

CHAPTER 6

FINANCING OF BUDGET DEFICITS

A major reason for calculating an overall excess of receipts or expenditures (i.e., total budget surplus or deficit) is to derive figures relating to Government borrowing requirements (or debt repayment possibilities). A budget deficit may be financed not only by Treasury (or agency) borrowing, but also by reducing Treasury cash balances, by allowing unpaid liabilities to increase, or certain equivalent transactions. Conversely, a budget surplus is likely to be used primarily to repay borrowing or to build up cash balances.

Given the importance of the relationship between budget totals and Treasury financing needs, the Commission believes this relationship should be given somewhat greater prominence than in the present budget presentation: Therefore, the Commission recommends:

The budget document should present, in a prominent place, a "means of financing" statement explaining the major ways in which a budget deficit is financed or a budget surplus used. The key figures from this statement should also be included in a "means of financing" section of the budget summary, along with appropriations, receipts, expenditures, and surplus or deficit.

The terms "public debt" and "Federal securities" at present have several alternative definitions, with various categories of obligations included or excluded. As a means of reducing confusion, primary attention should be given to a concept of Federal Government (public debt) and Federal agency obligations consistent with the recommended definitions of Federal budget receipts and expenditures. Therefore:

The Commission recommends, in the presentation of figures on Federal borrowing, a debt concept that is consistent with the definitions of budget receipts and expenditures spelled out elsewhere in this Report. Basically, added to the present concept of public debt would be securities issued by those Federal agencies whose receipts and expenditures are part of the recommended new budget—producing a concept of "gross debt outstanding." From this total Treasury and agency securities held by those same Federal agencies and by Federal trust funds would be deducted. The new net concept may be referred to as "Federal securities held by the public," with changes referred to as "net Federal borrowing from the public." Figures on both these new concepts should appear in the budget summary.