



CBO




CBO's Projections of Federal Receipts and Expenditures in the Framework of the National Income and Product Accounts

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Notes

Numbers in the text and tables may not add up to totals because of rounding.

Unless otherwise indicated, all years are fiscal years.



Contents

CBO's Projections of Federal Receipts and Expenditures in the Framework of the National Income and Product Accounts	1
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Tables

1. Relationship of the Budget to the Federal Sector of the National Income and Product Accounts	3
2. Baseline Receipts and Expenditures as Measured by the National Income and Product Accounts	5



CBO's Projections of Federal Receipts and Expenditures in the Framework of the National Income and Product Accounts

The fiscal transactions of the federal government are recorded in two major sets of accounts. One is *The Budget of the United States Government*, prepared by the Office of Management and Budget, which is the framework generally used by executive branch agencies and the Congress and typically discussed in the press. The other set of accounts is the national income and product accounts (NIPAs), produced by the Department of Commerce's Bureau of Economic Analysis.¹

The purposes served by the budget and the NIPA accounting frameworks, the conceptual differences, and the relationship between those two sets of data are examined briefly below and more thoroughly in previous publications by the Congressional Budget Office (CBO).² In January, CBO reported its latest baseline projections of federal revenues and outlays in the standard structure for budget accounting.³ This report presents those projections in the NIPA framework (see Tables 1 and 2).

The budget of the federal government is best understood as an information and management tool.⁴ It focuses primarily on cash flows, recording the inflow of revenues

and the outflow of spending over a given period. The main period of interest for the budget is the federal fiscal year, which runs from October 1 through September 30.

A few exceptions to cash-based accounting exist, in cases in which policymakers have decided that alternative approaches would improve the budget's usefulness as a decisionmaking tool. For example, when the federal government makes direct loans or provides loan guarantees, tracking cash flows gives a misleading view of true costs. Therefore, as specified in the Federal Credit Reform Act of 1990, the budget records, as outlays, estimates of subsidy costs at the time that loans are made.

The treatment of the federal sector in the NIPAs reflects none of the planning and management goals that underlie the budget. Instead, the NIPAs indicate how the federal government fits into a general economic framework, detailing current production and income over specific periods, the major sources of that production, and recipients of income resulting from current output. The NIPAs primarily cover calendar years and calendar quarters, but totals for fiscal years can be derived from the quarterly estimates.

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1. See Department of Commerce, Bureau of Economic Analysis, "NIPA Translation of the Fiscal Year 2011 Federal Budget," *Survey of Current Business* (March 2010), and "A Primer on BEA's Government Accounts," *Survey of Current Business* (March 2008).
 2. See Congressional Budget Office, *The Treatment of Federal Receipts and Expenditures in the National Income and Product Accounts* (June 2009).
 3. See Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2011 to 2021* (January 2011).

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4. Another approach to assessing the government's fiscal performance is reflected in the annual *Financial Report of the United States Government*, which uses an accrual basis of accounting to measure assets, liabilities, revenues, and expenses. See Congressional Budget Office, *Comparing Budget and Accounting Measures of the Federal Government's Fiscal Condition* (December 2006).

From the perspective of the NIPAs, the federal government is both a producer and a consumer. Its workforce uses purchased goods and services and government-owned capital (buildings, equipment, and software) to produce services for the public at large. Because those services are consumed by the public, such purchases, by convention, are regarded as federal consumption expenditures in the NIPAs. In addition, through its taxes and transfers, the federal government affects the resources available to the private sector. The NIPAs record all of those activities in a manner consistent with the treatment accorded to other sectors of the economy.

The conceptual differences that distinguish the NIPAs from the federal budget lead to accounting differences as well. In incorporating federal transactions into the framework used to determine gross domestic product, the NIPAs reflect judgments about how to best treat transactions such as government investment, the sale and

purchase of existing assets, the provision of loans and guarantees, and federal activities that resemble those of businesses. In some cases, transactions are shifted from the federal sector to another sector of the NIPAs or are excluded from the NIPAs entirely. In other cases, the NIPAs record as a receipt an item that the federal budget reports as an offsetting collection (or negative outlay), or they adjust the timing of a federal transaction to better match the timing of the related production or income flow.

Under CBO's baseline assumptions for the 2011–2021 period, receipts and expenditures in the NIPAs are greater than revenues and outlays in the budget by an average of about 4 percent. Over that period, projected expenditures in the NIPAs exceed projected receipts by \$9.1 trillion, compared with projected deficits of \$8.5 trillion under budget accounting.

Table 1.**Relationship of the Budget to the Federal Sector of the National Income and Product Accounts**

(Billions of dollars)

	Actual,											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Receipts											
Revenues (Budget)	2,162	2,228	2,555	3,090	3,442	3,651	3,832	4,075	4,275	4,489	4,712	4,963
Differences												
Coverage												
Contributions for government employees' retirement	-4	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Estate and gift taxes	-19	-11	-12	-14	-42	-48	-53	-57	-61	-65	-69	-73
Universal Service Fund receipts	-9	-9	-9	-9	-9	-9	-10	-10	-10	-10	-11	-11
Subtotal, Coverage	<u>-32</u>	<u>-24</u>	<u>-24</u>	<u>-26</u>	<u>-54</u>	<u>-61</u>	<u>-66</u>	<u>-70</u>	<u>-74</u>	<u>-78</u>	<u>-82</u>	<u>-86</u>
Netting												
Medicare premiums	61	63	69	72	74	77	80	90	98	107	116	129
Deposit insurance premiums	12	15	17	16	7	3	3	3	3	3	3	3
Government contributions for OASDI and HI for employees	19	19	20	20	21	22	24	25	26	27	28	29
Income receipts on assets	38	44	37	34	33	32	31	31	32	34	34	34
Surpluses of government enterprises	-4	*	2	3	3	3	3	3	2	2	2	1
Other	38	38	39	40	41	42	42	43	44	44	43	42
Subtotal, Netting	<u>164</u>	<u>181</u>	<u>184</u>	<u>186</u>	<u>179</u>	<u>179</u>	<u>184</u>	<u>195</u>	<u>205</u>	<u>217</u>	<u>226</u>	<u>237</u>
Timing shift of corporate estimated tax payments	0	0	0	0	-42	4	38	0	0	-4	4	0
Other adjustments	40	26	31	-14	-4	-10	-1	-4	1	-1	4	2
Total Differences	<u>172</u>	<u>182</u>	<u>190</u>	<u>145</u>	<u>79</u>	<u>112</u>	<u>155</u>	<u>120</u>	<u>132</u>	<u>134</u>	<u>152</u>	<u>153</u>
Receipts in the NIPAs	2,334	2,411	2,745	3,235	3,521	3,763	3,987	4,195	4,407	4,623	4,865	5,115
	Expenditures											
Outlays (Budget)	3,456	3,708	3,655	3,794	3,975	4,202	4,491	4,691	4,885	5,185	5,451	5,726
Differences												
Coverage												
Treatment of investment and depreciation	-43	-40	-39	-38	-38	-38	-39	-39	-39	-40	-40	-41
Contributions for government employees' retirement	46	25	37	38	40	42	46	50	56	60	65	69
Capital transfers	-129	-82	-75	-69	-67	-67	-67	-68	-66	-67	-69	-69
Lending and financial adjustments	139	33	*	-4	-5	-10	-10	-11	-14	-16	-17	-17
Geographic adjustments	-3	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Universal Service Fund payments	-9	-9	-9	-9	-9	-9	-9	-9	-9	-10	-10	-10
Subtotal, Coverage	<u>*</u>	<u>-77</u>	<u>-89</u>	<u>-86</u>	<u>-82</u>	<u>-85</u>	<u>-83</u>	<u>-80</u>	<u>-76</u>	<u>-75</u>	<u>-74</u>	<u>-71</u>

Continued

Table 1.

Continued

Relationship of the Budget to the Federal Sector of the National Income and Product Accounts

(Billions of dollars)

	Actual, 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Expenditures (Continued)												
Differences (Continued)												
Netting												
Medicare premiums	61	63	69	72	74	77	80	90	98	107	116	129
Deposit insurance premiums	12	15	17	16	7	3	3	3	3	3	3	3
Government contributions for												
OASDI and HI for employees	19	19	20	20	21	22	24	25	26	27	28	29
Income receipts on assets	38	44	37	34	33	32	31	31	32	34	34	34
Surpluses of government enterprises	-4	*	2	3	3	3	3	3	2	2	2	1
Other	38	38	39	40	41	42	42	43	44	44	43	42
Subtotal, Netting	164	181	184	186	179	179	184	195	205	217	226	237
Timing adjustments	0	-32	32	*	0	0	-25	-2	38	0	0	0
Other adjustments	41	23	35	47	77	87	89	98	117	111	118	130
Total Differences	204	95	161	148	174	181	164	211	283	253	270	296
Expenditures in the NIPAs	3,660	3,803	3,816	3,942	4,149	4,382	4,655	4,902	5,168	5,438	5,721	6,022
Net Federal Government Saving^a												
Budget Deficit	-1,294	-1,480	-1,100	-704	-533	-551	-659	-617	-610	-696	-739	-763
Differences												
Coverage												
Treatment of investment and depreciation	43	40	39	38	38	38	39	39	39	40	40	41
Contributions for government employees' retirement	-50	-29	-40	-41	-43	-46	-49	-53	-59	-63	-68	-72
Estate and gift taxes	-19	-11	-12	-14	-42	-48	-53	-57	-61	-65	-69	-73
Capital transfers	129	82	75	69	67	67	67	68	66	67	69	69
Lending and financial adjustments	-139	-33	*	4	5	10	10	11	14	16	17	17
Geographic adjustments	3	4	3	3	3	3	3	3	3	3	3	3
Universal Service Fund	*	*	*	*	*	*	*	-1	-1	-1	-1	-1
Subtotal, Coverage	-32	53	65	60	28	24	17	10	2	-3	-8	-15
Timing adjustments	0	32	-32	*	-42	4	63	2	-38	-4	4	0
Other adjustments	*	2	-4	-61	-81	-97	-89	-103	-115	-112	-114	-128
Total Differences	-32	87	29	-2	-95	-68	-9	-90	-151	-119	-118	-143
Net Federal Government Saving ^a	-1,326	-1,393	-1,071	-706	-628	-619	-668	-707	-762	-815	-857	-907

Source: Congressional Budget Office.

Note: OASDI = Old-Age, Survivors, and Disability Insurance; HI = Hospital Insurance; * = between -\$500 million and \$500 million.

a. Negative numbers indicate that federal expenditures exceed federal receipts.

Table 2.**Baseline Receipts and Expenditures as Measured by the National Income and Product Accounts**

(Billions of dollars)

	Actual, 2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Receipts												
Current Tax Receipts												
Taxes on personal income	855	959	1,093	1,457	1,634	1,785	1,924	2,056	2,180	2,310	2,448	2,597
Taxes on corporate income	284	309	371	396	412	422	433	434	445	447	468	482
Taxes on production and imports	104	104	113	121	134	143	149	157	164	172	177	184
Taxes from the rest of the world	12	16	17	18	20	21	22	24	25	27	28	29
Subtotal, Current Tax Receipts	1,256	1,388	1,594	1,992	2,200	2,371	2,529	2,671	2,814	2,956	3,122	3,292
Contributions for Government Social Insurance ^a	976	909	1,038	1,127	1,196	1,257	1,318	1,380	1,443	1,508	1,579	1,653
Current Transfer Receipts	60	61	66	68	79	87	94	96	101	108	114	121
Income Receipts on Assets	46	52	44	45	44	44	44	44	46	48	49	49
Current Surpluses of Government Enterprises	-4	*	2	3	3	3	3	3	2	2	2	1
Total Current Receipts	2,334	2,411	2,745	3,235	3,521	3,763	3,987	4,195	4,407	4,623	4,865	5,115
Expenditures												
Consumption Expenditures (Purchases of goods and services)												
Defense												
Consumption	602	610	632	631	640	650	661	672	694	698	711	723
Consumption of fixed capital	89	94	99	103	108	113	118	124	129	134	140	145
Nondefense												
Consumption	307	322	323	326	341	350	359	369	380	394	408	422
Consumption of fixed capital	32	34	35	36	37	38	39	39	40	40	41	41
Subtotal, Consumption Expenditures	1,030	1,060	1,089	1,096	1,127	1,151	1,177	1,204	1,243	1,266	1,299	1,331
Current Transfer Payments												
Government social benefits												
To persons	1,702	1,748	1,727	1,770	1,806	1,884	1,982	2,076	2,192	2,325	2,463	2,615
To the rest of the world	16	16	16	16	17	17	18	18	18	19	20	20
Subtotal, Government Social Benefits	1,718	1,764	1,742	1,786	1,823	1,901	2,000	2,094	2,211	2,344	2,483	2,635
Other transfer payments												
Grants-in-aid to state and local governments	520	520	487	489	537	578	622	652	678	714	754	801
To the rest of the world	55	64	66	68	69	69	70	72	74	76	78	80
Subtotal, Other Transfer Payments	575	583	553	557	605	647	692	723	752	790	831	880
Interest Payments	281	326	362	430	508	583	662	741	812	879	944	1,003
Subsidies	57	71	70	72	86	101	125	140	151	158	164	172
Total Current Expenditures	3,660	3,803	3,816	3,942	4,149	4,382	4,655	4,902	5,168	5,438	5,721	6,022
Net Federal Government Saving^b												
Net Federal Government Saving ^b	-1,326	-1,393	-1,071	-706	-628	-619	-668	-707	-762	-815	-857	-907

Source: Congressional Budget Office.

Note: * = between zero and \$500 million.

- a. Includes Social Security taxes, Medicare taxes and premiums, and unemployment insurance taxes.
- b. Negative numbers indicate that federal expenditures exceed federal receipts.