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**The Treatment of
Federal Receipts and Expenditures in the
National Income and Product Accounts**

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Notes

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

Unless otherwise indicated, all of the years referred to are federal fiscal years.



The Treatment 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*, which is prepared by the Office of Management and Budget and 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), which are 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 This report updates information on the relationship between the budget and NIPAs appearing in those CBO reports; the updates are based on CBO's March 2010 baseline projections of federal revenues and outlays (see Tables 1 and 2).³

The budget of the federal government is best understood as an information and management tool. 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 in the budget is the federal fiscal year, which runs from October 1 through September 30.

The budget generally records transactions on a cash basis. A few exceptions exist, in cases where 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 (as with student loans), 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 expenditures an estimate of subsidy costs at the time that loans are made.⁴

The federal sector in the NIPAs reflects none of the planning and management goals that underlie the budget. Instead, it illustrates 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 output. The NIPAs primarily cover calendar years and calendar quarters, but approximate 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, that consumption, by convention, is regarded as a federal expenditure in the NIPAs. In addition, through its taxes and transfers, the federal government affects the resources available to

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 National 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, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2011* (March 2010), pp. 16–17.

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 private sector. The purpose of the NIPAs is to record all of those activities consistently.

The federal sector in the NIPAs tracks how much the government spends on the consumption of goods and services. It also records the transfer of resources that occurs through taxation, payments to the beneficiaries of federal programs, and federal interest payments. The federal sector's contribution to gross domestic product (GDP) is also presented elsewhere in the NIPAs.

The conceptual differences that distinguish the NIPAs from the federal budget lead to accounting differences as well. In attempting to properly incorporate federal

transactions into the framework used to determine GDP, the NIPAs reflect judgments about how to best treat transactions such as government investment, the sale and purchase of existing assets, federal credit programs, federal activities that resemble those of businesses, and transactions involving U.S. territories. In some cases, transactions are shifted from the federal sector to another section 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.

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

(Billions of dollars)

	Actual 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Receipts											
Revenues (Budget) ^a	2,105	2,176	2,673	2,967	3,221	3,469	3,629	3,818	4,000	4,174	4,355	4,567
Differences												
Coverage												
Contributions for government employees' retirement	-4	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Estate and gift taxes	-23	-16	-15	-38	-43	-48	-53	-56	-59	-63	-66	-70
Universal Service Fund receipts	-8	-8	-8	-8	-9	-9	-9	-9	-9	-9	-9	-9
Subtotal, coverage	<u>-36</u>	<u>-28</u>	<u>-27</u>	<u>-50</u>	<u>-54</u>	<u>-59</u>	<u>-64</u>	<u>-68</u>	<u>-71</u>	<u>-74</u>	<u>-78</u>	<u>-82</u>
Netting												
Medicare premiums	54	61	63	68	74	81	85	90	95	100	109	118
Deposit insurance premiums	7	12	15	17	16	7	3	3	3	3	3	3
Government contributions for OASDI and HI for employees	18	19	20	20	21	22	23	25	26	27	28	29
Income receipts on assets	35	42	50	50	49	47	46	46	46	46	43	44
Surpluses of government enterprises	-5	-7	-9	-1	-5	-5	-6	-6	-7	-8	-8	-8
Other	<u>35</u>	<u>39</u>	<u>38</u>	<u>39</u>	<u>40</u>	<u>41</u>	<u>42</u>	<u>43</u>	<u>44</u>	<u>44</u>	<u>43</u>	<u>44</u>
Subtotal, netting	144	167	178	193	196	194	193	200	206	212	218	230
Timing shift of corporate estimated tax payments	0	0	0	0	0	-19	19	0	0	0	0	0
Other adjustments ^b	<u>68</u>	<u>-2</u>	<u>-32</u>	<u>2</u>	<u>-1</u>	<u>4</u>	<u>-1</u>	<u>-1</u>	<u>-2</u>	<u>-1</u>	<u>-2</u>	<u>*</u>
Total Differences	<u>176</u>	<u>138</u>	<u>119</u>	<u>144</u>	<u>140</u>	<u>120</u>	<u>147</u>	<u>131</u>	<u>133</u>	<u>137</u>	<u>138</u>	<u>148</u>
Receipts in the NIPAs	2,281	2,314	2,792	3,111	3,361	3,588	3,776	3,949	4,133	4,311	4,494	4,715
	Expenditures											
Outlays (Budget) ^a	3,518	3,545	3,668	3,609	3,746	3,931	4,101	4,331	4,521	4,708	4,996	5,251
Differences												
Coverage												
Treatment of investment and depreciation	-42	-41	-45	-48	-51	-52	-54	-55	-56	-58	-59	-62
Contributions for government employees' retirement	28	30	29	29	29	30	32	35	37	40	43	45
Capital transfers	-267	-102	-88	-80	-74	-73	-73	-73	-74	-73	-73	-74
Lending and financial adjustments	-25	85	15	13	4	4	5	6	7	6	6	6
Geographic adjustments	-4	-6	-6	-6	-9	-9	-9	-9	-9	-9	-10	-10
Universal Service Fund payments	<u>-8</u>	<u>-9</u>	<u>-10</u>									
Subtotal, coverage	<u>-319</u>	<u>-42</u>	<u>-103</u>	<u>-101</u>	<u>-110</u>	<u>-109</u>	<u>-107</u>	<u>-106</u>	<u>-105</u>	<u>-102</u>	<u>-103</u>	<u>-105</u>

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

(Billions of dollars)

	Actual											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenditures (Continued)												
Netting												
Medicare premiums	54	61	63	68	74	81	85	90	95	100	109	118
Deposit insurance premiums	7	12	15	17	16	7	3	3	3	3	3	3
Government contributions for												
OASDI and HI for employees	18	19	20	20	21	22	23	25	26	27	28	29
Income receipts on assets	35	42	50	50	49	47	46	46	46	46	43	44
Surpluses of government enterprises	-5	-7	-9	-1	-5	-5	-6	-6	-7	-8	-8	-8
Other	35	39	38	39	40	41	42	43	44	44	43	44
Subtotal, netting	144	167	178	193	196	194	193	200	206	212	218	230
Timing adjustments	-2	0	-28	28	*	0	0	-38	-4	42	0	0
Other adjustments	7	27	8	21	53	66	69	66	57	57	53	54
Total Differences	-170	152	55	141	140	151	155	122	155	208	167	179
Expenditures in the NIPAs	3,348	3,697	3,723	3,749	3,886	4,083	4,256	4,453	4,676	4,917	5,164	5,430
Net Federal Government Saving												
Budget Deficit ^a	-1,413	-1,368	-996	-642	-525	-463	-472	-513	-521	-534	-641	-684
Differences												
Coverage												
Treatment of investment and depreciation	42	41	45	48	51	52	54	55	56	58	59	62
Contributions for government employees' retirement	-32	-34	-33	-32	-32	-33	-35	-37	-39	-43	-45	-48
Estate and gift taxes	-23	-16	-15	-38	-43	-48	-53	-56	-59	-63	-66	-70
Capital transfers	267	102	88	80	74	73	73	73	74	73	73	74
Lending and financial adjustments	25	-85	-15	-13	-4	-4	-5	-6	-7	-6	-6	-6
Geographic adjustments	4	6	6	6	9	9	9	9	9	9	10	10
Universal Service Fund	*	*	1	1	1	1	*	*	*	*	*	*
Subtotal, coverage	283	14	76	51	56	49	43	38	34	28	26	23
Timing adjustments	2	0	28	-28	*	-19	19	38	4	-42	0	0
Other adjustments ^b	62	-29	-41	-20	-55	-62	-70	-67	-59	-58	-55	-54
Total Differences	346	-14	64	4	1	-32	-8	9	-22	-71	-29	-31
Net Federal Government Saving	-1,066	-1,383	-932	-638	-525	-494	-480	-504	-542	-606	-670	-715

Source: Congressional Budget Office.

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

a. Includes Social Security and the Postal Service (outlays only).

b. Includes timing differences not shown elsewhere in Table 1, plus discrepancies between figures in the NIPAs and in the budget that may diminish when the Bureau of Economic Analysis makes subsequent revisions.

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

(Billions of dollars)

	Actual											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current Tax Receipts												
Taxes on personal income	912	853	1,189	1,397	1,556	1,690	1,810	1,922	2,037	2,144	2,256	2,383
Taxes on corporate income	203	284	345	372	387	415	426	428	436	444	448	465
Taxes on production and imports	90	97	107	113	119	122	125	128	130	134	136	140
Taxes from the rest of the world	13	15	16	18	19	20	21	22	23	24	26	27
Subtotal	1,217	1,248	1,657	1,900	2,081	2,247	2,382	2,499	2,626	2,746	2,866	3,015
Contributions for Government												
Social Insurance ^a	957	963	1,024	1,088	1,159	1,227	1,283	1,336	1,390	1,447	1,509	1,575
Current Transfer Receipts	69	59	61	65	67	61	59	62	64	66	70	75
Income Receipts on Assets	43	50	58	59	60	59	58	59	59	59	57	59
Current Surpluses of Government												
Enterprises	-5	-7	-9	-1	-5	-5	-6	-6	-7	-8	-8	-8
Total Current Receipts	2,281	2,314	2,792	3,111	3,361	3,588	3,776	3,949	4,133	4,311	4,494	4,715
Consumption Expenditures (Purchases of goods and services)												
Defense												
Consumption	573	604	608	605	606	610	617	624	630	638	644	651
Consumption of fixed capital	85	89	92	95	99	104	110	116	122	128	135	141
Nondefense ^b												
Consumption	283	325	330	332	333	338	343	351	361	370	381	391
Consumption of fixed capital	31	33	34	35	36	37	39	41	42	44	46	47
Subtotal	314	358	364	367	369	375	382	392	403	414	426	438
Current Transfer Payments												
Government social benefits												
To persons	1,538	1,673	1,677	1,675	1,739	1,844	1,919	2,008	2,117	2,243	2,380	2,527
To the rest of the world	15	14	14	14	15	15	16	17	17	18	19	20
Subtotal	1,553	1,687	1,691	1,690	1,754	1,860	1,935	2,024	2,134	2,262	2,399	2,548
Other transfer payments												
Grants-in-aid to state and local governments ^b												
To the rest of the world	455	540	508	489	492	501	518	541	567	595	625	658
To the rest of the world	48	49	49	51	49	50	50	51	52	53	54	55
Subtotal	503	589	558	539	541	550	568	592	619	647	678	713
Interest Payments ^b	262	303	343	392	451	516	581	641	701	760	812	870
Subsidies	57	67	68	62	67	67	64	65	66	67	69	70
Total Current Expenditures	3,348	3,697	3,723	3,749	3,886	4,083	4,256	4,453	4,676	4,917	5,164	5,430
Net Federal Government Saving	-1,066	-1,383	-932	-638	-525	-494	-480	-504	-542	-606	-670	-715

Source: Congressional Budget Office.

a. Includes Social Security taxes, Medicare taxes and premiums, and unemployment insurance taxes.

b. Includes Social Security and the Postal Service.