

Government Receipts and Expenditures

Third Quarter of 2009

NET GOVERNMENT saving, the difference between current receipts and current expenditures of the federal government and state and local governments, was $-\$1,359.8$ billion in the third quarter of 2009, decreasing $\$66.3$ billion from $-\$1,293.5$ billion in the second quarter.

Government receipts and expenditures in the third quarter were affected by the American Recovery and Reinvestment Act of 2009 (ARRA) (see page 14) and by continued capital injections into financial enterprises.

Net federal government saving was $-\$1,342.8$ billion in the third quarter, decreasing $\$73.9$ billion from $-\$1,268.9$ billion in the second quarter (see page 12). Current receipts decreased more in the third quarter, while current expenditures decelerated.

Net state and local government saving was $-\$16.9$ billion in the third quarter, increasing $\$7.7$ billion from $-\$24.6$ billion in the second quarter (see page 13). Current receipts and current expenditures decelerated in the third quarter.

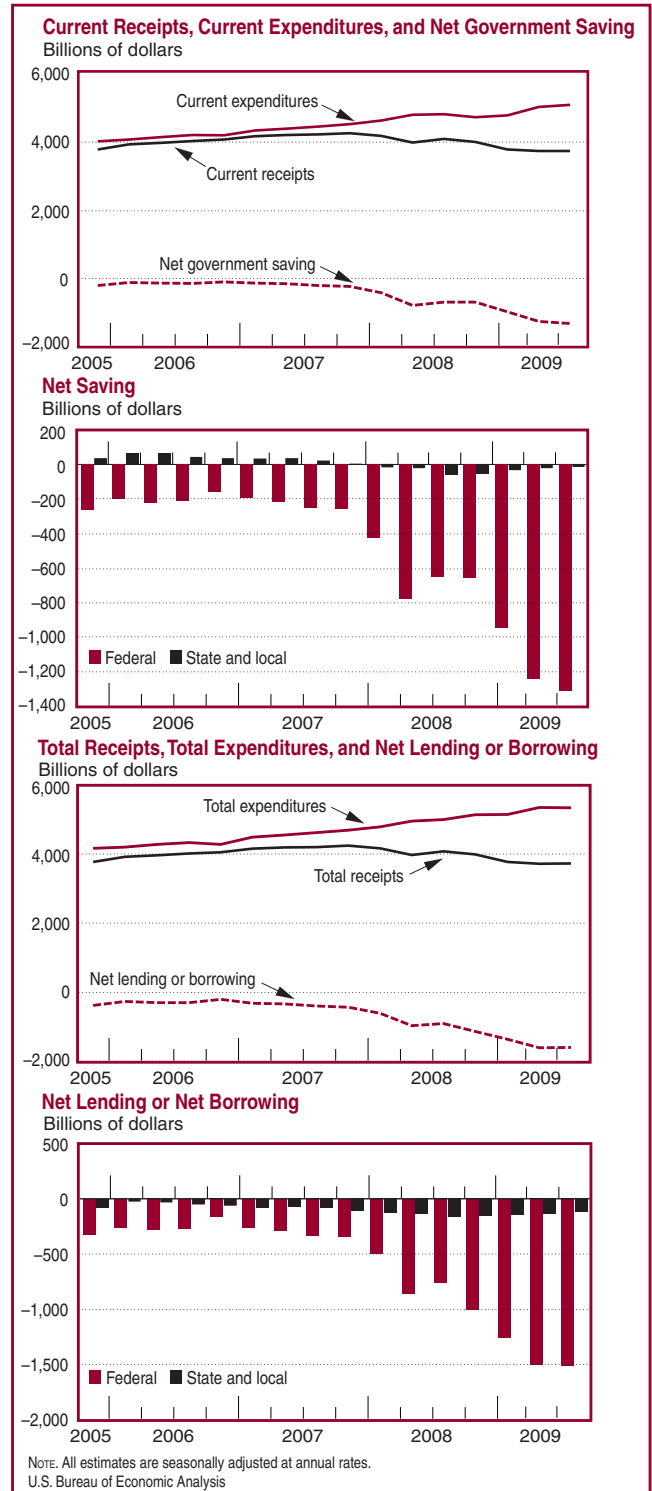
Net borrowing was $\$1,638.5$ billion in the third quarter, decreasing $\$10.0$ billion from $\$1,648.5$ billion in the second quarter. Federal government net borrowing was $\$1,518.3$ billion in the third quarter, increasing $\$8.0$ billion from $\$1,510.3$ billion in the second quarter. State and local government net borrowing was $\$120.2$ billion in the third quarter, decreasing $\$18.0$ billion from $\$138.2$ billion in the second quarter.

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		
	III	IV	I	II	III
Current receipts	3,730.4	-90.2	-221.8	-46.6	2.0
Current expenditures	5,090.2	-84.8	53.7	241.3	68.3
Net government saving	-1,359.8	-5.4	-275.5	-287.8	-66.3
Federal	-1,342.8	-8.4	-295.0	-299.8	-73.9
State and local	-16.9	2.9	19.5	12.0	7.7
Net lending or net borrowing (-) ...	-1,638.5	-233.1	-231.0	-248.8	10.0
Federal	-1,518.3	-243.2	-247.1	-252.1	-8.0
State and local	-120.2	10.1	16.1	3.3	18.0

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		
	III	IV	I	II	III
Current receipts	2,211.7	-41.7	-196.5	-14.3	-25.3
Current tax receipts	1,150.3	-52.3	-191.4	-34.1	-7.1
Personal current taxes	815.5	10.1	-219.9	-70.4	-14.4
Taxes on production and imports	93.3	-1.6	-4.5	5.9	1.7
Taxes on corporate income	230.8	-62.0	35.5	31.8	7.0
Taxes from the rest of the world	10.7	1.2	-2.4	-1.4	-1.4
Contributions for government social insurance	956.6	-2.1	-23.4	1.3	2.3
Income receipts on assets	49.5	-0.6	10.7	10.1	-1.3
Current transfer receipts	58.7	15.0	8.7	7.1	-21.1
Current surplus of government enterprises	-3.4	-1.5	-1.3	1.4	1.9
Current expenditures	3,554.6	-33.3	98.4	285.6	48.7
Consumption expenditures	1,001.6	-0.6	-1.2	24.9	22.5
National defense	680.1	-6.4	-5.9	19.8	17.4
Nondefense	321.5	5.9	4.7	5.1	5.1
Current transfer payments	2,191.1	40.5	111.7	214.4	-4.5
Government social benefits	1,652.3	25.1	83.0	142.0	6.2
To persons	1,636.2	25.0	82.1	141.1	6.0
To the rest of the world	16.1	0.1	0.9	0.9	0.2
Other current transfer payments	538.8	15.4	28.8	72.4	-10.8
Grants-in-aid to state and local governments	483.7	12.4	35.3	60.2	-14.2
To the rest of the world	55.1	2.9	-6.4	12.2	3.4
Interest payments	295.1	-74.9	-13.3	46.1	17.7
Subsidies	66.7	1.7	1.2	0.1	13.0
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0
Net federal government saving	-1,342.8	-8.4	-295.0	-299.8	-73.9
Social insurance funds	-246.8	-19.6	-90.2	-46.2	-22.9
Other	-1,096.1	11.2	-204.7	-253.7	-51.1
Addenda:					
Total receipts	2,237.9	-42.8	-197.9	-13.8	-24.7
Current receipts	2,211.7	-41.7	-196.5	-14.3	-25.3
Capital transfer receipts	26.1	-1.1	-1.4	0.5	0.5
Total expenditures	3,756.2	200.4	49.1	238.4	-16.7
Current expenditures	3,554.6	-33.3	98.4	285.6	48.7
Gross government investment	163.5	6.5	-6.5	6.8	4.3
Capital transfer payments	162.3	259.2	-53.0	-76.7	-72.2
Net purchases of nonproduced assets	1.8	-31.8	11.5	24.3	4.4
Less: Consumption of fixed capital	126.1	0.2	1.3	1.5	2.1
Net lending or net borrowing (-)	-1,518.3	-243.2	-247.1	-252.1	-8.0

Personal current taxes decreased less as a result of a smaller decrease in withheld income taxes. The smaller decrease follows the impact of the reduction in withheld tax rates in the second quarter from the "Making Work Pay" tax credit provision of the ARRA.

Taxes on production and imports decelerated because of a deceleration in excise taxes. Second-quarter excise taxes were boosted by an increase in the tobacco tax that took effect on April 1, 2009.

Income receipts on assets turned down, reflecting a downturn in dividends on preferred stocks.

Current transfer receipts turned down, reflecting a downturn in deposit insurance premiums. Second-quarter receipts were boosted by a special assessment by the Federal Deposit Insurance Corporation.

Government social benefits to persons decelerated, reflecting decreased spending for provisions of the ARRA (see page 14). Benefit payments for unemployment and Medicare programs also decelerated.

Grants-in-aid to state and local governments turned down, reflecting a downturn in Medicaid and education grants authorized by the ARRA.

Other transfer payments to the rest of the world decelerated after a second-quarter payment to Puerto Rico and the Virgin Islands to finance the "Making Work Pay" tax credit.

Interest payments decelerated, reflecting a smaller increase in interest paid to persons and businesses on Treasury Inflation-Protected Securities.

Capital transfers fell less, as capital injected into financial companies fell. About \$10.7 billion was provided to Fannie Mae; of this amount, \$9.6 billion (\$38.4 billion at an annual rate) was treated as capital transfers. About \$3.5 billion was given to financial companies via the Troubled Asset Relief Program; \$2.5 billion (\$10.0 billion at an annual rate) was capital transfers.

Federal Government Estimates

Estimates of federal government current receipts, current expenditures, and net federal government saving are based on data from the federal budget, from the *Monthly Treasury Statement* and other reports from the Department of the Treasury, and from other federal government agencies. Total receipts, total expenditures, and net lending or net borrowing, which are alternative measures of the federal fiscal position, are based on these same sources.

Quarterly and annual estimates are published monthly in NIPA table 3.2. Detailed annual estimates of these transactions by component are published 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.

Each year, BEA translates the information in the federal budget into a NIPA framework.¹ For a historical time series of these estimates, see NIPA table 3.18B, which was published in November 2009.

1. See Benjamin A. Mandel and Bryan A. Williams, "NIPA Translation of the Fiscal Year 2010 Federal Budget," *SURVEY OF CURRENT BUSINESS* 89 (June 2009): 15–24.

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		
	III	IV	I	II	III
Current receipts	2,002.4	-36.1	10.0	27.9	13.1
Current tax receipts	1,262.0	-52.1	-26.7	-34.1	23.9
Personal current taxes	273.6	-13.1	-27.1	-34.3	20.9
Taxes on production and imports	932.0	-19.6	-14.1	-5.0	4.0
Taxes on corporate income	56.4	-19.4	14.5	5.2	-1.0
Contributions for government social insurance	21.9	0.6	-0.2	-0.1	0.2
Income receipts on assets	116.5	1.8	1.3	-0.1	0.8
Current transfer receipts	604.9	14.0	36.2	61.7	-12.5
Federal grants-in-aid	483.7	12.4	35.3	60.2	-14.2
Other	121.3	1.6	1.0	1.5	1.8
Current surplus of government enterprises	-2.9	-0.4	-0.5	0.5	0.6
Current expenditures	2,019.3	-39.0	-9.5	15.9	5.4
Consumption expenditures	1,430.6	-38.7	-17.3	5.5	0.7
Government social benefits	480.1	-1.4	7.4	11.8	2.6
Interest payments	107.5	0.4	1.3	-0.6	2.1
Subsidies	1.2	0.7	-0.8	-0.8	0.0
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0
Net state and local government saving	-16.9	2.9	19.5	12.0	7.7
Social insurance funds	1.9	0.4	-0.4	-0.2	0.0
Other	-18.8	2.6	19.8	12.2	7.7
Addenda:					
Total receipts	2,076.4	-36.0	2.1	33.1	25.6
Current receipts	2,002.4	-36.1	10.0	27.9	13.1
Capital transfer receipts	74.0	0.0	-7.8	5.1	12.6
Total expenditures	2,196.6	-46.1	-14.0	29.8	7.6
Current expenditures	2,019.3	-39.0	-9.5	15.9	5.4
Gross government investment	363.0	-2.7	-2.1	13.4	1.7
Capital transfer payments					
Net purchases of nonproduced assets	13.5	0.0	0.2	0.1	0.3
Less: Consumption of fixed capital	199.2	4.4	2.6	-0.3	-0.3
Net lending or net borrowing (-)	-120.2	10.1	16.1	3.3	18.0

Personal current taxes turned up in the third quarter of 2009 as a result of an upturn in personal income taxes.

Taxes on production and imports turned up in the third quarter, reflecting an upturn in sales taxes.

Federal grants-in-aid turned down, reflecting a downturn in Medicaid and education grants from the American Recovery and Reinvestment Act of 2009 (see page 14).

Consumption expenditures decelerated in the third quarter, reflecting a downturn in compensation of government employees that was partly offset by an acceleration in spending for nondurable goods.

Government social benefit payments decelerated, reflecting a deceleration in Medicaid payments.

Capital transfer receipts accelerated, reflecting an acceleration in federal investment grants to state and local governments.

Gross government investment decelerated as a result of a deceleration 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 construction spending (value 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. 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.¹ 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.

American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act (ARRA) of 2009—which was signed into law on February 17, 2009—includes provisions for reducing taxes, funding state fiscal stabilization, creating and preserving jobs, providing assistance to the unemployed, and investing in infrastructure, energy efficiency, and science. Although the total cost of the ARRA is scheduled to be distributed over many years, the majority of the cost will be incurred by the end of fiscal year 2010. The ARRA also established the Recovery Accountability and Transparency Board to monitor spending authorized by the act and to publicize how and where this spending occurs on Recovery.gov.

BEA tracks the portion of federal government sector receipts and expenditures in the national income and product accounts that are affected by the provisions of the ARRA.¹ Many of the ARRA-funded transactions—such as grants, transfers, and tax cuts—are not directly included in gross domestic product (GDP), because GDP only includes government spending on goods and services. However, these transactions affect GDP indirectly by providing resources to households, businesses, and state and local governments to fund personal consumption expenditures, business investment, and state and local government spending. BEA's accounts do not identify the indirect effects of ARRA on these components of GDP, so the overall effect of ARRA on GDP cannot be presented. The estimated impact of tax cuts and spending authorized by the ARRA on specific federal government transactions are shown in the accompanying table.

Spending authorized by the ARRA boosted government social benefits \$65.0 billion in the third quarter, down from \$90.2 billion in the second quarter. The second-quarter amount includes one-time stimulus payments of \$250 to recipients of Social Security, Supplemental Security Income, veterans' benefits, and railroad retirement benefits. Grants authorized by the ARRA boosted grants to state and local governments \$65.0 billion in the third quarter, down from \$82.9 billion in the second quarter. The largest ARRA-funded grants programs provide funding for Medicaid and the State Fiscal Stabilization Fund.

Additional spending authorized by the ARRA boosted capital transfer payments \$21.1 billion in the third quarter, up from \$9.0 billion in the second quarter. Capital transfers include grants to fund highway and public trans-

port infrastructure construction and tax credits for first-time homebuyers.

Additional information about federal economic stimulus programs, including an updated version of this table, will be available on the BEA Web site under "National."

Impact of the ARRA on Selected Government Sector Transactions

(Billions of dollars, seasonally adjusted at annual rates)

	2009					
	I		II		III	
	Total level	ARRA impact	Total level	ARRA impact	Total level	ARRA impact
Current receipts	2,251.3	-23.6	2,237.0	-104.9	2,211.7	-104.9
Current tax receipts	1,191.5	-23.6	1,157.4	-104.9	1,150.3	-49.8
Personal current taxes	900.3	-3.7	829.9	-85.0	815.5	-85.0
"Making Work Pay" tax credit	-3.7	-3.7	-49.8	-49.8	-49.8	-49.8
Other ¹	0.0	0.0	-35.2	-35.2	-35.2	-35.2
Taxes on corporate income ²	192.0	-19.9	223.8	-19.9	230.8	-19.9
Current expenditures	3,220.3	46.5	3,505.9	180.2	3,554.6	133.4
Consumption expenditures ...	954.2	0.4	979.1	0.4	1,001.6	0.4
Current transfer payments ...	1,981.2	46.1	2,195.6	177.1	2,191.1	130.5
Government social benefits	1,504.1	8.8	1,646.1	90.2	1,652.3	65.0
To persons	1,489.1	8.8	1,630.2	90.2	1,636.2	65.0
Supplemental Nutrition Assistance Program	149.3	0.0	168.9	8.3	171.5	8.8
One-time \$250 payments ³	0.0	0.0	54.5	54.5	0.5	0.5
Unemployment programs	96.9	1.9	123.3	19.8	136.1	32.5
Other programs ⁴	45.6	6.9	117.7	7.7	92.0	23.3
Other current transfer payments	477.2	37.3	549.6	86.9	538.8	65.5
Grants-in-aid to state and local governments	437.7	37.3	497.9	82.9	483.7	65.0
Medicaid	253.5	37.3	275.8	51.5	263.5	37.6
Education	39.1	0.0	74.0	30.8	68.5	24.7
Other ⁵	6.5	0.0	5.7	0.6	7.3	2.7
To the rest of the world (net) ⁶	39.5	0.0	51.7	4.0	55.1	0.5
Subsidies ⁷	53.6	0.0	53.7	2.7	66.7	2.4
Net federal government saving	-969.1	-70.2	-1,268.9	-285.1	-1,342.8	-238.3
Capital transfer payments	311.2	3.6	234.5	9.0	162.3	21.1
Capital grants ⁸	50.6	0.0	55.8	1.7	68.4	10.0
Capital transfers to business ⁹	226.6	3.6	144.6	7.3	59.8	11.2

1. Includes an increase in the alternative minimum tax exemption and business tax incentives claimed by individuals.

2. Includes special allowances for certain property acquired in 2009 and the net operating loss carryback election for small businesses.

3. Payments to recipients of Social Security, Supplemental Security Income, veterans' benefits, and railroad retirement benefits.

4. Includes increased funding for Pell grants, COBRA premium assistance payments, and payments to cover digital converter box redemptions.

5. Includes grants to fund employment training and agriculture assistance.

6. Includes grants to fund "Making Work Pay" tax credits in the territories.

7. Includes funding to supplement Section 8 housing subsidies and to promote the use of efficient and renewable energy.

8. Includes grants for highway and public transit infrastructure construction and restoration.

9. Includes first-time home buyer tax credits.

1. For details of federal government current receipts and expenditures, see NIPA table 3.2.