Although the long-term trend may be toward increased federal assumption of unmeasured and uncontrolled risks, both Congress and the administration have recently taken some steps to measure, disclose, and control government risk-bearing. These efforts can be grouped under four headings: the President's budgets for 1991 and 1992, credit reform, control of government-sponsored enterprises (GSEs), and reform of the budgetary treatment of deposit insurance.
1. The President’s Budget

Richard Darman, director of the Office of Management and Budget (OMB), has shown a keen interest in federal risk-bearing, which is evident in both the 1991 and 1992 budget documents.

Under Darman’s direction, the OMB combined the many separate budget documents into a single volume with the 1991 budget. In the process, much of the old “Special Analysis F” on federal credit programs was converted into “Recognizing Federal Underwriting Risks,” a section in the new book. The text and tables cover the nature and amount of the aggregate dollar of risk exposure from federal direct loans and guarantees, government-sponsored enterprises (such as Fannie Mae and Freddie Mac), deposit insurance, the Pension Benefit Guaranty Corporation, aviation war risk insurance, and flood and crop insurance. A series of proposals to reduce this exposure is included in the budget proposals. The 1992 budget continues this effort with a similar treatment under the slightly changed title, “Recognizing and Reducing Federal Underwriting Risks.” A table from the 1992 budget showing OMB estimates of the potential costs from this exposure is reproduced here as table 8–1.

2. Credit Reform

Under the Credit Reform Act of 1990, budgetary accounting for new federal direct loans and guarantees will change from a cash basis to a front-loaded accrual basis, effective in fiscal 1992. New federal direct loans and guarantees will be recognized in the budget (budget authority and outlays) in terms of their estimated long-term subsidy cost. That is, when the federal government makes a direct loan of $100, for which the present value of expected losses is estimated to be $20, the budget will show an increase both in current-period outlays and in the deficit of $20 (not $100, as has been past practice).

Other federal–private cash flows (except administrative costs) associated with this loan will be recorded below the deficit line, where they will have no effect on budget outlays or the deficit. Federal guarantees of private loans will be similarly treated: The estimated subsidy will be recognized in outlays and in the deficit when the guaranteed loan is disbursed, and other cash flows will be accounted for in the budget so that they do not affect either federal outlays or the deficit. The estimated subsidy rates for direct loans and guarantees from the 1992 budget are found in tables 8–2 and 8–3. Federal loans and guarantees outstanding on October 1, 1991, will continue to be treated in the budget on a cash basis, above the deficit line.1