18. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1995

The following three parts of this chapter compare the actual total receipts, outlays and deficit for 1995 with the baseline estimates shown in the 1995 Budget published in February 1994. The fourth part of this chapter shows additional details for a comparison of mandatory and related programs, and the final part reconciles actual receipts, outlays, and deficit totals for 1995 previously published by the Department of the Treasury with those in the budget.

In this chapter the initial estimates of both receipts and outlays for 1995 have been adjusted upward by $4.3 billion as a result of the reclassification of the Federal Communications universal service fund as budgetary. The initial estimates shown here are therefore higher than originally published in February 1994.

Receipts

Receipts in 1995 were $1,355.2 billion, which is $9.3 billion greater than the baseline estimate of $1,345.9 billion. As shown in Table 18–1, this increase was the net effect of legislative, administrative and regulatory changes; economic conditions that differed from what had been expected; and different collection patterns and effective tax rates than had been assumed.

Policy differences.—Four major laws enacted after February 1994 affected 1995 receipts: Uruguay Round Agreements Act of 1994, Social Security Independence and Program Improvements Act, Social Security Domestic Employment Reform Act of 1994 and Self-Employed Health Insurance Act. Tariff reductions provided under the Agreements were offset by timing, compliance and withholding changes in certain Federal tax laws, resulting in a net increase in 1995 receipts of $25 million. The Social Security Independence and Program Improvements Act and the Social Security Domestic Employment Reform Act of 1994 provided for changes in the Social Security and Supplemental Security Income programs that reduced 1995 receipts by $0.2 billion. The provisions of the Self-Employed Health Insurance Act restored and permanently increased the deduction of health insurance costs for the self-employed and repealed the Federal Communication Commission's certificate of deferral program, reducing 1995 receipts by a net $0.2 billion. In total, legislative, administrative and regulatory changes decreased 1995 receipts by a net $0.3 billion.

Economic differences.—Differences between the economic assumptions upon which the baseline estimates were made and actual economic performance accounted for a net increase in 1995 receipts of $15.5 billion. One-third of this increase ($5.2 billion) was attributable to increases in corporation income taxes resulting from higher than expected corporate profits. Individual income taxes were higher than expected by $3.6 billion, in large part due to increases in non-wage sources of personal income relative to the budget forecast. Higher than anticipated interest rates, which affect deposits of earnings by the Federal Reserve, increased miscellaneous receipts by $3.9 billion and higher than expected imports increased customs duties by $2.1 billion.

Technical reestimates.—Different collection patterns and effective tax rates than had been assumed in February 1994 were primarily responsible for the reductions in individual income taxes and social insurance taxes and contributions of $10.1 billion and $7.7 billion, respectively, and the increase in corporation income taxes of $9.4 billion. Increased deposits of earnings by the Federal Reserve, attributable to higher-than-expected asset values on securities denominated

Table 18–1. COMPARISON OF ACTUAL 1995 RECEIPTS WITH THE INITIAL BASELINE ESTIMATES

(In billions of dollars)

	Baseline estimate	Legislative, regulatory and administrative changes	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	597.1	–0.4	3.6	–10.1	–6.9	590.2
Corporation income taxes	141.0	1.4	5.2	9.4	16.0	157.0
Social insurance taxes and contributions	492.1	–0.2	0.3	–7.7	–7.7	484.5
Excise taxes	55.8	0.8	0.5	0.5	1.7	57.5
Estate and gift taxes	13.9	....	*	0.9	0.9	14.8
Customs duties	20.9	–1.9	2.1	–1.7	–1.6	19.3
Miscellaneous receipts	25.1	....	3.9	2.9	6.8	31.9
Total	**1,345.9**	**–0.3**	**15.5**	**–5.9**	**9.3**	**1,355.2**

*$50 million or less.

in foreign currencies, accounted for most of the $2.9 billion increase in miscellaneous receipts.

Outlays

Outlays for 1995 were $1,519.1 billion. This was $4.1 billion less than the $1,523.2 billion baseline estimates in the initial 1995 Budget (February 1994).[1]

Table 18–2 distributes the $4.1 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to four reasons for the changes: (1) policy changes; (2) changes to the discretionary caps or limits; (3) economic conditions; and (4) technical estimating differences, a residual.

Policy changes are the result of actions by the Congress or the Administration that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation. For 1995, policy changes decreased outlays an estimated $0.8 billion relative to the initial baseline estimates.

Policy changes reduced discretionary outlays $0.5 billion because final appropriations were below the caps. Policy changes reduced mandatory outlays $0.3 billion below current law. Most of this decrease was the result of $0.2 billion for agriculture reforms and $0.2 billion for the Uruguay Round Agreements Act of 1994 (GATT). (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Increases in the discretionary caps allowed outlays to increase $6.3 billion. This included $7.9 billion for emergencies, largely for the Northridge, California earthquake and expenses for military actions in the Persian Gulf. These increases were partially offset by $1.6 billion in decreases in the caps. The caps, or discretionary limits, are established in the Budget Enforcement Act of 1990 as amended, and can be adjusted for officially declared emergencies and other reasons. The caps are described in Chapter 12: "Preview Report," found elsewhere in this volume.

Economic conditions that differed from those forecast in February 1994 resulted in a net outlay increase of $14.2 billion. Outlays for mandatory programs decreased an estimated $5.8 billion. Lower than expected unemployment rates decreased outlays $4.7 billion, primarily due to the effects on unemployment benefits. Lower than expected inflation decreased outlays $1.5 billion, largely due to the effect on Medicare and Medicaid and other inflation-sensitive benefits. These decreases were more than offset by increases for net interest, which increased $20.0 billion due to higher than expected interest rates.

Technical estimating differences and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, bank failures, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $23.9 billion. The largest decrease was for deposit insurance. Collections were initially estimated to exceed disbursements by $11.1 billion. Actual collections exceeded disbursements by $17.9 billion, a decrease in outlays of $6.7 billion from the initial estimate. This decrease was primarily because favorable economic conditions resulted in fewer bank and thrift failures than originally assumed, and improved economic conditions increased collections from asset sales. The other largest decreases were for Medicaid and the Postal Service.

Table 18–2. COMPARISON OF ACTUAL 1995 OUTLAYS WITH THE INITIAL BASELINE ESTIMATES

(Outlays in billions)

	1995 Budget baseline (Feb. 1994)[1]	Changes					Actual
		Policy	Cap changes	Economic	Technical	Total changes	
Discretionary:							
Defense	271.1	–1.1	2.1	....	1.4	2.4	273.5
Nondefense	271.3	0.5	4.1	....	–3.8	0.8	272.1
Subtotal, discretionary	542.4	–0.5	6.3	....	–2.5	3.3	545.7
Mandatory:							
Deposit insurance	–11.1	....	....	....	–6.7	–6.7	–17.9
Other programs	779.0	–0.3	....	–5.8	–13.8	–19.8	759.2
Subtotal, mandatory	767.9	–0.3	....	–5.8	–20.5	–26.6	741.3
Net interest	213.0	–*	0.2	20.0	–1.0	19.2	232.2
Total outlays	**1,523.2**	**–0.8**	**6.5**	**14.2**	**–23.9**	**–4.1**	**1,519.1**

* $50 million or less.

[1] Total discretionary outlays are the estimated discretionary caps. Because the caps were not separated by defense and nondefense, discretionary defense outlays are proposed amounts.

[1] The initial baseline estimate includes current law estimates for mandatory outlays. Discretionary outlays are the estimated caps including adjustments for fees as published in the *Analytical Perspectives* volume of the *1995 Budget.*

Deficit

The preceding two sections discussed the differences between the initial baseline estimates and the actual amounts of Federal Government receipts and outlays for 1995. This section combines these effects to show the net impact of these differences on the deficit.

As shown in Table 18–3, the 1995 baseline deficit was initially estimated to be $177.3 billion. The actual deficit was $163.9 billion, which was $13.4 billion less than the initial estimate. Receipts were $9.3 billion more than the initial estimate, and outlays were $4.1 billion less. The table shows the distribution of the changes according to the categories in the preceding two sections.

The net effect of policy decreases in receipts and outlays combined to decrease the deficit $0.5 billion. Cap changes increased the deficit $6.5 billion.

Economic conditions that differed from the initial assumptions in February 1994 accounted for an estimated $1.3 billion decrease in the deficit—the combined effect of an increase in receipts of $15.5 billion, almost offset by an increase in outlays of $14.2 billion. Technical estimating and other differences decreased the deficit by an estimated $18.0 billion. This was due to a decrease in outlays of $23.9 billion, partially offset by a decrease in receipts of $5.9 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1995

This section compares the original 1995 outlay estimates for mandatory and related programs under current law in the 1995 Budget (February 1994) with the actual outlays. Mandatory and related programs are programs with spending generally controlled by authorizing legislation rather than by annual appropriations. Outlays for these programs depend primarily on eligibility criteria and benefit levels established in law, such as social security and Medicare benefits for the elderly, agricultural price support payments to farmers, or deposit insurance for banks and thrift institutions. This category also includes net interest outlays and undistributed offsetting receipts.

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; or economic conditions (such as inflation or interest rates) may differ from what was assumed in making the original estimates.

Table 18–4 shows the differences between the actual outlays for these programs in 1995 and the amounts originally estimated in the 1995 Budget, based on laws in effect at that time. (The list of programs is similar to the list in Table 13–3 in Chapter 13, "Review of Direct Spending and Receipts," in this volume. This table provides the estimates through 2002.) Actual outlays for mandatory and related programs in 1995 were $973.5 billion, which was $7.4 billion less than the initial estimate of $980.9 billion, based on existing law in February 1994. Of this, actual outlays for mandatory programs were $785.8 billion in 1995, $24.9 billion less than estimated in February 1994.

Actual outlays for mandatory human resources programs were $800.4 billion, $13.5 billion less than originally estimated. This decrease was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences. The largest decrease was for Medicaid ($7.3 billion), due primarily to technical reestimates.

Outlays for other mandatory programs were $11.3 billion less than originally estimated. The largest decrease was for deposit insurance. Collections were initially expected to exceed disbursements by $11.1 billion. Actual collections exceeded disbursements by $17.9 billion, a net decrease of $6.7 billion from the initial estimate. This was in part due to favorable economic conditions, which resulted in fewer bank and thrift failures than originally assumed and increased proceeds from the sale of assets. The decrease in outlays for mandatory agricultural programs ($3.2 billion) resulted largely from higher than expected crop prices that reduced Federal income subsidies and international affairs.

Outlays for net interest were $232.2 billion or $19.2 billion more than the original estimate. This increase was largely the effect of higher than expected interest rates partially offset by lower borrowing requirements due to a lower than originally estimated deficit.

Table 18–3. COMPARISON OF THE ACTUAL 1995 DEFICIT WITH THE INITIAL BASELINE ESTIMATES

(In billions)

	1995 Budget baseline (Feb. 1994)	Changes					Actual
		Policy	Cap changes	Economic	Technical	Total changes	
Receipts	1,345.9	–0.3	....	15.5	–5.9	9.3	1,355.2
Outlays	1,523.2	–0.8	6.5	14.2	–23.9	–4.1	1,519.1
Deficit	**–177.3**	**0.5**	**–6.5**	**1.3**	**18.0**	**13.4**	**–163.9**

Note: Deficit changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit.

Table 18–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billion of dollars)

	1995		
	February 1994 estimate	Actual	Change
Mandatory programs:			
Human resources programs:			
Education, training, employment, and social services	13.6	15.7	2.0
Health:			
Medicaid	96.4	89.1	–7.3
Other	4.1	4.3	0.2
Total health	100.5	93.4	–7.1
Medicare	155.4	156.9	1.5
Income security:			
Retirement and disability	69.2	70.4	1.2
Unemployment compensation	23.0	21.3	–1.7
Food and nutrition assistance	34.4	33.5	–0.9
Other	63.0	56.0	–6.9
Total, income security	189.7	181.3	–8.3
Social security	334.6	333.3	–1.3
Veterans benefits and services:			
Income security for veterans	19.0	19.0	*
Other	1.2	0.9	–0.2
Total veterans benefits and services	20.1	19.9	–0.2
Total mandatory human resources programs	813.9	800.4	–13.5
Other mandatory programs:			
Agriculture	9.0	5.8	–3.2
Deposit insurance	–11.1	–17.9	–6.7
Other functions	–1.2	–2.6	–1.4
Total other mandatory programs	–3.3	–14.7	–11.3
Total mandatory programs	810.6	785.8	–24.9
Undistributed offsetting receipts:			
Employer share, employee retirement	–39.8	–42.0	–2.3
Rents and royalties on the outer continental shelf	–3.0	–2.4	0.6
Total undistributed offsetting receipts	–42.8	–44.5	–1.7
Net interest:			
Interest on the public debt	311.0	332.4	21.4
Interest received by trust funds	–88.8	–93.2	–4.3
Other interest	–9.2	–7.1	2.1
Total net interest [1]	213.0	232.2	19.2
Total outlays for mandatory and related programs under current law	**980.9**	**973.5**	**–7.4**

* $50 million or less.

[1] Assumes baseline deficit of $177.3 billion, as shown in Table 18–3.

Reconciliation of Differences with Amounts Published by Treasury for 1995

Table 18–5 provides a reconciliation of the receipts, outlays, and the deficit totals published by the Department of the Treasury in the *U.S. Government Annual Report* (February 1996) and those published in this budget. Receipts are $4.6 billion higher than previously reported by the Department of the Treasury and outlays are $4.7 billion higher, resulting in a net increase in the deficit of $0.1 billion more than previously reported. Most of the receipt and outlay difference is the result of the reclassification of the Federal Communications universal service fund as budgetary.

Table 18–5. RECONCILIATION OF FINAL AMOUNTS FOR 1995

(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published in the *Monthly Treasury Statement* for September 1995 [1]	1,350,576	1,514,389	163,813
Miscellaneous Treasury adjustments	....	39	39
Totals published by Treasury in the *U.S. Government Annual Report* [2]	1,350,576	1,514,428	163,852
Adjustments, net:			
Federal Communications Commission (universal service fund)	4,300	4,300	....
Farm Credit System Financial Assistance Corporation	....	75	75
United Mine Workers of America benefit funds	336	336	....
Miscellaneous adjustments	1	–6	–7
Total adjustments, net	4,637	4,705	68
Totals in the 1997 Budget	**1,355,213**	**1,519,133**	**163,920**

[1] Published on October 27th, 1995.
[2] Published in February 1996.