlays, which is already net of these collections and receipts. For 2018, the table shows that total offsetting collections and offsetting receipts from the public are estimated to be \$528.1 billion or 2.6 percent of GDP. Of these, an estimated \$234.8 billion are offsetting collections and an estimated \$293.3 billion are offsetting receipts. Table 12–1 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 premiums for Medicare Parts B and D, proceeds from military assistance program sales, rents and royalties from Outer Continental Shelf oil extraction, proceeds from auctions of the electromagnetic spectrum, dividends on holdings of preferred stock of the Government-sponsored enterprises, and interest income.

Tables 12–2 and 12–4 provide further detail about offsetting receipts, including both offsetting receipts from the public (as summarized in Table 12–1) and intragovernmental transactions. Table 12–4, formerly printed in this chapter, is available on the Internet at [www.budget.gov/budget/Analytical\\_Perspectives](http://www.budget.gov/budget/Analytical_Perspectives) and on the Budget CD-ROM. In total, offsetting receipts are estimated to be \$1,078.1 billion in 2018; \$784.8 billion are from intragovernmental transactions and \$293.3 billion are from the public. The offsetting receipts from the public consist of proprietary receipts (\$271.1 billion) and those classified as offsetting receipts by law or long-standing practice (\$22.1 billion) and 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<sup>5</sup> 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 2018, only an estimated 1.5 percent of user charges are classified as governmental receipts. As summarized in Table 12–3, total user charges for 2018 are estimated to be \$365.0 billion with \$359.6 billion being offsetting collections or offsetting receipts, and accounting for more than half of all offsetting collections and offsetting receipts from the public.

<sup>5</sup> 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 8 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.

**Table 12–3. GROSS OUTLAYS, USER CHARGES, OTHER OFFSETTING COLLECTIONS AND OFFSETTING RECEIPTS FROM THE PUBLIC, AND NET OUTLAYS**

(In billions of dollars)

	Actual 2016	Estimate	
		2017	2018
Gross outlays to the public .....	4,351.6	4,578.0	4,620.8
Offsetting collections and offsetting receipts from the public:			
User charges <sup>1</sup> .....	329.5	326.1	359.6
Other .....	169.5	186.8	168.5
Subtotal, offsetting collections and offsetting receipts from the public .....	499.0	512.9	528.1
Net outlays .....	3,852.6	4,064.0	4,105.6

<sup>1</sup> \$4.4 billion of the total user charges for 2016 were classified as governmental receipts, and the remainder were classified as offsetting collections and offsetting receipts. \$4.9 billion and \$5.4 billion of the total user charges for 2017 and 2018 are classified as governmental receipts, respectively.

**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 12–1 for offsetting collections and offsetting receipts. User charges exclude certain offsetting collections and offsetting receipts from the public, such as payments received from credit programs, interest, 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.

A narrower definition of user charges could be limited to proceeds from the sale of goods and services, excluding the proceeds from the sale of assets, and 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.<sup>6</sup>

**Classification of user charges in the budget.** As shown in the note to Table 12–3, 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 \$5.4 billion in 2018 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 \$359.6 billion in 2018, 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.

<sup>6</sup> 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.