State and Local Government in the NIPAs

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Presentation Outline

- Introduction to data for state and local governments
- What data show
- Research agenda for the future
- Special topics:
  - Medicaid
  - Debt and deficits
State and Local Governments

- 50 state governments
- 87,525 local governments, including:
  - 3,034 county governments
  - 35,933 sub-county governments
  - 13,506 school districts
  - 35,052 special districts (which usually serve a single function such as: conservation, fire protection, water supply, transportation, hospitals, etc. Not schools.)

Purpose of State and Local NIPA Data

- Comprehensive measure of production and income.
- Consistent with other sectors of the economy.
- Consistent with other nations’ accounts.
Sources of state and local government data

- National Association of State Budget Officers (NASBO)
  - Mainly focuses on general fund (state only)
- National Conference of State Legislatures (NCSL)
  - Mainly focuses on general fund (state only)
- U.S. Census Bureau
  - Includes all funds: general fund, federal funds, bond funds, rainy day funds, etc.
  - Includes dependent agencies, e.g. state universities
  - Consistent definitions used throughout
  - Only source of comprehensive local government data

Sources of State and Local Government Data

- **Census Data Collection:** Census of Governments every five years, ending in 2 or 7
- **Government Finance** annual survey in all other years
  - Central collection for states, large municipals, and most school districts.
  - Mail survey for small municipalities and special districts.
How BEA Differs From Census

- Coverage - NIPA sector
  - Excludes pension funds
  - Includes Indian tribal governments
  - Distinguishes current / capital transactions
- Netting
  - Records government sales as offsets against expenditures
- Timing
- Replacement
- (See table 3.19 for details.)

What Do We Produce?

- Complete set of current and capital accounts for state and local governments:
  - Receipts by source.
  - Expenditures by type.
    - Current expenditures.
    - Capital expenditures.
  - Expenditures by function.
  - Real expenditure estimates.
Composition of current receipts (2004)

Composition of current expenditures (2004)
Recent growth trends

State and Local Government Expenditures Excluding Intergovernmental Grants

Percent of GDP

Local government
State government

Recent growth trends

State and Local Government Consumption Expenditures and Gross Investment

Percent of GDP

Local government
State government
Future Research Projects

- Insurance: Modern treatment of insurance.
- Re-classification of government enterprises: Public corporations.
- Accrual accounting: Aligning timing with economic transactions or activities.
- Balance sheets: Integration with FRB Flow of Funds.
- More timely and frequent financial data: Improving current estimates.

Special Topics: Medicaid

- Medicaid spending is growing as a share of state expenditures
- Medicaid is growing slower than overall medical expenditures*

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Medicaid

- In the NIPAs, Medicaid includes states’ expenditures on medical services and Medicare premiums paid on behalf of indigents.
- CMS’s Form-64 is our official source for the Medicaid estimate. However, it is published on a two-quarter lag.
  - Quarterly current estimates are based on seasonally adjusted grants to states for Medicaid reported to the Treasury and the Federal Medical Assistance Percentage.

Medicaid

- Improving the NIPA Medicaid Estimate
  - BEA recently gained access to CMS’s Medicaid Financial Management database.
  - BEA will attempt to use the newly available real time data to prepare current estimates, as opposed to using an extrapolation technique.
Special Topics: Debt

- Net lending/borrowing is a NIPA measure of state and local government borrowing.
  - Equals total receipts less total expenditures
- Conceptually equivalent to net lending/borrowing in the Flow of Funds Accounts (net acquisition of financial assets less net incurrence of liabilities), but there are large statistical discrepancies between the two series
- Improved integration of the NIPAs and the Flow of Funds Accounts should reduce this discrepancy.

Debt

Comparison of Net Lending/Borrowing Measures (BEA, Census, Federal Reserve)

- GF
- NIPA
- FFA

Calendar year

$ (billions)
Debt

- Census provides data on outstanding debt levels. They provide data on long-term guaranteed and long-term non-guaranteed debt. Data on short-term debt and long-term debt by purpose are also available.

State and Local Long-term Debt Outstanding

Conclusions

- State and local governments account for about 12% of GDP.
- Local government is largest contributor.
- Most recent estimates are based upon partial data.
- Research agenda addresses data gaps and consistency with international guidelines.
Questions?

- Comments on research agenda?
- Suggestions on filling data gaps?
- What do you see as emerging data needs?