



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 that are conceptually quite different. 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 NIPAs and the relationship between the two sets of accounts are examined briefly below and more thoroughly in previous publications of the Congressional Budget Office.² CBO recently reported its latest baseline projections of federal revenues and outlays using the standard structure for budget accounting.³ This report presents those projections using

the NIPA framework (see Table 1) and shows how the two presentations differ (see Table 2 on page 4).

Over the 2015–2025 projection period spanned by CBO's baseline, conceptual differences cause receipts in the NIPAs to be greater than revenues in the budget by about 5 percent and expenditures in the NIPAs to exceed outlays in the budget by about 8 percent.⁴ Projected expenditures in the NIPAs exceed projected receipts by a total of \$9.4 trillion, whereas deficits in CBO's baseline budget projections total \$7.4 trillion.

The Federal Budget

The budget of the federal government is best understood as an information and management tool.⁵ 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. In most cases, items in the federal budget are reported on a cash accounting basis, a method that records the inflow of revenues and the outflow of spending over a

1. See Mark S. Ludwick and Benyam Tsehaye, "NIPA Translation of the Fiscal Year 2016 Federal Budget," *Survey of Current Business*, vol. 95, no. 3 (Bureau of Economic Analysis, March 2015), www.bea.gov/scb/toc/0315cont.htm; and Bruce E. Baker and Pamela A. Kelly, "BEA Briefing: 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 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: 2015 to 2025* (August 2015), www.cbo.gov/publication/50724.

4. 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.
5. 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.

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

Billions of Dollars

	Actual,											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Receipts											
Current Tax Receipts												
Taxes on personal income	1,370	1,502	1,628	1,731	1,811	1,885	1,970	2,068	2,176	2,288	2,406	2,533
Taxes on corporate income	412	455	506	481	454	439	441	459	473	493	518	544
Taxes on production and imports	135	140	140	147	151	153	157	161	165	169	173	178
Taxes from the rest of the world	21	22	21	22	24	25	26	28	29	30	32	34
Subtotal, Current Tax Receipts	1,939	2,119	2,295	2,382	2,439	2,503	2,595	2,716	2,843	2,981	3,129	3,288
Contributions for Government Social Insurance ^a	1,131	1,175	1,218	1,265	1,316	1,371	1,432	1,496	1,566	1,629	1,693	1,774
Current Transfer Receipts	87	65	73	83	92	96	97	96	101	106	109	113
Income Receipts on Assets	107	50	60	63	69	70	73	76	79	81	85	88
Current Surpluses of Government Enterprises	-10	-8	-13	-12	-11	-11	-10	-10	-9	-9	-9	-9
Total Current Receipts	3,253	3,400	3,634	3,782	3,905	4,030	4,187	4,374	4,580	4,788	5,007	5,254
	Expenditures											
Consumption Expenditures												
Defense												
Compensation and purchased goods and services	450	438	430	438	445	454	463	473	484	495	507	520
Consumption of fixed capital	166	168	170	173	176	179	181	184	186	188	190	192
Subtotal, Defense	615	605	600	611	621	632	644	657	670	683	697	712
Nondefense												
Compensation and purchased goods and services	251	255	263	263	264	269	272	278	286	292	302	310
Consumption of fixed capital	100	103	106	109	113	116	119	122	125	128	131	133
Subtotal, Nondefense	350	358	369	372	377	386	392	401	411	420	432	443
Current Transfer Payments												
Government social benefits												
To persons	1,850	1,931	2,013	2,099	2,209	2,316	2,454	2,600	2,763	2,916	3,085	3,275
To the rest of the world	18	18	19	20	21	22	23	25	27	28	29	32
Subtotal, Government Social Benefits	1,868	1,950	2,032	2,119	2,229	2,338	2,477	2,624	2,790	2,944	3,114	3,307
Other transfer payments												
Grants-in-aid to state and local governments	485	528	554	572	586	599	618	639	664	691	719	751
To the rest of the world	48	50	48	50	52	53	54	55	56	57	58	60
Subtotal, Other Transfer Payments	533	578	602	622	637	652	672	694	720	748	777	810
Interest Payments	442	424	492	556	635	724	809	881	955	1,031	1,104	1,172
Subsidies	58	54	56	55	56	57	58	58	59	60	61	62
Total Current Expenditures	3,867	3,969	4,151	4,334	4,555	4,789	5,052	5,316	5,605	5,886	6,185	6,506
	Net Federal Government Saving											
Net Federal Government Saving^b	-613	-569	-517	-552	-650	-759	-865	-942	-1,025	-1,098	-1,178	-1,252
Memorandum:												
Total Federal Consumption	966	963	969	983	998	1,018	1,036	1,058	1,081	1,103	1,129	1,155

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.

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 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—that is, the net present value of all expected future cash flows related to the loan—at the time it is made. 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.

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 nonfederal sector of the NIPAs or are excluded from the NIPAs entirely. In other cases, the NIPAs record as receipts items that the federal budget reports as offsetting collections (that is, as negative outlays), or they adjust the timing of federal transactions to better match the timing of related production or income flows.

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 recorded on a cash basis in the budget but on an accrual basis in the NIPAs.

All three categories can differentiate total receipts and expenditures in the NIPAs from total revenues and outlays in the budget. However, 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.⁶ The current approach counts as an expenditure 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 the plans' financial assets are not sufficient to cover promises of future benefits—because, in BEA's view, the government

6. 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,											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	Receipts											
Revenues in CBO's Baseline	3,021	3,251	3,514	3,628	3,730	3,847	4,004	4,164	4,359	4,560	4,772	4,999
Differences												
Coverage												
Adjustments related to government employees' retirement	-3	-4	-4	-4	-4	-4	-5	-5	-6	-6	-7	-7
Estate and gift taxes	-19	-20	-19	-20	-21	-22	-23	-24	-25	-26	-27	-29
Universal Service Fund receipts	-10	-9	-11	-12	-12	-12	-12	-12	-13	-13	-13	-13
Subtotal, Coverage	-33	-33	-34	-36	-37	-39	-40	-41	-43	-45	-47	-49
Netting												
Medicare premiums	72	75	89	92	96	103	112	121	135	140	146	163
Deposit insurance premiums	9	8	11	12	16	17	14	11	12	13	13	14
Government contributions for OASDI and HI for employees	20	20	21	22	22	23	24	25	26	26	27	28
Income receipts on assets	100	42	51	53	58	59	61	63	66	68	71	73
Surpluses of government enterprises	-10	-8	-13	-12	-11	-11	-10	-10	-9	-9	-9	-9
Other	57	42	33	31	32	32	32	32	33	34	32	33
Subtotal, Netting	247	178	191	198	212	223	232	241	262	272	281	303
Timing Shift of Corporate Estimated												
Tax Payments	0	0	0	*	*	0	-6	6	0	0	0	0
Other	17	4	-38	-8	*	-1	-3	4	3	1	1	1
Total Differences	232	149	120	154	175	183	183	210	221	228	235	255
Receipts in the NIPAs	3,253	3,400	3,634	3,782	3,905	4,030	4,187	4,374	4,580	4,788	5,007	5,254
	Expenditures											
Outlays in CBO's Baseline	3,506	3,677	3,928	4,044	4,184	4,443	4,690	4,931	5,244	5,455	5,657	6,007
Differences												
Coverage												
Treatment of investment and depreciation	9	14	13	15	15	16	16	15	13	11	8	4
Adjustments related to government employees' retirement	84	94	101	114	122	131	141	151	161	172	184	190
Capital transfers	-77	-74	-73	-73	-72	-73	-74	-75	-76	-77	-77	-78
Lending and financial adjustments	80	64	10	14	15	14	8	8	8	7	8	8
Universal Service Fund payments	-9	-9	-10	-11	-11	-11	-11	-11	-11	-12	-12	-12
Subtotal, Coverage	87	89	41	58	70	77	80	88	95	101	110	112

Continued

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

Billions of Dollars

	Actual,											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenditures (Continued)												
Differences (Continued)												
Netting												
Medicare premiums	72	75	89	92	96	103	112	121	135	140	146	163
Deposit insurance premiums	9	8	11	12	16	17	14	11	12	13	13	14
Government contributions for												
OASDI and HI for employees	20	20	21	22	22	23	24	25	26	26	27	28
Income receipts on assets	100	42	51	53	58	59	61	63	66	68	71	73
Surpluses of government enterprises	-10	-8	-13	-12	-11	-11	-10	-10	-9	-9	-9	-9
Other	57	42	33	31	32	32	32	32	33	34	32	33
Subtotal, Netting	247	178	191	198	212	223	232	241	262	272	281	303
Timing	6	6	-47	-4	47	0	0	0	-64	-5	69	0
Other	21	19	37	38	42	47	50	56	68	63	68	84
Total Differences	360	292	223	291	371	346	362	385	361	431	528	499
Expenditures in the NIPAs	3,867	3,969	4,151	4,334	4,555	4,789	5,052	5,316	5,605	5,886	6,185	6,506
Net Federal Government Saving												
Budget Deficit in CBO's Baseline	-485	-426	-414	-416	-454	-596	-687	-767	-885	-895	-886	-1,008
Differences												
Coverage												
Treatment of investment and depreciation	-9	-14	-13	-15	-15	-16	-16	-15	-13	-11	-8	-4
Adjustments related to government employees' retirement	-87	-97	-105	-118	-127	-135	-146	-156	-167	-178	-190	-197
Estate and gift taxes	-19	-20	-19	-20	-21	-22	-23	-24	-25	-26	-27	-29
Capital transfers	77	74	73	73	72	73	74	75	76	77	77	78
Lending and financial adjustments	-80	-64	-10	-14	-15	-14	-8	-8	-8	-7	-8	-8
Universal Service Fund	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Subtotal, Coverage	-119	-122	-75	-94	-107	-115	-120	-129	-138	-146	-157	-161
Timing	-6	-6	47	3	-46	0	-6	6	64	5	-69	0
Other	-3	-15	-74	-46	-43	-48	-53	-52	-65	-61	-67	-83
Total Differences	-129	-143	-103	-137	-196	-163	-178	-175	-139	-202	-293	-244
Net Federal Government Saving (NIPAs) ^a	-613	-569	-517	-552	-650	-759	-865	-942	-1,025	-1,098	-1,178	-1,252

Source: Congressional Budget Office.

Notes: 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.

has effectively borrowed from those plans. That imputed interest is included in the line labeled “Interest Payments” 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. The annual differences between the budget presentation and BEA’s accrual approach for recording the costs of federal pensions under CBO’s baseline projections are shown in the “Coverage” category in Table 2, in the line labeled “Adjustments related to government employees’ retirement.” Those differences amount to \$1.6 trillion between 2015 and 2025. All told, the difference between projected budget deficits and projected net federal government saving as reported in the NIPAs amounts to \$2.0 trillion over that period.

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