

# Federal Budget Estimates, Fiscal Year 1995

By Karl Galbraith

THE FISCAL 1995 budget transmitted by the President to Congress shows a reduction in the Federal deficit—to the lowest level in 6 years—as tax receipts increase more than spending.<sup>1</sup> The only major tax proposal is to raise the excise tax on tobacco products (for cigarettes, 75 cents a pack). Spending increases are proposed for a variety of discretionary programs, but these are partly offset by proposals to cut back 300 programs and to eliminate 115 others. Overall, these spending changes, together with other policy changes, would pull discretionary outlays below 1994 levels. (The budget contains few of the costs of overhauling the nation's health-care system, which will grow primarily after fiscal year 1995, and it does not reflect the recently enacted \$8.6 billion California earthquake aid package.)

Major changes that would hold down the increase in outlays include the following proposals:

- Reduce national defense spending (\$9.1 billion).
- Reduce unemployment compensation (\$3.7 billion).
- Sell assets of Resolution Trust Corporation (RTC) Fund (\$8.6 billion).
- Reduce outlays of the Commodity Credit Corporation (\$3.6 billion).

This article summarizes the administration's budget estimates and the economic assumptions underlying them, and it provides a translation of the estimates into the national income and product accounts (NIPA) framework.<sup>2</sup>

## Economic assumptions

Throughout 1993, the growth of real gross domestic product (GDP) accelerated, the workweek

lengthened, and hiring increased; by December, the unemployment rate had fallen to 6.4 percent. As the slack in labor and product markets is taken up, the inflation rate is assumed to edge up slightly. Short-term interest rates are projected to rise moderately from their exceptionally low 1993 levels. Restraints on U.S. economic growth, some of which will continue through 1995, include the scaling-back of the defense sector, weak economies in Europe and Japan, and

Table 1.—Economic Assumptions Underlying the Budget

	Calendar year		
	1993	1994	1995
Billions of dollars			
GDP:			
Current dollars .....	6,371	6,736	7,118
1987 dollars .....	5,126	5,284	5,433
Incomes:			
Personal income .....	5,385	5,691	6,016
Wages and salaries .....	3,083	3,261	3,442
Corporate profits before taxes .....	447	508	531
Percent change preceding year			
GDP in current dollars:			
Annual average .....	5.5	5.7	5.7
Fourth quarter .....	5.0	5.8	5.6
GDP in 1987 dollars:			
Annual average .....	2.8	3.1	2.8
Fourth quarter .....	2.3	3.0	2.7
GDP implicit price deflator:			
Annual average .....	2.6	2.6	2.8
Fourth quarter .....	2.6	2.7	2.8
Consumer Price Index: <sup>1</sup>			
Annual average .....	3.0	2.8	3.2
Fourth quarter .....	2.8	3.0	3.2
Percent			
Unemployment rate (pre-1994 basis): <sup>2</sup>			
Annual average .....	6.8	6.5	6.1
Fourth quarter .....	6.7	6.4	6.0
Interest rate (annual average): <sup>3</sup>			
91-day Treasury bills .....	3.0	3.4	3.8
10-year Treasury notes .....	5.9	5.8	5.8

Source: *The Budget of the United States Government, Fiscal Year 1995*.

1. Consumer Price Index for urban wage earners and clerical workers.

2. Percent of labor force, including armed forces residing in the United States.

3. Average rate on new issues within a year.

Note.—The 1993 GDP estimates in the *Budget* were made before fourth-quarter estimates were released by BEA, and the unemployment rates do not reflect revisions introduced by the Bureau of Labor Statistics in February 1994.

1. *The Budget of the United States Government, Fiscal Year 1995*, Office of Management and Budget (Washington, DC: U.S. Government Printing Office, February 1994).

2. A package of tables ("National Income and Product Accounts Translation of the Federal Budget") is available from BEA shortly after the release of the Budget; this year's package is \$11.00. For further information, write to Government Division (BE-57), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230, or call (202) 606-9775.

worldwide competition that is pressuring companies to control costs, often by downsizing their work forces.

The administration forecasts real GDP to increase 3.0 percent during 1994 and 2.7 percent during 1995, compared with a 2.3-percent increase during 1993 (table 1). (These changes are from fourth quarter to fourth quarter.) Inflation as measured by the Consumer Price Index is forecast to be 3.0 percent during 1994 and 3.2 percent during 1995, compared with 2.8 percent during 1993. The unemployment rate is forecast to drop to 6.4 percent during 1994 and to 6.0 percent during 1995 from the 1993 level of 6.7 percent.

### Current services estimates

Current services estimates show what receipts and outlays would be without policy change. In concept, these estimates are neither recommended amounts nor forecasts; they form a base with which administration or congressional proposals can be compared. The estimates are based on the same economic assumptions as those underlying the budget.

Table 2.—Relation of Current Services Estimates to the Budget

[Billions of dollars]

	Fiscal year	
	1994	1995
<b>Receipts</b>		
Current services estimates .....	1,249.1	1,341.6
<i>Plus: Proposed legislation:</i>		
Deduction for health insurance costs of the self employed .....	-.1	-.4
Tobacco tax (net of income offsets) .....		12.0
Security law fees .....		.4
Other .....	.1	.2
<i>Equals: The budget</i> .....	1,249.1	1,353.8
<b>Outlays</b>		
Current services estimates .....	1,483.6	1,525.6
<i>Plus: Proposed program changes:</i>		
National defense .....	.8	-1.9
Medicare .....	-.1	-2.2
International affairs .....	.6	-1.1
Agriculture .....	0	-.8
Income security .....	0	-.8
Natural resources and environment .....	0	-.7
General science, space, and technology .....	0	-.5
Energy .....	-.2	-.5
Transportation .....	0	-.5
Commerce and housing credit .....	-.9	-.1
Veterans benefits and services .....	0	1.0
Administration of justice .....	0	.9
Allowances:		
Health Security Act administrative and startup costs .....		1.3
Other .....		-1.1
Other .....	0	.3
<i>Equals: The budget</i> .....	1,483.8	1,518.9

Source: *The Budget of the United States Government, Fiscal Year 1995*.

Budget receipts in 1995 are \$12.2 billion higher than the current services estimate, primarily reflecting the proposed tax on tobacco products, net of income offsets (table 2).<sup>3</sup> Budget outlays in 1995 are \$6.7 billion lower than the current services estimate, mainly reflecting declines in defense programs, medicare, and international affairs.

### The budget estimates

Under the administration's budget, receipts in fiscal year 1995 increase \$104.7 billion—or 8.4 percent—to \$1,353.8 billion. Receipts in 1994 are \$1,249.1 billion, up 8.3 percent from 1993. One-half of the 1995 increase is due to growth in the tax base, and the rest is due to tax changes under the Omnibus Budget Reconciliation Act of 1993 (OBRA 93) (\$45.3 billion) and the proposed tobacco tax (\$12.0 billion). One-fourth of the 1994 increase is due to OBRA 93 (\$24.3 billion), with the remainder primarily due to growth in the tax base.

Budget outlays in fiscal year 1995 increase \$35.1 billion—or 2.4 percent—to \$1,518.9 billion (table 3). Outlays in 1994 are \$1,483.8 billion, up 5.4 percent from 1993. The 1995 increase is the net result of increases of \$62.0 billion and decreases of \$26.9 billion. The decreases are much

3. The offsets occur because the higher tobacco tax is expected to reduce incomes of individuals and corporations and to lower employment.

Table 3.—Budget Outlays by Function

[Billions of dollars]

	Fiscal year					Change from preceding year		
	1992	1993	1994	1995				
	Budget outlays				1993	1994	1995	
National defense .....	298.4	291.1	279.9	270.7	-7.3	-11.2	9.2	
Social security .....	287.6	304.6	320.5	337.2	17.0	15.9	16.7	
Net interest .....	199.4	198.8	203.4	212.8	-.6	4.6	9.4	
Income security .....	197.0	207.3	214.6	221.4	10.3	7.3	6.8	
Medicare .....	119.0	130.6	143.7	156.2	11.6	13.1	12.5	
Health .....	89.5	99.4	112.3	123.1	9.9	12.9	10.8	
Education, training, employment, and social services .....	45.2	50.0	50.8	53.5	4.8	.8	2.7	
Veterans benefits and services .....	34.1	35.7	38.1	39.2	1.6	2.4	1.1	
Commerce and housing credit .....	10.1	-22.7	5	-5.5	-32.8	23.2	-6.0	
Natural resources and environment .....	20.0	20.2	22.3	21.8	.2	2.1	-5	
Agriculture .....	15.2	20.4	16.9	12.8	5.2	-3.5	-4.1	
General science, space, and technology .....	16.4	17.0	17.3	16.9	.6	.3	-4	
International affairs .....	16.1	16.8	19.0	17.8	.7	2.2	-1.2	
Energy .....	4.5	4.3	5.0	4.6	-.2	.7	-4	
Transportation .....	33.3	35.0	37.6	38.4	1.7	2.6	.8	
Administration of justice .....	14.4	15.0	16.5	17.3	.6	1.5	.8	
General government .....	13.0	13.0	14.3	13.8	0	1.3	-5	
Community and regional development .....	6.8	9.1	9.3	9.2	2.3	.2	-1	
Undistributed offsetting receipts and allowances .....	-39.3	-37.4	-37.9	-42.4	1.9	-.5	-4.5	
<b>Addenda:</b>								
Social security, net interest, health and medicare .....	695.5	733.4	779.9	829.3	37.9	46.5	49.4	
All other functions .....	685.4	674.8	703.9	689.6	-10.6	29.1	-14.3	

Source: *The Budget of the United States Government, Fiscal Year 1995*.

more widespread in 1995 than in the preceding years, affecting 10 of 19 Federal spending functions, compared with 3 in 1994 and 4 in 1993. The total net increase in 1995 outlays is more than accounted for by increases in social security, medicare, and health. The largest increase in 1994 is for commerce and housing credits (\$23.2 billion), primarily for the RTC Fund. The largest decreases in 1995 are for national defense (\$9.2 billion) and commerce and housing credits (\$6.0 billion), again primarily for the RTC Fund.

**Table 4.—Current Services, Budget, and NIPA Estimates of Federal Government Receipts and Expenditures**

[Billions of dollars]

	Fiscal year		
	Actual	Estimates	
	1993	1994	1995
<b>Current services estimates</b>			
Receipts .....	1,153.5	1,249.1	1,341.6
Outlays .....	1,408.2	1,483.6	1,525.6
Surplus or deficit (-) .....	-254.7	-234.5	-183.9
<b>Budget</b>			
Receipts .....	1,153.5	1,249.1	1,353.8
Outlays .....	1,408.2	1,483.8	1,518.9
Surplus or deficit (-) .....	-254.7	-234.8	-176.1
<b>National income and product accounts</b>			
Receipts .....	1,249.3	1,345.4	1,450.9
Outlays .....	1,484.5	1,533.3	1,597.1
Surplus or deficit (-) .....	-235.2	-187.9	-146.2

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

**Table 5.—Relation of Federal Government Receipts in the NIPA's to Receipts in the Budget**

[Billions of dollars]

	Fiscal year		
	1993	1994	1995
<b>Budget receipts .....</b>	<b>1,153.5</b>	<b>1,249.1</b>	<b>1,353.8</b>
Less: Coverage differences <sup>1</sup> .....	1.8	1.9	2.0
Plus: Netting and grossing differences:			
Contributions to government employees retirement funds .....	56.3	59.7	64.7
Taxes received from the rest of the world <sup>2</sup> .....	-1.8	-1.8	-1.8
Other <sup>3</sup> .....	28.3	28.6	29.0
Timing differences:			
Corporate income tax .....	9.4	8.7	5.2
Federal and State unemployment insurance taxes .....	0	-2	.6
Withheld personal income tax and social security contributions .....	4.3	3.9	1.7
Excise taxes .....	1.4	-3	.4
Other .....	-3	-4	-7
<b>Equals: Federal Government receipts, NIPA's .....</b>	<b>1,249.6</b>	<b>1,346.2</b>	<b>1,450.7</b>

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

1. Consists largely of contributions of social insurance by residents of U.S. territories and Puerto Rico.
2. Taxes received from the rest of the world are included in the budget and netted against expenditures (transfer payments) in the NIPA's.
3. Consists largely of proprietary receipts that are netted against outlays in the budget and classified as receipts in the NIPA's.

The largest decrease in 1994 is also for national defense (\$11.2 billion).

The budget deficit for fiscal year 1994 is roughly the same as the current services deficit (table 4). The deficit for 1995 is smaller than the current services deficit because of revenue gains, especially from the tobacco tax proposal. The 1995 budget deficit is \$176.1 billion, down \$58.7 billion from 1994; of this decrease, \$50.6 billion results from a decline in the current services budget deficit, and \$8.1 billion results from the administration's proposals, primarily the tobacco tax.

#### **NIPA estimates for the Federal sector**

The Bureau of Economic Analysis has prepared estimates of the Federal sector on the NIPA basis that are consistent with the budget estimates. Estimates of the Federal sector, which are integrated conceptually and statistically with the rest of the NIPA's, differ in several respects from the budget estimates; unlike the budget estimates, these estimates exclude financial transactions, such as loans, and they record categories of receipts and expenditures on a timing basis different from

**Table 6.—Relation of Federal Government Expenditures in the NIPA's to Outlays in the Budget**

[Billions of dollars]

	Fiscal year		
	1993	1994	1995
<b>Budget outlays .....</b>	<b>1,408.2</b>	<b>1,483.8</b>	<b>1,518.9</b>
Less: Coverage differences:			
Geographic <sup>1</sup> .....	7.5	8.0	8.2
Other <sup>2</sup> .....	3.3	3.3	3.2
Financial transactions:			
Net lending .....	26.1	29.0	17.1
Deposit insurance .....	-26.0	-4	-8.5
Other .....	-2.3	-1.2	-1.0
Net purchases of land:			
Outer Continental Shelf .....	0	0	0
Other .....	.2	.2	.2
Auction of radio spectrum .....	0	-5	-4.3
Plus: Netting and grossing differences:			
Contributions to government employees retirement funds .....	56.3	59.7	64.7
Taxes received from rest of the world <sup>3</sup> .....	-1.8	-1.8	-1.8
Other <sup>4</sup> .....	28.3	28.6	29.0
Timing differences:			
National defense purchases .....	2.0	1.1	.8
Other .....	.4	.3	.4
Miscellaneous .....	0	0	0
<b>Equals: Federal Government expenditures, NIPA's .....</b>	<b>1,484.5</b>	<b>1,533.3</b>	<b>1,597.1</b>

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

1. Consists largely of transfer payments, subsidies, and grants-in-aid to residents of U.S. territories and Puerto Rico.

2. Consists of agencies not included in the budget, and includes net purchases of silver and minor coins.

3. Taxes received from the rest of the world are included in the budget and netted against expenditures (transfer payments) in the NIPA's.

4. Consists largely of proprietary receipts that are netted against outlays in the budget, and classified as receipts in the NIPA's.

that of the budget.<sup>4</sup> Table 4 summarizes the differences between the current services estimates, the administration's budget, and the budget estimates on the NIPA basis. Table 5 shows the relation between budget receipts and NIPA receipts, and table 6 shows the relation between budget outlays and NIPA expenditures.<sup>5</sup>

In table 6, the Federal Communication Commission auction of the radio spectrum is a new reconciliation item—a \$4.3 billion receipt in 1995. This transaction is tentatively classified as an exchange for a preexisting intangible asset; it is subtracted from budget outlays in deriving Federal expenditures on the NIPA basis.

Federal receipts on the NIPA basis increase \$105.5 billion in fiscal year 1995, to \$1,450.9 billion, reflecting \$66.0 billion from higher tax bases and \$39.6 billion from other tax changes (table 7). The increase is primarily due to enacted legislation, OBRA 93, and proposed legislation for the

tobacco tax. The increases in corporate profits tax accruals and in contributions for social insurance are down for the second consecutive year, reflecting tax law changes that target high-income individuals and tobacco consumers. Chart 1 shows the components of receipts on the NIPA basis for 1985–95.

Federal expenditures on the NIPA basis increase \$63.8 billion in fiscal year 1995, to \$1,597.1 billion (table 8). Federal expenditure growth accelerates in fiscal year 1995, primarily because of increased growth in net interest and transfer payments (chart 2). For fiscal year 1995, the largest increases in expenditures are for transfer payments—\$15.9 billion for social security (of which, \$8.6 billion in cost-of-living adjustments) and \$14.9 billion for medicare. Other large increases include nondefense purchases (\$11.6 billion), net interest payments (\$10.0 billion), and grants-in-aid to State and local governments for medicaid (\$9.2 billion). National defense purchases fall \$5.9 billion, and subsidies less the current surplus of government enterprises decrease \$0.9 billion. Chart 3 shows the components of expenditures on the NIPA basis for 1985–95.

4. For a detailed discussion of the differences, see *Government Transactions*, NIPA Methodology Paper Series MP-5. (MP-5 is available from the National Technical Information Service, Accession No. PB 90-118480.) In addition, footnote 4 in the SURVEY OF CURRENT BUSINESS article that described the fiscal year 1993 budget (March 1992 issue, page 32) contains information that updates the methodology paper.

5. The relation of budget receipts and outlays to NIPA receipts and expenditures is shown in NIPA table 3.18B, last published in the September 1993 SURVEY.

Table 7.—Sources of Change in Federal Government Receipts, NIPA Basis

[Billions of dollars]

	Change from preceding fiscal year		
	1993	1994	1995
<b>Total receipts</b> .....	<b>83.7</b>	<b>96.1</b>	<b>105.5</b>
Due to tax bases .....	77.3	74.4	66.0
Due to tax changes .....	6.4	21.6	39.6
Social security <sup>1</sup> .....	1.5	4.8	3.5
Omnibus Budget Reconciliation Act of 1993 .....	4.9	16.9	19.9
Proposed legislation .....	0	−1	16.2
Tobacco tax .....			16.5
Other .....	0	−1	−3
Personal tax and nontax receipts .....	27.6	46.8	48.8
Due to tax bases .....	28.2	35.3	33.9
Due to tax changes .....	−6	11.5	14.9
Omnibus Budget Reconciliation Act of 1993 .....	−6	11.6	15.2
Proposed legislation .....		−1	−3
Corporate profits tax accruals .....	19.5	13.3	6.9
Due to tax bases .....	17.6	10.7	4.7
Due to tax changes .....	1.9	2.6	2.2
Omnibus Budget Reconciliation Act of 1993 .....	1.9	2.6	2.2
Proposed legislation .....		0	0
Indirect business tax and nontax accruals .....	5.2	5.9	20.7
Due to tax bases .....	1.6	3.2	1.7
Due to tax changes .....	3.6	2.7	19.0
Omnibus Budget Reconciliation Act of 1993 .....	3.6	2.7	2.5
Proposed legislation (Tobacco tax) .....			16.5
Contributions for social insurance .....	31.4	30.0	29.3
Due to tax bases .....	29.9	25.2	25.8
Due to tax changes .....	1.5	4.8	3.5
Social security .....	1.5	4.8	3.5
Proposed legislation .....		0	0

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

1. Consists of changes in the social security rate and base since 1993.

Table 8.—Sources of Change in Federal Government Expenditures, NIPA Basis

[Billions of dollars]

	Change from preceding fiscal year		
	1993	1994	1995
<b>Total expenditures</b> .....	<b>48.5</b>	<b>48.8</b>	<b>63.8</b>
Purchases .....	.1	−1.6	6.6
National defense .....	−5.0	−13.2	−5.9
Pay raise and locality pay <sup>1</sup> .....		1.6	2.0
Other .....	−5.0	−14.8	−7.9
Nondefense .....	5.0	12.5	11.6
Pay raise and locality pay <sup>1</sup> .....		.9	1.5
Commodity Credit Corporation inventory change .....	.5	−2	−1
Other .....	4.5	11.8	10.2
Transfer payments .....	39.2	32.1	36.7
Social security .....	16.3	16.0	15.9
Medicare .....	13.2	14.9	14.9
Supplemental security income .....	3.7	4.4	1.7
Federal employee retirement .....	2.6	2.0	2.2
Earned income and child care credits .....	1.1	1.0	5.4
Veterans benefits .....	.9	.8	.7
Unemployment benefits .....	−1.6	−8.5	−3.8
Other .....	3.0	1.5	−3
Grants-in-aid to State and local governments .....	14.8	21.8	11.4
Medicaid .....	7.9	11.4	9.2
Education .....	.9	2.1	−5
Highways .....	1.0	1.4	2.8
Health care .....	.6	.6	1.8
Food and nutrition .....	.9	.9	.9
Other .....	3.5	5.4	−2.8
Net interest paid .....	−8.5	2.0	10.0
Subsidies less current surplus of government enterprises .....	2.9	−5.5	−9
Agriculture subsidies .....	1.7	−4.0	−2
Housing subsidies .....	0	−3	.2
Less: Postal Service surplus .....	.7	−1	.9
Other .....	1.9	−1.3	0

Source: Bureau of Economic Analysis.

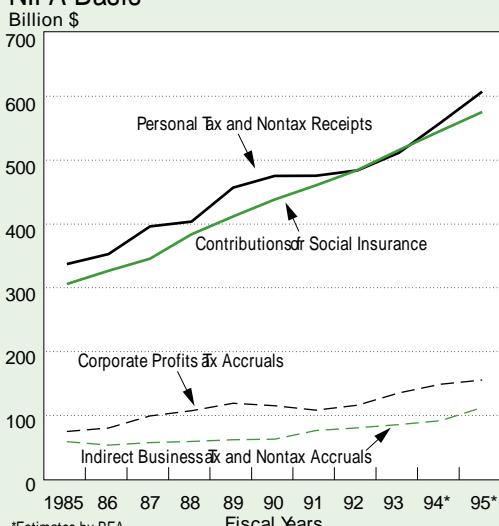
1. Consists of pay raises and locality pay beginning in January 1993.

National defense outlays in the budget differ from national defense purchases in the NIPA's (see table 9) for three principal reasons. First, some defense outlays, such as disbursements for foreign military sales, are not treated as purchases in the NIPA's. Second, a timing difference exists because the NIPA's are on a delivery basis, and budget outlays are on a cash basis. NIPA deliveries de-

celerate and exceed outlays in all 3 years. Third, financing of the military retirement program is treated differently in the two series. Defense outlays measure this item as a cash payment from the military personnel appropriation account to the military retirement trust fund; the NIPA's use total military retired pay as the measure of the retirement program's cost. At present, the budget measure of the retirement program shows a decline because of a reduction in military payrolls, but the NIPA series shows an increase because of the rising number of retirees and higher benefits.

### CHART 1

#### Federal Government Receipts, NIPA Basis

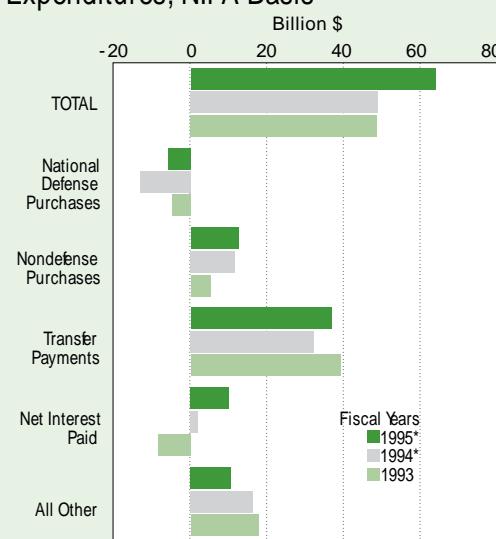


\*Estimates by BEA

U.S. Department of Commerce, Bureau of Economic Analysis

### CHART 2

#### Changes in Federal Government Expenditures, NIPA Basis

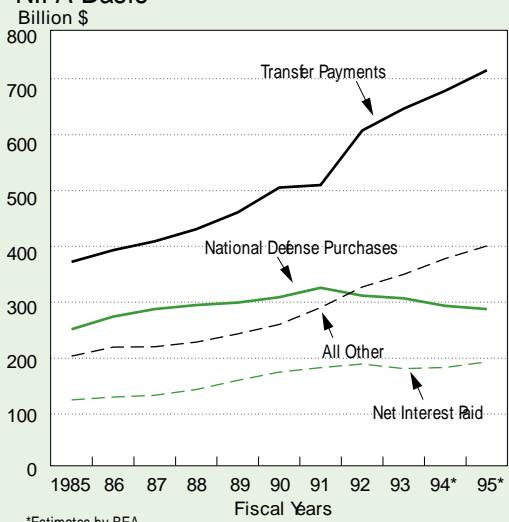


\*Estimates by BEA

U.S. Department of Commerce, Bureau of Economic Analysis

### CHART 3

#### Federal Government Expenditures, NIPA Basis

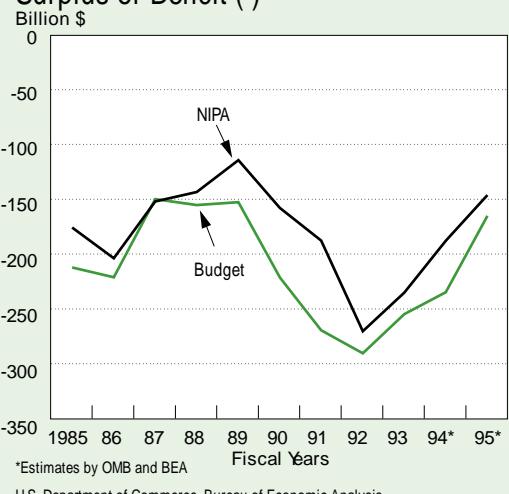


\*Estimates by BEA

U.S. Department of Commerce, Bureau of Economic Analysis

### CHART 4

#### Federal Fiscal Position, Surplus or Deficit (-)



\*Estimates by OMB and BEA

U.S. Department of Commerce, Bureau of Economic Analysis

Table 9.—Relation of National Defense Purchases in the NIPA's to National Defense Outlays in the Budget  
[Billions of dollars]

	Fiscal year		
	1993	1994	1995
<b>National defense outlays in the budget .....</b>	<b>291.1</b>	<b>279.8</b>	<b>270.7</b>
Department of Defense, military .....	278.6	267.5	259.3
Military personnel .....	75.9	71.0	70.3
Operation and maintenance .....	94.1	88.7	88.0
Procurement .....	69.9	60.8	55.1
Aircraft .....	20.4	18.3	17.0
Missiles .....	7.6	6.0	5.2
Ships .....	10.1	9.0	8.3
Weapons .....	6.9	5.7	4.3
Ammunition .....	1.4	1.0	1.1
Other .....	23.5	20.8	19.3
Research, development, test, and evaluation .....	37.0	35.7	36.1
Other .....	2.1	11.3	9.8
Atomic energy and other defense-related activities .....	12.5	12.3	11.4
<i>Plus:</i> Military assistance purchases .....	.2	.2	.2
<i>Less:</i> Grants-in-aid and net interest paid .....	2.6	2.8	3.0
Timing difference .....	-2.0	-1.1	-.8
Military retired pay adjustment .....	-12.4	-13.7	-14.8
Other differences .....	-3.6	-1.7	4.1
<b>Equals: National defense purchases, NIPA's .....</b>	<b>306.8</b>	<b>293.6</b>	<b>287.7</b>

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

The \$5.9 billion decline in defense purchases in 1995 is primarily in procurement of military equipment. In contrast, the \$13.2 billion decline in 1994 reflects about-equal drops in compensation (military personnel, and civilians in operation and maintenance) and in procurement of military equipment.

The deficit for fiscal year 1995 on the NIPA basis declines \$41.7 billion. The NIPA deficit is smaller than the budget deficit (chart 4) primarily because lending transactions and payments to residents of U.S. territories and Puerto Rico are removed from expenditures on the NIPA basis.

*Quarterly pattern.*—Quarterly estimates of NIPA receipts and expenditures that are consistent with the fiscal year receipts and outlays in the budget

are shown in table 10. Receipts reflect the quarterly pattern resulting from enacted and proposed legislation that would increase personal, corporate, and excise taxes; they also reflect the administration's projected quarterly pattern of wages and profits. Expenditures reflect the quarterly pattern resulting from enacted and proposed legislation that would reduce defense purchases, adjust Federal pay, and provide for cost-of-living increases in social security and in Federal employee retirement benefits. These NIPA estimates do not reflect the recently enacted California earthquake aid package.

The quarterly pattern of the NIPA deficit is driven by sharp changes in receipts interacting with relatively smooth changes in expenditures. The deficit declines in the first quarter of 1994, as contributions for social insurance rise because of a social security base change in January 1994. The deficit plummets in the second quarters of both 1994 and 1995, reflecting surges in OBRA 93 personal tax collections for deferred 1993 tax payments. These personal tax liabilities, which were retroactively imposed in 1993, can be spread without penalty over the 1993, 1994, and 1995 tax years. The deficit increases slightly in the third quarters of 1994 and 1995, reflecting a return to normal personal tax payment levels. It spikes downward in the fourth quarter of 1994, reflecting the imposition of the tobacco tax, which has its peak effect on receipts when it is levied on inventories and then has a smaller effect in subsequent quarters as it applies only to new production. The deficit declines in the first quarter of 1995, as increased receipts for personal taxes and contributions for social insurance more than offset the Federal pay increase (1.6-percent pay raise and 1.2-percent locality differential) and social security cost-of-living adjustments (3.0 percent).

Table 10 follows. 

Table 10.—Federal Government Receipts and Expenditures, NIPA Basis

[Billions of dollars; calendar year and quarters at seasonally adjusted annual rates]

	Fiscal year estimates <sup>1</sup>			Calendar year		Published				Estimates						
	1993	1994	1995	Pub- lished 1993	Esti- mate 1994	1993				1994				1995		
						I	II	III	IV	I	II	III	IV	I	II	III
<b>Receipts</b>	<b>1,249.3</b>	<b>1,345.3</b>	<b>1,450.9</b>	<b>1,265.9</b>	<b>1,370.4</b>	<b>1,218.4</b>	<b>1,268.0</b>	<b>1,275.9</b>	<b>1,301.3</b>	<b>1,335.3</b>	<b>1,372.0</b>	<b>1,367.8</b>	<b>1,406.6</b>	<b>1,431.5</b>	<b>1,472.5</b>	<b>1,471.5</b>
Personal tax and nontax receipts <sup>2</sup>	511.7	558.5	607.3	521.2	566.9	502.1	520.7	527.1	535.0	549.1	577.5	565.1	575.8	593.2	626.1	614.5
Proposed legislation	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Omnibus Budget Reconciliation Act of 1993	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	512.2	547.6	581.5	521.4	553.6	503.1	521.7	527.0	533.8	541.1	549.0	556.9	567.5	573.5	583.5	594.2
Corporate profits tax accruals <sup>3</sup>	135.6	148.9	155.8	141.1	151.8	132.4	142.4	139.3	143.9	146.6	150.9	154.2	155.3	155.5	155.5	156.7
Federal Reserve banks	15.8	15.7	16.5	15.2	16.0	15.7	15.3	15.1	15.3	15.6	15.9	16.2	16.3	16.5	16.5	16.7
Proposed legislation	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	119.8	133.2	139.3	125.9	135.8	116.7	127.1	124.2	128.6	131.0	135.0	138.0	139.0	139.0	139.0	140.0
Indirect business tax and nontax accruals	86.0	91.9	112.6	87.3	98.3	81.5	86.2	86.7	95.0	93.0	93.0	93.1	114.2	110.8	111.3	111.6
Proposed legislation	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Omnibus Budget Reconciliation Act of 1993	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	86.1	86.8	89.9	86.1	88.0	81.5	86.2	87.0	90.0	88.0	88.0	88.1	87.6	89.7	90.0	90.3
Contributions for social insurance	516.0	546.0	575.3	517.9	553.5	502.3	518.7	522.8	527.4	546.6	550.6	555.4	561.3	571.8	579.6	588.7
Social security	411.5	437.7	461.4	415.9	443.1	401.7	416.8	420.5	424.6	437.4	440.4	444.6	449.8	458.3	465.0	472.6
Tax on wages and salaries	366.8	411.2	432.1	392.6	416.5	378.4	393.5	397.2	401.1	411.4	414.1	417.9	422.6	429.3	435.8	443.2
Base increases:																
January 1994	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1995	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	386.8	405.5	424.2	392.6	408.9	378.4	393.5	397.2	393.5	403.8	406.5	410.2	415.0	420.4	426.8	434.3
Tax on self-employment earnings	24.6	26.5	29.3	23.3	26.6	23.2	23.3	23.3	23.4	26.0	26.3	26.7	27.2	28.9	29.2	29.5
Base increases	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	24.5	25.9	27.4	23.2	26.0	23.1	23.2	23.2	23.3	25.4	25.7	26.1	26.6	26.9	27.2	27.5
Supplementary medical insurance	14.7	16.8	19.2	15.0	17.6	14.9	15.0	15.0	15.0	16.9	17.4	18.0	18.0	19.2	19.5	20.1
Unemployment insurance	27.6	27.7	26.9	25.9	28.4	25.1	26.1	26.2	26.1	28.1	28.2	28.4	28.7	28.8	28.9	29.0
Other	62.2	63.8	67.8	61.0	64.5	60.5	60.8	61.1	61.7	64.2	64.6	64.4	64.8	65.5	66.5	67.9
<b>Expenditures</b>	<b>1,484.5</b>	<b>1,533.3</b>	<b>1,597.1</b>	<b>1,495.3</b>	<b>1,528.9</b>	<b>1,481.9</b>	<b>1,490.6</b>	<b>1,488.5</b>	<b>1,520.2</b>	<b>1,535.6</b>	<b>1,543.1</b>	<b>1,544.9</b>	<b>1,578.5</b>	<b>1,600.3</b>	<b>1,602.7</b>	<b>1,605.1</b>
Purchases	445.0	443.4	450.0	443.6	444.7	442.7	447.5	443.6	440.5	444.8	445.1	442.5	446.3	449.3	451.9	451.5
National defense	306.8	293.6	287.7	303.6	289.9	304.8	307.6	301.9	300.1	294.0	291.9	286.9	286.7	288.5	288.7	286.3
Pay raises and locality pay	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1994	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1995	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	306.8	292.0	284.1	303.6	287.8	304.8	307.6	301.9	300.1	292.0	289.8	284.8	284.6	284.5	284.6	282.2
Nondefense	138.2	149.8	162.3	140.0	154.8	137.9	140.0	141.7	140.4	150.8	153.2	155.6	159.6	160.8	163.2	165.2
Pay raises and locality pay	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1994	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1995	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Commodity Credit Corporation inventory change	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	138.4	149.3	160.4	140.1	154.2	138.3	140.3	141.9	139.8	150.6	152.8	154.9	158.5	158.9	161.1	162.8
Transfer payments (net)	646.4	678.5	715.2	651.8	689.6	642.0	645.6	652.8	667.1	680.0	684.4	690.4	703.6	713.6	717.6	725.6
To persons	630.2	661.6	700.0	636.0	672.6	628.9	632.7	639.1	643.4	663.2	667.2	673.6	686.4	699.2	703.6	710.8
Social security	293.7	309.7	325.6	298.0	313.4	295.9	296.2	298.2	301.7	310.3	313.2	314.4	316.4	328.1	330.1	332.3
Regular	293.7	303.4	310.7	298.0	305.4	295.9	296.2	298.2	301.7	302.4	304.4	306.4	308.4	310.4	312.4	314.4
Benefit increases	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1994	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
January 1995	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Commodity Credit Corporation inventory change	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	62.2	63.8	67.8	61.0	64.5	60.5	60.8	61.1	61.7	64.2	64.6	64.4	64.8	65.5	66.5	67.9
Veterans benefits	19.1	19.9	20.6	19.2	19.7	19.2	19.3	19.3	19.1	19.5	19.7	19.7	20.0	20.1	20.2	20.2
Life insurance	1.8	2.0	2.0	1.9	2.0	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Pensions and disability	16.7	17.0	17.7	16.9	17.0	16.9	17.0	16.9	16.7	16.9	16.9	16.9	17.2	17.2	17.2	17.2
Readjustment	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Railroad retirement	7.9	8.0	8.1	7.8	8.0	7.8	7.9	7.9	7.8	7.9	7.9	7.9	8.0	8.0	8.1	8.1
Military medical insurance	3.3	3.2	3.1	3.5	3.5	3.4	3.5	3.5	3.5	3.4	3.4	3.5	3.6	3.7	3.8	3.8
Food stamps	22.0	22.5	23.4	22.1	23.4	21.6	21.9	22.5	22.6	23.3	23.3	23.3	23.8	23.9	24.0	24.1
Black lung benefits	1.4	1.3	1.4	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4
Supplemental security income	20.8	25.2	26.9	20.8	25.2	20.3	21.0	20.8	20.9	23.0	24.5	26.1	27.1	28.4	28.7	28.9
Earned income and child care credits	9.4	10.4	15.8	8.9	10.4	8.9	8.9	8.9	8.9	10.4	10.4	10.4	10.4	15.8	15.8	15.8
All other	15.4	15.6	16.1	17.1	16.7	16.7	16.7	17.3	17.7	20.7	16.8	12.6	16.6	5.6	4.1	6.5
To rest of the world (net)	16.2	16.9	15.2	15.8	17.0	13.1	12.9	13.7	23.6	17.2	16.8	17.2	14.4	14.0	14.0	14.0

Table 10.—Federal Government Receipts and Expenditures, NIPA Basis—Continued

[Billions of dollars; calendar year and quarters at seasonally adjusted annual rates]

	Fiscal year estimates <sup>1</sup>			Calendar year		Published				Estimates						
	1993	1994	1995	Pub- lished 1993	Esti- mate 1994	1993				1994				1995		
						I	II	III	IV	I	II	III	IV	I	II	III
Grants-in-aid to State and local governments .....	182.1	203.9	215.3	185.8	208.5	176.1	182.8	188.6	195.6	199.2	207.2	213.6	214.0	214.2	215.2	217.4
Highways .....	15.8	17.2	20.0	16.3	17.4	15.3	15.0	17.6	17.1	17.1	17.1	17.1	18.0	19.5	20.5	22.0
Public assistance .....	93.9	106.1	116.3	97.0	108.2	91.3	95.4	97.7	103.7	105.8	107.0	108.1	111.8	115.2	117.4	120.8
Medicaid .....	75.6	87.0	96.2	78.6	88.8	72.9	77.7	79.6	84.3	86.7	87.7	88.7	92.2	95.2	97.2	100.2
Aid to families with dependent children .....	15.5	16.3	16.9	15.7	16.3	16.0	15.0	15.4	16.2	16.2	16.3	16.4	16.5	16.8	17.0	17.3
Social services .....	2.8	2.9	3.2	2.8	3.0	2.4	2.7	2.7	3.2	2.9	3.0	3.1	3.1	3.2	3.2	3.3
Education .....	15.6	17.7	17.2	15.9	17.9	15.6	16.7	15.3	16.1	18.2	18.2	18.2	17.2	17.2	17.2	17.2
Community development .....	3.2	3.7	4.2	3.5	3.7	3.1	3.3	3.6	3.9	3.7	3.7	3.7	3.9	4.1	4.3	4.5
Mass transit .....	2.9	2.2	2.9	2.4	2.1	2.3	2.7	2.4	2.4	2.0	2.0	2.0	2.5	2.8	3.0	3.3
Environmental protection .....	2.1	2.3	2.3	2.1	2.4	2.2	2.1	2.1	1.9	2.5	2.5	2.4	2.3	2.3	2.3	2.3
Food and nutrition .....	10.7	11.6	12.5	10.6	12.3	10.1	10.6	10.9	10.8	12.3	12.3	12.3	12.4	12.5	12.5	12.6
Health care .....	6.4	7.0	8.2	6.3	7.5	5.8	6.5	6.2	6.8	7.4	7.4	7.4	7.6	8.0	8.4	8.8
All other .....	31.6	36.0	31.6	31.7	37.0	30.4	30.5	32.8	32.9	30.2	37.0	42.4	38.3	32.6	29.6	25.9
Net interest paid .....	181.3	183.3	193.3	180.6	186.2	178.3	182.5	182.2	179.4	182.0	186.0	186.0	190.6	192.4	194.8	195.4
Subsidies less current surplus of government enterprises .....	29.7	24.2	23.3	33.5	21.6	42.9	32.3	21.4	37.7	29.6	20.4	12.4	24.0	30.8	23.2	15.2
Agriculture .....	11.4	7.4	7.2	13.8	5.1	21.7	13.8	2.2	17.6	5.2	5.4	1.4	8.3	7.9	6.4	6.2
Housing subsidies .....	19.5	19.2	19.4	20.3	18.9	20.0	20.1	20.3	20.9	19.1	18.9	17.9	19.7	19.4	19.3	19.2
Railroad subsidies .....	.6	.6	.8	.6	.6	.6	.6	.6	.6	.6	.6	.6	.7	.8	.8	.9
Maritime subsidies .....	.3	.4	.3	.3	.4	.3	.3	.3	.3	.4	.4	.5	.3	.3	.3	.3
Urban mass transit subsidies .....	.8	.8	.7	.8	.8	.8	.8	.8	.8	.8	.8	.8	.7	.7	.7	.7
Less: Postal Service surplus .....	.3	.2	1.1	-1.4	.8	-3.2	-4	-4	-1.5	.6	.8	1.0	.8	1.1	1.3	1.2
Other subsidies less current surplus (net) .....	-2.6	-4.0	-4.0	-3.7	-3.4	-3.8	-3.7	-3.3	-4.0	4.1	-4.9	-7.8	-4.9	2.8	-3.0	-10.9
Less: Wage accruals less disbursements .....	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Surplus or deficit (-) .....</b>	<b>-235.2</b>	<b>-187.9</b>	<b>-146.2</b>	<b>-229.3</b>	<b>-180.1</b>	<b>-263.5</b>	<b>-222.6</b>	<b>-212.7</b>	<b>-218.9</b>	<b>-200.3</b>	<b>-171.1</b>	<b>-177.1</b>	<b>-171.9</b>	<b>-168.8</b>	<b>-130.2</b>	<b>-133.6</b>

Sources: *The Budget of the United States Government, Fiscal Year 1995*, and the Bureau of Economic Analysis.

1. Fiscal year estimates are the sum of quarterly totals not seasonally adjusted, which were last published in table 9.3 on page 38 of the September 1993 SURVEY OF CURRENT BUSINESS.

2. *The Budget of the United States Government, Analytical Perspectives, Fiscal Year 1995*, "National Income and Product Accounts", page 260 contained incorrect quarterly estimates of personal tax and nontax receipts (PTN); the PTN estimates also carried through to the Budget estimates for total receipts and the deficit. The following tabulation shows the difference between the estimates of PTN shown in the Budget and those shown in table 10 (above):

	Fiscal year			Calendar year						
				1994		1995				
	1993	1994	1995	I	II	III	IV	I	II	
Budget .....	511.7	558.5	607.3	554.4	568.1	573.2	584.7	597.4	630.7	616.7
PTN less Budget .....	0	0	0	-5.3	9.4	-8.1	-8.9	-4.2	-4.6	-2.2

3. Corporate profit tax accruals are not published in the fourth quarter 1993 (preliminary). The value shown is taken from the Budget.