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**CBO**

**REPORT**

**CBO's Projections of Federal Receipts and  
Expenditures in the Framework of the  
National Income and Product Accounts**

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## Notes

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

Unless otherwise indicated, all years are fiscal years.

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# CBO's Projections of Federal Receipts and Expenditures in the Framework of the National Income and Product Accounts

**T**he 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.<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 August, 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 Tables 1 and 2).

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.

A few exceptions to cash-based accounting 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, 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, estimates of subsidy costs at the time that loans are made.

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. 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

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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 BEA's Government 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, *The Budget and Economic Outlook: An Update* (August 2010).

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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).

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 of other sectors of the economy.

The conceptual differences that distinguish the NIPAs from the federal budget lead to accounting differences as well. 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, 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.

For CBO's baseline projections spanning the 2010–2020 period, receipts and expenditures in the NIPAs are greater than revenues and outlays in the budget by an average of about 4 percent. Over that period, projected expenditures in the NIPAs exceed projected receipts by \$7.9 trillion, compared with projected deficits of \$7.6 trillion under budget accounting.

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

(Billions of dollars, by fiscal year)

	Actual											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	<b>Receipts</b>											
Revenues (Budget)	2,105	2,143	2,648	2,953	3,236	3,561	3,743	3,975	4,201	4,421	4,640	4,856
Differences												
Coverage												
Contributions for government employees' retirement	-4	-4	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3
Estate and gift taxes	-23	-19	-15	-36	-39	-44	-50	-54	-58	-61	-65	-69
Universal Service Fund receipts	-8	-9	-9	-9	-9	-9	-9	-9	-9	-9	-10	-10
Subtotal, coverage	<u>-36</u>	<u>-31</u>	<u>-28</u>	<u>-48</u>	<u>-51</u>	<u>-56</u>	<u>-62</u>	<u>-66</u>	<u>-70</u>	<u>-73</u>	<u>-77</u>	<u>-81</u>
Netting												
Medicare premiums	54	61	64	68	72	76	80	86	90	96	104	111
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	34	39	50	50	49	47	45	45	45	45	43	44
Surpluses of government enterprises	-4	-5	-11	-4	-7	-7	-8	-8	-9	-10	-10	-10
Other	63	68	63	52	56	57	57	57	58	60	59	60
Subtotal, netting	<u>171</u>	<u>193</u>	<u>201</u>	<u>203</u>	<u>207</u>	<u>202</u>	<u>201</u>	<u>208</u>	<u>213</u>	<u>221</u>	<u>227</u>	<u>237</u>
Timing shift of corporate estimated tax payments	0	0	0	0	0	-42	28	14	0	0	-4	4
Other adjustments	21	20	-74	-12	-12	-4	-18	-14	-15	-15	-16	-17
<b>Total Differences</b>	<b>156</b>	<b>182</b>	<b>99</b>	<b>143</b>	<b>144</b>	<b>99</b>	<b>149</b>	<b>142</b>	<b>128</b>	<b>133</b>	<b>129</b>	<b>144</b>
Receipts in the NIPAs	2,261	2,325	2,747	3,095	3,380	3,661	3,892	4,117	4,329	4,554	4,769	5,000
	<b>Expenditures</b>											
Outlays (Budget)	3,518	3,485	3,714	3,618	3,760	4,000	4,250	4,560	4,780	4,983	5,274	5,541
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	30	31	32	34	37	40	43	47	50	54
Capital transfers	-119	-117	-86	-77	-70	-68	-67	-68	-69	-67	-68	-69
Lending and financial adjustments	-188	124	-5	*	-9	-11	-12	-12	-13	-15	-17	-18
Geographic adjustments	-3	-4	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3
Universal Service Fund payments	-8	-9	-9	-9	-9	-9	-9	-9	-9	-9	-9	-10
Subtotal, coverage	<u>-332</u>	<u>-17</u>	<u>-118</u>	<u>-106</u>	<u>-110</u>	<u>-110</u>	<u>-108</u>	<u>-107</u>	<u>-107</u>	<u>-105</u>	<u>-106</u>	<u>-108</u>

Continued

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

(Billions of dollars, by fiscal year)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Expenditures (Continued)</b>												
Differences (Continued)												
Netting												
Medicare premiums	54	61	64	68	72	76	80	86	90	96	104	111
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	34	39	50	50	49	47	45	45	45	45	43	44
Surpluses of government enterprises	-4	-5	-11	-4	-7	-7	-8	-8	-9	-10	-10	-10
Other	63	68	63	52	56	57	57	57	58	60	59	60
Subtotal, netting	171	193	201	203	207	202	201	208	213	221	227	237
Timing adjustments	-2	0	0	-28	28	*	0	0	-31	-2	34	0
Other adjustments	1	*	2	22	4	65	76	83	83	94	41	114
<b>Total Differences</b>	<b>-162</b>	<b>175</b>	<b>85</b>	<b>91</b>	<b>129</b>	<b>158</b>	<b>169</b>	<b>183</b>	<b>159</b>	<b>207</b>	<b>195</b>	<b>243</b>
Expenditures in the NIPAs	3,355	3,660	3,798	3,709	3,889	4,157	4,419	4,743	4,938	5,190	5,469	5,785
<b>Net Federal Government Saving</b>												
Budget Deficit	-1,413	-1,342	-1,066	-665	-525	-438	-507	-585	-579	-562	-634	-685
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	-34	-35	-37	-40	-43	-46	-49	-53	-56
Estate and gift taxes	-23	-19	-15	-36	-39	-44	-50	-54	-58	-61	-65	-69
Capital transfers	119	117	86	77	70	68	67	68	69	67	68	69
Lending and financial adjustments	188	-124	5	*	9	11	12	12	13	15	17	18
Geographic adjustments	3	4	3	3	3	3	3	3	3	3	3	3
Universal Service Fund	*	*	*	*	*	*	*	*	*	*	*	*
Subtotal, coverage	297	-14	91	59	59	53	46	41	37	32	29	26
Timing adjustments	2	0	0	28	-28	-42	28	14	31	2	-38	4
Other adjustments	20	20	-76	-35	-16	-69	-94	-97	-99	-109	-57	-130
<b>Total Differences</b>	<b>319</b>	<b>6</b>	<b>15</b>	<b>52</b>	<b>15</b>	<b>-58</b>	<b>-20</b>	<b>-41</b>	<b>-31</b>	<b>-74</b>	<b>-66</b>	<b>-100</b>
Net Federal Government Saving	-1,094	-1,336	-1,051	-613	-509	-496	-527	-626	-609	-636	-700	-785

Source: Congressional Budget Office.

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

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

(Billions of dollars, by fiscal year)

	Actual											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Receipts</b>												
Current Tax Receipts												
Taxes on personal income	927	848	1,131	1,366	1,554	1,709	1,866	2,013	2,145	2,276	2,401	2,534
Taxes on corporate income	163	292	371	402	416	442	435	438	445	455	458	471
Taxes on production and imports	94	103	108	114	122	136	142	146	153	159	164	170
Taxes from the rest of the world	15	13	16	17	18	20	21	22	23	24	26	27
Subtotal	1,199	1,256	1,626	1,900	2,111	2,307	2,464	2,619	2,765	2,914	3,049	3,202
Contributions for Government Social Insurance <sup>a</sup>	956	967	1,012	1,074	1,148	1,223	1,290	1,354	1,416	1,489	1,559	1,625
Current Transfer Receipts	70	61	62	66	69	79	88	94	97	101	114	123
Income Receipts on Assets	41	46	58	59	60	59	58	59	59	59	57	59
Current Surpluses of Government Enterprises	-4	-5	-11	-4	-7	-7	-8	-8	-9	-10	-10	-10
<b>Total Current Receipts</b>	<b>2,261</b>	<b>2,325</b>	<b>2,747</b>	<b>3,095</b>	<b>3,380</b>	<b>3,661</b>	<b>3,892</b>	<b>4,117</b>	<b>4,329</b>	<b>4,554</b>	<b>4,769</b>	<b>5,000</b>
<b>Expenditures</b>												
Consumption Expenditures (Purchases of goods and services)												
Defense												
Consumption	573	605	631	624	644	648	659	676	677	687	707	712
Consumption of fixed capital	86	89	92	95	99	104	110	116	122	128	135	141
Nondefense												
Consumption	287	308	333	338	341	354	366	378	387	400	413	427
Consumption of fixed capital	31	33	34	35	36	37	39	41	42	44	46	47
Subtotal	318	341	366	373	376	392	405	418	429	444	459	475
Current Transfer Payments												
Government social benefits												
To persons	1,545	1,695	1,709	1,613	1,684	1,775	1,853	1,979	2,031	2,146	2,273	2,448
To the rest of the world	15	15	16	16	16	17	17	18	18	18	19	20
Subtotal	1,560	1,710	1,725	1,628	1,700	1,791	1,870	1,996	2,049	2,165	2,293	2,467
Other transfer payments												
Grants-in-aid to state and local governments	461	517	521	485	488	530	576	625	659	684	720	757
To the rest of the world	53	58	64	68	70	71	73	74	76	78	80	82
Subtotal	513	575	584	553	558	602	648	700	735	762	800	839
Interest Payments	247	280	324	363	436	531	623	709	782	849	911	979
Subsidies	58	60	76	72	75	89	104	128	144	156	165	171
<b>Total Current Expenditures</b>	<b>3,355</b>	<b>3,660</b>	<b>3,798</b>	<b>3,709</b>	<b>3,889</b>	<b>4,157</b>	<b>4,419</b>	<b>4,743</b>	<b>4,938</b>	<b>5,190</b>	<b>5,469</b>	<b>5,785</b>
<b>Net Federal Government Saving</b>												
Net Federal Government Saving	-1,094	-1,335	-1,051	-613	-509	-496	-527	-626	-609	-636	-700	-785

Source: Congressional Budget Office.

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

