

# State and Local Government in the NIPAs

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*BEA Advisory Committee, BEA*  
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Measuring the Nation's Economy.



## Presentation Outline

- Introduction to data for state and local governments
- What data show
- Research agenda for the future
- Special topics:
  - Medicaid
  - Debt and deficits

## State and Local Governments

- 50 state governments
- 87,525 local governments, including:
  - 3,034 county governments
  - 35,933 sub-county governments
  - 13,506 school districts
  - 35,052 special districts (which usually serve a single function such as: conservation, fire protection, water supply, transportation, hospitals, etc. Not schools.)

## Purpose of State and Local NIPA Data

- Comprehensive measure of production and income.
- Consistent with other sectors of the economy.
- Consistent with other nations' accounts.

## Sources of state and local government data

- National Association of State Budget Officers (NASBO)
  - Mainly focuses on general fund (state only)
- National Conference of State Legislatures (NCSL)
  - Mainly focuses on general fund (state only)
- U.S. Census Bureau
  - Includes all funds: general fund, federal funds, bond funds, rainy day funds, etc.
  - Includes dependent agencies, e.g. state universities
  - Consistent definitions used throughout
  - Only source of comprehensive local government data

## Sources of State and Local Government Data

- **Census Data Collection:** Census of Governments every five years, ending in 2 or 7
- *Government Finance* annual survey in all other years
  - Central collection for states, large municipals, and most school districts.
  - Mail survey for small municipalities and special districts.

## How BEA Differs From Census

- Coverage - NIPA sector
  - Excludes pension funds
  - Includes Indian tribal governments
  - Distinguishes current / capital transactions
- Netting
  - Records government sales as offsets against expenditures
- Timing
- Replacement
- (See table 3.19 for details.)

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## What Do We Produce?

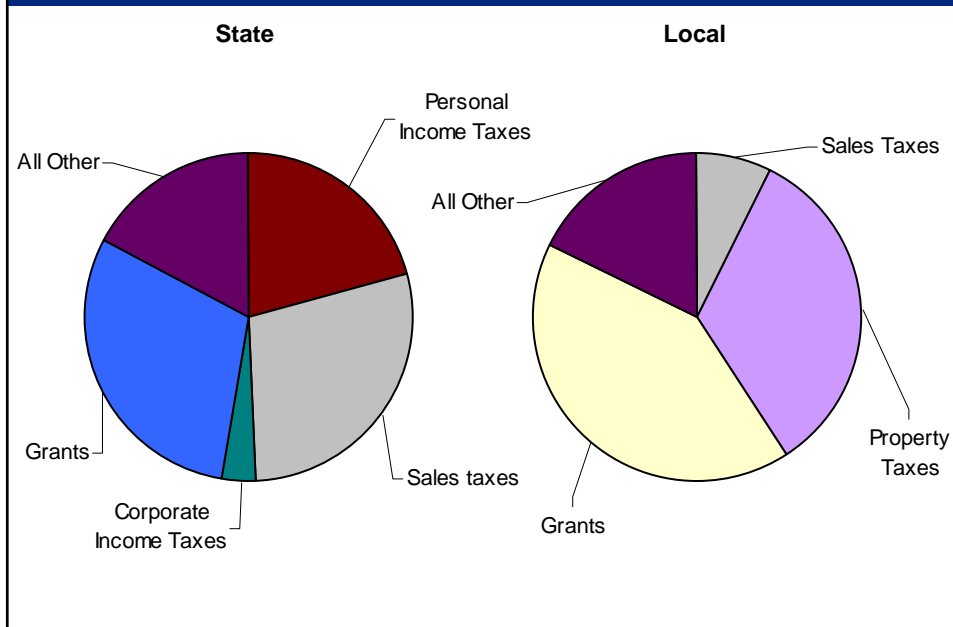
- Complete set of current and capital accounts for state and local governments:
  - Receipts by source.
  - Expenditures by type.
    - Current expenditures.
    - Capital expenditures.
  - Expenditures by function.
  - Real expenditure estimates.

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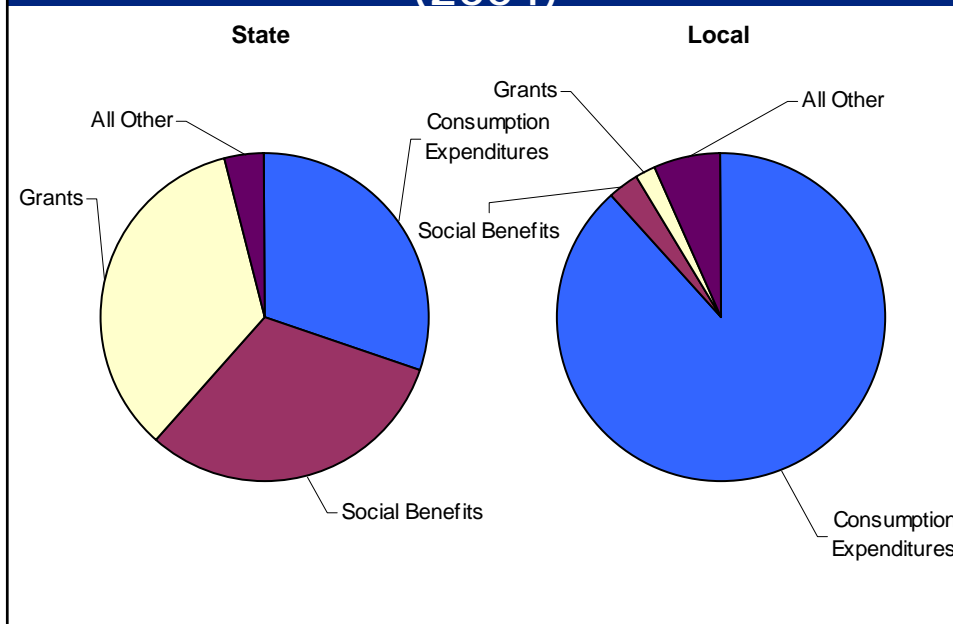


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## Composition of current receipts (2004)

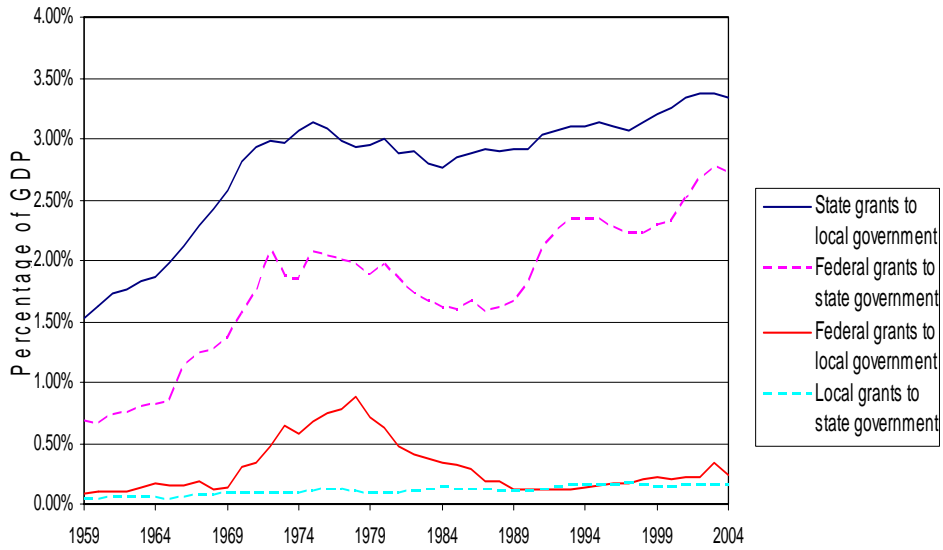


## Composition of current expenditures (2004)



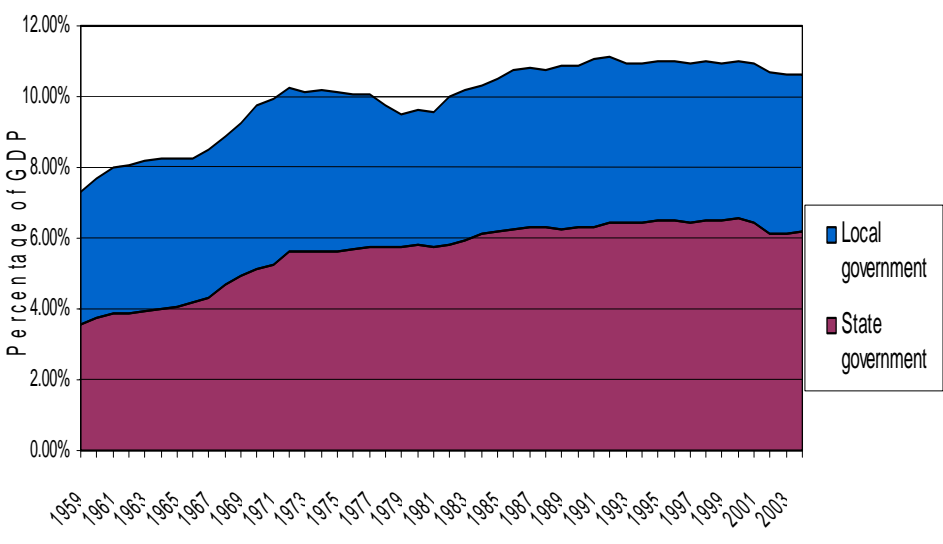
## Recent growth trends

### Intergovernmental Grants-in-Aid



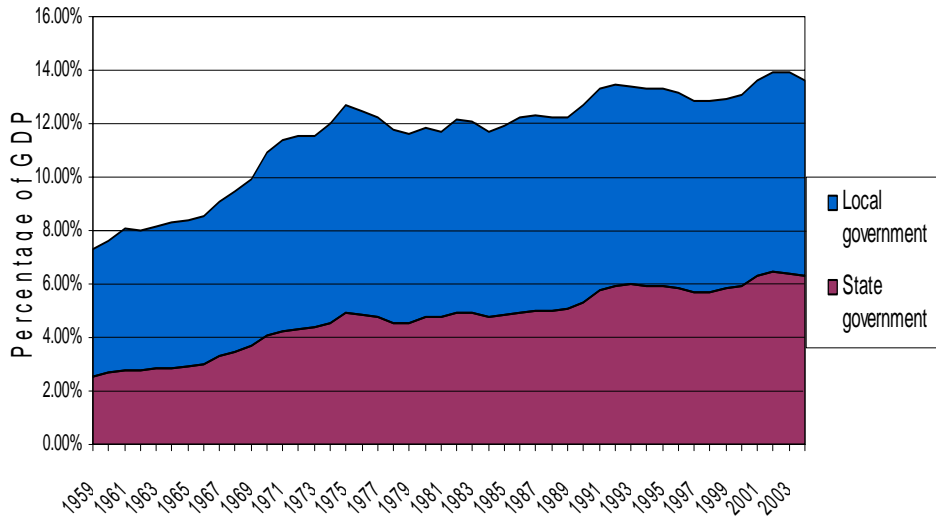
## Recent growth trends

### State and Local Government Current Receipts Excluding Grants



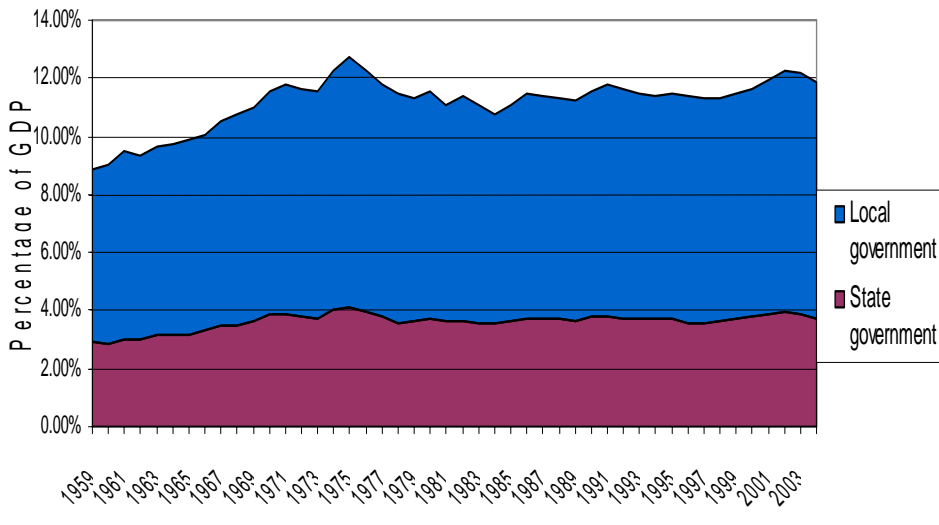
# Recent growth trends

## State and Local Government Expenditures Excluding Intergovernmental Grants



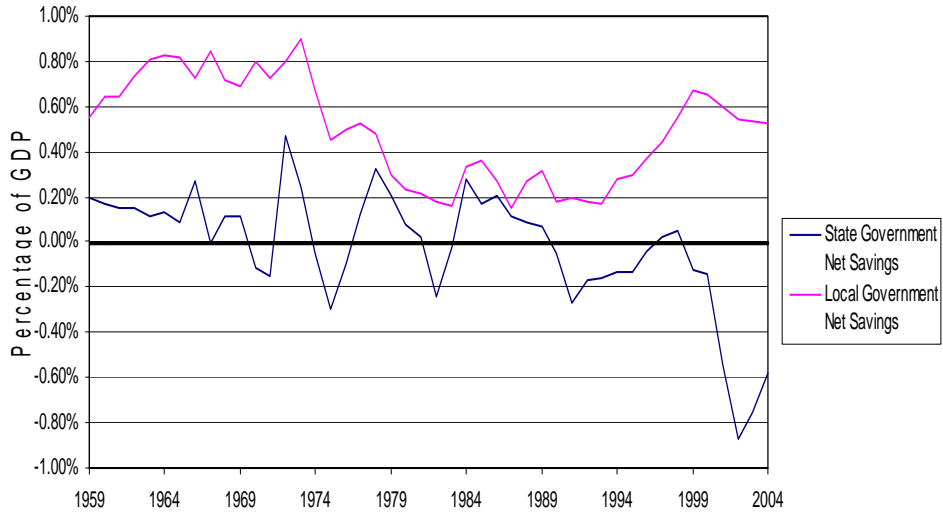
# Recent growth trends

## State and Local Government Consumption Expenditures and Gross Investment



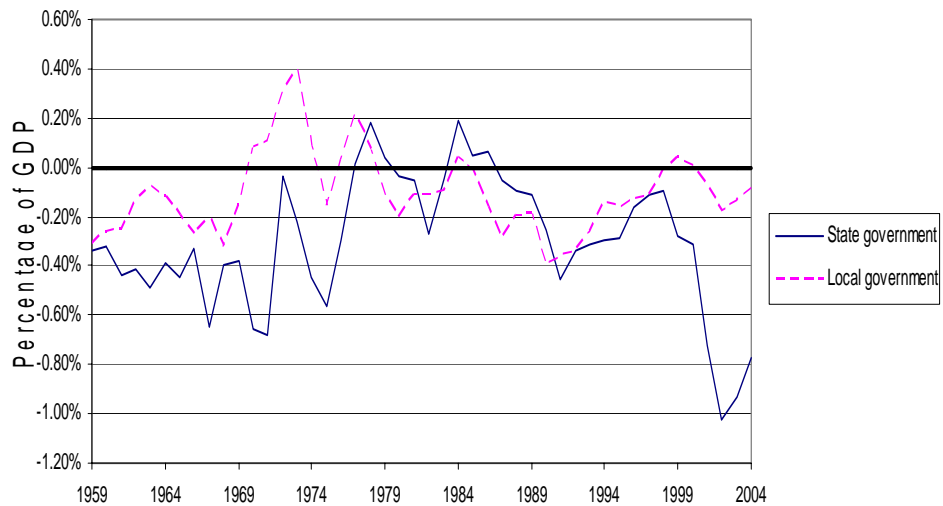
# Recent growth trends

## State Government and Local Government Net Savings



# Recent growth trends

## Net Lending or Net Borrowing for State Governments and Local Governments





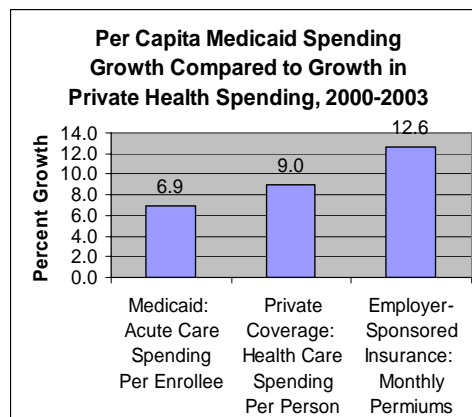
## Future Research Projects

- Insurance: Modern treatment of insurance.
- Re-classification of government enterprises: Public corporations.
- Accrual accounting: Aligning timing with economic transactions or activities.
- Balance sheets: Integration with FRB *Flow of Funds*.
- More timely and frequent financial data: Improving current estimates.

## Special Topics: Medicaid

- Medicaid spending is growing as a share of state expenditures
- Medicaid is growing slower than overall medical expenditures\*

\* Vernon Smith, PhD., et al. *Medicaid Budgets, Spending and Policy Initiatives in SFY 2005 and 2006* (KCMU, Oct. 2005), p. 17.



## Medicaid

- In the NIPAs, Medicaid includes states' expenditures on medical services and Medicare premiums paid on behalf of indigents.
- CMS's Form-64 is our official source for the Medicaid estimate. However, it is published on a two-quarter lag.
  - Quarterly current estimates are based on seasonally adjusted grants to states for Medicaid reported to the Treasury and the Federal Medical Assistance Percentage.

## Medicaid

- Improving the NIPA Medicaid Estimate
  - BEA recently gained access to CMS's Medicaid Financial Management database.
  - BEA will attempt to use the newly available real time data to prepare current estimates, as opposed to using an extrapolation technique

## Special Topics: Debt

- Net lending/borrowing is a NIPA measure of state and local government borrowing.
  - Equals total receipts less total expenditures
- Conceptually equivalent to net lending/borrowing in the Flow of Funds Accounts (net acquisition of financial assets less net incurrence of liabilities), but there are large statistical discrepancies between the two series
- Improved integration of the NIPAs and the Flow of Funds Accounts should reduce this discrepancy.

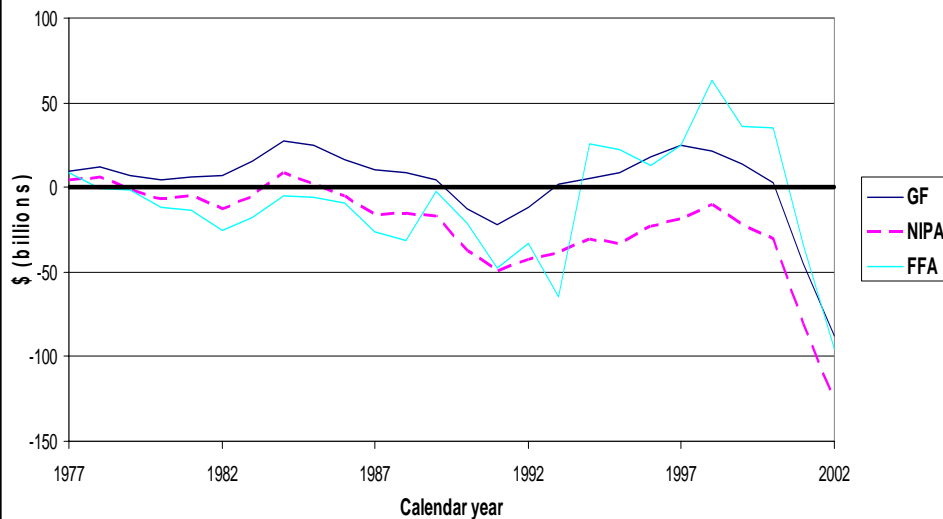
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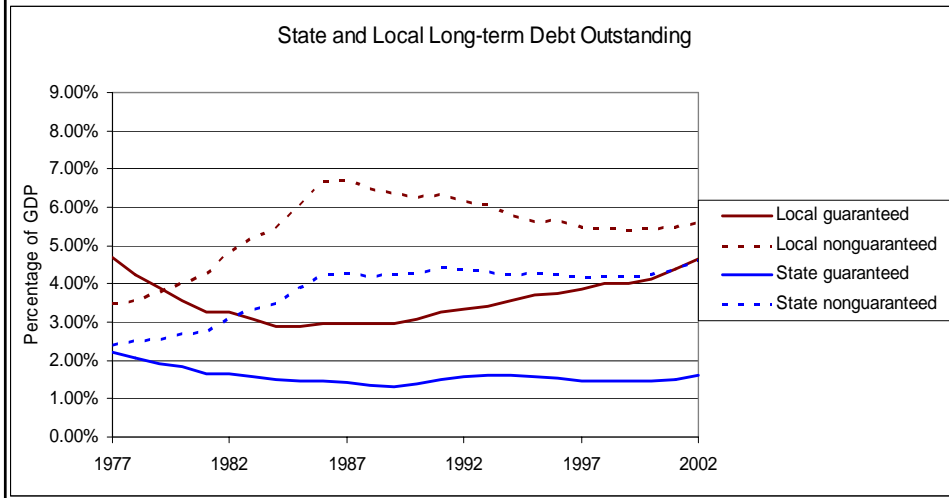
## Debt

Comparison of Net Lending/Borrowing Measures (BEA, Census, Federal Reserve)



# Debt

- Census provides data on outstanding debt levels. They provide data on long-term guaranteed and long-term non-guaranteed debt. Data on short-term debt and long-term debt by purpose are also available.



# Conclusions

- State and local governments account for about 12% of GDP.
- Local government is largest contributor.
- Most recent estimates are based upon partial data.
- Research agenda addresses data gaps and consistency with international guidelines.

## Questions?

- Comments on research agenda?
- Suggestions on filling data gaps?
- What do you see as emerging data needs?