

# Government Receipts and Expenditures

## Second Quarter of 2009

**N**ET GOVERNMENT saving, the difference between current receipts and current expenditures of the federal government and state and local governments, was  $-\$1,305.8$  billion in the second quarter of 2009, decreasing  $\$300.1$  billion from  $-\$1,005.7$  billion in the first quarter.

Net federal government saving was  $-\$1,294.9$  billion in the second quarter, decreasing  $\$325.8$  billion from  $-\$969.1$  billion in the first quarter (see page 12). Current receipts decreased less than in the first quarter, and current expenditures increased more.

Net state and local government saving was  $-\$10.9$  billion in the second quarter, increasing  $\$25.7$  billion from  $-\$36.6$  billion in the first quarter (see page 13). Current receipts accelerated, and current expenditures turned up.

Net borrowing was  $\$1,657.4$  billion in the second quarter, increasing  $\$257.7$  billion from  $\$1,399.7$  billion in the first quarter. Federal government net borrowing was  $\$1,534.5$  billion in the second quarter, increasing  $\$276.3$  billion from  $\$1,258.2$  billion in the first quarter. State and local government net borrowing was  $\$122.9$  billion in the second quarter, decreasing  $\$18.6$  billion from  $\$141.5$  billion in the first quarter.

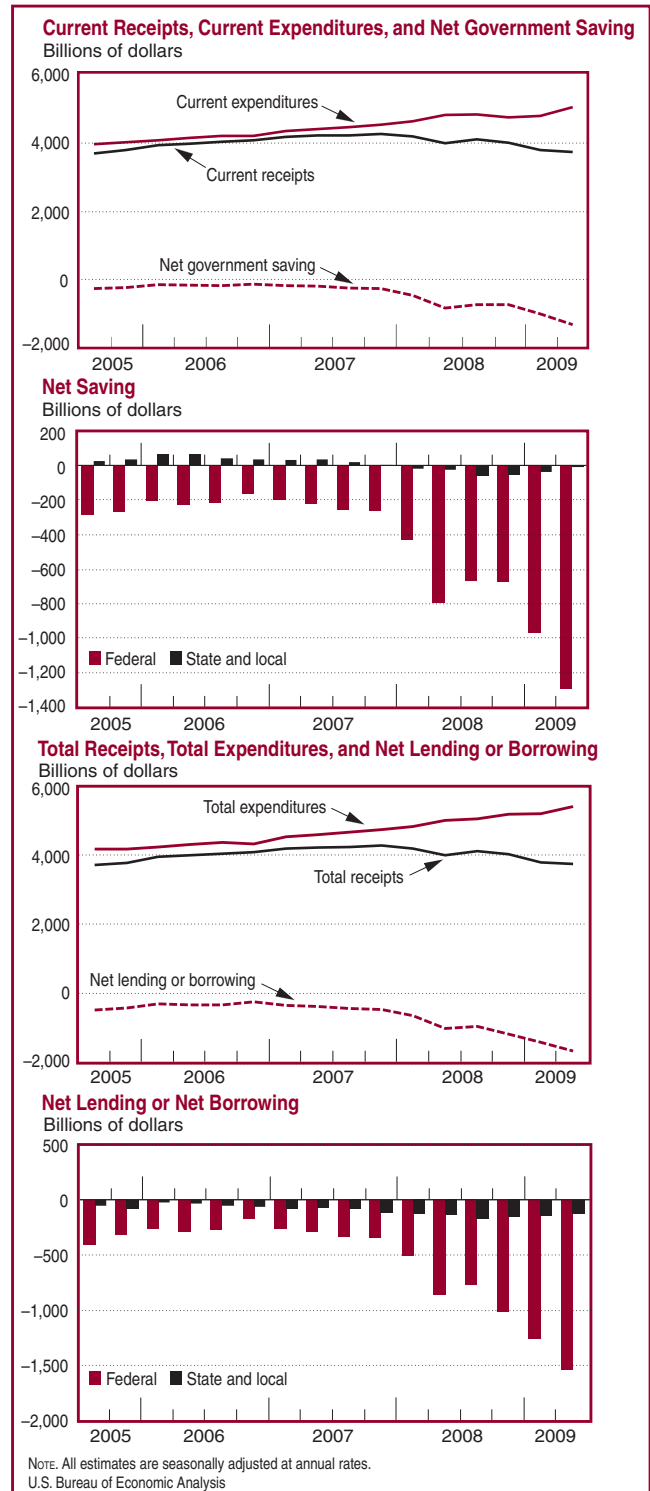
Government receipts and expenditures in the second quarter were affected by The American Recovery and Reinvestment Act of 2009 and by continued capital injections into financial enterprises (see the box on page 12).

**Table 1. Net Government Saving and Net Lending or Net Borrowing**  
[Billions of dollars, seasonally adjusted at annual rates]

	Level		Change from preceding quarter			
	2009		2008		2009	
	II	III	IV	I	II	
Current receipts .....	3,720.3	112.5	-90.2	-221.8	-54.7	
Current expenditures .....	5,026.1	14.7	-84.8	53.7	245.5	
<b>Net government saving .....</b>	<b>-1,305.8</b>	<b>97.7</b>	<b>-5.4</b>	<b>-275.5</b>	<b>-300.1</b>	
Federal .....	-1,294.9	131.2	-8.4	-295.0	-325.8	
State and local .....	-10.9	-33.5	2.9	19.5	25.7	
<b>Net lending or net borrowing (-) ...</b>	<b>-1,657.4</b>	<b>62.5</b>	<b>-233.1</b>	<b>-231.0</b>	<b>-257.7</b>	
Federal .....	-1,534.5	92.0	-243.2	-247.1	-276.3	
State and local .....	-122.9	-29.5	10.1	16.1	18.6	

Kyle D. Mulgrew and Mark S. Ludwick prepared this article.

**Chart 1. Government Fiscal Position**



## Federal Government

**Table 2. Federal Government Current Receipts and Expenditures**

[Billions of dollars, seasonally adjusted at annual rates]

	Level		Change from preceding quarter		
	2009	2008		2009	
	II	III	IV	I	II
<b>Current receipts</b> .....	<b>2,214.7</b>	<b>117.4</b>	<b>-41.7</b>	<b>-196.5</b>	<b>-36.6</b>
Current tax receipts .....	1,146.5	112.4	-52.3	-191.4	-45.0
Personal current taxes .....	816.2	125.9	10.1	-219.9	-84.1
Taxes on production and imports .....	91.4	-1.3	-1.6	-4.5	5.7
Taxes on corporate income .....	227.7	-12.7	-62.0	35.5	35.7
Taxes from the rest of the world .....	11.1	0.4	1.2	-2.4	-2.4
Contributions for government social insurance .....	942.9	5.5	-2.1	-23.4	-10.1
Income receipts on assets .....	50.9	-0.6	-0.6	10.7	10.2
Current transfer receipts .....	79.8	0.6	15.0	8.7	7.1
Current surplus of government enterprises .....	-5.4	-0.5	-1.5	-1.3	1.3
<b>Current expenditures</b> .....	<b>3,509.6</b>	<b>-13.8</b>	<b>-33.3</b>	<b>98.4</b>	<b>289.3</b>
Consumption expenditures .....	979.6	32.8	-0.6	-1.2	25.4
National defense .....	662.0	32.8	-6.4	-5.9	19.1
Nondefense .....	317.5	-0.1	5.9	4.7	6.2
Current transfer payments .....	2,198.8	-75.5	40.5	111.7	217.6
Government social benefits .....	1,645.3	-76.5	25.1	83.0	141.2
To persons .....	1,629.3	-68.4	25.0	82.1	140.2
To the rest of the world .....	16.0	-8.1	0.1	0.9	1.0
Other current transfer payments .....	553.5	1.0	15.4	28.8	76.3
Grants-in-aid to state and local governments .....	497.9	-1.8	12.4	35.3	60.2
To the rest of the world .....	55.7	2.8	2.9	-6.4	16.2
Interest payments .....	277.4	28.1	-74.9	-13.3	46.1
Subsidies .....	53.7	0.8	1.7	1.2	0.1
Less: Wage accruals less disbursements .....	0.0	0.0	0.0	0.0	0.0
<b>Net federal government saving</b> .....	<b>-1,294.9</b>	<b>131.2</b>	<b>-8.4</b>	<b>-295.0</b>	<b>-325.8</b>
Social insurance funds .....	-234.6	-28.1	-19.6	-90.2	-56.9
Other .....	-1,060.2	159.4	11.2	-204.7	-268.9
<b>Addenda:</b>					
<b>Total receipts</b> .....	<b>2,240.3</b>	<b>115.2</b>	<b>-42.8</b>	<b>-197.9</b>	<b>-36.1</b>
Current receipts .....	2,214.7	117.4	-41.7	-196.5	-36.6
Capital transfer receipts .....	25.6	-2.2	-1.1	-1.4	0.5
<b>Total expenditures</b> .....	<b>3,774.8</b>	<b>23.2</b>	<b>200.4</b>	<b>49.1</b>	<b>240.3</b>
Current expenditures .....	3,509.6	-13.8	-33.3	98.4	289.3
Gross government investment .....	157.4	6.1	6.5	-6.5	5.0
Capital transfer payments .....	234.5	15.0	259.2	-53.0	-76.7
Net purchases of nonproduced assets .....	-2.6	17.3	-31.8	11.5	24.3
Less: Consumption of fixed capital .....	124.0	1.4	0.2	1.3	1.5
<b>Net lending or net borrowing (-)</b> .....	<b>-1,534.5</b>	<b>92.0</b>	<b>-243.2</b>	<b>-247.1</b>	<b>-276.3</b>

Personal current taxes decreased less as a result of a smaller decrease in nonwithheld income taxes. In contrast, withheld income taxes decreased more in the second quarter, reflecting the impact of the “Making Work Pay” tax credit provision of the ARRA (see the box below).

Taxes on production and imports turned up, reflecting an acceleration in excise taxes and a smaller decrease in customs duties. Tobacco excise taxes turned up sharply, reflecting an increase in tobacco excise tax rates that took effect on April 1, 2009.

Taxes on corporate income accelerated, reflecting an upturn in profits for Federal Reserve banks.

Government social benefits to persons accelerated, reflecting increased spending for provisions of the ARRA. Benefit payments for Medicare and unemployment insurance also accelerated in the second quarter.

Grants-in-aid to state and local governments accelerated, reflecting an acceleration in Medicaid and education grants authorized by the ARRA.

Other current transfer payments to the rest of the world turned up, reflecting economic support payments to Egypt and Israel and grants to Puerto Rico and the U.S. territories to finance the 2009 “Making Work Pay” tax credit provision of the ARRA.

Interest payments turned up, reflecting higher inflation expense payments on Treasury Inflation-Protected Securities (TIPS).

Capital transfer payments decreased more as a result of smaller capital injections in the financial industry. The federal government provided \$25.1 billion to Fannie Mae and Freddie Mac and about \$13 billion to other financial institutions in the second quarter. Of these amounts, \$22.6 billion (\$90.4 billion at an annual rate) to Fannie Mae and Freddie Mac and \$11.7 billion (\$46.9 billion at an annual rate) to financial institutions are treated as capital transfers.

### American Recovery and Reinvestment Act (ARRA) of 2009

ARRA-authorized federal expenditures accelerated in the second quarter. Grants-in-aid to state and local governments were boosted \$20.7 billion (\$82.6 billion at an annual rate), primarily to fund Medicaid and education grants. Government social benefits to persons were boosted \$20.8 billion (\$83.2 billion at an annual rate) to fund one-time payments of \$250 to recipients of social security and veterans’ pension and railroad retirement benefits, additional unemployment benefits, and increased Supplemental Nutrition Assistance Program payments.

The “Making Work Pay” tax credit provision reduced federal withheld income taxes \$12.5 billion (\$49.8 billion at

an annual rate). For qualified residents of the U.S. territories, these tax credits are funded through territorial grants, including a disbursement of \$0.6 billion (\$2.6 billion at an annual rate) to Puerto Rico and American Samoa. For 2009, the total impact of this provision is estimated to be \$38.3 billion.

The ARRA also modified an existing federal program providing interest-free loans to first-time home buyers. For homes purchased after January 1, 2009, these loans were converted into tax credits that would not need to be repaid. Outlays related to these tax credits accelerated, increasing capital transfers to businesses \$7.3 billion.

## State and Local Government

**Table 3. State and Local Government Current Receipts and Expenditures**

[Billions of dollars, seasonally adjusted at annual rates]

	Level	Change from preceding quarter			
	2009	2008		2009	
	II	III	IV	I	II
<b>Current receipts</b> .....	<b>2,003.5</b>	<b>-6.7</b>	<b>-36.1</b>	<b>10.0</b>	<b>42.1</b>
Current tax receipts .....	1,252.7	-5.9	-52.1	-26.7	-19.5
Personal current taxes .....	267.7	-14.8	-13.1	-27.1	-19.3
Taxes on production and imports .....	926.4	9.0	-19.6	-14.1	-6.6
Taxes on corporate income .....	58.6	-0.1	-19.4	14.5	6.4
Contributions for government social insurance .....	21.7	0.6	0.6	-0.2	-0.1
Income receipts on assets .....	115.3	-1.3	1.8	1.3	-0.5
Current transfer receipts .....	617.4	0.1	14.0	36.2	61.7
Federal grants-in-aid .....	497.9	-1.8	12.4	35.3	60.2
Other .....	119.5	1.8	1.6	1.0	1.5
Current surplus of government enterprises .....	-3.6	-0.2	-0.4	-0.5	0.4
<b>Current expenditures</b> .....	<b>2,014.4</b>	<b>26.7</b>	<b>-39.0</b>	<b>-9.5</b>	<b>16.4</b>
Consumption expenditures .....	1,430.2	22.1	-38.7	-17.3	5.8
Government social benefits .....	477.5	5.7	-1.4	7.4	11.8
Interest payments .....	105.4	-0.2	0.4	1.3	-0.6
Subsidies .....	1.4	-0.8	0.7	-0.8	-0.6
Less: Wage accruals less disbursements .....	0.0	0.0	0.0	0.0	0.0
<b>Net state and local government saving</b> .....	<b>-10.9</b>	<b>-33.5</b>	<b>2.9</b>	<b>19.5</b>	<b>25.7</b>
Social insurance funds .....	1.9	0.3	0.4	-0.4	-0.2
Other .....	-12.8	-33.8	2.6	19.8	25.9
<b>Addenda:</b>					
<b>Total receipts</b> .....	<b>2,064.9</b>	<b>-3.3</b>	<b>-36.0</b>	<b>2.1</b>	<b>47.2</b>
Current receipts .....	2,003.5	-6.7	-36.1	10.0	42.1
Capital transfer receipts .....	61.5	3.4	0.0	-7.8	5.2
<b>Total expenditures</b> .....	<b>2,187.9</b>	<b>26.2</b>	<b>-46.1</b>	<b>-14.0</b>	<b>28.7</b>
Current expenditures .....	2,014.4	26.7	-39.0	-9.5	16.4
Gross government investment .....	359.7	3.5	-2.7	-2.1	11.8
Capital transfer payments .....					
Net purchases of nonproduced assets .....	13.2	0.0	0.0	0.2	0.1
Less: Consumption of fixed capital .....	199.5	3.9	4.4	2.6	-0.3
<b>Net lending or net borrowing (-)</b> .....	<b>-122.9</b>	<b>-29.5</b>	<b>10.1</b>	<b>16.1</b>	<b>18.6</b>

Personal current taxes decreased less in the second quarter of 2009 as a result of a smaller decrease in personal income taxes.

Taxes on production and imports decreased less than in the first quarter, reflecting a smaller decrease in severance taxes, which was partly offset by a larger decrease in sales taxes.

Taxes on corporate income decelerated in the second quarter as a result of a deceleration in corporate profits.

Federal grants-in-aid accelerated, reflecting an acceleration in Medicaid and education grants due to the American Recovery and Reinvestment Act of 2009.

Consumption expenditures turned up, reflecting an upturn in spending for nondurable goods.

Government social benefit payments accelerated, reflecting an acceleration in Medicaid payments.

Capital transfer receipts turned up, reflecting an upturn in federal investment grants to state and local governments.

Gross government investment turned up as a result of an upturn in investment for structures.

### Estimates of State and Local Government Receipts and Expenditures

The estimates of state and local government current receipts and expenditures and total receipts and expenditures are mainly based on compilations of data for state and local government finances. The Census Bureau produces the primary source data: the census of governments that is conducted in years that end in a 2 or a 7 and the Government Finances series of surveys for the other years. In addition, other sources of Census Bureau data are from the *Quarterly Summary of State and Local Government Tax Revenue* and the monthly *Value of Construction Put in Place*. Data sources from the Bureau of Labor Statistics include the Quarterly Census of Employment and Wages and the Employment Cost Index.

Quarterly and annual estimates are available monthly in NIPA table 3.3. Detailed annual estimates of state and local government transactions by component are available

annually in NIPA tables 3.4–3.8, 3.12, and 3.13. Detailed quarterly estimates are available in underlying NIPA tables at [www.bea.gov/national/nipaweb/nipa\\_underlying/Index.asp](http://www.bea.gov/national/nipaweb/nipa_underlying/Index.asp). For a historical time series of reconciliations of the NIPA estimates with the Census Bureau data from *Government Finances*, see NIPA table 3.19.

BEA also prepares annual estimates of receipts and expenditures of state governments and of local governments.<sup>1</sup> These estimates are available annually in NIPA table 3.20 (state government receipts and expenditures) and in NIPA table 3.21 (local government receipts and expenditures); see “Newly Available NIPA Tables” in the October 2009 SURVEY.

1. Bruce E. Baker, “Receipts and Expenditures of State Governments and of Local Governments,” SURVEY 85 (October 2005): 5–10.