



CBO's Projections of Federal Receipts and Expenditures in 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. It is the framework generally used by executive branch agencies and the Congress and is the presentation of the federal government's budgetary activity that is most often 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 (BEA).¹

The purposes served by the budget and the NIPA accounting frameworks, their 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 CBO recently 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 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.⁴ Its main objectives are to provide information that can assist lawmakers in their policy deliberations, to facilitate the management and control of federal activities, and to help the Treasury manage its cash balances and determine its borrowing needs. 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 lawmakers 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 annual cash flows provides a misleading view of the true costs or savings associated

1. See Mark S. Ludwick and Andrew L. Cook, "NIPA Translation of the Fiscal Year 2015 Federal Budget," *Survey of Current Business*, vol. 94, no. 4 (Bureau of Economic Analysis, April 2014), www.bea.gov/scb/toc/0414cont.htm; and Bruce E. Baker and Pamela A. Kelly, "A Primer on BEA's Government Accounts," *Survey of Current Business*, vol. 88, no. 3 (Bureau of Economic Analysis, March 2008), www.bea.gov/scb/toc/0308cont.htm.
2. See, for example, Congressional Budget Office, *CBO's Projections of Federal Receipts and Expenditures in the National Income and Product Accounts* (May 2013), www.cbo.gov/publication/44140.
3. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2014 to 2024* (August 2014), www.cbo.gov/publication/45653.

4. Another approach to assessing the government's fiscal performance is reflected in the annual *Financial Report of the United States Government* (www.fms.treas.gov/fr), 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), www.cbo.gov/publication/18262.

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

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

Billions of Dollars

	Actual,											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Receipts												
Current Tax Receipts												
Taxes on personal income	1,255	1,348	1,488	1,584	1,694	1,791	1,885	1,985	2,088	2,197	2,311	2,429
Taxes on corporate income	375	446	467	482	488	481	478	481	488	497	511	528
Taxes on production and imports	119	129	135	140	147	152	157	161	166	172	179	185
Taxes from the rest of the world	19	20	22	24	26	27	29	30	32	33	35	37
Subtotal, Current Tax Receipts	1,769	1,944	2,111	2,230	2,355	2,451	2,548	2,657	2,774	2,900	3,035	3,179
Contributions for Government Social Insurance ^a	1,055	1,134	1,170	1,211	1,262	1,318	1,381	1,448	1,506	1,572	1,639	1,705
Current Transfer Receipts	54	58	64	78	92	95	103	106	104	110	115	120
Income Receipts on Assets	130	114	74	76	78	83	83	83	83	80	82	87
Current Surpluses of Government Enterprises	-14	-18	-18	-16	-15	-15	-15	-14	-14	-12	-11	-12
Total Current Receipts	2,994	3,232	3,401	3,579	3,771	3,932	4,101	4,279	4,453	4,651	4,861	5,079
Expenditures												
Consumption Expenditures												
Defense												
Compensation and purchased goods and services	460	437	438	444	453	464	477	490	505	520	536	552
Consumption of fixed capital	163	165	167	168	171	173	176	179	182	186	189	193
Subtotal, Defense	623	602	605	612	623	638	653	669	687	706	725	745
Nondefense												
Compensation and purchased goods and services	252	243	234	231	228	234	237	253	260	268	274	283
Consumption of fixed capital	97	100	102	106	109	113	116	119	122	125	128	131
Subtotal, Nondefense	349	343	336	337	337	346	353	372	382	393	402	414
Current Transfer Payments												
Government social benefits												
To persons	1,798	1,842	1,912	2,017	2,117	2,233	2,338	2,470	2,612	2,769	2,912	3,072
To the rest of the world	19	18	19	20	21	21	23	24	26	27	29	30
Subtotal, Government Social Benefits	1,816	1,860	1,931	2,037	2,138	2,254	2,361	2,495	2,638	2,797	2,940	3,102
Other transfer payments												
Grants-in-aid to state and local governments	451	484	508	541	564	585	603	625	652	679	709	742
To the rest of the world	47	49	47	49	51	51	52	53	54	55	56	57
Subtotal, Other Transfer Payments	497	532	555	591	615	637	655	678	705	734	765	799
Interest Payments	420	457	481	519	572	654	750	837	911	985	1,056	1,124
Subsidies	60	58	63	73	79	82	85	87	90	93	95	97
Total Current Expenditures	3,766	3,853	3,971	4,169	4,365	4,612	4,857	5,139	5,414	5,708	5,984	6,281
Net Federal Government Saving												
Net Federal Government Saving^b	-772	-620	-570	-590	-593	-680	-756	-860	-960	-1,057	-1,123	-1,203
Memorandum:												
Total Federal Consumption	972	945	941	949	960	984	1,006	1,041	1,070	1,099	1,127	1,159

Source: Congressional Budget Office.

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

with such transactions. Therefore, as specified in the Federal Credit Reform Act of 1990, the budget records, as outlays, an estimate of the net costs or savings to the government over the lifetime of a loan at the time it is made. Those estimates represent the net present value of all expected future cash flows related to a given loan; thus, each subsidy amount is an accrual estimate as opposed to a point-in-time cash flow. Such estimates are often revised later in response to changes in interest rates and to other developments.

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 by detailing current production and income over specific periods, the major sources of that production, and recipients of income resulting from current output. The NIPAs are constructed to cover calendar years and calendar quarters, but totals for fiscal years can be derived from the quarterly estimates. (The tables in this report show fiscal year numbers.)

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, software, and research and development) 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 (see Table 2). In incorporating federal transactions into the framework used to determine gross domestic product, the NIPAs reflect judgments about how best to treat transactions such as government investment, the sale and purchase of existing assets, the provision of loans and guarantees, and other federal activities that resemble those of businesses. In some cases, federal budgetary transactions are shown in a different 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 (that is, as a negative outlay), or they adjust the timing of a federal transaction to better match the timing of the related production or income flow.

In Table 2, the major differences between CBO's baseline budget projections and the corresponding NIPA amounts are shown in three categories:

- Coverage—transactions that are included in either the budget or the NIPAs but not both,
- Netting—transactions that are recorded as offsets to outlays in the budget but as receipts in the NIPAs, and
- Timing—receipts and outlays that are shifted between fiscal years.

All three types can differentiate total receipts and expenditures in the NIPAs from total revenues and outlays in the budget, but netting differences have no impact on the NIPA measure of the federal deficit because they affect revenues and outlays equally.

In 2013, BEA changed how it measures the transactions of pension plans that pay defined benefits.⁵ The current approach counts the value of the benefits that employees accrue during the year, rather than the contributions made by the employer. For federal government pensions, those accrual costs are reflected in both defense and nondefense consumption expenditures in Table 1. (In contrast to the NIPAs, the federal budget shows the net costs of those pensions as outlays when the benefits are paid.) BEA's treatment also includes an imputed interest calculation for periods when the government's pension plans are underfunded (that is, when there are insufficient financial assets to cover promises of future benefits) because, in BEA's view, the government has effectively borrowed from those plans. That imputed interest calculation is included in the "Interest Payments" line in Table 1 and is the largest source of the discrepancy between net federal government saving as reported in the NIPAs and the deficit as reported in the federal budget. Under CBO's baseline projections, the difference between the budget presentation and BEA's approach for

5. See Brent Moulton, "Briefing on the 2013 Comprehensive NIPA Revision" (briefing prepared for the National Accounts Data Users' Conference by the Bureau of Economic Analysis, May 15, 2013), <http://go.usa.gov/E4WQ> (PDF, 753 KB).

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

Billions of Dollars

	Actual,											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Receipts											
Revenues in CBO's Baseline	2,775	3,006	3,281	3,423	3,605	3,748	3,908	4,083	4,257	4,446	4,644	4,850
Differences												
Coverage												
Adjustments related to government employees' retirement	-4	-3	-4	-4	-4	-4	-5	-5	-6	-6	-7	-7
Estate and gift taxes	-19	-18	-21	-23	-24	-25	-26	-27	-28	-29	-30	-30
Universal Service Fund receipts	-10	-10	-10	-10	-10	-10	-10	-11	-11	-11	-11	-11
Subtotal, Coverage	-32	-32	-35	-37	-38	-39	-41	-42	-44	-46	-47	-49
Netting												
Medicare premiums	69	74	76	79	85	92	99	105	111	120	130	137
Deposit insurance premiums	12	10	10	12	13	13	18	18	11	12	12	13
Government contributions for OASDI and HI for employees	20	20	21	22	23	24	25	25	26	27	28	29
Income receipts on assets	124	107	65	66	67	71	70	69	68	65	67	70
Surpluses of government enterprises	-14	-18	-18	-16	-15	-15	-15	-14	-14	-12	-11	-12
Other	44	49	30	30	28	35	35	34	35	36	36	36
Subtotal, Netting	254	241	185	194	199	219	231	237	239	248	262	274
Other	-3	17	-30	*	6	3	2	2	2	3	2	3
Total Differences	219	226	120	157	167	184	193	196	197	205	217	229
Receipts in the NIPAs	2,994	3,232	3,401	3,579	3,771	3,932	4,101	4,279	4,453	4,651	4,861	5,079
	Expenditures											
Outlays in CBO's Baseline	3,455	3,512	3,750	3,979	4,135	4,308	4,569	4,820	5,076	5,391	5,601	5,810
Differences												
Coverage												
Treatment of investment and depreciation	-18	-2	-14	-15	-15	-13	-13	-13	-13	-14	-15	-15
Adjustments related to government employees' retirement	60	68	59	61	66	71	76	81	87	92	99	106
Capital transfers	-83	-84	-83	-83	-83	-82	-81	-82	-83	-84	-85	-85
Lending and financial adjustments	100	89	21	16	12	6	6	18	20	23	23	24
Universal Service Fund payments	-9	-9	-10	-10	-10	-10	-10	-10	-10	-10	-11	-11
Subtotal, Coverage	49	62	-28	-32	-30	-29	-22	-5	1	7	11	19

Continued

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

Billions of Dollars

	Actual,											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Expenditures (Continued)											
Differences (Continued)												
Netting												
Medicare premiums	69	74	76	79	85	92	99	105	111	120	130	137
Deposit insurance premiums	12	10	10	12	13	13	18	18	11	12	12	13
Government contributions for												
OASDI and HI for employees	20	20	21	22	23	24	25	25	26	27	28	29
Income receipts on assets	124	107	65	66	67	71	70	69	68	65	67	70
Surpluses of government enterprises	-14	-18	-18	-16	-15	-15	-15	-14	-14	-12	-11	-12
Other	44	49	30	30	28	35	35	34	35	36	36	36
Subtotal, Netting	254	241	185	194	199	219	231	237	239	248	262	274
Timing	*	0	0	-41	-3	44	0	0	0	-57	-4	61
Other	7	38	64	70	64	68	79	88	98	118	114	117
Total Differences	311	341	221	190	230	303	288	319	337	317	383	471
Expenditures in the NIPAs	3,766	3,853	3,971	4,169	4,365	4,612	4,857	5,139	5,414	5,708	5,984	6,281
	Net Federal Government Saving											
Budget Deficit in CBO's Baseline	-680	-506	-469	-556	-530	-560	-661	-737	-820	-946	-957	-960
Differences												
Coverage												
Treatment of investment and depreciation	18	2	14	15	15	13	13	13	13	14	15	15
Adjustments related to government employees' retirement	-63	-72	-62	-64	-70	-75	-81	-87	-92	-98	-105	-113
Estate and gift taxes	-19	-18	-21	-23	-24	-25	-26	-27	-28	-29	-30	-30
Capital transfers	83	84	83	83	83	82	81	82	83	84	85	85
Lending and financial adjustments	-100	-89	-21	-16	-12	-6	-6	-18	-20	-23	-23	-24
Universal Service Fund	-1	*	*	*	*	*	*	-1	-1	-1	-1	-1
Subtotal, Coverage	-81	-93	-7	-4	-8	-10	-18	-37	-45	-53	-58	-67
Timing	*	0	0	41	3	-44	0	0	0	57	4	-61
Other	-11	-21	-94	-70	-58	-65	-77	-86	-95	-116	-112	-114
Total Differences	-93	-114	-101	-34	-63	-120	-95	-123	-140	-112	-166	-243
Net Federal Government Saving (NIPAs) ^a	-772	-620	-570	-590	-593	-680	-756	-860	-960	-1,057	-1,123	-1,203

Source: Congressional Budget Office.

Note: Differences in coverage arise when a transaction is reported in either the budget or the NIPAs but not both; in netting, when an item appears as an offset to outlays in the budget but as a receipt in the NIPAs; and in timing, when receipts or outlays are shifted between fiscal years.

OASDI = Old-Age, Survivors, and Disability Insurance; HI = Hospital Insurance; * = between -\$500 million and \$500 million; NIPAs = National Income and Product Accounts.

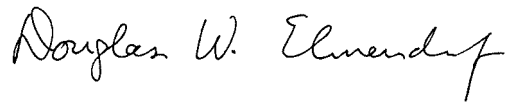
a. Negative numbers indicate that federal expenditures exceed federal receipts.

recording the costs of federal pensions amounts to \$1.2 trillion over the 2014–2024 period, as shown in the “Coverage” category in Table 2.

Under those projections, receipts in the NIPAs are greater than revenues in the budget by about 5 percent, and expenditures in the NIPAs exceed outlays in the budget by about 7 percent.⁶ Over the 2014–2024 period, projected expenditures in the NIPAs exceed projected receipts by \$9.0 trillion, whereas projected deficits in the budget total \$7.7 trillion.

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.

Daniel Ready of CBO’s Budget Analysis Division and Santiago Vallinas (formerly of CBO) wrote the report with guidance from Jeffrey Holland and Peter Fontaine. Pamela Greene contributed to the analysis. An electronic version is available on CBO’s website (www.cbo.gov/publication/45652).



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