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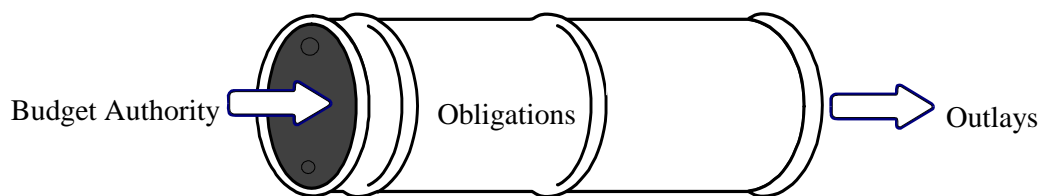
The Spending Pipeline: Stages of Federal Spending

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Federal government spending involves a multi-step process in which budget authority is enacted and obligated, and outlays are generated. *Budget authority* is enacted in law; it provides federal agencies the legal basis to incur obligations. *Obligations*, which reflect such activities as employing personnel, entering into contracts, and submitting purchase orders, establish financial liabilities of the federal government. *Outlays* are payments that liquidate these obligations. This multi-step process can be illustrated as a spending pipeline (see **Figure 1**). For more information on the budget process, see [<http://www.crs.gov/products/guides/guidehome.shtml>].

Figure 1. The Spending Pipeline



Budget authority, which is provided in appropriations acts and direct spending legislation, establishes the specific amounts made available for obligation. In some instances, however, budget authority is indefinite, providing “such sums as may be necessary” to achieve certain purposes. Budget authority may be made available for obligation for a one-year, multi-year, or no-year period. One-year, or annual, budget authority is available for obligation only during a specific fiscal year, and any unobligated authority expires at the end of that fiscal year; multi-year authority is available for a period longer than one fiscal year; and no-year budget authority is available for an indefinite period.

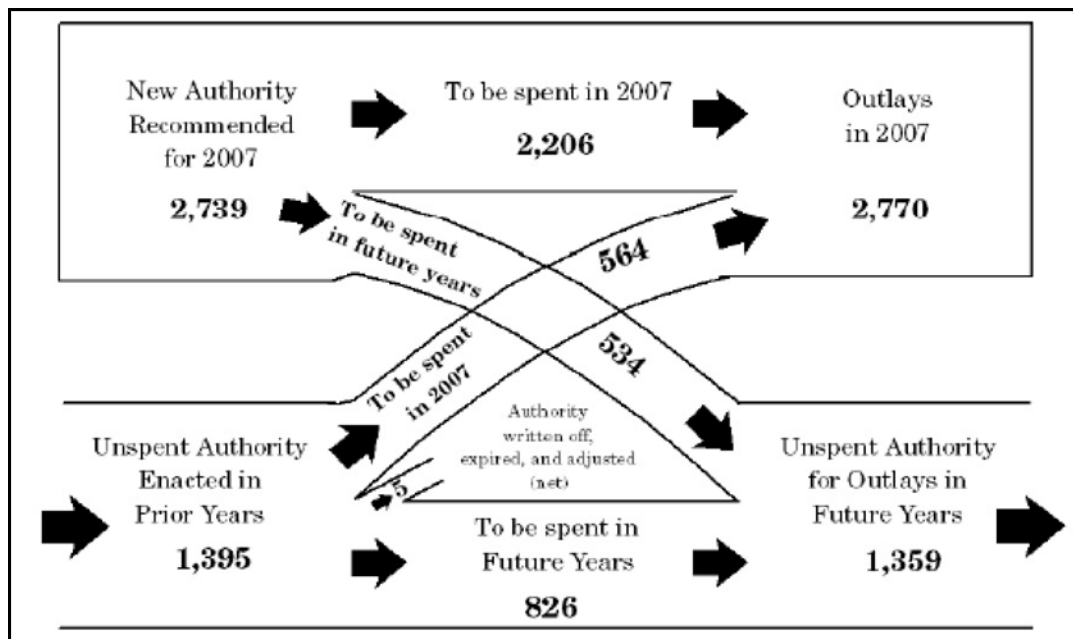
The Antideficiency Act (31 U.S.C. 1341-42; 1511-1519) prohibits agencies from obligating more budget authority than is provided in law. Certain adjustments (e.g., a rescission) may be made to cancel or reduce budget authority after it has been enacted in law.

Outlay amounts included in budget documents are estimated amounts, and the actual outlays for a fiscal year may differ from the estimates. The estimated outlays are calculated using the historical spendout rates for each spending account and other factors. The spendout rate reflects the proportion of total budget authority for an account that will become outlays during a fiscal year.

The amount of new budget authority enacted in a fiscal year does not necessarily equal the amount of outlays in that year. **Figure 2** illustrates this using the President's proposed FY2007 budget. Most new budget authority made available is obligated and becomes outlays in the fiscal year for which it is enacted; \$2,206 billion of the \$2,739 billion of new budget authority is expected to become outlays in FY2007.

However, a portion of the FY2007 new budget authority, \$534 billion, either will be obligated, but will not become outlays until future years, or will remain unobligated until future years. This amount reflects multi-year and no-year budget authority for activities like construction, where the obligation and outlay of funds may occur over a period of several years. The remaining outlays for FY2007, \$564 billion, are expected to derive from unobligated budget authority from prior years, reflecting previously enacted multi-year or no-year budget authority that will become outlays in FY2007.

Figure 2. Relationship of Budget Authority to Outlays for FY2007
(billions of dollars)



Source: Office of Management and Budget. *Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2007* (Washington: GPO, 2006), Chart 26-1, p. 389.