

Federal Budget Estimates for Fiscal Year 2007

By Benjamin A. Mandel and Mary L. Roy

ON February 6, 2006, the President submitted the *Federal Budget of the U.S. Government, Fiscal Year 2007* to Congress.¹ For fiscal year 2007, the Federal budget projects a \$354.2 billion deficit, a \$68.9 billion decrease from the \$423.2 billion deficit that is projected for fiscal year 2006. The fiscal year 2005 deficit was \$318.3 billion.²

The budget is presented on a “unified budget” basis, in effect, an administrative or cash basis. It is effectively a financial plan for the government. Based on that proposed budget, the Bureau of Economic Analysis (BEA) annually prepares estimates of Federal Government current receipts and expenditures. These translated estimates are consistent with the national income and product accounts (NIPAs), which are designed to broadly measure output and income from production (see the box “NIPA Estimates of the Federal Sector and the Federal Budget Estimates”). Because the estimates of receipts and expenditures are based on the budget estimates, they carry the same assumptions about unemployment, inflation, long-term interest rates, and other variables.³

This analysis thus provides a way to gauge the effects of the Federal budget on various aggregate measures of U.S. economic activity, such as the Federal government’s impact on national saving. The results of this analysis include the following:

- NIPA net Federal Government saving for fiscal year 2007 is projected to be $-\$369.9$ billion, a $\$14.1$ billion increase from net Federal Government saving of $-\$383.9$ billion that is projected for fiscal year 2006.
- Proposed legislative and program changes would add $\$97.5$ billion to the Federal budget deficit in fis-

cal year 2007; the increase mainly reflects a proposed appropriation to continue funding for the global war on terror and a proposed extension of the alternative minimum tax relief for individuals.

The rest of this article consists of four sections. First, the budget estimates are summarized, and the effects of the major legislative proposals and program changes on the budget are reviewed. Second, the budget projections and the NIPA estimates are compared. Third, annual and quarterly NIPA estimates for fiscal years 2006 and 2007 that are based on the budget are presented. Fourth, the methodology used to translate budget projections into the NIPA framework is explained.

The Budget Estimates

According to the President’s budget proposal, Federal budget receipts in fiscal year 2007 are projected to increase $\$130.4$ billion, to $\$2,415.9$ billion (table 1). Federal budget receipts in fiscal year 2006 are estimated to be $\$2,285.5$ billion, $\$131.6$ billion more than receipts in fiscal year 2005. The deceleration is accounted for by the following: A continued decline in corporation income taxes, which would decrease $\$16.6$ billion in 2007 after decreasing $\$1.2$ billion in 2006; a downturn in estate and gift taxes, which would decrease $\$3.8$ billion after increasing $\$2.8$ billion; a deceleration in miscellaneous receipts, which would increase $\$5.7$ billion after increasing $\$9.8$ billion; and a deceleration in social insurance taxes and contributions, which would increase $\$43.0$ billion after increasing $\$47.0$ billion. The deceleration in budget receipts in 2007 is tempered by an

Table 1. Budget Receipts by Source

[Billions of dollars]

	Level for fiscal year				Change from preceding year		
	2004	2005	2006	2007	2005	2006	2007
Budget receipts	1,880.3	2,153.9	2,285.5	2,415.9	273.6	131.6	130.4
Individual income taxes.....	809.0	927.2	997.6	1096.4	118.3	70.4	98.8
Corporation income taxes.....	189.4	278.3	277.1	260.6	88.9	-1.2	-16.6
Social insurance taxes and contributions.....	733.4	794.1	841.1	884.1	60.7	47.0	43.0
Excise taxes.....	69.9	73.1	73.5	74.6	3.2	0.4	1.1
Estate and gift taxes.....	24.8	24.8	27.5	23.7	-0.1	2.8	-3.8
Customs duties.....	21.1	23.4	25.9	28.1	2.3	2.5	2.2
Miscellaneous receipts.....	32.8	33.0	42.8	48.4	0.2	9.8	5.7

Source: *Budget of the U.S. Government, Fiscal Year 2007*.

1. Executive Office of the President, Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2007* (Washington, DC: U.S. Government Printing Office, 2006); <www.whitehouse.gov/omb/budget/fy2007/budget.html>.

2. These estimates of the Federal budget are derived from all Federal transactions; they are the difference between the unified budget receipts and the unified budget outlays. Other measures of the Federal budget that differ from these measures may present off-budget and on-budget transactions and trust funds surplus and Federal funds deficit.

3. See “Economic Assumptions,” in *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2007*, 165–174.

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 national and personal income and on national saving.¹

Unlike Federal budget estimates, the NIPAs distinguish current transactions from capital transactions. Current transactions for production, income, and consumption are presented in summary NIPA accounts 1–5, and capital transactions for the acquisition and disposal of nonfinancial assets are presented in accounts 6 and 7.² 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 addenda 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 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.³ 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 Uniformed Services Retiree Health Care Fund, 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.

Receipts

NIPA Federal Government current receipts differ from Federal budget receipts because of differences in coverage, netting and grossing, and timing.⁴ For most years, the differences between NIPA current receipts and budget receipts 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; in the budget, some are netted against outlays.)

Expenditures

NIPA Federal Government current expenditures differ from Federal budget outlays because of differences in coverage, netting and grossing, and timing. In most years, the differences between the two measures mainly 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 NIPAs for several reasons:

- The NIPA measure includes general government consumption of fixed capital.
- In the NIPAs, cash payments to amortize the unfunded liability for military and civilian retirement benefits are included as defense consumption expenditures; the budget records these payments as intergovernmental transactions.
- NIPA expenditures are recorded on a delivery (accrual) basis, while 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*, 203–208.

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 “Foreign Transactions Capital Account.” See “Summary National Income and Product Accounts,” *SURVEY OF CURRENT BUSINESS* 85 (August 2005): 42–43. 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 information on the acquisition and disposal of financial assets and liabilities by U.S. economic sectors, including the Federal Government.

4. The differences in coverage arise because certain transactions that are excluded from the NIPAs are included in the budget (and vice versa). The differences in netting and grossing arise because certain transactions are recorded as offsets to outlays in the budget, but they are recorded as receipts in the NIPAs (and vice versa). The differences in timing arise because in the budget, most receipts and outlays are recorded on a cash basis, and in the NIPAs, some transactions are recorded on an accrual basis.

acceleration in individual income taxes, which would increase \$98.8 billion after increasing \$70.4 billion in 2006.

Federal budget outlays in fiscal year 2007 are projected to increase \$61.4 billion, to \$2,770.1 billion (table 2). Federal budget outlays in fiscal year 2006 are estimated to be \$2,708.7 billion, a \$236.5 billion increase. The deceleration in 2007 is accounted for by downturns in outlays for the following functions: Community and regional development; national defense; education, training, employment, and social services; natural resources and environment; and energy. An acceleration in "undistributed offsetting receipts" and a deceleration in outlays for net interest, income security, and health also contributed to the deceleration.

Budget outlays for community and regional development would decrease \$23.9 billion in 2007 after increasing \$25.8 billion in 2006. For national defense, budget outlays would decrease \$8.5 billion after increasing \$40.6 billion. For education, training, employment, and social services, budget outlays would decrease \$22.1 billion after increasing \$12.1 billion. For natural resources and environment, budget outlays would decrease \$1.7 billion after increasing \$4.7 billion. For energy, budget outlays would decrease \$1.6 billion after increasing \$2.2 billion.

"Undistributed offsetting receipts" would increase \$22.0 billion after increasing \$7.1 billion. Budget out-

lays for net interest would increase \$27.3 billion after increasing \$36.1 billion. For income security, budget outlays would increase \$6.6 billion after increasing \$14.8 billion. For health, budget outlays would increase \$12.2 billion after increasing \$18.2 billion.

Proposed legislative and program changes

The budget for fiscal year 2007 proposes changes in legislation and in programs that would increase the Federal deficit by \$56.1 billion in fiscal year 2006 and by \$97.5 billion in fiscal year 2007 (table 3).⁴

Receipts. If proposed legislation is enacted, receipts would decrease \$16.0 billion in fiscal year 2006 and \$28.1 billion in fiscal year 2007, relative to the current-services baseline.⁵

- A proposal to extend the amount of the alternative minimum tax (AMT) exemption and the use of nonrefundable personal tax credits to offset both the regular tax and the AMT, which expired at the end of the 2005 tax year, would reduce receipts \$13.7 billion in fiscal year 2006 and \$20.5 billion in fiscal year 2007.
- A proposal to permanently extend the 20-percent tax credit for qualified research and experimentation expenses that are above specified amounts would reduce receipts \$2.1 billion in 2006 and \$4.6 billion in 2007.
- A proposal to provide enhanced expense-related tax benefits for small businesses would reduce receipts \$2.5 billion in 2007. The annual investment expenditures for qualifying property that business taxpayers are allowed to expense would be increased to \$200,000. The amount that is eligible to be expensed would be reduced by the amount of the qualifying investment that exceeds \$800,000.
- A proposal to provide a deduction for high-deductible health insurance premiums to individuals who do not itemize their deductions would reduce receipts by \$2.5 billion in 2007.
- A proposal to expand health savings accounts through several proposed changes would reduce receipts by \$2.0 billion in 2007.
- A proposal to expand tax-free savings by replacing Individual Retirement Accounts (IRAs) with Life-time Savings Accounts (LSAs) and Retirement

Table 2. Budget Outlays by Function
(Billions of dollars)

	Level for fiscal year	Level for fiscal year				Change from preceding year		
	2004	2005	2006	2007	2005	2006	2007	
Budget outlays	2,293.0	2,472.2	2,708.7	2,770.1	179.2	236.5	61.4	
National defense.....	455.9	495.3	535.9	527.4	39.4	40.6	-8.5	
International affairs.....	26.9	34.6	34.8	33.3	7.7	0.2	-1.5	
General science, space, and technology.....	23.1	23.7	24.0	25.4	0.6	0.3	1.4	
Energy.....	-0.2	0.4	2.6	1.0	0.6	2.2	-1.6	
Natural resources and environment	30.7	28.0	32.7	31.0	-2.7	4.7	-1.7	
Agriculture.....	15.4	26.6	26.8	25.7	11.1	0.3	-1.1	
Commerce and housing credit.....	5.3	7.6	9.1	11.2	2.3	1.5	2.1	
Transportation.....	64.6	67.9	71.6	76.3	3.3	3.7	4.7	
Community and regional development.....	15.8	26.3	52.0	28.2	10.4	25.8	-23.9	
Education, training, employment, and social services.....	87.9	97.5	109.7	87.6	9.6	12.1	-22.1	
Health.....	240.1	250.6	268.8	280.9	10.5	18.2	12.2	
Medicare.....	269.4	298.6	343.0	392.0	29.3	44.3	49.0	
Income security.....	333.1	345.8	360.6	367.2	12.8	14.8	6.6	
Social security.....	495.5	523.3	554.7	585.9	27.8	31.4	31.2	
Veterans benefits and services.....	59.8	70.2	70.4	73.9	10.4	0.3	3.5	
Administration of justice.....	45.6	40.0	41.3	44.3	-5.6	1.3	3.0	
General government.....	22.3	17.0	19.1	20.2	-5.3	2.1	1.1	
Net interest.....	160.2	184.0	220.1	247.3	23.7	36.1	27.3	
Allowances ¹.....	.....	.....	3.7	5.5	.....	3.7	1.7
Undistributed offsetting receipts ²	-58.5	-65.2	-72.4	-94.3	-6.7	-7.1	-22.0	

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 that are not reflected in the program details. Allowances include funding for emergencies, such as natural disasters, and for additional nondefense costs.

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 businesslike 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 U.S. Government, Fiscal Year 2007*.

4. The estimates of the proposed changes are the differences between the current-services estimates and the actual budget. The current-services estimates in the 2007 budget reflect certain proposed adjustments to the requirements for estimating the current-services baseline under the Budget Enforcement Act.

5. The current-services baseline serves as a policy neutral benchmark against which the Federal budget can be compared in order to gauge the impact of proposed changes.

Savings Accounts (RSAs) would increase receipts \$4.8 billion in 2007.⁶

Receipts proposals that are included in the current-services baseline would increase receipts \$0.1 billion in fiscal year 2006 and would decrease receipts \$0.5 billion in fiscal year 2007 (table 3).

6. Under this proposal, individuals, regardless of age or income, could make annual nondeductible contributions to each of these new accounts. In contrast, annual contributions to IRAs are deductible for some individuals. For tax purposes, LSA distributions would be excluded from income, as would RSA distributions after the account holder attains age 58 or in the event of disability or death.

Table 3. Proposed Legislative and Program Changes in the Budget

[Billions of dollars]

	Fiscal year	
	2006	2007
Receipts		
Current-services estimates ¹	2,301.4	2,444.0
Plus: Proposed legislation excluding proposals assumed in the baseline ²	-16.0	-28.1
Extend minimum tax relief for individuals	-13.7	-20.5
Extend research & experimentation (R&E) tax credit	-2.1	-4.6
Increase expensing for small business	0.0	-2.5
Provide a deduction for high-deductible insurance premiums	0.0	-2.5
Expand health savings accounts (HSAs)	0.0	-2.0
Expand tax free savings opportunities	0.0	4.8
Other	-0.2	-0.8
Equals: The budget	2,285.5	2,415.9
Outlays		
Current-services estimates ¹	2,668.5	2,700.7
Plus: Program changes excluding proposals assumed in the baseline ²	40.2	69.4
National defense	30.1	61.4
Allowances ³	3.7	5.5
Health	1.7	4.5
Net interest	1.3	3.6
Commerce and housing credit	1.2	1.6
Community and regional development	5.0	1.4
Veterans benefits and services	0.0	1.4
Administration of justice	0.0	0.9
International affairs	0.0	0.8
General science, space and technology	0.0	0.4
Income security	0.0	0.2
Energy	0.0	-0.1
Transportation	0.0	-0.6
Agriculture	0.0	-1.3
Natural resources and environment	0.0	-2.0
Education, training, employment and social services	0.0	-2.3
Medicare	0.0	-2.5
Undistributed offsetting receipts ⁴	-2.9	-3.2
Other	0.1	-0.3
Equals: The budget	2,708.7	2,770.1
Current-services surplus or deficit (-)	-367.1	-256.7
Proposed changes, receipts less outlays	-56.1	-97.5
Administration budget surplus or deficit (-)	-423.2	-354.2
Addenda:		
Net effects of adjustments to the Budget Enforcement Act current-services baseline	0.1	48.1
Effect on receipts of proposals assumed in the baseline	0.1	-0.5
Make permanent certain provisions of the tax cuts enacted in 2001 and 2003:		
Repeal of estate and generation-skipping transfer taxes	-0.2	-1.1
Dividends tax rate structure	0.3	0.6
Adjustments to the baseline for outlays	0.0	-48.6
Adjustment for redefinition of emergencies		-45.4
Adjustment for cost of pay raises		-2.1
Other adjustments	0.0	-1.1

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.

3. 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. Allowances include funding for emergencies, such as natural disasters, and for additional nondefense costs.

4. Undistributed offsetting receipts are two categories of collections that are governmental in nature and that are not credited to expenditure accounts: Receipts from performing businesslike 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 U.S. Government, Fiscal Year 2007*.

• A proposal to permanently extend the repeal of estate taxes and generation-skipping transfer taxes would reduce receipts \$0.2 billion in 2006 and \$1.1 billion in 2007.⁷

• A proposal to permanently extend the reduced tax rate on dividends would increase receipts \$0.3 billion in 2006 and \$0.6 billion in 2007.⁸

Outlays. The budget for fiscal year 2007 would increase total outlays \$40.2 billion in fiscal year 2006 and \$69.4 billion in fiscal year 2007, relative to the current-services baseline.⁹ The increase in outlays in 2007 reflects the following:

• Outlays for national defense would increase \$61.4 billion, reflecting a \$55.9 billion increase in anticipated funding for the global war on terror. Proposed changes in discretionary spending on military operations and maintenance, on military personnel, and on procurement would also contribute to the increase in national defense outlays.

• Outlays for allowances would increase \$5.5 billion, reflecting anticipated funding for supplemental hurricane relief.

• Outlays for health programs would increase \$4.5 billion reflecting the net effects of proposals for increases and decreases in Medicaid and in other mandatory and discretionary health programs.

The increases in outlays would be partly offset by increases in "undistributed offsetting receipts" and by decreases in Medicare, in education, training, employment, and social services, and in several other functions.

The adjustments to the baseline requirements of the Budget Enforcement Act would reduce current-services baseline outlays by \$48.6 billion in fiscal year 2007 (table 3).

• Outlays for national defense, international aid, and disaster assistance would decrease \$45.4 billion in order to exclude emergency funding from the baseline for years after the year of enactment.

• Outlays would decrease \$2.1 billion in order to correct the overstatement of the cost related to Federal pay raises in the baseline.¹⁰

7. The current legislation reduces estate taxes through 2009 and then repeals the estate tax entirely in 2010; the repeal is scheduled to expire on December 31, 2010.

8. The rate would be 15 percent for taxpayers in individual tax brackets that are above 15 percent and 5 percent for lower income taxpayers through 2007; the rate for lower income taxpayers would fall to zero in 2008.

9. Outlays for homeland security are spread throughout selected budget functions, including national defense, health, transportation, and the administration of justice.

10. As required by the Budget Enforcement Act, the baseline uses October as the effective date for Federal pay raises; the current-services estimates are based on the assumption that Federal pay raises are effective in January.

The Budget Estimates and the NIPA Estimates

BEA adjusts the Federal budget's estimates of receipts and outlays in order to prepare estimates of Federal Government current receipts and expenditures that are consistent with NIPA concepts and methods.

Receipts

For fiscal year 2007, the NIPA estimate of current receipts would exceed the Federal budget estimate of receipts by \$104.7 billion as a result of netting and grossing, coverage, and timing adjustments (table 4).¹¹ Netting and grossing adjustments would add \$120.8 billion to the budget estimate. "Other" netting and grossing adjustments—which include adjustments for Federal Government payments to the Old-Age, Survivors, and Disability Trust Funds—would add \$61.9 billion, and adjustments for payments for supplementary medical insurance premiums would add \$55.4 billion. Timing adjustments would add \$24.6 billion, most of which is accounted for by timing on corporate income and timing on income and employment tax withholdings. Coverage adjustments would subtract \$40.6 billion. Coverage adjustments for capital transfers received, which consists of estate and gift taxes, would subtract \$23.5 billion.

11. Netting and grossing adjustments arise because certain transactions are recorded as offsets to outlays in the budget, but they are recorded as receipts in the NIPAs (and vice versa).

Table 4. Relation of NIPA Federal Government Current Receipts to Budget Receipts
[Billions of dollars]

	Fiscal year		
	2005	2006	2007
Budget receipts	2,153.9	2,285.5	2,415.9
Less: Coverage differences	40.4	43.8	40.6
Geographic ¹	4.2	4.5	4.7
Contributions received by Federal employee retirement plans ²	4.5	4.5	4.3
Capital transfers received ³	24.6	27.4	23.5
Financial transactions	0.0	0.0	0.0
Other ⁴	7.1	7.5	8.0
Netting and grossing differences	-71.0	-112.9	-120.8
Supplementary medical insurance premiums	-38.2	-48.1	-55.4
Income receipts on assets	-8.0	-9.8	-10.0
Current surplus of government enterprises	4.8	4.9	6.6
Other ⁵	-29.5	-59.9	-61.9
Plus: Timing differences	5.9	15.3	24.6
Taxes on corporate income	1.1	10.0	11.2
Federal and state unemployment insurance taxes	0.7	-0.1	-0.1
Withheld personal current tax and social security contributions	1.8	2.5	8.3
Excise taxes	2.2	2.5	2.7
Other	0.1	0.3	2.5
Equals: NIPA Federal Government current receipts	2,190.4	2,369.9	2,520.6

1. Primarily consists 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. Primarily consists 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 NIPA receipts and expenditures.

Sources: *Budget of the U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

Expenditures

For fiscal year 2007, the NIPA estimate of Federal Government current expenditures would exceed the Federal budget estimate of outlays by \$120.4 billion (table 5). Netting and grossing adjustments would add \$120.8 billion to the budget estimate. Timing adjustments would add \$13.0 billion. And coverage adjustments would subtract \$13.5 billion. Coverage adjustments for capital transfers paid—which includes capital grants to state and local governments, businesses, and persons—would subtract \$55.6 billion, and adjustments for Federal employee retirement plan transactions would add \$40.7 billion.

For fiscal year 2007, the NIPA estimate of national defense consumption expenditures would exceed the budget estimate of national defense outlays by \$22.5

Table 5. Relation of NIPA Federal Government Current Expenditures to Budget Outlays
[Billions of dollars]

	Fiscal year		
	2005	2006	2007
Budget outlays	2,472.2	2,708.7	2,770.1
Less: Coverage differences	30.4	51.2	13.5
Geographic ¹	14.4	15.4	16.1
Federal employee retirement plan transactions ²	-39.8	-40.4	-40.7
Interest received	-50.4	-53.1	-56.6
Contributions received (employer)	-91.9	-95.7	-98.1
Benefits paid	102.3	108.3	113.7
Administrative expenses	0.2	0.2	0.3
Financing disbursements from credit programs ³	6.2	-4.1	-19.4
Other differences in funds covered ⁴	5.9	6.7	7.1
Net investment ⁵	7.2	9.2	4.4
Capital transfers paid ⁶	47.4	50.6	55.6
Financial transactions	-11.0	13.5	9.9
Loan disbursements less loan repayments and sales	-4.0	19.0	16.4
Deposit insurance	0.5	1.1	0.9
Net purchases of foreign currency	0.0	0.0	0.0
Other	-7.4	-6.6	-7.4
Net purchases of nonproduced assets	0.1	0.2	-19.5
Outer Continental Shelf	0.0	0.0	0.0
Land and other ⁷	0.1	0.2	-19.5
Other ⁸	0.0	0.0	0.0
Netting and grossing differences	-71.0	-112.9	-120.8
Supplementary medical insurance premiums	-38.2	-48.1	-55.4
Interest receipts	-8.0	-9.8	-10.0
Current surplus of government enterprises	4.8	4.9	6.6
Other ⁹	-29.5	-59.9	-61.9
Plus: Timing differences	19.6	-16.6	13.0
Purchases (increase in payables net of advances)	-1.7	2.2	3.4
Interest	0.8	0.8	0.8
Current transfer payments	-3.7	1.9	8.7
Other timing	24.2	-21.4	0.1
Equals: NIPA Federal Government current expenditures	2,532.4	2,753.8	2,890.5

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, and payments to the Uniformed Services Retiree Health Care Fund to amortize the unfunded liability. Does not include the forgiveness of debts owed by foreign governments to the U.S. 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 U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

billion (table 6). The estimates differ mainly because of the NIPA treatment of retirement funds for military and civilian employees and the addition of consumption of fixed capital.

Table 6. Relation of NIPA National Defense Consumption Expenditures and Gross Investment to Budget National Defense Outlays

[Billions of dollars]

	Fiscal year		
	2005	2006	2007
Budget outlays for national defense	495.3	535.9	527.4
Department of Defense, military.....	474.4	512.1	504.9
Military personnel.....	127.5	116.3	109.9
Operation and maintenance.....	188.1	192.6	161.5
Procurement.....	82.3	88.8	89.7
Aircraft.....	23.3	25.0	25.5
Missiles.....	5.1	6.2	5.7
Ships.....	10.0	10.4	10.8
Weapons.....	4.2	5.6	5.6
Ammunition.....	1.6	1.8	1.9
Other ¹	38.1	39.7	40.2
Research, development, test, and evaluation.....	65.7	70.8	72.1
Other.....	10.9	43.6	71.6
Atomic energy and other defense-related activities.....	20.9	23.9	22.6
Plus: Consumption of general government fixed capital.....	67.2	70.0	72.8
Additional payments to military and civilian retirement funds.....	28.7	30.9	31.9
Timing difference.....	-1.7	2.2	3.4
Less: Grants-in-aid to state and local governments and net interest paid.....	3.9	3.8	3.7
Other differences.....	3.8	11.1	6.8
Equals: NIPA national defense consumption expenditures and gross investment	581.9	624.2	625.0
Less: National defense gross investment ²	70.4	74.6	75.1
Equals: NIPA national defense consumption expenditures	511.4	549.6	549.9

1. Other military outlays include outlays for military construction, family housing, and anticipated funding for the global war on terror.

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

Sources: *Budget of the U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

Net saving and the budget deficit

For fiscal year 2007, the NIPA estimate of net Federal Government saving is -\$369.9 billion; the comparable Federal budget estimate is -\$354.2 billion (table 7).

Table 7. 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		Change from preceding fiscal year	
	2005	2006	2007	2006	2007
Budget:					
Receipts.....	2,153.9	2,285.5	2,415.9	131.6	130.4
Outlays.....	2,472.2	2,708.7	2,770.1	236.5	61.4
Surplus or deficit (-).....	-318.3	-423.2	-354.2	-104.8	68.9
NIPAs:					
Current receipts.....	2,190.4	2,369.9	2,520.6	179.5	150.7
Current expenditures.....	2,532.4	2,753.8	2,890.5	221.4	136.6
Net Federal Government saving.....	-342.0	-383.9	-369.9	-42.0	14.1
	Differences				
Budget receipts less NIPA current receipts.....	-36.5	-84.4	-104.7	-47.9	-20.3
Budget outlays less NIPA current expenditures.....	-60.2	-45.1	-120.4	15.1	-75.3
Budget deficit less NIPA net Federal Government saving.....	23.7	-39.3	15.7	-63.0	55.0

Sources: *Budget of the U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

The difference reflects coverage and timing adjustments. The coverage adjustments reduce both NIPA current receipts and NIPA current expenditures, and the timing adjustments raise both NIPA current receipts and NIPA current expenditures. Netting and grossing adjustments affect NIPA current receipts and NIPA current expenditures equally, so these adjustments do not affect net Federal Government saving.

Annual and Quarterly NIPA Estimates

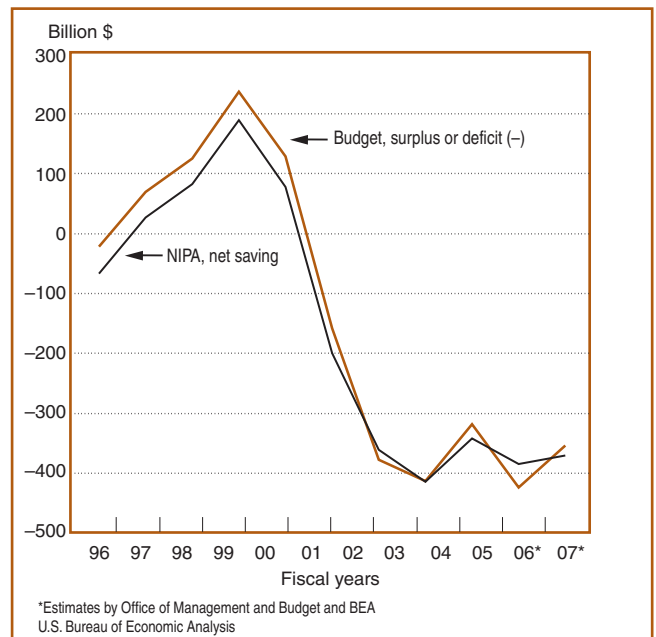
Fiscal year 2007 NIPA estimates

On a NIPA basis, net Federal Government saving would increase \$14.1 billion in fiscal year 2007 after decreasing \$42.0 billion in fiscal year 2006 (table 7 and chart 1). The upturn results from a larger deceleration in Federal Government current expenditures than in Federal Government current receipts.

Receipts. Total Federal Government current receipts would increase \$150.7 billion after increasing \$179.5 billion (table 8 and chart 2). The deceleration results from a deceleration in the tax base that would increase receipts \$162.5 billion. (The estimates of the tax base are based on the administration's economic assumptions and do not include the effects of proposed legislation.)

In current tax receipts, personal current taxes would accelerate, increasing \$103.9 billion after increasing \$74.6 billion; the acceleration is accounted for by an acceleration in the tax base. Taxes on production and imports would accelerate, increasing \$4.9 billion after increasing \$3.8 billion. Taxes on corporate income

Chart 1. Federal Fiscal Position



would turn down, decreasing \$12.8 billion after increasing \$15.9 billion; the downturn reflects a downturn in the tax base.

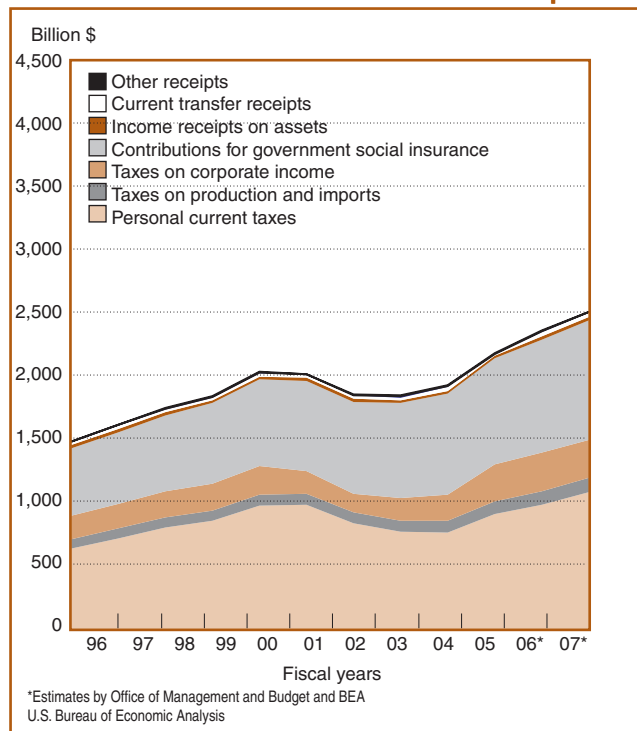
Contributions for government social insurance would increase \$55.0 billion after increasing \$54.9 billion, reflecting a slight acceleration in the tax base. Current transfer receipts would decelerate, increasing

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

	Change from preceding fiscal year		
	2005	2006	2007
Total current receipts	255.5	179.5	150.7
Due to tax bases.....	278.3	165.1	162.5
Due to proposed legislation.....	0.0	-15.9	-11.5
Current tax receipts	240.9	94.4	96.0
Personal current taxes.....	145.6	74.6	103.9
Due to tax bases.....	145.6	88.3	112.1
Due to proposed legislation.....	0.0	-13.7	-8.2
Taxes on production and imports.....	9.5	3.8	4.9
Due to tax bases.....	9.5	3.8	5.8
Due to proposed legislation.....	0.0	0.0	-0.9
Taxes on corporate income.....	84.6	15.9	-12.8
Due to tax bases.....	84.6	18.1	-10.4
Due to proposed legislation.....	0.0	-2.2	-2.4
Taxes from the rest of the world.....	1.2	0.1	0.0
Contributions for government social insurance.....	38.6	54.9	55.0
Due to tax bases.....	38.6	54.9	55.0
Due to proposed legislation.....	0.0	0.0	0.0
Income receipts on assets.....	0.3	3.6	0.6
Current transfer receipts.....	-19.3	26.7	0.7
Current surplus of government enterprises.....	-5.0	-0.1	-1.7

Sources: *Budget of the U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

Chart 2. Federal Government Current Receipts



\$0.7 billion after increasing \$26.7 billion; the 2007 deceleration results from the proposed 2006 increase in transfer payments from business, reflecting the impact of settlement payments from the National Flood Insurance Program in 2005.¹² The current surplus of government enterprises would decrease \$1.7 billion after decreasing \$0.1 billion.

Expenditures. Total Federal Government current expenditures would increase \$136.6 billion in fiscal year 2007 after increasing \$221.4 billion in fiscal year 2006 (table 9 and chart 3). The deceleration results from a deceleration in consumption expenditures, which would increase \$5.9 billion after increasing \$58.6 billion.

National defense consumption expenditures would decelerate, increasing \$0.4 billion after increasing \$38.2 billion. Nondefense consumption expenditures would decelerate, increasing \$5.5 billion after increasing \$20.4 billion. Current transfer payments would decelerate, increasing \$97.6 billion after increasing \$118.9 billion.

12. For details, see the "The Impact of the Third-Quarter Hurricanes on the NIPAs," *SURVEY OF CURRENT BUSINESS* 85 (December 2005): 4.

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

	Change from preceding fiscal year		
	2005	2006	2007
Total current expenditures	184.0	221.4	136.6
Consumption expenditures	65.0	58.6	5.9
National defense	40.3	38.2	0.4
Pay raise and locality pay ¹	0.0	5.1	5.5
Other.....	40.3	33.0	-5.1
Nondefense.....	24.8	20.4	5.5
Pay raise and locality pay ¹	0.0	2.3	2.3
Other.....	24.8	18.1	3.2
Current transfer payments	83.4	118.9	97.6
Government social benefits to persons.....	66.4	102.2	98.5
Social security.....	25.9	30.9	30.5
Medicare.....	35.1	55.8	59.7
Supplemental security income.....	2.0	4.4	2.7
Earned income and other tax credits.....	7.2	0.0	0.5
Veterans benefits.....	2.2	2.8	3.1
Unemployment benefits.....	-7.8	3.7	1.9
Food Stamps.....	4.0	1.8	-0.2
Other.....	-2.1	2.7	0.3
Government social benefits to the rest of the world.....	0.3	0.1	0.1
Grants-in-aid to state and local governments.....	13.0	12.0	5.5
Health and hospitals.....	3.0	3.4	-0.4
Income support, social security and welfare.....	8.3	6.0	5.5
Medical care.....	5.5	4.8	5.2
Welfare and social services.....	1.0	1.7	1.1
Other income support.....	1.8	-0.5	-0.8
Education.....	3.7	2.7	-1.2
Housing and community services.....	-0.2	2.1	-0.3
Central executive, legislative and judicial activities.....	-4.4	-1.1	0.3
Labor training and services.....	-0.6	-0.3	0.3
Other.....	3.1	-0.8	1.2
Other current transfer payments paid to the rest of the world.....	3.7	4.6	-6.5
Federal interest paid	27.6	37.2	32.3
Subsidies	7.9	6.7	0.9
Agriculture subsidies.....	4.9	2.5	-1.2
Housing subsidies.....	2.2	0.9	0.6
Other subsidies.....	0.8	3.3	1.4

1. Consists of pay raises and locality pay beginning in January 2006 and 2007.
Source: Bureau of Economic Analysis.

Government social benefits to persons would increase \$98.5 billion after increasing \$102.2 billion. The deceleration is mostly attributable to downturns in benefits for food stamps and “other social benefits to persons.”

Grants-in-aid to state and local governments would increase \$5.5 billion after increasing \$12.0 billion. The deceleration is mostly attributable to downturns in grants for health and hospitals, for housing and community services, and for education.

“Other current transfer payments to the rest of the world” would turn down, decreasing \$6.5 billion after increasing \$4.6 billion. Federal interest payments would decelerate, increasing \$32.3 billion after increasing \$37.2 billion. Subsidies would decelerate, increasing \$0.9 billion after increasing \$6.7 billion; the deceleration is primarily attributable to a deceleration in agricultural subsidies.

Investment. Total Federal Government gross investment would increase \$1.6 billion to \$113.3 billion in fiscal year 2007. In fiscal year 2006, gross investment would increase \$7.5 billion to \$111.7 billion (table 10). This deceleration is mostly accounted for by a deceleration in gross investment for national defense.

Other items. Capital transfer receipts would turn down, and capital transfer payments would decelerate (table 10). Net borrowing would turn up, increasing

\$29.1 billion after decreasing \$48.1 billion (table 10).¹³

Quarterly pattern

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

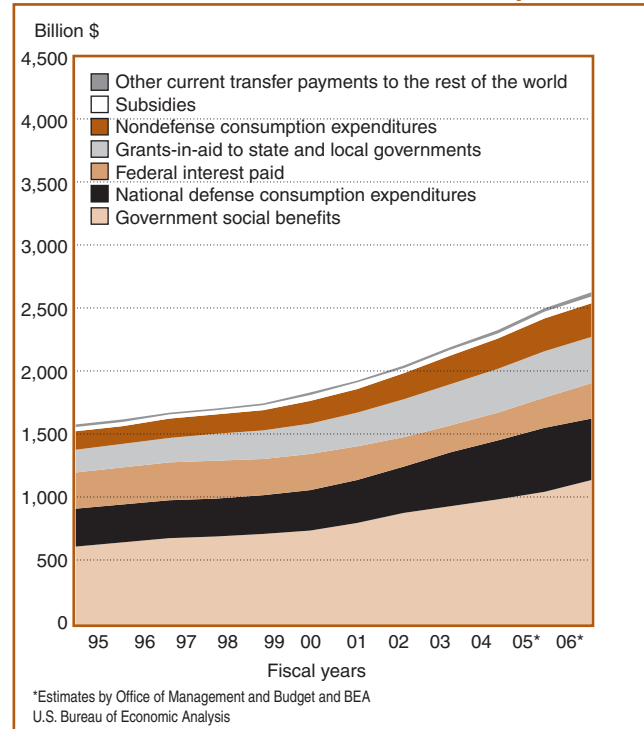
The quarterly estimates presented here are extrapolated from the preliminary estimates for the fourth quarter of 2005, which were released on February 28, 2006. In general, because of the limited information available to estimate quarterly patterns, the estimates should be viewed as approximations that will be superseded by more reliable quarterly estimates that are published in NIPA table 3.2.¹⁴

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 of “final settlements less refunds.”¹⁵

Expenditures. The NIPA estimates of current expenditures reflect the quarterly pattern that would result from enacted and proposed legislation that would adjust pay for Federal Government employees and that would provide cost-of-living increases in Social Security and other programs.

Net saving. Net Federal Government saving decreased from -\$298.3 billion in the first quarter of 2005 to -\$333.0 billion in the fourth quarter. In the first quarter of 2006, net saving is projected to decrease, reflecting a projected increase in current expenditures that would exceed the increase in current receipts. The increase in current expenditures stems from projected increases in government social benefits that reflect a substantial increase in Medicare due to the prescription drug benefit program that began in January 2006 and in defense consumption expenditures. In the second and third quarters of 2006, net saving is projected to decrease; national defense consumption expenditures are projected to increase. In the fourth quarter of 2006, net saving is projected to

Chart 3. Federal Government Current Expenditures



13. “Net lending or net borrowing (-),” the financing requirement of the government sector, is an alternative measure of the government fiscal position, and it is derived as net government saving plus the consumption of fixed capital and “capital transfers received (net)” less gross investment and net purchases of nonproduced assets.

14. The average of the fiscal year quarters may not be equal to the fiscal year value.

15. For details about the methodology, see Eugene P. Seskin, “Annual Revision of the National Income and Product Accounts,” SURVEY 78 (August 1998): 29–31.

increase because increases in current receipts are expected to more than offset increases in current expenditures; national defense consumption expenditures are projected to decline.

In the first quarter of 2007, net Federal Government saving is projected to increase as a result of an increase

in current receipts that more than offsets an increase in current expenditures. The projected increase in current receipts is attributable to increases in personal current tax receipts and in contributions for government social insurance. The projected increase in current expenditures results from an increase in social

Table 10. NIPA Federal Government Current

(Billions of dollars; calendar years and

	Fiscal year estimates ¹			Calendar year		Quarter										
				Published ²	Estimated	Published ²				Estimated						
	2005	2006	2007			2005	2006	2005				2006				2007
				I	II			III	IV	I	II	III	IV	I	II	III
Current receipts	2,190.4	2,369.9	2,520.6	2,214.8	2,361.4	2,196.6	2,227.9	2,155.8	2,279.0	2,319.3	2,341.9	2,375.0	2,409.6	2,466.2	2,497.2	2,527.4
Current tax receipts	1,325.6	1,420.0	1,516.1	1,336.4	1,395.4	1,305.1	1,331.8	1,343.2	1,365.6	1,374.6	1,379.9	1,402.0	1,425.0	1,463.1	1,485.4	1,507.2
Personal current taxes	920.0	994.5	1,098.4	934.9	1,021.0	908.3	924.3	945.0	962.0	995.5	1,004.2	1,030.0	1,054.3	1,088.6	1,109.6	1,128.7
Withheld income taxes	788.2	849.7	926.3	809.2	883.8	791.1	801.4	816.5	827.8	851.5	873.8	895.0	915.0	929.6	946.8	962.5
Declarations and final settlements less refunds	131.8	144.8	172.1	125.7	137.2	117.2	122.8	128.5	134.2	144.0	130.5	135.0	139.3	159.0	162.7	166.2
Proposed legislation	-13.7	-21.9	.....	.....	-13.7	.....	.....	.....	.....	0.0	-18.3	-18.3	-18.3	-21.9	-21.9	-21.9
Other	131.8	158.5	194.1	125.7	150.9	117.2	122.8	128.5	134.2	144.0	148.8	153.3	157.6	180.9	184.7	188.2
Taxes on production and imports	102.3	106.1	111.0	97.2	100.2	95.4	98.3	97.5	97.6	97.5	99.6	100.8	102.9	103.8	104.3	104.7
Proposed legislation .....	.....	0.0	-0.9	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.9	-0.9	-0.9	-0.9
Other	102.3	106.1	111.9	97.2	100.4	95.4	98.3	97.5	97.6	97.5	99.6	100.8	103.8	104.7	105.2	105.6
Taxes on corporate income ³	293.5	309.4	296.6	294.7	263.8	291.7	300.8	290.7	295.6	271.3	265.7	260.8	257.5	260.3	261.1	263.3
Federal Reserve Banks	19.3	27.5	32.7	23.8	31.7	20.6	23.4	24.1	27.0	29.2	31.1	32.7	33.8	34.9	35.8	36.5
Proposed legislation .....	.....	0.0	0.0	.....	0.0	.....	.....	.....	.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	19.3	27.5	32.7	23.8	31.7	20.6	23.4	24.1	27.0	29.2	31.1	32.7	33.8	34.9	35.8	36.5
Other corporate profit tax accruals	274.2	281.9	263.9	270.9	232.1	271.1	277.4	266.6	268.6	242.1	234.6	228.1	223.7	225.4	225.4	226.8
Proposed legislation .....	.....	-2.2	-4.6	.....	-3.3	.....	.....	.....	.....	-2.9	-2.9	-2.9	-4.6	-4.6	-4.6	-4.6
Other	274.2	284.1	268.5	270.9	235.4	271.1	277.4	266.6	268.6	245.0	237.4	230.9	228.3	230.0	229.9	231.4
Taxes from the rest of the world	9.9	10.0	10.0	9.7	10.4	9.7	8.5	10.0	10.4	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Contributions for social insurance	838.9	893.8	948.8	851.2	910.5	841.1	845.1	855.4	863.3	889.6	905.4	917.8	929.1	948.7	958.5	967.7
Old age, survivors, disability, and hospital insurance	749.4	792.1	838.7	758.0	803.9	748.4	752.3	762.3	769.2	786.2	798.2	810.2	821.2	836.7	846.0	854.7
Tax on wages and salaries (FICA, gross)	707.2	746.9	790.9	716.8	759.6	707.9	711.3	720.7	727.1	742.7	754.1	765.6	776.1	790.7	799.4	807.4
Proposed legislation .....	.....	0.0	0.0	.....	0.0	.....	.....	.....	.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Base increases .....	.....	1.2	6.0	.....	4.7	.....	.....	.....	.....	4.7	4.7	4.7	4.7	4.7	4.7	4.7
January 2006 .....	.....	1.2	4.7	.....	4.7	.....	.....	.....	.....	4.7	4.7	4.7	4.7	4.7	4.7	4.7
January 2007 .....	.....	.....	1.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	5.2	5.2	5.2
Other	707.2	745.7	784.8	716.8	754.9	707.9	711.3	720.7	727.1	737.9	749.4	760.9	771.4	780.8	789.5	797.5
FICA Refunds	-2.6	-2.1	-2.2	-2.2	-1.6	-2.2	-2.2	-2.2	-2.2	-1.6	-1.6	-1.6	-1.6	-1.8	-1.8	-1.8
Voluntary hospital insurance	2.3	2.5	2.7	2.3	2.5	2.2	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Tax on self-employment earnings (SECA)	42.4	44.7	47.4	41.1	43.4	40.4	40.9	41.3	41.8	42.6	43.1	43.6	44.1	45.1	45.8	46.4
Base increases	0.1	0.3	0.7	0.0	0.3	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.7	0.7	0.7
Other	42.4	44.4	46.7	41.1	43.1	40.4	40.9	41.3	41.8	42.3	42.8	43.3	43.8	44.4	45.1	45.7
Supplementary medical insurance	35.7	45.3	52.5	37.2	48.2	36.9	37.1	37.3	37.5	45.0	48.9	49.3	49.5	53.3	53.5	53.7
Unemployment insurance	43.1	45.1	45.5	44.3	46.2	44.2	44.1	44.4	44.6	46.3	46.3	46.2	46.2	46.4	46.4	46.5
Other	10.6	11.3	12.0	11.7	12.1	11.6	11.6	11.4	12.1	12.1	12.1	12.1	12.2	12.4	12.6	12.8
Income receipts on assets	22.3	25.9	26.5	23.2	26.6	23.0	24.3	22.8	22.9	25.2	27.1	27.1	27.1	26.6	25.6	25.4
Interest receipts	14.9	16.8	17.0	16.0	16.6	15.9	16.4	15.8	15.9	16.4	16.7	16.8	16.5	16.5	16.7	16.9
Rents and royalties	7.5	9.1	9.5	7.3	10.0	7.1	7.9	7.1	6.9	8.8	10.4	10.3	10.6	10.1	9.0	8.5
Current transfer receipts	8.3	35.1	35.8	7.6	33.4	30.4	30.2	-61.4	31.3	32.9	33.4	33.7	33.6	33.6	33.6	33.4
From business	-5.4	19.8	20.3	-5.6	19.3	17.3	17.1	-74.6	17.7	19.0	19.3	19.5	19.3	19.4	19.4	19.5
From persons	13.7	15.3	15.5	13.2	14.2	13.1	13.1	13.2	13.6	13.9	14.1	14.3	14.3	14.3	14.2	13.9
Current surplus of government enterprises	-4.8	-4.9	-6.6	-3.7	-4.5	-2.9	-3.6	-4.3	-4.1	-3.0	-3.9	-5.7	-5.2	-5.8	-6.0	-6.3
Postal Service	-5.4	-6.6	-8.6	-5.9	-7.6	-5.3	-5.7	-6.3	-6.2	-5.9	-7.1	-9.0	-8.6	-9.2	-9.2	-9.5
Federal Housing Administration	1.9	2.1	2.1	2.8	3.1	2.9	2.8	2.8	2.8	3.0	3.1	3.1	3.2	3.1	3.1	3.1
Tennessee Valley Authority	1.5	1.8	1.9	1.5	1.7	1.6	1.5	1.5	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.8
Other	-2.8	-2.1	-2.1	-2.2	-1.6	-2.1	-2.2	-2.2	-2.1	-1.8	-1.6	-1.5	-1.5	-1.6	-1.6	-1.7
Current expenditures	2,532.4	2,753.8	2,890.5	2,548.9	2,787.9	2,494.9	2,525.2	2,563.7	2,612.0	2,707.7	2,780.5	2,819.4	2,843.8	2,856.0	2,874.1	2,890.1
Consumption expenditures	772.6	831.1	837.0	769.6	830.6	759.6	762.8	782.9	773.1	804.4	827.6	848.0	842.3	826.2	812.6	795.5
National defense	511.4	549.6	549.9	515.9	564.7	508.9	512.3	528.6	514.0	541.3	561.9	581.1	574.4	557.4	543.0	525.0
Pay raises and locality pay .....	.....	5.1	10.6	.....	6.9	.....	.....	.....	.....	6.5	7.0	7.0	7.0	11.6	11.9	11.9
January 2006 .....	.....	5.1	7.0	.....	6.9	.....	.....	.....	.....	6.5	7.0	7.0	7.0	7.0	7.0	7.0
January 2007 .....	.....	.....	3.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	4.6	4.9	4.9
Other	511.4	544.5	539.3	515.9	557.8	508.9	512.3	528.6	514.0	534.8	554.9	574.1	567.4	545.8	531.1	513.1
Nondefense	261.1	281.5	287.1	253.7	265.9	250.7	250.5	254.3	251.9	263.1	265.6	268.8	268.0	268.8	269.6	270.5
Pay raises and locality pay .....	.....	2.3	4.7	.....	3.2	.....	.....	.....	.....	3.0	3.2	3.2	3.2	4.4	5.5	5.5
January 2006 .....	.....	2.3	3.2	.....	3.2	.....	.....	.....	.....	3.0	3.2	3.2	3.2	3.2	3.2	3.2
January 2007 .....	.....	.....	1.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.2	2.3	2.3
Other	261.1	279.2	282.4	253.7	262.7	250.7	250.5	254.3	251.9	260.1	262.4	263.6	264.8	264.4	264.1	265.0
Current transfer payments	1,461.8	1,580.7	1,678.3	1,475.4	1,605.7	1,458.7	1,459.9	1,474.4	1,508.6	1,565.3	1,605.5	1,614.5	1,637.2	1,657.5	1,681.2	1,706.3
Government social benefits	1,073.1	1,175.4	1,274.0	1,086.5	1,209.5	1,064.2	1,077.9	1,094.4	1,109.7	1,176.6	1,209.6	1,215.7	1,236.2	1,270.6	1,289.7	1,308.5
To persons	1,069.9	1,172.1	1,270.5	1,083.2	1,206.3	1,061.0	1,074.6	1,091.1	1,106.2	1,173.2	1,206.3	1,212.5	1,233.0	1,267.2	1,286.2	1,305.0
Social Security	506.0	536.9	567.4	512.6	545.6	505.4	513.1	514.3	517.4	541.3	543.9	546.5	550.7	569.3	573.4	577.6

1. The fiscal year estimates are the sum of quarterly estimates that are not seasonally adjusted and that are consistent with the budget proposals.

2. These estimates are published in the NIPA tables 3.2 and 3.9.5 in this issue.

3. The NIPA estimate of corporate profits tax accruals for the fourth quarter of 2005 will not be available until the release of the final estimate of gross domestic product on March 30, 2006. The value shown is derived from the budget.

4. Most transportation grants-in-aid to state and local governments are classified as capital transfers paid (see addenda), but water and railroad transportation grants are still classified as current-account transactions.

5. Gross investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in Federal Government consumption expenditures.

benefits for Medicare, primarily due to the increases in the prescription drug benefit program, and from an increase in other benefit programs as a result of cost-of-living adjustments. In the second and third quarters of 2007, net saving is projected to increase, reflecting increases in current receipts that more than offset the

increases in current expenditures. The increases in current receipts are accounted for by increases in personal current taxes and contributions for government social insurance.

Investment. Gross government investment increased from \$100.7 billion in the first quarter of 2005

Receipts and Expenditures

quarters at seasonally adjusted annual rates]

	Fiscal year estimates ¹			Calendar year		Quarter										
				Published ²	Estimated	Published ²				Estimated						
	2005	2006	2007			2005		2006		2006			2007			
				I	II	III	IV	I	II	III	IV	I	II	III		
Regular.....	506.0	520.9	535.2	512.6	524.2	505.4	513.1	514.3	517.4	520.0	522.5	525.2	529.3	533.4	537.6	541.8
Benefit increases.....	0.0	16.0	32.2	0.0	21.4	0.0	0.0	0.0	0.0	21.4	21.4	21.4	21.4	21.4	35.8	35.8
January 2006.....	0.0	16.0	21.4	0.0	21.4	0.0	0.0	0.0	0.0	21.4	21.4	21.4	21.4	21.4	21.4	21.4
January 2007.....	0.0	0.0	10.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	14.5	14.5	
Medicare.....	331.3	387.1	446.8	332.2	408.7	322.6	329.1	335.8	341.2	381.8	412.0	414.2	426.9	439.2	453.2	467.7
Unemployment benefits.....	33.4	37.1	39.0	29.3	34.4	29.8	28.4	29.0	30.1	32.1	33.9	36.1	35.6	35.2	34.8	34.3
Veterans benefits.....	35.4	38.2	41.3	36.2	39.5	35.8	35.9	35.9	37.1	38.9	39.2	39.7	40.3	41.7	42.2	42.8
Railroad retirement.....	8.9	9.1	8.1	9.2	9.3	9.2	9.2	9.2	9.2	9.3	9.4	9.3	9.0	8.6	8.1	7.6
Military medical insurance.....	6.3	6.7	6.8	5.9	7.1	6.0	5.8	5.5	6.4	6.7	7.0	7.3	7.4	7.2	6.9	6.6
Food stamps.....	28.6	30.3	30.2	29.8	31.1	27.8	28.2	29.5	33.5	31.7	30.7	30.4	31.6	31.8	31.5	30.6
Black lung benefits.....	0.7	0.6	0.6	0.7	0.5	0.7	0.7	0.6	0.6	0.6	0.5	0.4	0.5	0.5	0.5	0.5
Supplemental security income.....	33.7	38.1	40.8	33.5	37.8	33.3	33.6	33.6	33.7	36.4	37.5	38.6	38.6	39.5	39.5	39.5
Earned income and other tax credits.....	49.3	49.3	49.8	49.2	49.3	49.2	49.2	49.2	49.2	49.3	49.3	49.3	49.3	49.8	49.8	49.8
All other.....	36.4	38.6	39.8	44.7	43.0	41.1	41.5	48.4	47.8	45.2	43.0	40.8	43.2	44.5	46.2	47.8
To rest of the world.....	3.2	3.3	3.4	3.3	3.3	3.2	3.2	3.3	3.5	3.4	3.3	3.2	3.3	3.4	3.5	3.5
Grants-in-aid to state and local governments.....	360.5	372.5	378.0	357.6	363.8	356.1	358.6	354.1	361.7	356.7	363.9	368.7	365.7	364.9	368.1	372.8
Central exec, legislative & judicial activities.....	3.1	2.0	2.2	2.8	1.6	2.6	3.4	3.3	1.7	1.7	1.5	1.6	1.6	1.8	1.9	1.9
Space.....	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
National defense.....	4.0	3.9	3.9	3.9	3.5	4.6	4.0	3.7	3.4	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Civilian safety.....	5.1	4.5	5.9	5.2	4.3	5.2	5.0	5.6	5.1	4.4	4.1	4.0	4.6	5.4	6.1	6.5
Education.....	40.2	42.9	41.8	39.5	41.8	35.7	38.6	42.4	41.2	39.9	41.4	43.2	42.6	40.4	39.0	38.0
Health and hospitals.....	25.2	28.7	28.2	24.2	24.2	26.0	23.0	24.7	23.2	23.9	24.4	24.8	23.6	23.6	23.6	24.0
Income support, social security and welfare.....	254.9	261.0	266.5	256.5	260.1	257.5	258.4	248.9	261.2	256.7	260.4	262.2	261.1	261.8	266.8	272.3
Disability.....	2.0	2.0	2.1	2.0	1.7	2.0	2.0	2.0	1.9	1.8	1.7	1.6	1.7	1.8	1.9	1.9
Unemployment insurance.....	3.6	3.6	2.9	3.4	3.2	3.6	3.2	3.5	3.4	3.5	3.3	3.1	2.9	2.8	2.7	2.6
Medical care (Medicaid).....	181.5	186.2	191.4	183.1	186.3	183.6	187.3	176.5	185.0	181.8	185.6	189.8	188.1	187.5	191.4	195.8
Welfare and social services.....	62.7	64.4	65.6	62.4	62.5	63.3	62.0	61.1	63.4	62.2	62.8	62.3	62.5	63.6	64.1	64.8
Other income support.....	5.2	4.8	4.5	5.5	6.4	5.0	3.9	5.8	7.5	7.0	5.4	5.8	6.2	6.6	7.2	
Veterans benefits and services.....	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Housing and community services.....	14.0	16.1	15.8	13.5	15.4	13.1	13.8	13.5	13.6	14.2	15.4	16.4	15.7	14.7	14.1	13.9
Recreational and cultural activities.....	0.5	0.6	0.5	0.4	0.4	0.5	0.5	0.6	0.2	0.3	0.4	0.5	0.2	0.3	0.4	0.4
Energy.....	1.4	1.3	1.7	1.3	1.3	1.3	1.1	1.7	1.2	1.2	1.2	1.4	1.4	1.5	1.5	1.6
Agriculture.....	1.1	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Natural resources.....	4.6	5.3	5.0	3.7	5.0	3.3	4.3	3.6	3.7	4.4	5.2	5.5	5.0	4.5	4.2	4.1
Transportation ⁴	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic development, regulation and services.....	1.4	0.5	0.5	0.4	0.4	0.4	0.3	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Labor training and services.....	3.8	3.5	3.8	4.0	3.8	3.9	3.9	3.3	4.7	4.1	3.8	3.2	4.0	4.9	4.5	4.0
Other current transfer payments paid to the rest of the world.....	28.3	32.9	26.4	31.3	32.4	38.3	23.5	25.9	37.3	32.0	32.0	30.1	35.3	22.0	23.3	25.0
Federal interest paid.....	247.0	284.2	316.4	249.1	290.8	226.6	250.8	250.8	268.3	277.8	286.9	295.5	303.0	310.8	318.3	325.5
Subsidies.....	51.1	57.8	58.7	54.8	60.9	50.1	51.6	55.6	61.9	60.2	60.6	61.4	61.3	61.5	62.0	62.8
Agricultural.....	17.9	20.4	19.2	21.8	24.0	18.4	20.7	23.7	24.3	24.5	24.5	24.2	22.9	22.8	23.1	23.9
Housing.....	28.0	28.9	29.5	27.9	28.4	28.0	28.0	27.7	28.0	28.2	28.4	28.5	28.6	28.8	29.0	29.2
Other.....	5.2	8.5	9.9	5.1	8.4	3.7	3.0	4.2	9.6	7.5	7.8	8.7	9.8	9.9	9.9	9.7
Less: Wage accruals less disbursements.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Federal Government saving.....	-342.0	-383.9	-369.9	-334.1	-426.5	-298.3	-297.3	-407.9	-333.0	-388.5	-438.7	-444.4	-434.3	-389.8	-376.9	-362.7
Addenda:																
Gross investment ⁵	104.2	111.7	113.3	108.2	116.7	100.7	107.0	109.4	115.7	113.9	117.5	117.4	117.8	117.7	118.2	117.1
National defense.....	70.4	74.6	75.1	71.2	74.6	66.4	70.2	73.1	75.2	72.6	75.6	75.0	75.1	74.9	75.6	74.7
Nondefense.....	33.8	37.1	38.2	37.0	42.1	34.3	36.8	36.3	40.5	41.3	42.0	42.4	42.7	42.8	42.6	42.3
Consumption expenditures and gross investment.....	876.8	942.8	950.3	877.8	947.2	860.2	869.8	892.2	888.8	918.3	945.1	965.4	960.1	943.9	930.9	912.6
National defense.....	581.9	624.2	625.0	587.2	639.2	575.3	582.5	601.7	589.2	613.9	637.5	656.1	649.5	632.3	618.6	599.7
Nondefense.....	294.9	318.6	325.2	290.6	308.0	285.0	287.3	290.5	299.6	304.4	307.6	309.3	310.7	311.5	312.2	312.9
Total receipts.....	2,215.0	2,397.3	2,544.1	2,239.9	2,387.5	2,221.5	2,252.3	2,180.9	2,304.7	2,345.7	2,368.5	2,401.1	2,434.7	2,489.0	2,518.5	2,547.1
Current receipts.....	2,190.4	2,369.9	2,520.6	2,214.8	2,361.4	2,196.6	2,227.9	2,155.8	2,279.0	2,319.3	2,341.9	2,375.0	2,409.6	2,466.2	2,497.2	2,527.4
Capital transfer receipts.....	24.6	27.4	23.5	25.0	26.1	24.9	24.4	25.1	25.8	26.5	26.6	26.1	25.1	22.8	21.4	19.7
Total expenditures.....	2,602.9	2,833.3	2,951.0	2,627.6	2,866.8	2,578.9	2,601.0	2,636.5	2,694.0	2,789.7	2,865.1	2,903.5	2,909.0	2,921.4	2,939.3	2,953.9
Current expenditures.....	2,532.4	2,753.8	2,890.5	2,548.9	2,787.9	2,494.9	2,525.2	2,563.7	2,612.0	2,707.7	2,780.5	2,819.4	2,843.8	2,856.0	2,874.1	2,890.1
Gross government investment.....	104.2	111.7	113.3	108.2	116.7	100.7	107.0	109.4	115.7	113.9	117.5	117.4	117.8	117.7	118.2	117.1
Capital transfer payments.....	63.2	69.6	75.1	69.1	70.2	80.0	67.1	64.2	65.3	68.6	69.1	70.6	72.3	74.3	75.0	76.7
Net purchases of nonproduced assets.....	0.1	0.2	-19.5	-0.5	-4.8	0.3	-0.6	-1.6	0.1	0.1	0.2	0.2	-19.5	-19.5	-19.5	
Less: Consumption of fixed capital.....	97.0	102.0	108.4	98.2	103.1	96.9	97.7	99.2	99.1	100.7	102.2	104.1	105.5	107.1	108.6	110.5
Net lending or net borrowing (-).....	-387.9	-436.0	-406.9	-387.8	-479.3	-357.4	-348.7	-455.6	-389.2	-444.0	-496.6	-502.4	-474.4	-432.4	-420.7	-406.8

NOTE: Published estimates for the fourth quarter of 2005 and the estimates for subsequent quarters differ from the quarterly estimates in *Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2007* because of additional data received after the budget was released.

Sources: *Budget of the U.S. Government, Fiscal Year 2007* and the Bureau of Economic Analysis.

FICA Federal Insurance Contributions Act
NIPAs National income and product accounts
SECA Self-Employment Contributions Act

to \$115.7 billion in the fourth quarter, driven mostly by increases in national defense gross investment. In the first quarter of 2006, gross government investment is projected to decrease; it is projected to increase in the second quarter, to remain relatively unchanged in the third quarter, then to increase slightly in the fourth quarter. In first quarter of 2007, gross government investment is projected to remain relatively unchanged; it is projected to increase slightly in the second quarter and to decrease slightly in the third quarter. The quarterly pattern for investment primarily reflects the pattern of defense investment.

Capital transfer receipts and payments. Capital transfer receipts increased from \$24.9 billion in the first quarter of 2005 to \$25.8 billion in the fourth quarter. In the first and second quarters of 2006, these receipts are projected to increase, and they are then projected to decrease in the third and fourth quarters.

Capital transfer payments decreased from \$80.0 billion in the first quarter of 2005 to \$65.3 billion in the fourth quarter. In the first quarter of 2006, these payments are projected to begin trending up.

Net borrowing. This measure increased from \$357.4 billion in the first quarter of 2005 to \$389.2 billion in the fourth quarter. In 2006, net borrowing is projected to peak at \$505.8 billion in the third quarter and to decline in each quarter through the end of 2007.

Translation of Budget Data into a NIPA Framework

BEA uses a detailed analytical process to translate Federal budget receipts and outlays into a NIPA framework.

Receipts

Fiscal year budget data for receipts are supplemented by information on the effects of budget proposals from the Department of the Treasury's Office of Tax Analysis and by information in the budget's *Appendix*.¹⁶ These data are analyzed for their effects on 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, these initial quarterly projections of receipts are reevaluated and revised to incorporate newly available data from the Department of the Treasury.

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.¹⁷ The quarterly projections are mainly derived by interpolation from fiscal year projections.

When the quarterly NIPA estimates are released, 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*.¹⁸ 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, for "other nondurable goods," for "other services," and for equipment) for which there are no quarterly source data. These extrapolated estimates 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

The initial quarterly projections of Federal Government receipts and expenditures will likely differ from later estimates. The initial estimates are based on budget data, which feature 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.

17. Outlays by program are first adjusted for coverage (for example, for geographical adjustments) and for netting and grossing (for example, supplemental medical insurance premiums).

18. Department of the Treasury, *Monthly Treasury Statement* (Washington, DC: U.S. Government Printing Office); <www.fms.treas.gov/mts>.

16. See *Appendix: Budget of the U.S. Government, Fiscal Year 2007*.