



## 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 as commonly 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.<sup>1</sup>

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).<sup>2</sup> In March, CBO reported its latest baseline projections of federal revenues and outlays in the standard structure for budget accounting.<sup>3</sup> This report presents those projections in the NIPA framework (see Table 1) and shows the differences between the two presentations (see Table 2 on page 4).

### The Federal Budget

The budget of the federal government is best understood as an information and management tool.<sup>4</sup> 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.

The budget incorporates a few exceptions to cash-based accounting, 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. (Such subsidy costs are calculated as a net present value of all expected future cash flows related to a given loan; thus, each subsidy amount represents an accrual estimate as opposed to a point-in-time cash flow.)

### The National Income and Product Accounts

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.

1. See Department of Commerce, Bureau of Economic Analysis, "NIPA Translation of the Fiscal Year 2013 Federal Budget," *Survey of Current Business* (March 2012), and "A Primer on BEA's Government Accounts," *Survey of Current Business* (March 2008).
2. See Congressional Budget Office, *CBO's Projections of Federal Receipts and Expenditures in the Framework of the National Income and Product Accounts* (February 2011).
3. See Congressional Budget Office, *Updated Budget Projections: Fiscal Years 2012 to 2022* (March 2012).

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).

The NIPAs primarily cover calendar years and calendar quarters, but totals for fiscal years can be derived from the quarterly estimates.

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.<sup>5</sup> 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

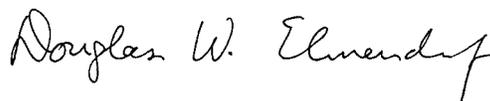
5. Most of the differences between the NIPAs and the federal budget fall into three groups: coverage (transactions that are included in the budget but excluded from the NIPAs or vice versa), netting (transactions that are recorded as offsets to outlays in the budget and recorded as receipts in the NIPAs), and timing (receipts and outlays that are recorded on a cash basis in the budget, but on an accrual basis in the NIPAs). Although all three types can affect total revenues or outlays, netting differences have no impact on the federal deficit because they affect revenues and outlays equally.

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 2012–2022 period, receipts in the NIPAs are greater than revenues in the budget by about 4 percent and expenditures in the NIPAs exceed outlays in the budget by about 5 percent.<sup>6</sup> Over that period, projected expenditures in the NIPAs exceed projected receipts by \$4.6 trillion, compared with projected deficits of \$4.1 trillion under standard budget accounting.

6. As specified in law, and to provide a benchmark against which potential policy changes can be measured, CBO constructs its baseline estimates of federal revenues and spending under the assumption that current laws generally remain unchanged.

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**Table 1.****Baseline Receipts and Expenditures as Measured by the National Income and Product Accounts**

(Billions of dollars)

	Actual, 2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Receipts</b>												
Current Tax Receipts												
Taxes on personal income	1,031	1,123	1,408	1,570	1,733	1,886	2,035	2,171	2,313	2,464	2,620	2,784
Taxes on corporate income	337	369	398	437	491	503	493	485	476	485	493	505
Taxes on production and imports	108	113	119	132	142	148	155	161	168	173	177	179
Taxes from the rest of the world	15	17	19	21	22	24	26	27	29	31	32	34
Subtotal, Current Tax Receipts	1,491	1,623	1,945	2,160	2,388	2,561	2,709	2,845	2,986	3,151	3,323	3,502
Contributions for Government Social Insurance <sup>a</sup>	922	939	1,057	1,124	1,188	1,259	1,334	1,406	1,473	1,540	1,610	1,686
Current Transfer Receipts	68	67	67	73	85	93	96	102	108	114	120	125
Income Receipts on Assets	55	58	64	66	69	72	74	78	86	87	91	95
Current Surpluses of Government Enterprises	-2	-2	1	1	*	1	1	*	*	*	*	-1
<b>Total Current Receipts</b>	<b>2,534</b>	<b>2,685</b>	<b>3,134</b>	<b>3,425</b>	<b>3,730</b>	<b>3,986</b>	<b>4,215</b>	<b>4,432</b>	<b>4,654</b>	<b>4,892</b>	<b>5,144</b>	<b>5,407</b>
<b>Expenditures</b>												
Consumption Expenditures												
(Purchases of goods and services)												
Defense												
Compensation and purchased goods and services	620	609	554	540	535	541	547	555	561	568	577	596
Consumption of fixed capital	95	101	106	110	114	118	122	127	131	135	139	144
Subtotal, Defense	715	710	660	650	649	659	670	681	692	703	716	740
Nondefense												
Compensation and purchased goods and services	322	335	320	318	331	335	341	346	356	366	375	384
Consumption of fixed capital	34	35	37	38	40	41	42	43	44	46	47	48
Subtotal, Nondefense	355	370	357	356	371	376	383	390	401	411	421	432
Current Transfer Payments												
Government social benefits												
To persons	1,735	1,805	1,821	1,833	1,890	1,974	2,063	2,176	2,294	2,425	2,563	2,756
To the rest of the world	17	16	16	17	17	18	18	18	19	19	20	21
Subtotal, Government Social Benefits	1,752	1,821	1,837	1,850	1,907	1,991	2,081	2,194	2,312	2,444	2,583	2,777
Other transfer payments												
Grants-in-aid to state and local governments	514	477	477	529	575	608	632	656	688	723	762	809
To the rest of the world	59	63	68	70	71	72	73	74	76	78	80	82
Subtotal, Other Transfer Payments	573	540	545	599	646	679	704	730	763	800	842	891
Interest Payments	309	298	309	326	370	436	503	567	625	676	716	757
Subsidies	61	67	69	83	99	121	134	143	150	155	163	168
<b>Total Current Expenditures</b>	<b>3,765</b>	<b>3,805</b>	<b>3,777</b>	<b>3,865</b>	<b>4,042</b>	<b>4,263</b>	<b>4,475</b>	<b>4,704</b>	<b>4,943</b>	<b>5,190</b>	<b>5,441</b>	<b>5,767</b>
<b>Net Federal Government Saving<sup>b</sup></b>												
<b>Net Federal Government Saving<sup>b</sup></b>	<b>-1,231</b>	<b>-1,120</b>	<b>-644</b>	<b>-440</b>	<b>-312</b>	<b>-277</b>	<b>-260</b>	<b>-272</b>	<b>-289</b>	<b>-298</b>	<b>-298</b>	<b>-359</b>
<b>Memorandum:</b>												
Total Federal Consumption	1,070	1,080	1,017	1,006	1,021	1,035	1,053	1,071	1,093	1,114	1,137	1,173

Source: Congressional Budget Office.

Note: \* = between -\$500 million 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.

**Table 2.****Relationship of the Budget to the Federal Sector of the National Income and Product Accounts**

(Billions of dollars)

	Actual,											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>Receipts</b>											
Revenues (Budget)	2,303	2,456	2,968	3,283	3,589	3,838	4,066	4,272	4,484	4,719	4,962	5,218
Differences												
Coverage												
Contributions for government												
employees' retirement	-4	-4	-4	-4	-4	-4	-4	-5	-5	-6	-6	-7
Estate and gift taxes	-7	-11	-14	-39	-44	-48	-52	-56	-60	-64	-68	-72
Universal Service Fund receipts	-9	-10	-10	-10	-10	-10	-10	-11	-11	-11	-11	-11
Subtotal, Coverage	-20	-24	-28	-53	-58	-62	-67	-71	-76	-80	-85	-90
Netting												
Medicare premiums	63	65	76	76	79	84	90	97	104	109	117	127
Deposit insurance premiums	15	17	16	7	3	3	3	3	3	3	3	3
Government contributions for												
OASDI and HI for employees	19	20	20	21	22	23	23	24	25	26	26	27
Income receipts on assets	47	49	52	53	56	58	60	63	71	71	75	78
Surpluses of government enterprises	-2	-2	1	1	*	1	1	*	*	*	*	-1
Other	40	41	42	42	43	44	44	45	46	47	47	44
Subtotal, Netting	182	189	208	200	202	213	222	232	248	255	268	279
Other adjustments	68	64	-15	-5	-2	-2	-7	-1	-3	-1	-2	1
<b>Total Differences</b>	<b>231</b>	<b>229</b>	<b>165</b>	<b>142</b>	<b>141</b>	<b>148</b>	<b>148</b>	<b>160</b>	<b>170</b>	<b>173</b>	<b>181</b>	<b>190</b>
Receipts in the NIPAs	2,534	2,685	3,134	3,425	3,730	3,986	4,215	4,432	4,654	4,892	5,144	5,407
	<b>Expenditures</b>											
Outlays (Budget)	3,603	3,627	3,580	3,668	3,846	4,097	4,267	4,447	4,708	4,953	5,200	5,520
Differences												
Coverage												
Treatment of investment and depreciation	-36	-27	-25	-25	-26	-29	-32	-35	-39	-43	-47	-51
Contributions for government												
employees' retirement	10	37	26	25	25	26	29	31	33	35	36	37
Capital transfers	-81	-76	-67	-64	-64	-64	-64	-62	-62	-62	-62	-62
Lending and financial adjustments	57	-11	17	10	13	10	11	8	6	3	2	-2
Geographic adjustments	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Universal Service Fund payments	*	*	*	*	*	*	*	*	*	*	*	*
Subtotal, Coverage	-54	-80	-51	-57	-56	-60	-58	-61	-65	-71	-74	-82

Continued

Table 2.

Continued

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

(Billions of dollars)

	Actual,											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<b>Expenditures (Continued)</b>											
Differences (Continued)												
Netting												
Medicare premiums	63	65	76	76	79	84	90	97	104	109	117	127
Deposit insurance premiums	15	17	16	7	3	3	3	3	3	3	3	3
Government contributions for												
OASDI and HI for employees	19	20	20	21	22	23	23	24	25	26	26	27
Income receipts on assets	47	49	52	53	56	58	60	63	71	71	75	78
Surpluses of government enterprises	-2	-2	1	1	*	1	1	*	*	*	*	-1
Other	40	41	42	42	43	44	44	45	46	47	47	44
Subtotal, Netting	182	189	208	200	202	213	222	232	248	255	268	279
Timing adjustments	-33	32	*	0	0	-38	-1	39	0	0	0	-48
Other adjustments	67	37	40	54	51	51	46	46	51	53	48	97
<b>Total Differences</b>	<b>162</b>	<b>178</b>	<b>197</b>	<b>197</b>	<b>196</b>	<b>166</b>	<b>208</b>	<b>257</b>	<b>235</b>	<b>237</b>	<b>242</b>	<b>246</b>
Expenditures in the NIPAs	3,765	3,805	3,777	3,865	4,042	4,263	4,475	4,704	4,943	5,190	5,441	5,767
	<b>Net Federal Government Saving<sup>a</sup></b>											
Budget Deficit	-1,300	-1,171	-612	-385	-257	-259	-201	-175	-224	-234	-237	-303
Differences												
Coverage												
Treatment of investment and depreciation	36	27	25	25	26	29	32	35	39	43	47	51
Contributions for government employees' retirement	-14	-40	-30	-29	-29	-31	-34	-36	-38	-40	-42	-43
Estate and gift taxes	-7	-11	-14	-39	-44	-48	-52	-56	-60	-64	-68	-72
Capital transfers	81	76	67	64	64	64	64	62	62	62	62	62
Lending and financial adjustments	-57	11	-17	-10	-13	-10	-11	-8	-6	-3	-2	2
Geographic adjustments	3	3	3	3	3	3	3	3	3	3	3	3
Universal Service Fund	-9	-10	-10	-10	-10	-10	-11	-11	-11	-11	-11	-12
Subtotal, Coverage	34	56	24	4	-2	-2	-9	-10	-11	-10	-11	-9
Timing adjustments	33	-32	*	0	0	38	1	-39	0	0	0	48
Other adjustments	1	27	-55	-59	-53	-53	-52	-48	-54	-54	-49	-96
<b>Total Differences</b>	<b>68</b>	<b>51</b>	<b>-32</b>	<b>-55</b>	<b>-55</b>	<b>-18</b>	<b>-59</b>	<b>-97</b>	<b>-65</b>	<b>-64</b>	<b>-60</b>	<b>-57</b>
Net Federal Government Saving <sup>a</sup>	-1,231	-1,120	-644	-440	-312	-277	-260	-272	-289	-298	-298	-359

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.

