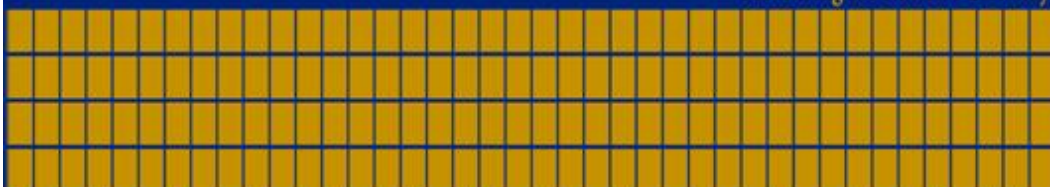


The 2nd BEA Government Statistics Users Conference

Conference Report

September 14, 2006
Conference Center
Bureau of Economic Analysis
Washington, DC

Measuring the Nation's Economy.



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Bureau of Economic Analysis

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Executive Summary

The 2nd BEA Government Statistics Users Conference was held on September 14, 2006, from 9:00 a.m. to 12:15 p.m. in the conference center at BEA in downtown Washington, D.C. Brooks Robinson, Chief of the Government Division, served as the conference moderator. The conference presenters included representatives from BEA and other Federal agencies. Conference attendees included both data users and data suppliers representing Federal agencies and economic research organizations.

Rosemary Marcuss, BEA's Deputy Director, welcomed participants to the conference. Steve Landefeld, BEA's Director, provided opening remarks, which included an overview of the topics to be covered. Brent Moulton, BEA's Associate Director for National Economic Accounts, discussed the Government Sector in the National Income and Product Accounts. His presentation included an overview of the BEA Strategic Plan and a discussion of the 2008 Comprehensive Revision. Lucie Laliberté, Deputy Director of the IMF Statistics Department, discussed the revision of the 1993 *System of National Accounts* and international accounting standards. Brooks Robinson, Chief of the Government Division of BEA, discussed the division's research agenda. He detailed the research conducted by the division in the last two years and introduced three new research topics that have been added to the agenda.

Benjamin Mandel provided an overview of the work being performed by the government insurance team. He highlighted the recent hurricanes and the treatment they received in the accounts. Benyam Tsehaye presented on the division's research efforts on Territorial Adjustments. He previewed a proposed treatment to be implemented during 2008 Comprehensive Revision. Richard Krashevski presented a model to project state and local government retirement costs. He explained the steps required to calculate the government's required pension contribution. He listed the variables and equations used in the model. Bruce Baker, Chief of the State and Local Branch, commented on Krashevski's presentation. He suggested three methodological refinements and proposed two areas for future work. Charlotte Anne Bond discussed the NIPA-Flow of Funds Accounts Integration Project. The purpose of the project is to create a balance sheet that meets international guidelines. Susan Hume McIntosh of the Federal Reserve Board, provided comments on Bond's presentation. She discussed the history of the integration project and announced that the integrated accounts will be published on the BEA website at the end of September 2006.

Robinson concluded the conference by thanking everyone for attending and encouraging attendees to complete a conference evaluation form.

Summary of Conference Proceedings

Welcome

Rosemary D. Marcuss, Deputy Director, BEA

Deputy Director Marcuss welcomed attendees to the BEA Government Statistics Users Conference. She noted the complexity of preparing the Government Sector accounts and applauded the attendees in being not only expert data users but also experts in the data themselves. She expressed appreciation to the attendees for their participation in the dialogue at the morning's conference, and she thanked the Government Division for being so active in seeking advice from data users.

Opening Remarks

J. Steven Landefeld, Director, BEA

Director Landefeld expressed how pleased he was to see everyone at the BEA Government Statistics Users Conference. The conference provides a means to interact with users about the important tradeoffs that are encountered in preparing the accounts. He provided an overview of the topics to be covered during the conference, including accrual accounting, the treatment of insurance in the government sector, territorial adjustments, and the National Income and Product Account (NIPA)-Flow of Funds integration project. In closing, he thanked the conference attendees and organizers.

The Government Sector in the National Income and Product Accounts

Brent R. Moulton, Associate Director for National Economic Accounts, BEA

[Link to PowerPoint Slides](#)

Associate Director Moulton's presentation provided an overview of the priorities for the national economic accounts set forth in the BEA Strategic Plan, discussed several strategic milestones, introduced goals for the 2008 Comprehensive Revision, and previewed conceptual changes that will be fully implemented after 2008. The priorities laid out in the BEA Strategic Plan for the national economic accounts are to address data gaps and shortcomings, to improve consistency and integration with other accounts, and to improve consistency with international standards. BEA has several important milestones planned for the future. The NIPA comprehensive revision will be released in early fall of 2008. This will incorporate the 2002 benchmark input-output accounts. Beginning in 2010, BEA is moving to flexible annual revisions and the 2007 benchmark input-output accounts will be incorporated in the NIPAs in about 2013.

Several important goals have been identified for the 2008 comprehensive revision. These include improving the scheduling and compilation processes and only incorporating a limited number of key statistical improvements. Examples of the improvements are adjustments for misreporting, disaster losses, and the classification of personal consumption expenditures. The presentation closed with a discussion of two major conceptual changes that will be implemented after 2008. These changes are to capitalize research and development and to include the return

to capital in the calculation of services of government capital. A link to the PowerPoint slides used in this presentation is provided above.

Discussion

Question: You include a measure of disaster losses. Do you also include a measure of disaster gains such as Medicare/Medicaid distributions as income?

Response: Discussion on this topic was deferred to the break.

Government Accounts and the Revised System of National Accounts*
Lucie Laliberté, Deputy Director, IMF Statistics Department
[Link to PowerPoint Slides](#)

Laliberté's presentation included a discussion of the *Government Finance Statistics Manual, 2001 (GFSM 2001)*, provided an overview of the update of *System of National Accounts, 1993 (SNA 93)*, discussed international accounting standards, and closed with an overview of future plans. The *GFSM 2001* is an International Monetary Fund (IMF) accounting manual that is harmonized with the *SNA 93*. The Task Force on Harmonization of Public Sector Accounting (TFHPSA) met between October 2003 and March 2006; task force members discussed issues related to the update of the *SNA 93*, which will impact the *GFSM 2001*.

Laliberté provided a list of the items that are to be included in the update of *SNA 93*. She discussed international accounting standards, specifically the International Public Sector Accounting Standards (IPSAS) and the *GFSM 2001* statistical guidelines. She spoke about pilots with selected countries conducted by the IMF to implement the *GFSM 2001* on preparing *GFS* statistics. The purpose of the pilots is to standardize the accounting framework and methods for fiscal analysis. Ten countries, including the United States, have been identified for participation in the study.

The presentation concluded with a discussion of future plans. These include extending further implementation of *GFSM 2001* to more countries and working towards greater convergence with international accounting standards. A link to the PowerPoint slides used in this presentation is provided above.

The Government Division's Research Program: 2004-2006 and Beyond
Brooks B. Robinson, Chief, Government Division, BEA
[Link to PowerPoint Slides](#)

Robinson's presentation began with a review of the five major topics that were covered at the 2004 BEA Government Statistics Users Conference. These topics included real measures of government output, integration of the National Income and Product Accounts (NIPAs) with the Federal Reserve Board's Flow of Funds Accounts, military equipment and inventory timing and

a new government inventory account, enterprise and pension plan sectoring, and accrual accounting.

Then, Robinson detailed the work performed by the Government Division in the last two years. The Government Division has not only worked on the items on its research agenda but it has also responded to the challenge of accounting for two years of hurricanes, conducted two Federal Budget Translations, and completed two annual NIPA revisions that reflected methodological improvements. Additionally, the division has added three new topics to its research. These topics include adopting private-sector treatment of insurance for government-owned business enterprises, improving the classification and estimation of capital transfers, and improving the treatment of territorial adjustment transactions.

The Government Division has taken a systematic approach to its research agenda. Research teams were formed for each topic on the agenda. The teams considered international guidelines, developed research plans and timetables, conducted consultations with experts, evaluated data requirements, and set a goal for completing proposals for most projects by the spring of 2007.

Robinson provided a discussion of the progress made on the research topics presented at the 2004 BEA Government Statistics Users Conference. He concluded his presentation by discussing requirements for success in completing and implementing the projects. He emphasized the need to accelerate the pace of the research and to complete proposals and estimates early. A link to the PowerPoint slides used in this presentation is provided above.

Government Insurance Programs

Benjamin A. Mandel, BEA

[Link to PowerPoint Slides](#)

Mandel's presentation provided an overview of the ongoing research by the Government Division Insurance Research Team, which is tasked with analyzing the treatment of property and casualty insurance in the NIPAs. He began with an explanation of the treatment of insurance services that was adopted for the 2003 comprehensive revision. This change was implemented in the private sector accounts, not the public sector accounts. Following the explanation, a numerical example was provided to illustrate the treatment. He highlighted the recent hurricanes in 2004 and 2005 and the treatment they received in the public sector accounts received as negative current transfer receipts.

Mandel provided a discussion of the work performed by the Government Division Insurance Research Team. The team has focused on determining how to measure implicit insurance services, normal losses, and net insurance settlements. Because other ongoing research may impact the recommendations of the insurance team, it has monitored the progress of research on enterprise sectoring and the capital transfers. A link to the PowerPoint slides used in this presentation is provided above.

Discussion

Question: If an insurance payment is treated as a negative receipt, how is it treated on a regional basis for personal income purposes?

Answer: The way that disasters get into the personal income accounts is on the household sector side. If there is an uninsured loss to a household, it becomes a negative in the location in the state where it occurred. What I think that you are getting at is net settlements and where they show up in personal income. Personal income shows net settlements only for consumer durables and this would be a positive transfer to individuals.

New Territorial Adjustments

Benyam Tsehaye, BEA

[Link to PowerPoint Slides](#)

Tsehaye's presentation began by defining territorial adjustments, providing a list of the territories, and explaining the primary categories of transactions taking place between the United States Government and the territories. He contrasted Gross Domestic Product (GDP) and Gross National Product (GNP). GDP measures production in the U.S. while GNP includes production supplied by U.S. residents in or outside of the U.S. He stressed the need for a definition of the United States and explained that the International Transaction Accounts (ITAs) and the NIPAs employ different coverage of the U.S. territories.

The conceptual problem faced by the Territorial Adjustment Research Team is that social benefits received by residents of the territories are to be excluded from NIPA personal income. The coverage adjustment used to achieve this treatment is to exclude transactions with the territories from Federal source data, but this provides a slightly misleading picture in terms of Federal government transactions. The proposed treatment to take effect in the 2008 comprehensive revision is to continue to treat the territories as part of the "Rest-of-the-World" sector, but to recognize transactions between residents of the territories and the Federal government as Federal receipts and expenditures. The presentation concluded with a progress report of work completed and a preview of the effect of the proposal on some of the data. A link to the PowerPoint slides used in this presentation is provided above.

Discussion

Question: The ITA Balance of Payments (BOP) accounts, if I remember correctly, include the territories. I was wondering if in the work leading up to the 2008 SNA revision or on a new BOP manual if there have been any thoughts on making BEA look less schizophrenic and changing one definition or another. These territories are more closely associated with the United States than any other economy in the world.

Answer: I do agree that the United States looks schizophrenic on this. We are very aware of the situation, but this is the type of project that to fix would require a lot of resources. It would be a

substantial effort on our part. We have time series going back to 1929 and to reconstruct all of those time series with consistently defined geography would be a major project. That is not to say it should not be done, but I think that for this comprehensive revision we focused on something that was lower order and more manageable. We want to hear from you. This project though its value in consistency is quite high its impact in terms of dollar value is quite small. This is the type of project that should be elevated in our strategic plan. It would not be done by 2008 but possibly sometime in the future.

Comment: Is there anyone that believes conceptually that they should be using the same territory? Obviously the goal is for the GDP to cover the fifty states and the District of Columbia and the ITAs are a little more than that.

Comment: For our integration project, they are considered part of the United States, consistent with the ITAs, so this is going to be a difference in our NIPA-Flow of Funds Account Integration Project discrepancies.

Comment: This is a huge political issue. It has to do with the United States Constitution which provides for the territories, indicating that they are ultimately for the purpose of becoming states. Puerto Rico just had an election. You may remember that it was undecided for several months because half the population wanted to become a state and the other half did not.

In terms of data, however, the National Economics Accounts staff from BEA a long time ago went to Puerto Rico and helped them set up national accounts. So, all the discrepancy that is being discussed is shown in the Puerto Rico National Accounts. They show a number with all of the details of how much the United States Government transfers to Puerto Rico. People have been aware of this for a long period of time. It is an extremely emotional issue about whether Puerto Rico is part of the United States at all.

Puerto Rico is part of the national accounts of the United States but it does create a problem for the BOP reconciliation, which you put in your supplemental tables. The big number that is missing is FDI.

To the United States it looks like a small number, but when you are doing a book on Puerto Rico, these transfers from the mainland are huge. These Federal transfers are one-third of all personal income received by Puerto Rico, so they matter to them a lot.

Question: Alaska and Hawaii became states in 1959 or later. What is their treatment in the NIPAs?

Answer: They were included in the year they came in. GDP became larger in these years.

Question: If you make this change, will you show transfers separately or on one line? Also, there are payments to government employees in these areas are they also not accounted for in the accounts at all right now?

Answer: I think that all of the details of presentation have not been fully worked out yet. We do currently publish a table showing all of the territorial adjustments and we would probably be adding lines to that. We also have tables showing the reconciliation of the Federal budget to the NIPAs (see NIPA Table 3.18B) and there might be some presentation there. So, I think that there will be information available, but it will probably not be prominently featured on the main tables.

In terms of payments to government employees, those are treated as part of government spending regardless of where in the world they are so that the soldiers in Iraq are part of U.S. GDP and embassy officials and so forth.

Answer: As it relates to retirement payments to government employees or former government employees now living overseas, those payments are no longer part of the government sector accounts. They would be part of the pension programs which are part of the household sector. We do show in a supplemental table some of those payments on an annual basis and for what we do show a few do not include payments for the territories and Puerto Rico.

For the social benefits payments currently being made and the transactions that used to be social benefits payments, such as payments for government employee retirement, all of these have territorial adjustments. Our plan is to take those territorial adjustments currently shown in the reconciliation table as differences between budget source data and the NIPAs and bring them back into the NIPAs as a payment to the rest of the world.

Question: What about the Panama Canal Zone? During the last comprehensive revision, it was taken out of all history back to 1929. Do you have any plans to reincorporate it from 1929-1978, or the time when we were in the Panama Canal Zone?

Answer: We do not have any current plans to do that.

Projecting State and Local Government Retirement Costs *

Richard Krashevski, GAO

Jeremy Schwartz, GAO and GWU

[Link to PowerPoint Slides](#)

Krashevski's presentation described a model to project state and local government retirement costs. This analysis is part of a larger project by GAO to assess the fiscal outlook of Federal, state and local governments. The presentation outlined the six steps required to calculate the government's required pension contribution. Projections are required for employment, for wages, the growth in the number of beneficiaries, growth in real benefits per beneficiary, employee contributions as a constant percent of future wages. Further, the government's contribution rate is determined as the present value of future liabilities minus the sum of the

present value of employee contributions and 2005 assets, all divided by the present value of future wages. The presentation included a list of all of the variables and equations used in the pension model.

Krashevski's presentation included graphs that showed several different relationships. One graph plotted the forecasted and actual state local retirees with the actual social security retirees. Another graph presented the composition of assets held by pension funds. There was also a graph relating the historical contribution rate to the real return averages from 1970-2005. The presentation concluded with a sensitivity analysis to assess the affects of changes in contribution rates relative to changes in real return on pension assets. A link to the PowerPoint slides used in this presentation is provided above.

Comments on Projecting State and Local Government Retirement Costs
Bruce E. Baker, Chief, State and Local Government Branch, BEA
[Link to PowerPoint Slides](#)

Baker began his presentation with a background on how the employee contributions, employer contributions, and the benefits associated with state and local pension systems are usually structured. He then highlighted several properties of the model presented by Krashevski.

Baker suggested three methodological refinements. The first is to disaggregate the projection of employment. For example, employees could be separated into groups such as police and fire, education, and other. The second is to incorporate age-dependent death rates. The third is to use a variable participation rate.

Baker proposed the following three simulations.

- 1) If all pension plans were closed today, what would be the lump sum payment required to fund current beneficiaries?
- 2) What would be the result of using two discount rates (one for the time value of money and one for the investment rate of return) instead of one discount rate used for both purposes?
- 3) How would the use of a variable death rate affect the model?

He concluded by emphasizing that the results of the model are highly sensitive to its assumptions. He proposed that future work take into account post-employment health benefits and defined contribution plans. A link to the PowerPoint slides used in this presentation is provided above.

Discussion

Krashevski supported evaluating the impact of defined contribution plans and suggested that BEA publish a separate line item for public employee defined contribution plans. Currently, only contributions to defined benefit plans are shown.

NIPA-Flow of Funds Accounts Integration
Charlotte Anne Bond, BEA
[Link to PowerPoint Slides](#)

Bond's presentation discussed integrating the NIPAs, which are produced by BEA, with the Flow of Funds Accounts (FFAs), which are produced by the Federal Reserve Board (FRB), to create a balance sheet that meets international guidelines. The purposes of the project are to present data consistently and to combine the nonfinancial accounts and financial accounts to provide a comprehensive picture of the government sector.

Bond discussed the project's objectives. Then, she walked the audience through the Z.1 FFA F.106 Table, which presents both NIPA estimates and FRB estimates, for the Federal Government. She explained the statistical discrepancy and noted that while the annual discrepancies are quite small, the quarterly discrepancies are larger and are quite volatile. She provided a summary of the accomplishments of the project thus far and announced that beginning in late September BEA and FRB will release integrated estimates in a regular, annual publication. She concluded her presentation by providing an overview of ongoing efforts on the project and asking for feedback from the audience on two important questions. "How important a problem is the quarterly volatility in the NIPA-FRB discrepancy?" "Is it more important, in this project, to address statistical problems first, and then methods and concepts or vice versa?" A link to the PowerPoint slides used in this presentation is provided above.

NIPA-Flow of Funds Accounts Integration^{*}
Susan Hume McIntosh, FRB
[Link to PowerPoint Slides](#)

Hume McIntosh began her presentation with a summary of the history of the integration project. The first meeting between FRB and BEA on this topic was four years ago. An ongoing program to work together on the project was established. A year ago, the two agencies decided that the integrated accounts would be published on BEA's website at the end of September 2006. The initial publication will include annual data for 1960-2005. The integrated accounts follow the SNA93 structure. A complete discussion of the progression of accounts and a diagram of this sequence was provided in the presentation.

Several issues with the government sector balance sheet were noted. The FFA does not have a full balance sheet for the government sector. For nonfinancial assets, only structures and equipment and software have outstanding values. No outstanding values exist for land and nonproduced nonfinancial assets. Developing outstanding values for nonproduced nonfinancial assets is a high priority.

Hume McIntosh focused on several issues in the Federal government sector. These included timing differences, accounting differences, the need to reconcile several Treasury data items with International transaction account data, and which sector the government enterprises are placed. Territorial data are also a source of discrepancy. Several issues in the state and local government sector were also noted. These included timing and accounting issues similar to those for the

Federal sector, the need to improve data collection, and the use of annual reports published by state and local governments.

The presentation concluded with a discussion of the next steps for the project. The FFA staff has developed software capable of calculating accounts on a real time basis. In two weeks, nine tables covering seven sectors will be published and the tables can be updated quarterly. An article explaining the accounts will be published in the *Survey of Current Business* in November 2006. A link to the PowerPoint slides used in this presentation is provided above.

Discussion

Question: I assume the quarters are seasonally adjusted.

Answer: Yes.

Question: Have you considered giving the quarters to a resident expert on seasonal adjustment?

Answer: We are not intending to look at quarters right now. Our project has only been on an annual basis. I think that a lot of the quarterly differences, besides seasonal adjustment, are due to timing and accounting differences. This is where we will put our energy. Having a longer time series was of more importance than having quarterly data.

Question: How was the statistical discrepancy handled in the integrated tables?

Answer: FRB accepted BEA's estimate of net lending and borrowing and put the discrepancy into other volume measures.

Conclusion

Brooks Robinson, Chief, BEA, Government Division

Robinson concluded the conference by thanking everyone for coming. He thanked the Government Division, Communications Division, and Administrative Services Division for their efforts in conducting the conference. He thanked the outside speakers and attendees for their participation. He encouraged all in attendance to respond to the evaluation questionnaire that was provided. The conference was adjourned at 12:15 pm.

Additional Resources

[Link to Working Document](#)

The Government Division Accrual Accounting Benchmark Research Team provided copies of its working document, "Accrual Accounting Measures for NIPA Time Series." This paper is also available on the BEA Web site and can be viewed by following the link above.

Summary of Responses: The 2nd BEA Government Statistics Users Conference Questionnaire

Did you attend the 2004 BEA Government Statistics Users Conference?

	Number of Responses
Yes	15
No	4

How do you rate the conference today?

	Number of Responses
Excellent	13
Good	6*
Fair	0
Poor	0

*One questionnaire had the write-in response of very good.

How could the conference be improved?

- Impose more of a time limit on some of the speakers. Some of them should use more voice modulation/variation. Shorter speeches would allow more time for Q&A at the end. Presentations should not be highly mathematical in this type of forum.
- Make it longer—perhaps a full day. Show more results of research in progress. It would engender better feedback from researchers and data users.
- More encouragement and time for comments.
- I like the short amount of time and the diversity of topics covered.
- Perhaps a booklet on what was projected on the screen, so personal notes could be written on those to refer to later on.
- More information on methodology, data sources, frequency of data.
- Having handouts available for presentations would be better than post-meeting on website.
- The presentation of a model is very difficult to follow in this forum.
- Less outside speakers.
- Perhaps address regional data. Perhaps look at the impact on the data, and how they are used, by large lump payments for pension and OPEB funding.
- More opportunities for in-depth presentations and discussions. However, a very good review of work-in-progress.
- When is the timing of your next conference compared to the 2008 fall revision?
- Less time on “introductions” and summaries, more time on individual topics.
- Be clear about what you want from the audience. Rather than “we are making progress,” say “we are facing the following questions, which will impact the NIPA’s in the following way. What is important to you?”

Other comments?

- Great conference. Good slide presentations. Possibly give more topics in the future with shorter talks.
- Very good conference!
- May want to provide an attendance list with identifying agencies.
- Most of improvements have been discussed for years, so more on fewer would be better and elicit more questions.
- Very interesting.

Attribution and completeness: This report does not attribute questions and answers to individuals by name due to technical difficulties in recording the conference. In addition, this report does not reflect all questions and answers for the same reason.

*The content of these reports were prepared by the presenters and do not reflect the opinions of their respective agencies.