



## Trust Funds and Measures of Federal Debt

**T**he federal government uses several accounting mechanisms to link earmarked receipts—money designated for a specific purpose—with corresponding expenditures. Those mechanisms include trust funds (such as the Social Security trust funds), special funds (such as the fund the Department of Defense uses to finance its health care program for military retirees), and revolving funds (such as the Federal Employees Group Life Insurance fund). Although trust funds are designated as such by law, there is no substantive difference between them and the other types of funds.

Trust funds and other government funds that have receipts in excess of amounts needed for expenditures are credited with nonmarketable Treasury debt called government account series securities. At the end of fiscal year 2010, about \$4.5 trillion in such securities was outstanding, most of which was credited to the Social Security trust funds. The value of the outstanding securities serves as a measure of how much receipts, including the interest earned on those receipts, have exceeded outlays over time for the programs financed through those funds. Known as debt held by government accounts, that amount and the amount of debt held by the public (described in Chapter 1) compose two measures of the government's debt: gross federal debt and debt subject to limit.

### Trust Funds

The federal budget has a number of trust funds, although most of the money is credited to fewer than a dozen of them. The largest trust funds by far are the two for Social Security (the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance, or DI, Trust Fund), Medicare's Hospital Insurance (HI) Trust Fund, and the funds dedicated to programs for military and civilian retirement.

When a trust fund receives payroll taxes or other income that is not needed immediately to pay benefits or cover other expenses, the Treasury credits the fund and uses the excess cash to reduce the amount of new federal borrowing that is needed to finance the governmentwide deficit. That is, if other tax and spending policies are unchanged, the government borrows less from the public than it would in the absence of those excess funds. The reverse is the case when revenues for a trust fund program fall short of expenses. The balances of trust funds at a given point in time are not a measure of resources available to pay future obligations for the respective programs; those resources will need to come from federal revenues or additional borrowing in the years those obligations are due.

Including the cash receipts and expenditures of trust funds in the budget totals with receipts and expenditures of other federal programs is useful for assessing how all federal activities, taken together, affect the economy and financial markets. Therefore, the Congressional Budget Office (CBO), the Administration's Office of Management and Budget, and other fiscal analysts generally focus on the total deficit rather than on the deficit with or without particular trust funds. That comprehensive view of the government's fiscal activities is known as the "unified budget."

According to CBO's current baseline projection, trust funds as a group will run a surplus of \$95 billion in 2011 and a total surplus of \$1.7 trillion from 2012 through 2021 (see Table C-1). That surplus is bolstered by interest receipts and other sums transferred from elsewhere in the budget. Such intragovernmental transfers, which are projected to total \$644 billion in 2011, reallocate costs from one category of the budget to another but do not directly change the total deficit or the government's borrowing needs. If intragovernmental transfers are excluded

**Table C-1.****CBO's Baseline Projections of Surpluses or Deficits in the Trust Funds**

(Billions of dollars)

	Actual,												Total	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-	2011-
													2015	2020
<b>Social Security</b>														
Old-Age and Survivors Insurance	103	99	111	116	117	121	125	122	115	106	93	81	563	1,206
Disability Insurance	-21	-27	-24	-28	-29	-30	-31	-33	-33	-33	-33	-36	-139	-337
Subtotal	82	72	87	88	87	90	94	90	83	73	60	45	424	868
<b>Medicare</b>														
Hospital Insurance (Part A)	-30	-40	-28	-30	-27	-21	-24	-22	-21	-28	-34	-41	-145	-316
Supplementary Medical Insurance (Part B)	9	-10	12	5	-3	-9	-22	-5	2	-1	3	10	-5	-18
Subtotal	-21	-50	-16	-25	-30	-30	-46	-27	-19	-29	-31	-31	-150	-333
<b>Military Retirement</b>	41	39	58	59	64	70	72	84	97	100	108	117	290	869
<b>Civilian Retirement<sup>a</sup></b>	27	25	25	25	26	27	28	30	33	35	37	38	127	327
<b>Unemployment Insurance</b>	-1	12	5	-1	3	9	16	14	11	8	5	4	28	86
<b>Highway and Mass Transit</b>	11	-7	-14	-16	-17	-17	-16	-16	-16	-16	-17	-17	-70	-167
<b>CLASS Trust Fund</b>	0	0	6	9	10	12	12	9	8	7	6	6	37	84
<b>Airport and Airways</b>	-1	1	1	2	2	3	4	5	5	6	7	8	9	43
<b>Other<sup>b</sup></b>	5	3	2	2	2	3	2	3	3	4	4	4	11	32
<b>Total Trust Fund Surplus</b>	<b>144</b>	<b>95</b>	<b>153</b>	<b>142</b>	<b>149</b>	<b>167</b>	<b>166</b>	<b>192</b>	<b>204</b>	<b>188</b>	<b>178</b>	<b>174</b>	<b>707</b>	<b>1,808</b>
<b>Intragovernmental Transfers to Trust Funds<sup>c</sup></b>	613	644	653	668	690	724	773	832	882	957	1,022	1,096	3,379	8,941
<b>Total Trust Fund Deficit Excluding Intragovernmental Transfers</b>	<b>-470</b>	<b>-549</b>	<b>-500</b>	<b>-526</b>	<b>-541</b>	<b>-556</b>	<b>-607</b>	<b>-640</b>	<b>-679</b>	<b>-769</b>	<b>-844</b>	<b>-922</b>	<b>-2,672</b>	<b>-7,133</b>

Source: Congressional Budget Office.

Note: CLASS = Community Living Assistance Services and Support program.

- Includes Civil Service Retirement, Foreign Service Retirement, and several smaller retirement trust funds.
- Primarily trust funds for railroad workers' retirement, federal employees' health and life insurance, Superfund, and various insurance programs for veterans.
- Includes interest paid to trust funds, payments from the Treasury's general fund to the Supplementary Medical Insurance program and the Unemployment Trust Fund, the employer's share of payments for federal employees' retirement, lump-sum payments to the Civil Service and Military Retirement Trust Funds, taxes on Social Security benefits, and smaller miscellaneous payments.

and only income from sources outside the government (such as income from payroll taxes) is counted, the trust funds as a whole, in CBO's view, will run annual deficits that increase from \$549 billion in 2011 to \$922 billion in 2021.

Total trust fund surpluses are dominated by those for the Old-Age and Survivors Insurance portion of the Social Security program. Including interest and other intragovernmental payments, CBO estimates a surplus of \$99 billion for that fund this year and a cumulative surplus of about \$1.1 trillion from 2012 through 2021. For Social Security as a whole, the estimated surpluses peak at \$94 billion in 2016 and decline to \$45 billion in 2021

(see Figure C-1). Excluding interest, surpluses for Social Security become deficits of \$45 billion in 2011 and \$547 billion over the 2012–2021 period.

In the absence of legislative action, CBO projects, three major trust funds will exhaust their balances during the baseline period: the DI trust fund, the HI Trust Fund, and the Highway Trust Fund. In 2010, the DI and HI trust funds had negative cash flows, including the interest earned on invested securities, of \$21 billion and \$30 billion, respectively. In CBO's projection, the negative cash flows for the two funds continue throughout the baseline period; their balances are exhausted in 2017 (DI) and 2021 (HI).