

# NIPA Translation of the Fiscal Year 2010 Federal Budget

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ON MAY 7, 2009, the President submitted the *Budget of the United States Government, Fiscal Year 2010* to Congress; a budget overview, *A New Era of Responsibility: Renewing America's Promise*, was submitted earlier on February 26, 2009.<sup>1</sup> The *Analytical Perspectives* volume of the budget contains a chapter that presents the budget estimates on a national income and product accounts (NIPA) basis. These fiscal year NIPA estimates, which are prepared by the Bureau of Economic Analysis (BEA), are included in the budget to provide a way to gauge the impact of the federal budget on aggregate economic activity. BEA also provides historical NIPA statistics to the Office of Management and Budget (OMB) and the fiscal year gross domestic product (GDP) statistics shown in the *Historical Tables* volume of the budget.

BEA translates the information in the budget into a NIPA framework for actual receipts and outlays for fiscal year 2008, the projected receipts and outlays for the current fiscal year 2009, and proposed receipts and outlays for the budget year 2010. This article presents NIPA estimates that are more detailed than the comparable estimates in the budget, including quarterly estimates.

The NIPA estimates for 2010 allow for a more detailed analysis of the macroeconomic effects of the budget; forecasters use these data in their models. In addition, the translated estimates for all 3 years are used by BEA to derive quarterly NIPA estimates, including the federal government component of GDP.

The overall translation results are summarized by comparing the budget surplus or deficit to the NIPA measure of net federal government saving (chart 1, table 1). For fiscal year 2010, the NIPA estimate of net federal government saving of  $-\$1,118.8$  billion shows a smaller deficit than the budget estimate of  $-\$1,258.4$  billion. For more information about NIPA adjustments, see the box “NIPA Estimates of the Federal Sector and the Federal Budget Estimates.”

This article is divided into four sections. First, budget receipts and outlays are compared with NIPA receipts and expenditures, showing the various

adjustments made to translate the budget estimates into NIPA estimates. Second, the budget estimates are summarized, and the effects of the major legislative proposals and program changes on the budget are reviewed. Third, detailed annual and quarterly NIPA estimates for fiscal years 2009 and 2010 are presented. Fourth, the methodology used to translate the budget

Chart 1. Federal Fiscal Position

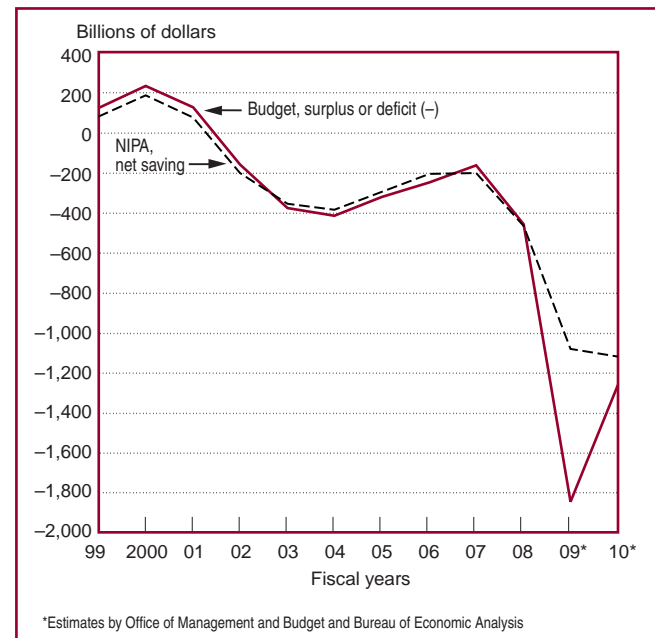


Table 1. Budget Receipts and Outlays and NIPA Federal Government Current Receipts and Expenditures [Billions of dollars]

	Level for fiscal year			Change from preceding fiscal year	
	Actual	Estimates			
	2008	2009	2010	2009	2010
<b>Budget:</b>					
Receipts.....	2,524.3	2,156.7	2,332.6	-367.7	176.0
Outlays.....	2,982.9	3,997.8	3,591.1	1,015.0	-406.8
Surplus or deficit (-).....	-458.6	-1,841.2	-1,258.4	-1,382.6	582.8
<b>NIPAs:</b>					
Current receipts.....	2,598.3	2,421.1	2,670.5	-177.2	249.4
Current expenditures.....	3,063.8	3,502.7	3,789.3	438.9	286.6
Net federal government saving.....	-465.5	-1,081.6	-1,118.8	-616.1	-37.2
	Differences				
Budget receipts less NIPA current receipts.....	-74.0	-264.4	-337.9	-190.4	-73.5
Budget outlays less NIPA current expenditures.....	-80.9	495.1	-198.2	576.0	-683.3
Budget deficit less NIPA net federal government saving.....	6.9	-759.6	-139.6	-766.5	620.0

1. Executive Office of the President, Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2010* (Washington, DC: U.S. Government Printing Office, 2009); [www.whitehouse.gov/omb/budget](http://www.whitehouse.gov/omb/budget).

Sources: *Budget of the United States, Fiscal Year 2010* and the Bureau of Economic Analysis. NIPA National income and product account

projections into the NIPA framework is explained.

### Comparison of Budget and NIPA Estimates

On a NIPA basis, net federal government saving would decrease \$37.2 billion in fiscal year 2010 after decreasing \$616.1 billion in fiscal year 2009 (table 1 and chart 1). The smaller decrease results from an upturn in federal government current receipts and a deceleration in federal government current expenditures.

NIPA current receipts exceed budget receipts for fiscal years 2008 through 2010. NIPA current expenditures exceed budget outlays for fiscal years 2008 and 2010, while NIPA current expenditures are less than budget outlays for fiscal year 2009. The coverage, netting and grossing, and timing adjustments that BEA makes to budget receipts and outlays are detailed in table 2 (receipts) and table 3 (outlays).<sup>2</sup> The adjustments for national defense spending are shown in table 4.

### Budget Estimates

Federal budget receipts are projected to decrease \$367.7 billion in fiscal year 2009 and to increase \$176.0 billion in fiscal year 2010, according to the budget (table 5). This upturn in receipts can be attributed to the anticipated rebound in economic activity projected in the budget for fiscal year 2010 following the dampen-

2. For more information about differences between the NIPAs and the budget for fiscal years 2009 and 2010, see the box "Treatment of Financial Stabilization Programs" on page 22.

**Table 2. Relation of NIPA Federal Government Current Receipts to Budget Receipts**  
[Billions of dollars]

	Fiscal year		
	2008	2009	2010
<b>Budget receipts</b> .....	<b>2,524.3</b>	<b>2,156.7</b>	<b>2,332.6</b>
Less: Coverage differences .....	45.9	43.8	37.5
Geographic <sup>1</sup> .....	5.0	5.1	5.3
Contributions received by federal employee retirement plans <sup>2</sup> .....	4.2	4.5	4.3
Capital transfers received <sup>3</sup> .....	28.6	26.1	19.6
Financial transactions .....	0.0	0.0	0.0
Other <sup>4</sup> .....	8.1	8.2	8.3
Netting and grossing differences .....	-128.9	-250.8	-285.8
Supplementary medical insurance premiums .....	-54.1	-57.1	-59.4
Income receipts on assets .....	-11.1	-112.0	-150.2
Current surplus of government enterprises .....	3.1	7.0	11.0
Other <sup>5</sup> .....	-66.9	-88.7	-87.2
Plus: Timing differences .....	-9.1	57.4	89.6
Taxes on corporate income .....	-4.5	34.0	32.9
Federal and state unemployment insurance taxes .....	0.1	2.2	1.9
Withheld personal current tax and social security contributions .....	-9.1	10.2	47.5
Excise taxes .....	4.2	10.7	6.8
Other .....	0.3	0.3	0.5
<b>Equals: NIPA federal government current receipts</b> .....	<b>2,598.3</b>	<b>2,421.1</b>	<b>2,670.5</b>

1. Consists largely of contributions for social insurance by residents of U.S. territories and Puerto Rico.  
2. These transactions are included in the NIPA personal sector.  
3. Consists of estate and gift taxes.  
4. Consists largely of Treasury receipts from sales of foreign currencies to Government agencies.  
5. Includes proprietary receipts that are netted against outlays in the budget and that are classified as receipts in the NIPAs, and some transactions that are not reflected in the budget but that are added to both receipts and expenditures in the NIPAs.  
Sources: *Budget of the United States Government, Fiscal Year 2010* and the Bureau of Economic Analysis. NIPA National income and product account

ing effect of the current recession on payroll taxes and individual and corporate income taxes for fiscal year 2009.

Federal budget outlays are projected to increase \$1,015.0 billion in fiscal year 2009 and to decrease \$406.8 billion in fiscal year 2010 (table 6, page 18), according to the budget. The downturn in outlays can be attributed to a downturn in outlays for "commerce and housing credit," reflecting much lower payments related to financial stabilization in 2010 than in 2009.

Both budget receipts and budget outlays in 2009 and 2010 are affected by the American Recovery and Reinvestment Act of 2009 (ARRA); see the box on page 17 for more details.

### Proposed legislative and program changes

The budget proposes changes to legislation and programs that would increase the federal deficit \$224.5 billion in fiscal year 2009 and decrease the deficit \$12.0

**Table 3. Relation of NIPA Federal Government Current Expenditures to Budget Outlays**  
[Billions of dollars]

	Fiscal year		
	2008	2009	2010
<b>Budget outlays</b> .....	<b>2,982.9</b>	<b>3,997.8</b>	<b>3,591.1</b>
Less: Coverage differences .....	62.0	749.8	93.7
Geographic <sup>1</sup> .....	16.3	18.5	19.6
Federal employee retirement plan transactions <sup>2</sup> .....	-53.0	-43.6	-69.1
Interest received .....	-62.6	-55.9	-72.4
Contributions received (employer) .....	-110.8	-115.3	-128.1
Benefits paid .....	120.1	127.4	131.1
Administrative expenses .....	0.3	0.2	0.2
Financing disbursements from credit programs <sup>3</sup> .....	-28.0	-1,138.1	-68.4
Other differences in funds covered <sup>4</sup> .....	7.2	8.7	8.7
Net investment <sup>5</sup> .....	17.9	26.8	28.1
Capital transfers paid <sup>6</sup> .....	55.8	307.8	119.9
Financial transactions .....	56.1	1,567.0	55.7
Loan disbursements less loan repayments .....			
and sales .....	27.3	1,248.7	-7.8
Deposit insurance .....	22.5	135.0	61.5
Net purchases of foreign currency .....	0.0	0.0	0.0
Other .....	6.4	203.2	2.0
Net purchases of nonproduced assets .....	-10.2	-17.3	-0.9
Outer Continental Shelf .....	-8.5	-0.2	0.0
Land and other <sup>7</sup> .....	-1.7	-17.1	-0.9
Other <sup>8</sup> .....	0.0	0.0	0.0
Netting and grossing differences .....	-128.9	-250.8	-285.8
Supplementary medical insurance premiums .....	-54.1	-57.1	-59.4
Interest receipts .....	-11.1	-112.0	-150.2
Current surplus of government enterprises .....	3.1	7.0	11.0
Other <sup>9</sup> .....	-66.9	-88.7	-87.2
Plus: Timing differences .....	14.1	3.9	6.2
Purchases (increase in payables net of advances) .....	1.5	-8.2	-4.6
Interest .....	0.9	0.9	0.1
Current transfer payments .....	10.2	8.8	8.7
Other timing .....	1.5	2.4	2.0
<b>Equals: NIPA federal government current expenditures</b> .....	<b>3,063.8</b>	<b>3,502.7</b>	<b>3,789.3</b>

1. Consists largely of government social benefits, subsidies, and grants-in-aid to residents of U.S. territories and Puerto Rico.  
2. These transactions are included in the NIPA personal sector.  
3. Consists of transactions not included in the budget totals that record all cash flows from post-1991 direct loan obligations and loan guarantee commitments. Many of these flows are for new loans or loan repayments; consequently related entries are included in "Loan disbursements less loan repayments and sales."  
4. Consists largely of agencies or accounts, such as the Postal Service and the Federal Financing Bank, that were not included in the budget in some periods.  
5. Net investment is gross investment less consumption of fixed capital for general government and government enterprises.  
6. Consists of investment grants to state and local governments and maritime construction subsidies. Does not include the forgiveness of debts owed by foreign governments to the U.S. government or payments to the Uniformed Services Retiree Health Care Fund to amortize unfunded liability; both are classified as capital transfers paid by the United States and are excluded from both budget outlays and NIPA current expenditures.  
7. Consists of net sales of land other than the Outer Continental Shelf and, beginning in 1995, the auction of the radio spectrum.  
8. Consists largely of net expenditures of foreign currencies.  
9. Includes proprietary receipts that are netted against outlays in the budget and that are classified as receipts in the NIPAs. Also includes some transactions that are not reflected in the budget data but that are added to both receipts and expenditures in the NIPAs.  
Sources: *Budget of the United States Government, Fiscal Year 2010* and the Bureau of Economic Analysis. NIPA National income and product account

billion in fiscal year 2010 (table 7).<sup>3</sup>

**Receipts.** If proposed legislation is enacted, receipts would decrease \$28.0 billion in fiscal year 2009 and

3. The estimates of the proposed changes are the differences between the current-services estimates and the actual budget. The current-services estimates in the 2010 budget reflect certain adjustments to the Budget Enforcement Act baseline. For more information, see *Analytical Perspectives: Budget of the U.S. Government Fiscal Year 2010*, 219.

**Table 4. Relation of National Defense Consumption Expenditures and Gross Investment to National Defense Outlays**

[Billions of dollars]

	Fiscal year		
	2008	2009	2010
<b>Budget outlays for national defense</b> .....	<b>616.1</b>	<b>690.3</b>	<b>712.9</b>
Department of Defense, military .....	594.7	665.0	685.1
Military personnel .....	138.9	146.8	154.2
Operation and maintenance .....	244.8	271.8	283.3
Procurement .....	117.4	142.7	140.1
Aircraft .....	26.0	34.5	36.6
Missiles .....	5.5	6.9	8.1
Ships .....	11.2	11.8	12.8
Weapons .....	8.1	11.3	10.6
Ammunition .....	2.5	2.7	2.5
Other <sup>1</sup> .....	64.2	75.5	69.5
Research, development, test, and evaluation .....	75.1	78.2	79.1
Other .....	18.4	25.6	28.4
Atomic energy and other defense-related activities .....	21.8	25.3	27.8
<b>Plus:</b> Consumption of general government fixed capital .....	80.0	84.3	87.7
Additional payments to military and civilian retirement funds .....	39.3	42.8	48.1
Timing differences .....	1.5	-8.2	-4.6
<b>Less:</b> Grants-in-aid to state and local governments and net interest paid .....	3.7	3.6	3.7
Other differences .....	17.8	16.1	20.3
<b>Equals: NIPA national defense consumption expenditures and gross investment</b> .....	<b>715.3</b>	<b>789.5</b>	<b>820.1</b>
<b>Less:</b> National defense gross investment <sup>2</sup> .....	91.2	104.8	107.6
<b>Equals: NIPA national defense consumption expenditures</b> .....	<b>624.1</b>	<b>684.7</b>	<b>712.5</b>

1. Other military outlays include outlays for military construction, family housing.

2. Gross investment consists of general government expenditures for fixed assets; inventory investment is included in federal government consumption expenditures.

Sources: *Budget of the United States Government, Fiscal Year 2010* and the Bureau of Economic Analysis. NIPA National income and product account

\$41.3 billion in fiscal year 2010, relative to the current-services baseline. Among the legislative proposals, the following have notable effects on receipts:

- A proposal to expand the net operating loss carry-back period for businesses would reduce receipts \$27.8 billion in fiscal year 2009 and \$35.7 billion in fiscal year 2010.
- A proposal to extend several temporary tax provisions through December 31, 2010, would reduce receipts by \$6.3 billion in fiscal year 2010.
- A proposal to permanently extend the existing tax credits for qualified research and experimentation would reduce receipts \$3.1 billion in fiscal year 2010.
- Proposals to reduce U.S. tax evasion by modifying tax rules for multinational corporations would increase receipts by \$2.5 billion in fiscal year 2010.

**Table 5. Budget Receipts by Source**

[Billions of dollars]

	Level for fiscal year				Change from preceding year		
	2007	2008	2009	2010	2008	2009	2010
<b>Budget receipts</b> .....	<b>2,568.2</b>	<b>2,524.3</b>	<b>2,156.7</b>	<b>2,332.6</b>	<b>-43.9</b>	<b>-367.7</b>	<b>176.0</b>
Individual income taxes .....	1,163.5	1,145.7	953.0	1,051.4	-17.7	-192.7	98.4
Corporation income taxes .....	370.2	304.3	146.8	178.9	-65.9	-157.6	32.2
Social insurance taxes and contributions .....	869.6	900.2	899.2	940.4	30.5	-0.9	41.2
Excise taxes .....	65.1	67.3	66.3	74.7	2.3	-1.1	8.5
Estate and gift taxes .....	26.0	28.8	26.3	19.8	2.8	-2.5	-6.5
Customs duties .....	26.0	27.6	23.9	23.9	1.6	-3.6	0.0
Miscellaneous receipts .....	47.8	50.3	41.1	43.4	2.5	-9.2	2.3

Source: *Budget of the United States Government, Fiscal Year 2010*.

## American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law on February 17, 2009. The act contains provisions for initiatives such as job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local fiscal stabilization. The ARRA is estimated in the budget to cost \$825.4 billion over the next 10 years. These costs are split between \$600.0 billion in increased outlays and \$225.4 billion in reduced receipts. Although the cost of the ARRA is spread over 10 years, the budget projections show 24 percent of the total cost occurring in fiscal year 2009 and 47 percent of the total cost occurring in fiscal year 2010.

The budget estimates that receipts will be reduced \$77.4 billion in fiscal year 2009 and \$152.3 billion in fiscal year 2010 primarily because of the tax provisions of ARRA. These provisions include the "Making Work Pay" tax credit, which provides a tax credit of up to \$400 for eligible working single taxpayers and \$800 for eligible working married taxpayers; an extension and modification of the first-time homebuyer credit; and various tax

provisions for businesses.

The budget estimates that outlays will be increased about \$120.2 billion for fiscal year 2009 and \$237.8 billion for fiscal year 2010 because of the spending and investment provisions of the ARRA. Some provisions affecting outlays include assistance to state and local governments, one-time payments to retirees, and increases for the Supplemental Nutrition Assistance Program (food stamps) and unemployment compensation.

Because the effects of ARRA will be spread across several sectors (federal government, state and local government, and individual and business taxpayers) and may be intermingled with other spending in the source data, BEA does not expect to be able to separately identify the total quarterly or annual effects of the ARRA on GDP or other NIPA measures. Many ARRA-funded transactions are not directly included in GDP; GDP only includes government spending on goods and services. ARRA-related grants, transfers, and taxes, however, are included in BEA's government sector estimates and in some cases, in statistics on personal income and outlays.

**Table 6. Budget Outlays by Function**  
[Billions of dollars]

	Level for fiscal year				Change from preceding year		
	2007	2008	2009	2010	2008	2009	2010
<b>Budget outlays</b> .....	<b>2,728.9</b>	<b>2,982.9</b>	<b>3,997.8</b>	<b>3,591.1</b>	<b>253.9</b>	<b>1,015.0</b>	<b>-406.8</b>
National defense.....	551.3	616.1	690.3	712.9	64.8	74.2	22.5
International affairs.....	28.5	28.9	34.7	50.1	0.4	5.8	15.4
General science, space, and technology	25.6	27.8	31.2	32.9	2.2	3.4	1.7
Energy.....	-0.9	0.6	8.8	22.1	1.5	8.1	13.4
Natural resources and environment.....	31.8	31.9	42.2	43.6	0.1	10.3	1.4
Agriculture.....	17.7	18.4	20.4	26.0	0.7	2.0	5.6
Commerce and housing credit.....	0.5	27.9	758.2	86.0	27.4	730.3	-672.2
Transportation.....	72.9	77.6	94.3	106.9	4.7	16.7	12.6
Community and regional development.....	29.6	24.0	28.0	28.0	-5.6	4.1	0.0
Education, training, employment, and social services.....	91.7	91.3	79.3	134.6	-0.4	-12.0	55.2
Health.....	266.4	280.6	353.4	389.0	14.2	72.8	35.6
Medicare.....	375.4	390.8	430.8	457.8	15.4	40.0	27.0
Income security.....	366.0	431.3	519.3	547.5	65.3	88.0	28.2
Social security.....	586.2	617.0	680.5	702.3	30.9	63.5	21.8
Veterans benefits and services.....	72.8	84.7	96.7	108.9	11.8	12.0	12.3
Administration of justice.....	41.2	47.1	53.3	55.7	5.9	6.2	2.3
General government.....	17.4	20.3	21.9	24.4	2.9	1.5	2.6
Net interest.....	237.1	252.8	142.7	135.9	15.6	-110.0	-6.9
Allowances <sup>1</sup> .....	0.0	0.0	3.6	10.9	0.0	3.6	7.3
Undistributed offsetting receipts <sup>2</sup> .....	-82.2	-86.2	-91.7	-84.3	-4.0	-5.4	7.4

1. Allowances are included in budget totals to cover certain budgetary transactions that are expected to increase or decrease outlays, receipts, or budget authority but are not reflected in the program details.  
2. Undistributed offsetting receipts are two categories of collections that are governmental in nature and that are not credited to expenditure accounts: Receipts from performing business-like activities, such as proceeds from selling federal assets or leases; and shifts from one account to another, such as agency payments to retirement funds.  
Source: Budget of the United States Government, Fiscal Year 2010.

**Outlays.** The budget would increase total outlays \$196.5 billion in fiscal year 2009 and would reduce outlays \$53.3 billion in 2010, relative to the current-services baseline.

- Outlays for national defense would decrease \$39.9 billion for fiscal year 2009 and \$47.6 billion for fiscal year 2010 as a result of reduced outlays for overseas contingency operations, which include the wars in Iraq and Afghanistan.
- Outlays for net interest would decrease \$24.2 billion for fiscal year 2009 and \$40.1 billion for fiscal year 2010 reflecting increased interest receipts as a result of a proposal to create a financial stabilization reserve.
- Outlays for commerce and housing credit would increase \$257.7 billion in fiscal year 2009 and \$21.3 billion in fiscal year 2010, reflecting financial stabilization efforts such as creating a reserve to cover future financial stabilization costs as well as Federal Deposit Insurance Corporation and National Credit Union Administration premium relieves.

**NIPA Estimates**

**Table 7. Proposed Legislative and Program Changes in the Budget**  
[Billions of dollars]

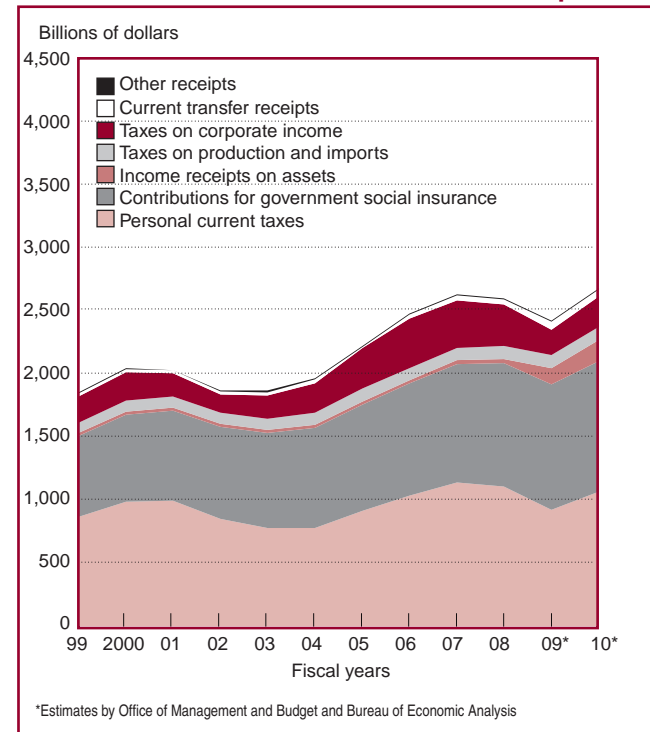
	Fiscal Year	
	2009	2010
<b>Receipts</b>		
Current-services estimates <sup>1</sup> .....	2,184.7	2,374.0
Plus: Proposed legislation excluding proposals assumed in the baseline <sup>2</sup> .....	-28.0	-41.3
Expand net operating loss carryback for businesses.....	-27.8	-35.7
Continue certain expiring provisions through calendar year 2010.....	0.0	-6.3
Make research and experimentation tax credit permanent for businesses.....	0.0	-3.1
Modify upper income tax provisions.....	-0.2	0.6
Reform U.S. international tax system.....	0.0	2.5
Other.....	-0.1	0.7
<b>Equals: The budget</b> .....	<b>2,156.7</b>	<b>2,332.6</b>
<b>Outlays</b>		
Current-services estimates <sup>1</sup> .....	3,801.4	3,644.4
Plus: Program changes excluding proposals assumed in the baseline <sup>2</sup> .....	196.5	-53.3
National Defense.....	-39.9	-47.6
Net Interest.....	-24.2	-40.1
Education, training, employment and social services.....	0.0	-3.9
Energy.....	0.0	-0.5
Administration of Justice.....	0.0	-0.2
Medicare.....	0.0	-0.1
Health.....	0.0	0.3
Natural resources and environment.....	0.2	0.5
Agriculture.....	0.0	0.5
General science, space and technology.....	0.0	0.7
Transportation.....	0.0	0.7
Income Security.....	0.0	1.6
Community and Regional Development.....	0.0	2.9
Veterans benefits and services.....	0.0	3.8
International Affairs.....	2.6	6.5
Commerce and housing Credit.....	257.7	21.3
Other.....	0.0	0.2
<b>Equals: The budget</b> .....	<b>3,997.8</b>	<b>3,591.1</b>
Current-services surplus or deficit (-).....	-1,616.7	-1,270.4
Proposed changes, receipts less outlays.....	-224.5	12.0
Administration budget surplus or deficit (-).....	-1,841.2	-1,258.4
<b>Addenda:</b>		
Net effect of adjustments to the Budget Enforcement Act current-services baseline....	81.4	148.4
Adjustments to the baseline for receipts.....	-0.2	-18.4
Adjustments to the baseline for outlays.....	81.2	130.0

1. These current-services estimates reflect proposed adjustments to the Budget Enforcement Act current-services baseline. For information on these adjustments, see "Budget Reform Proposals" in the Analytical Perspectives.  
2. Consistent with the budget, the proposed legislation excludes budget reform proposals that are included in the baseline.  
Source: Budget of the United States Government, Fiscal Year 2010.

**Fiscal year estimates**

**Receipts.** Total NIPA federal government current receipts would decrease \$177.2 billion in 2009 and would increase \$249.4 billion in 2010 (table 8 and chart 2). The upturn results from increases in the tax base. (The

**Chart 2. Federal Government Current Receipts**



\*Estimates by Office of Management and Budget and Bureau of Economic Analysis



estimates of the tax base are based on the administration's economic assumptions and do not include the effects of proposed legislation.)

**Expenditures.** Total NIPA federal government cur-

**Table 8. Sources of Change in NIPA Federal Government Current Receipts**  
[Billions of dollars]

	Change from preceding fiscal year		
	2008	2009	2010
<b>Total receipts</b> .....	<b>-32.5</b>	<b>-177.2</b>	<b>249.4</b>
Due to tax bases .....	-44.2	-264.9	236.6
Due to proposed legislation .....	0.0	-27.1	-17.2
Current tax receipts .....	-79.2	-312.1	182.2
Personal current taxes .....	-32.2	-183.2	143.3
Due to tax bases .....	-32.2	-183.1	142.2
Due to proposed legislation .....	0.0	-0.1	1.1
Taxes on production and imports .....	4.4	0.6	5.8
Due to tax bases .....	4.4	0.0	7.6
Due to proposed legislation .....	0.0	0.7	-1.8
Taxes on corporate income .....	-52.7	-128.3	33.7
Due to tax bases .....	-52.7	-100.6	50.2
Due to proposed legislation .....	0.0	-27.7	-16.5
Taxes from the rest of the world .....	1.3	-1.2	-0.6
Contributions for government social insurance .....	36.3	18.8	36.6
Due to tax bases .....	36.3	18.8	36.6
Due to proposed legislation .....	0.0	0.0	0.0
Income receipts on assets .....	5.3	97.4	39.2
Current transfer receipts .....	5.7	22.4	-4.4
Current surplus of government enterprises .....	-0.4	-3.8	-4.1

Sources: Budget of the United States Government, Fiscal Year 2010 and the Bureau of Economic Analysis. NIPA National income and product account

**Table 9. Sources of Change in NIPA Federal Government Current Expenditures**  
[Billions of dollars]

	Change from preceding fiscal year		
	2008	2009	2010
<b>Total current expenditures</b> .....	<b>183.3</b>	<b>438.9</b>	<b>286.6</b>
Consumption expenditures .....	58.9	109.9	62.6
National defense .....	54.9	60.6	27.8
Pay raise and locality pay <sup>1</sup> .....	0.0	5.8	5.1
Other .....	54.9	54.8	22.7
Nondefense .....	17.9	49.3	34.8
Pay raise and locality pay <sup>1</sup> .....	0.0	2.6	3.3
Other .....	17.9	46.7	31.4
Current transfer payments .....	116.6	280.4	162.3
Government social benefits to persons .....	105.2	185.8	76.1
Social security .....	29.7	60.2	22.1
Medicare .....	33.4	41.4	30.8
Supplemental security income .....	2.5	5.0	0.3
Earned income and other tax credits .....	-4.6	0.0	0.5
Veterans benefits .....	6.6	6.7	5.5
Unemployment benefits .....	10.5	60.2	-16.9
Food Stamps .....	4.3	15.9	8.0
Other .....	22.8	-3.6	25.8
Government social benefits to the rest of the world .....	0.3	0.4	0.2
Grants-in-aid to state and local governments .....	11.9	93.0	77.0
Health and hospitals .....	-0.5	2.6	3.0
Income support, social security and welfare .....	14.7	71.6	26.4
Medical care .....	3.7	60.3	26.6
Welfare and social services .....	3.5	8.3	1.7
Other income support .....	7.6	3.0	-1.9
Education .....	1.5	7.2	32.8
Housing and community services .....	-1.6	3.5	0.8
Central executive, legislative and judicial activities .....	0.1	1.1	-0.9
Labor training and services .....	-0.1	1.2	0.8
Other .....	-2.4	5.8	14.0
Other current transfer payments paid to the rest of the world .....	-0.7	1.2	9.0
Federal interest paid .....	1.6	43.4	49.4
Subsidies .....	6.0	5.2	12.2
Agriculture .....	1.5	-0.9	2.1
Housing .....	0.5	1.2	2.4
Other .....	3.9	4.9	7.8

1. Consists of pay raises and locality pay beginning in January 2009. Source: Bureau of Economic Analysis. NIPA National income and product account

rent expenditures would increase \$438.9 billion in fiscal year 2009 and \$286.6 billion in fiscal year 2010 (table 9 and chart 3). The deceleration in 2010 reflects decelerations in government social benefits, consumption expenditures, and grants-in-aid to state and local governments. Within social benefits, unemployment benefits would turn down, and social security benefits would decelerate. In contrast, federal interest paid and subsidies would accelerate.

**Quarterly pattern**

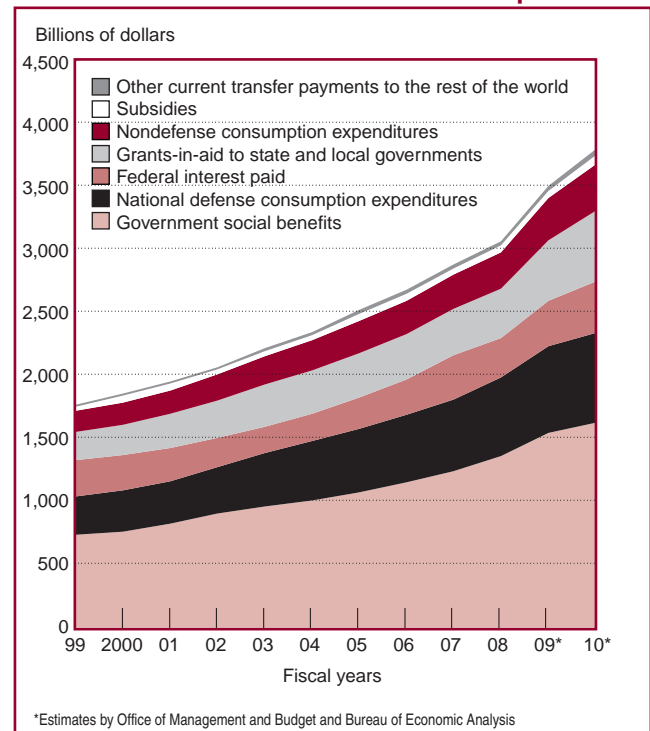
BEA prepares seasonally adjusted quarterly NIPA estimates of federal government current receipts and current expenditures that are consistent with the federal budget (table 10).

The quarterly estimates for 2009 and 2010 presented here are extrapolated from the published estimates for the first quarter of 2009, which were released on May 29, 2009. In general, because of the limited information available to estimate quarterly patterns, the estimates should be viewed as approximations that will be superseded by more reliable quarterly estimates that will be published in NIPA table 3.2.<sup>4</sup>

**Receipts.** The NIPA estimates of current receipts reflect the quarterly pattern of estimates that would result from enacted and proposed legislation, based on the administration's projected pattern of wages. The NIPA estimates also reflect BEA's methodology for deriving quarterly estimates of income tax payments and

4. The average of fiscal year quarters may not equal the fiscal year value.

**Chart 3. Federal Government Current Expenditures**



\*Estimates by Office of Management and Budget and Bureau of Economic Analysis





### Treatment of Financial Stabilization Programs

For fiscal years 2009 and 2010, the differences between NIPA (negative) net saving and the budget deficit are unusually high, reflecting the differing treatments of the financial stabilization measures taken by the federal government.

Through the Troubled Asset Relief Program (TARP), the Department of Treasury has injected capital into banks and other financial institutions by purchasing preferred stock and warrants and providing asset guarantees. The TARP has also provided loans and other support to the automotive industry.

TARP loans and equity transactions are recorded in the budget on a credit basis as required by the Federal Credit Reform Act of 1990. Under credit reform, most cash flows for loans and loan guarantee programs are excluded from budget outlays. However, the budget recognizes an outlay calculated as the estimated subsidy value of direct loans, loan guarantees, and TARP equity purchases at the time of the loan or purchase; this outlay is recorded in a budget program account. The budget documents contain a nonbudgetary financing account that records the cash flows of loans and loan guarantees between the federal government and the public in order to show the financing effects of these programs; these transactions do not affect budget outlays. These flows include loans and loan guarantee obligations and offsets, such as principal repayments, subsidy costs, and interest.

In the NIPAs, loan disbursements and repayments and equity purchases and sales are normally excluded because these transactions are considered exchanges of financial assets, which are recorded in the flow of funds accounts.<sup>1</sup> The NIPAs include interest and dividends because they represent the income earned on assets. For loans, the NIPAs do not include the subsidy cost recognized by the budget because the borrower's liability is for the full amount of the loan. For certain transactions related to government capital injections, BEA does record the implied subsidy cost of equity purchases as capital transfers in the NIPAs; capital transfers do not affect GDP or net government saving, but they do reduce net government lending or borrowing.<sup>2</sup>

Coverage differences arise between the NIPAs and the budget because of the differing treatments of these credit programs. To make the necessary NIPA coverage adjustments, BEA's reconciliation tracks the relationship between budgetary program and financing accounts for credit programs. This reconciliation affects several cover-

age adjustments seen in table 3, specifically *financing disbursements from credit programs, capital transfers, loan disbursements less loan repayments and sales, and "other" financial transactions*.

For loans and loan guarantee programs, including those in the TARP, the cash flows shown in the nonbudgetary financing accounts in the budget are recorded in the coverage line *financing disbursements from credit programs*; financing disbursements are net of subsidy costs and interest transactions. Interest transactions included in the nonbudgetary financing accounts do not affect budget outlays, but they are included in NIPA receipts. The amount of financing disbursements plus the subsidy costs and interest adjustments for loans and loan guarantee payments are recorded in the line *loan disbursements less loan repayments and sales*. In this case, the net of *financing disbursements from credit programs and loan disbursements less loan repayments and sales* will leave a coverage adjustment equal to the subsidy costs and interest.<sup>3</sup>

For the TARP equity program, equity purchases classified in the budget as nonbudgetary financing disbursements are recorded in the coverage line *financing disbursements from credit programs*. For TARP equity transactions, the implied subsidy costs, which are shown as outlays in the budget, are included in BEA's *capital transfers*. Therefore, the "other" *financial transactions* coverage adjustment shows the amount of financing disbursements less the subsidy costs and dividends.

The Treasury has also provided support for the housing market by purchasing preferred stock of the government sponsored enterprises Fannie Mae and Freddie Mac. The budget records these transactions as outlays, while BEA records a portion of these outlays as a capital transfer that represents BEA's estimated subsidy cost of the equity purchase.<sup>4</sup>

Other actions in support of financial stabilization cause differences between the NIPAs and the budget. Deposit insurance transactions of the Federal Deposit Insurance Corporation and the National Credit Union Administration are recorded on a cash basis in the budget. Of these transactions, the NIPAs exclude insured deposit payouts less recoveries; this difference with the budget is recorded as *deposit insurance* in table 3. Premiums collected are included in the NIPAs as current transfer receipts from business.

1. For information on the relationship between the NIPAs and the Federal Reserve Board's flow of funds accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead, "Integrated Macroeconomic Accounts for the United States," *SURVEY OF CURRENT BUSINESS* 87 (February 2007): 14.

2. For more information, see "The 2008 Financial Crisis and the National Accounts," *SURVEY* 89 (February 2009): 7.

3. These interest and dividend transactions are then moved to the receipts side of the NIPAs by a netting and grossing adjustment.

4. In the budget, an equity purchase outside of TARP is recorded in its entirety as an outlay; however the administration plans to review this treatment. See the box "Acquisition of Financial Assets" in *Analytical Perspectives: Budget of the U.S. Government Fiscal Year 2010*, (Washington, DC: U.S. Government Printing Office, 2009): 218.



These data are translated into the following major components of the NIPA federal government current receipts: current tax receipts, contributions for government social insurance, income receipts on assets, current transfer receipts, and current surplus of government enterprises. Quarterly projections are based on the economic assumptions from the federal budget. When monthly and quarterly NIPA estimates are released by BEA, these initial quarterly projections of receipts are reevaluated and revised to incorporate newly available data from the Department of the Treasury including the *Monthly Treasury Statement of Receipts and Outlays of the United States Government*.<sup>7</sup>

### Outlays

Fiscal year budget outlays are organized by appropriation in the federal budget's *Appendix*. These data and supplemental data from the Office of Management and Budget are used to allocate federal budget outlays to the following NIPA categories: current transfer payments, interest payments, subsidies, and consumption expenditures and gross investment.<sup>8</sup> The quarterly projections are mainly derived by interpolation from fiscal year projections.

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7. Department of the Treasury, Financial Management Service, *Monthly Treasury Statement of Receipts and Outlays of the United States Government* (Washington, DC: U.S. Government Printing Office); [www.fms.treas.gov/mts](http://www.fms.treas.gov/mts).

8. Outlays by program are first adjusted for coverage (for example, for the treatment of federal employer retirement plan transactions) and for netting and grossing (for example, supplemental medical insurance premiums).

When BEA releases its quarterly NIPA estimates, the fiscal year relationships derived from the budget data are used to allocate the spending that is detailed in the *Monthly Treasury Statement of Receipts and Outlays of the United States Government*. Supplemental data are also used. A detailed reconciliation of defense consumption expenditures and gross investment with outlays is prepared, using extensive financial, delivery, and other information from the Department of Defense. In order to prepare seasonally adjusted estimates of non-defense consumption expenditures and gross investment, data from the budget are used to extrapolate portions of nondefense expenditures (for durable goods, "other nondurable goods," services, and equipment) for which there are no quarterly source data. These extrapolated estimates of expenditures incorporate quarterly data for certain expenditures, such as those for construction from the Census Bureau and for compensation from the Office of Personnel Management and the Bureau of Labor Statistics.

### Updated estimates

BEA's initial quarterly projections of federal government receipts and expenditures that are presented in this article will likely differ from later estimates. The initial estimates are prepared from budget data, which are based on various economic assumptions about the budget year. These estimates are then updated during the year as new laws are enacted, as actual spending occurs, as economic conditions change, and as more source data become available.

### NIPA Estimates of the Federal Sector and the Federal Budget Estimates

The Bureau of Economic Analysis (BEA) prepares estimates of the federal sector in the framework of the national income and product accounts (NIPAs). Unlike the federal budget, which is a financial plan of the government, the NIPA federal estimates are designed to facilitate macroeconomic analyses of the effects of federal government activity on economic activity.<sup>1</sup>

The NIPA estimates differ from the budget for three primary reasons:

- **Coverage.** These adjustments are necessary because certain transactions that are included in the budget are excluded from the NIPAs (and vice versa).
- **Netting and grossing.** These adjustments are necessary because certain transactions are recorded as offsets to outlays in the budget but are recorded as receipts in the NIPAs.
- **Timing.** These adjustments are necessary because in the budget, most receipts and outlays are recorded on a cash basis, while in the NIPAs, some transactions are recorded on an accrual basis.

Unlike the federal budget estimates, the NIPAs distinguish current transactions from capital transactions. Current transactions for production, for income, and for consumption are presented in the summary NIPA accounts 1–5, and capital transactions for the acquisition and disposal of nonfinancial assets are presented in summary NIPA accounts 6 and 7.<sup>2</sup> Because of this organization, the following types of transactions are not included in NIPA federal government current receipts and current expenditures but are shown in account 6 and as items in NIPA table 3.2:

- **Government investment in fixed assets.** In the NIPAs, government consumption expenditures exclude investment in fixed assets and include consumption of fixed capital, a depreciation charge on fixed assets that are used in production.
- **Transfers involving the acquisition or disposal of assets.** In the NIPAs, these transactions are classified as capital transfer receipts and payments and are presented in the domestic capital account.<sup>3</sup> Capital transfers include certain investment grants-in-aid to state and local governments, investment subsidies to businesses, lump-sum payments to amortize the unfunded liability of the Department of Defense Medicare-Eligible Retiree Health Care Fund and the Postal Service Retiree Health Benefits Fund, implied subsidy costs of finan-

cial stabilization equity purchases, and estate and gift taxes.

- **Transactions involving nonproduced assets.** In the NIPAs, purchases and sales of nonproduced assets, such as land and the radio spectrum, are reflected in “capital account transactions (net)” in the domestic capital account.

The NIPA estimates also differ from the budget estimates because of the scope and coverage of the federal government sector. Examples include the following:

- **Retirement plans.** Government employee contributions to retirement plans are included in budget receipts, but they are excluded from NIPA current receipts because they are included in personal income as part of the income of employees. Similarly, federal employee retirement benefits are included in budget outlays, but they are excluded from NIPA current expenditures because the benefits are paid from assets that represent equity belonging to the personal sector.
- **Other differences.** The NIPA federal government sector excludes certain transactions with the residents of Puerto Rico and the U.S. Territories and with the Federal Communication Commission Universal Service Fund.<sup>4</sup>

#### Receipts

For most years, the differences between NIPA current receipts and budget receipts primarily reflect capital transfers received, supplementary medical insurance premiums, and personal and business current transfer receipts. (Personal and business current transfer receipts are classified as receipts in the NIPAs, but some are netted against outlays in the budget.)

#### Expenditures

For most years, the differences between the two measures primarily reflect capital transfers paid, federal employee retirement plan transactions, personal and business current transfer receipts, and net investment.

In the NIPAs, budget outlays for national defense and nondefense are reflected in both consumption expenditures and gross investment. For national defense, the budget outlays differ from the NIPA estimates for several reasons:

- The NIPA measure includes general government consumption of fixed capital.
- The NIPAs include cash payments to amortize the unfunded liability for military and civilian retirement benefits as defense consumption expenditures; the budget records these payments as intergovernmental transactions.
- NIPA expenditures are recorded on a delivery (accrual) basis, and budget outlays are recorded on a cash basis; thus, in the NIPAs, all work in progress except ships and structures are included as part of change in private inventories.

1. For a comparison, see tables 4 and 5 and NIPA table 3.18B. See also “National Income and Product Accounts” in *Analytical Perspectives: Budget of the U.S. Government*, 207–212.

2. Current transactions are presented in the “Domestic Income and Product Account,” “Private Enterprise Income Account,” “Personal Income and Outlay Account,” “Government Receipts and Expenditures Account,” and “Foreign Transactions Current Account.” Capital transactions are presented in the “Domestic Capital Account” and the “Foreign Transactions Capital Account.” See “[Summary National Income and Product Accounts](#),” SURVEY OF CURRENT BUSINESS 88 (August 2008): 30–31. The federal government components of the domestic capital account are often shown as addenda in tables presenting federal government current receipts and expenditures.

3. The flow of funds accounts of the Federal Reserve Board present detailed information on the acquisition and disposal of financial assets and liabilities by U.S. economic sectors, including the federal government.

4. The NIPA treatment of federal government transactions with the territories will be changing with the release of the 2009 comprehensive NIPA revision in July 2009. See Eugene P. Seskin and Shelly Smith, “[Preview of the 2009 Comprehensive Revision of the NIPAs: Changes in Definitions and Presentations](#),” SURVEY 89 (March 2009): 15–16.