

CHAPTER 7

OFFSETTING RECEIPTS AGAINST EXPENDITURES

The consolidated cash budget expenditures estimated for fiscal year 1968 include \$2½ billion of net expenditures for public enterprises, trust enterprises, and Government-sponsored enterprises—while in fact these entities had gross expenditures to the public of \$35½ billion. The difference represents \$33 billion of receipts from the public which are treated as negative expenditures, rather than positive receipts, in the budget totals, because the grossing and netting rules are based on fund structures. This practice, of course, does not affect the budget surplus or deficit, since overall revenues and expenditures are reduced by equal amounts. It has been frequently suggested that these receipts should be included in the budget as positive receipts rather than as negative expenditures.

In addition to receipts of the entities referred to above, the budget for 1968 shows \$9.8 billion of nontax miscellaneous receipts of budget and trust funds. Many of these miscellaneous receipts are similar in character to earmarked or enterprise receipts which are treated net in the budget. It has been argued that a number of these miscellaneous receipts should also be treated as negative expenditures.

Criticism of present netting and grossing practices has come from many different sources. One argument heard is that offsetting receipts against expenditures understates the total impact of Government on the economy. It is also argued that a net treatment conceals important information: that is, that a gross presentation would permit the user to gross or net as he sees fit, whereas it may be difficult to reconstruct gross receipts and expenditures if only the net is reported.

Others point out, however, that presenting overall Federal receipts and expenditures on a gross basis—including all transactions between the Government and the public—would give an exaggerated view of the Government's role in the economy. For example, the Federal intermediate credit banks are scheduled in the 1968 budget to issue and redeem nearly \$8 billion of relatively short-term credit within the year. Inclusion in budget receipts and expenditures of such amounts on a gross basis would clearly give an inflated picture of real Government activity. Further, it is argued that for enterprise-type activities, a net basis of reporting is more significant as a measure of the extent to which general taxpayers are contributing to operating deficits of the enterprises. A good example is the