



CBO's Projections of Federal Receipts and Expenditures in the National Income and Product Accounts: 2022 to 2031

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The federal government's fiscal transactions are recorded in two major sets of accounts: *The Budget of the United States Government* (often called the federal budget), which is prepared by the Office of Management and Budget, and the national income and product accounts (NIPAs), which are produced by the Department of Commerce's Bureau of Economic Analysis (BEA).¹ The federal budget is the framework generally used by executive branch agencies and the Congress; it is also the presentation of budgetary activity that is most often discussed in the press. The NIPAs, by contrast, are not intended to help the government plan or manage its activities. Instead, those accounts provide a general framework for describing the U.S. economy and show how the federal government fits into that framework.²

Each year, the Congressional Budget Office publishes projections of federal revenues and outlays for the current fiscal year and the next 10 years. Those baseline budget projections reflect the standard structure for budgetary accounting.³ This report presents CBO's revenue and

outlay projections for 2022 to 2031 in the NIPA framework (see Table 1).

Because of conceptual differences between the two sets of accounts, cumulative current receipts for the 2022–2031 period in the NIPAs exceed projected revenues in CBO's baseline by about 5 percent, and current expenditures in the NIPAs exceed projected outlays in the baseline by about 6 percent. In the NIPAs, net federal government saving (that is, current receipts minus current expenditures) is projected to total $-\$13.0$ trillion over the 2022–2031 period; the deficits in CBO's baseline budget projections total $\$12.1$ trillion over the same period.

The Federal Budget

The budget of the federal government is best understood as an information and management tool that policymakers use to allocate the government's resources.⁴ Its main objectives are to assist in policy deliberations, facilitate the management and control of federal activities, and help the Treasury manage cash balances and determine borrowing needs. In most cases, cash accounting is used to report items in the federal budget—that is, outlays

1. See Mark S. Ludwick and Brendan I. Brankin, "NIPA Translation of the Fiscal Year 2021 Federal Budget," *Survey of Current Business*, vol. 100, no. 3 (Bureau of Economic Analysis, March 2020), <https://go.usa.gov/xMG9J>; 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), <https://go.usa.gov/xMG5a>.
2. For a thorough discussion of the different purposes served by the federal budget and the NIPAs, 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. For CBO's most recent baseline projections, see Congressional Budget Office, *Additional Information About the Updated Budget and Economic Outlook: 2021 to 2031* (July 2021),

www.cbo.gov/publication/57263. As required by law, CBO constructs its baseline projections under the assumption that current laws governing revenues and spending will generally remain unchanged. Those projections thus provide a benchmark against which potential policy changes can be measured.

4. An alternative approach to assessing the government's fiscal performance is used in the annual *Financial Report of the United States Government*, which measures assets, liabilities, revenues, and expenses on an accrual basis. See Department of Treasury, "Financial Report of the United States Government" (updated March 24, 2021), www.fms.treas.gov/fr; and Congressional Budget Office, *Comparing Budget and Accounting Measures of the Federal Government's Fiscal Condition* (December 2006), www.cbo.gov/publication/18262.

Table 1.

Receipts and Expenditures in CBO's Baseline as Measured by the National Income and Product Accounts

Billions of Dollars

	2021 ^a	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total, 2022– 2031
Receipts												
Current Tax Receipts												
Personal current taxes	1,878	2,167	2,242	2,321	2,348	2,547	2,751	2,828	2,935	3,045	3,161	26,345
Taxes on corporate income	259	300	339	340	344	372	388	388	387	386	392	3,638
Taxes on production and imports	168	178	182	187	187	189	191	193	196	198	194	1,895
Taxes from the rest of the world	29	29	31	32	35	38	39	40	40	40	41	366
Subtotal, current tax receipts	2,335	2,674	2,794	2,881	2,914	3,146	3,369	3,450	3,558	3,669	3,789	32,244
Contributions for Government Social Insurance ^b	1,530	1,611	1,682	1,740	1,801	1,860	1,944	2,027	2,103	2,188	2,280	19,235
Income Receipts on Assets	128	168	192	183	166	157	153	145	165	177	186	1,692
Current Transfer Receipts	60	76	79	84	85	90	94	96	102	102	100	907
Current Surpluses of Government Enterprises	-1	-1	-2	-3	-3	-3	-3	-3	-4	-4	-6	-32
Total Current Receipts	4,052	4,527	4,745	4,885	4,963	5,250	5,558	5,715	5,924	6,133	6,348	54,047
Expenditures												
Consumption Expenditures												
Defense												
Compensation and purchased goods and services	536	546	560	572	585	598	613	628	643	658	674	6,077
Consumption of fixed capital	174	181	185	190	194	199	204	209	214	219	225	2,021
Subtotal, defense	710	727	746	762	779	797	817	837	857	877	900	8,098
Nondefense												
Compensation and purchased goods and services	355	358	350	354	360	368	377	387	396	405	416	3,770
Consumption of fixed capital	132	136	141	146	151	155	160	164	169	173	177	1,572
Subtotal, nondefense	487	494	491	500	510	523	537	551	565	578	593	5,342
Total Consumption Expenditures	1,197	1,221	1,237	1,262	1,290	1,321	1,354	1,388	1,422	1,455	1,493	13,440
Current Transfer Payments												
Government social benefits												
To persons	3,606	2,833	2,834	2,977	3,149	3,329	3,503	3,709	3,921	4,138	4,353	34,746
To the rest of the world	31	29	31	33	35	37	39	42	44	47	49	387
Subtotal, government social benefits	3,636	2,862	2,865	3,010	3,184	3,366	3,542	3,751	3,964	4,185	4,402	35,132
Other current transfer payments												
Grants-in-aid to state and local governments	1,053	997	835	797	801	815	841	875	913	954	999	8,825
To the rest of the world	54	55	55	55	55	55	56	57	59	60	62	570
Subtotal, other current transfer payments	1,108	1,052	890	852	855	870	897	932	971	1,015	1,060	9,394
Total Current Transfer Payments	4,744	3,914	3,755	3,861	4,039	4,236	4,440	4,683	4,936	5,200	5,463	44,527
Interest Payments	507	545	565	603	662	741	823	918	1,006	1,109	1,218	8,190
Subsidies	568	191	102	77	76	74	76	77	78	79	81	910
Total Current Expenditures	7,017	5,870	5,659	5,804	6,067	6,372	6,693	7,065	7,441	7,843	8,254	67,068
Net Federal Government Saving												
Net Federal Government Saving^c	-2,965	-1,343	-914	-919	-1,104	-1,122	-1,135	-1,350	-1,517	-1,710	-1,906	-13,021

Data sources: Congressional Budget Office; Bureau of Economic Analysis. See www.cbo.gov/publication/57432#data.

All amounts are for fiscal years.

- a. With one exception, values for 2021 are based on quarterly estimates of gross domestic product published by the Bureau of Economic Analysis (BEA) as of October 2021. The estimate of taxes on corporate income is based on BEA's data for the first three fiscal quarters and on CBO's estimate for the fourth quarter.
- b. Includes Social Security taxes, Medicare taxes and premiums, and unemployment insurance taxes.
- c. Negative numbers indicate that federal expenditures exceed federal receipts.

and revenues are recorded when payments are made and receipts are collected. The budget follows the federal fiscal year, which runs from October 1 to September 30.

In some cases, lawmakers have decided that different accounting approaches would provide better measures of costs than cash-based accounting. For credit programs, in particular, cash-based accounting is ill-suited: Tracking only the annual cash flows of federal direct loans or loan guarantees would give a misleading view of the true costs or savings associated with those transactions. To address that problem, the Federal Credit Reform Act of 1990 requires that the estimated net costs or savings over the lifetime of the loan or loan guarantee—the net present value of all expected cash flows—be recorded in the budget as outlays at the time of origination.⁵ Such estimates are subject to revision over time in response to unexpected changes in interest rates or other factors.

The National Income and Product Accounts

The NIPAs are not intended to help the government plan or manage its activities. Instead, they provide a general framework that describes the entire U.S. economy and show how the federal government fits within that framework. The NIPAs track current economywide production and the resulting income for specific periods, and they report the major sources of production and the recipients of the income. They measure the federal government's activities over calendar years and calendar quarters, but totals for fiscal years can be derived from the quarterly estimates. (The tables in this report show amounts for fiscal years.)

In the context of the NIPAs, the federal government is both a producer and a consumer. Its workforce uses purchased goods and services and government-owned capital (structures, equipment, software, and research and development) to provide services to the public. Because those services are consumed by the public, they are, by convention, regarded in the NIPAs as federal consumption expenditures. The federal government also affects the resources available to the private sector through taxes and transfers. All those activities are recorded in a way that is consistent with the NIPAs' treatment of other sectors of the economy.

5. A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The value depends on the rate of interest, known as the discount rate, used to translate future cash flows into current dollars.

In converting federal transactions from the framework of the federal budget into that of the NIPAs, many types of transactions must be reclassified, including government investment, the sale or purchase of existing assets, and the provision of loans or loan guarantees. In some cases, transactions that affect budgetary revenues or outlays do not affect the NIPAs' measures of current receipts or expenditures because they are not closely related to current economic activity or because they are not included in the federal sector in the NIPAs. In other cases, transactions that are reported in the federal budget as offsetting collections (that is, as negative outlays) are recorded in the NIPAs as receipts. And in still other cases, the timing of federal budgetary transactions is adjusted in the NIPAs to better match the timing of related production or accrued income.

The negative net federal government saving projected in the NIPAs for the 2022–2031 period exceeds the cumulative budget deficit in CBO's baseline projections by \$0.9 trillion. The main differences between CBO's baseline budget projections and the corresponding amounts in the NIPAs can be grouped into three categories:

- Coverage differences—transactions that are included in either the budget or the NIPAs but not both;
- Netting differences—transactions that are recorded as offsets to outlays in the budget but as receipts in the NIPAs; and
- Timing differences—transactions that are recorded on a cash basis in the budget but on an accrual basis in the NIPAs.

All three categories can cause totals for receipts and expenditures in the NIPAs to differ from totals for revenues and outlays in the budget (see Table 2). The netting differences do not, however, contribute to any difference between deficits in the budget and net federal government saving in the NIPAs because they affect revenues and outlays equally. Timing differences have little net effect on the discrepancy between deficits and net federal saving over the 10 years shown in the table.

Differences in coverage account for most of the divergence between the NIPAs' and budget's measures of the federal deficit. The largest difference in coverage stems from BEA's treatment of federal pension plans, which differs from the budget's treatment of such plans in several ways:

- BEA imputes additional interest costs for periods in which the government's pension plans are underfunded (that is, when the plans' financial assets

Table 2.

Differences Between the Federal Budget and the Federal Sector of the National Income and Product Accounts

Billions of Dollars

	2021 ^a	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total, 2022– 2031
Receipts												
Revenues in CBO's Baseline	3,842	4,390	4,597	4,671	4,734	4,984	5,253	5,396	5,572	5,754	5,957	51,308
Differences												
Coverage												
Adjustments related to government employees' retirement	-6	-6	-6	-7	-7	-8	-8	-9	-10	-10	-11	-83
Estate and gift taxes	-25	-29	-28	-28	-29	-30	-45	-48	-50	-52	-55	-394
Universal Service Fund receipts	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-104
Repatriation of deferred income	-20	-20	-30	-44	-57	-25	0	0	0	0	0	-176
Subtotal, coverage	-61	-65	-75	-90	-103	-73	-63	-67	-70	-73	-76	-757
Netting												
Medicare premiums	124	138	147	155	167	181	197	214	230	248	266	1,945
Deposit insurance premiums	8	9	9	9	10	10	10	11	11	12	12	103
Government contributions for HI and OASDI for employees	24	25	26	26	27	28	29	30	31	32	33	287
Income receipts on assets not held by the Federal Reserve	20	43	44	45	44	45	46	48	72	81	84	554
Surpluses of government enterprises	-1	-1	-2	-3	-3	-3	-3	-3	-4	-4	-6	-32
Other	139	86	69	71	78	70	76	75	76	77	72	750
Subtotal, netting	313	299	292	304	324	332	356	375	417	446	461	3,607
Timing and other	-43	-98	-70	0	9	7	12	11	5	5	6	-112
Total Difference	210	137	147	214	229	266	305	318	352	379	391	2,738
Receipts in the NIPAs	4,052	4,527	4,745	4,885	4,963	5,250	5,558	5,715	5,924	6,133	6,348	54,047
Expenditures												
Outlays in CBO's Baseline	6,845	5,544	5,386	5,423	5,731	6,033	6,330	6,792	6,935	7,415	7,812	63,402
Differences												
Coverage												
Treatment of investment and depreciation	-47	-43	-31	-26	-23	-23	-23	-23	-24	-24	-24	-263
Adjustments related to government employees' retirement	117	108	107	109	108	111	113	114	112	111	110	1,104
Capital transfers	-132	-137	-124	-90	-85	-87	-89	-91	-93	-95	-96	-986
Lending and financial adjustments	83	163	48	22	28	22	22	23	22	29	29	407
Universal Service Fund payments	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-103
Subtotal, coverage	12	81	-9	5	18	12	12	12	7	11	8	159

Continued

are insufficient to cover promised future benefits) because, in BEA's view, the government has effectively borrowed from those plans. That imputed-interest payment does not appear in the federal budget, and it is one of the largest discrepancies created by BEA's treatment of federal pensions.

- Current federal expenditures in the NIPAs include interest paid by the Treasury to the trust funds that finance federal employees' pensions. Those

payments are not offset by the funds' receipt of interest payments because the receipts are recorded in a nonfederal sector of the NIPAs. By contrast, both the payment and the receipt of that interest are recorded in the federal budget (the latter as an offset to outlays), leaving federal outlays unaffected.

- Rather than report the cash payments of benefits each year as a federal expenditure (as they are shown in the budget), the NIPAs show the value of the benefits

Table 2.

Continued

Differences Between the Federal Budget and the Federal Sector of the National Income and Product Accounts

Billions of Dollars

	2021 ^a	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total, 2022– 2031
Expenditures (Continued)												
Netting												
Medicare premiums	124	138	147	155	167	181	197	214	230	248	266	1,945
Deposit insurance premiums	8	9	9	9	10	10	10	11	11	12	12	103
Government contributions for HI and OASDI for employees	24	25	26	26	27	28	29	30	31	32	33	287
Income receipts on assets	20	43	44	45	44	45	46	48	72	81	84	554
Surpluses of government enterprises	-1	-1	-2	-3	-3	-3	-3	-3	-4	-4	-6	-32
Other	139	86	69	71	78	70	76	75	76	77	72	750
Subtotal, netting	313	299	292	304	324	332	356	375	417	446	461	3,607
Timing	0	-68	-8	75	0	0	0	-108	108	*	0	0
Other	-153	14	-3	-4	-7	-6	-5	-6	-26	-31	-28	-100
Total Difference	172	327	273	380	335	339	363	274	506	427	442	3,666
Expenditures in the NIPAs	7,017	5,870	5,659	5,804	6,067	6,372	6,693	7,065	7,441	7,843	8,254	67,068
Net Federal Government Saving												
Budget Deficit in CBO's Baseline	-3,003	-1,153	-789	-753	-998	-1,049	-1,077	-1,395	-1,363	-1,661	-1,855	-12,093
Differences												
Coverage												
Treatment of investment and depreciation	47	43	31	26	23	23	23	23	24	24	24	263
Adjustments related to government employees' retirement	-123	-114	-114	-116	-116	-119	-122	-123	-122	-122	-121	-1,187
Estate and gift taxes	-25	-29	-28	-28	-29	-30	-45	-48	-50	-52	-55	-394
Repatriation of deferred income	-20	-20	-30	-44	-57	-25	0	0	0	0	0	-176
Capital transfers	132	137	124	90	85	87	89	91	93	95	96	986
Lending and financial adjustments	-83	-163	-48	-22	-28	-22	-22	-23	-22	-29	-29	-407
Universal Service Fund	*	*	*	*	*	*	*	*	*	*	*	*
Subtotal, coverage	-72	-146	-66	-95	-121	-86	-76	-80	-77	-84	-85	-915
Timing and other	110	-44	-59	-71	15	12	18	125	-77	35	34	-12
Total Difference	38	-190	-125	-166	-106	-73	-58	45	-154	-49	-51	-927
Net Federal Government Saving in the NIPAs ^b	-2,965	-1,343	-914	-919	-1,104	-1,122	-1,135	-1,350	-1,517	-1,710	-1,906	-13,021

Data source: Congressional Budget Office. See www.cbo.gov/publication/57432#data.

All amounts are for fiscal years.

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

HI = Medicare's Hospital Insurance; NIPAs = national income and product accounts; OASDI = Social Security's Old-Age, Survivors, and Disability Insurance; * = between -\$500 million and \$500 million.

a. Values for 2021 are based on the projected amounts in CBO's July 2021 baseline. Actual values differed from those projections.

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

that employees accrue during a given year as an expenditure in the federal sector.

The annual differences stemming from the two approaches to accounting for transactions for federal

pensions are shown in Table 2 as "Adjustments related to government employees' retirement." Over the 2022–2031 period, those differences cause the negative net federal government saving reported in the NIPAs to be \$1.2 trillion more than the cumulative deficit in

CBO's baseline projections. Other differences—totaling \$0.3 trillion—partially offset that amount, reducing the discrepancy between the NIPAs' measure and the cumulative deficit.⁶

Effects of Pandemic-Related Legislation

Since March 2020, lawmakers have enacted a variety of provisions creating new programs or supplementing existing programs to respond to the 2020–2021 coronavirus pandemic. Changes to existing programs generally affected the same components of expenditures in the NIPAs as those preexisting programs.⁷ For example, the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136) supplemented

the existing unemployment compensation program by expanding the amount of benefits and the eligible population. The preexisting and the additional unemployment compensation benefits are categorized almost entirely as domestic transfers in Table 1.

Other programs affected the NIPAs' measure of current federal expenditures in more complicated ways. For example, the Paycheck Protection Program (PPP), which was created under the CARES Act and expanded under subsequent legislation, granted forgivable loans to businesses affected by the pandemic.⁸ BEA has classified the forgiven portions of loans to businesses as subsidies, the forgiven portions of loans to nonprofit institutions serving households as transfer payments, and the administrative expenses of the program as nondefense consumption expenditures. Furthermore, although PPP loans were recorded in the budget as outlays at the time they were made, BEA recorded expenditures from the PPP over the period in which forgivable expenses were incurred. The estimated effects of the PPP will be revised in both the budget and the NIPAs as loans are forgiven.

6. For an explanation of most of those other differences, 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. For an explanation of the difference arising from repatriation of deferred income, see Congressional Budget Office, *CBO's Projections of Federal Receipts and Expenditures in the National Income and Product Accounts* (July 2018), www.cbo.gov/publication/54194.
7. For a more complete review of how new and expanded programs affected the NIPAs, see Benjamin A. Mandel and Mark S. Ludwick, *COVID-19 Pandemic: Federal Recovery Legislation and the NIPAs* (Bureau of Economic Analysis, April 2021), <https://go.usa.gov/xM7qz> (PDF, 560 KB).

8. For more information about how the PPP affects the NIPAs, see Bureau of Economic Analysis, "How Does the Paycheck Protection Program Impact the National Income and Product Accounts (NIPAs)?" (May 17, 2021), www.bea.gov/help/faq/1408.

This report is an annual publication that provides additional information about the baseline budget projections published by the Congressional Budget Office. Previous editions are available at <https://go.usa.gov/xEa5>. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations.

Dan Ready wrote the report with assistance from Tess Prendergast; with guidance from Christina Hawley Anthony, Theresa Gullo, John McClelland, and Joshua Shakin; and with contributions from the staff of the Joint Committee on Taxation.

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CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.



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