19. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1997

The following three parts of this chapter compare the actual total receipts, outlays, and deficit for 1997 with the current services estimates[1] shown in the FY 1997 Budget published in March 1996. 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 1997 previously published by the Department of the Treasury with those in this budget.

Receipts

Receipts in 1997 were $1,579.3 billion, which is $77.8 billion greater than the current services estimate of $1,501.5 billion in the 1997 Budget. As shown in Table 19–1, this increase was the net effect of legislative, administrative and regulatory changes; economic conditions that differed from what had been expected; and technical factors that resulted in different collection patterns and effective tax rates than had been assumed.

Policy differences.—Seven major laws enacted after March 1996 affected 1997 receipts: Tax Benefits for Members of the Armed Forces Performing Peacekeeping Services in Bosnia and Hercegovina, Croatia, and Macedonia; Taxpayer Bill of Rights 2; Personal Responsibility and Work Opportunity Reconciliation Act of 1996; Health Insurance Portability and Accountability Act of 1996; Small Business Job Protection Act; Airport and Airway Trust Fund Tax Reinstatement Act of 1997, and Taxpayer Relief Act of 1997. In total, these changes increased 1997 receipts by a net $48 million.

Economic differences.—Differences between the economic assumptions upon which the current services estimates were made and actual economic performance accounted for a net decrease in 1997 receipts of $0.2 billion. Increases in wages and salaries and non-wages sources of personal income were in large part responsible for the increase in individual income taxes of $1.5 billion. Increases in wages and salaries and proprietor's income relative to the budget forecasts were primarily responsible for the increase in social insurance and retirement receipts of $2.5 billion. Excise taxes were also above the budget forecast, in large part attributable to higher-than-estimated levels of nominal GDP. Lower-than-expected corporate profits reduced corporation income taxes $3.4 billion below the budget forecast, and lower-than-expected imports reduced customs duties by $0.8 billion.

Technical reestimates.—Higher-than-anticipated collections of individual income taxes accounted for $75.0 billion of the $78.0 billion increase in 1997 receipts attributable to technical factors. Higher-than-anticipated capital gains realizations than assumed in March 1996, and changes in the distribution of income among taxpayers, which caused effective tax rates to be higher than estimated in March 1996, were in large part responsible for the increase in individual income tax receipts. Different collections patterns and effective tax rates than assumed in March 1996 were primarily responsible for the higher-than-anticipated collections of corporation income taxes of $5.1 billion. Most of the $1.0 billion increase in social insurance and retirement receipts reflected different distributions of income among taxpayers than had been assumed. Greater-than-anticipated holdings of taxable assets increased estate and gift taxes above the budget forecast by $2.8 billion. Different distributions of imports and purchases among taxable products were in large part responsible for the increase in excise taxes and decrease in customs duties, respectively. Decreased deposits of earnings by

[1] The current services concept is discussed in Chapter 16: "Current Services Estimates." For mandatory programs and receipts the March 1996 current services estimate is based on laws then in place. For discretionary programs the current services estimate is based on the prior year estimates adjusted for inflation.

Table 19–1. COMPARISON OF ACTUAL 1997 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	March 1996 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes	662.3	–1.3	1.5	75.0	75.2	737.5
Corporation income taxes	181.6	–1.0	–3.4	5.1	0.7	182.3
Social insurance taxes and contributions	535.9	–*	2.5	1.0	3.5	539.4
Excise taxes	52.0	3.6	0.6	0.7	4.9	56.9
Estate and gift taxes	17.1	....	–*	2.8	2.8	19.8
Customs duties	21.1	–1.1	–0.8	–1.3	–3.2	17.9
Miscellaneous receipts	31.4	*	–0.5	–5.5	–6.0	25.5
Total	**1,501.5**	*****	**–0.2**	**78.0**	**77.8**	**1,579.3**

*$50 million or less.

the Federal Reserve, attributable to lower-than-expected asset values on securities denominated in foreign currencies, and lower-than-expected contributions to the Universal Service Fund, accounted for most of the $5.5 billion decrease in miscellaneous receipts.

Outlays

Outlays for 1997 were $1,601.2 billion. This was $50.0 billion less than the $1,651.3 billion current services estimate in the 1997 Budget (March 1996).

Table 19–2 distributes the $50.0 billion net decrease in outlays among discretionary and mandatory programs and net interest. The table also makes rough estimates according to three reasons for the changes: policy; economic conditions; and 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 1997, policy changes decreased outlays an estimated $10.6 billion relative to the initial current services estimates.

Policy changes reduced discretionary outlays $3.9 billion because final appropriations were below the initial current services estimates. Policy changes decreased mandatory outlays $6.4 billion below current law. Most of this was the result of enacted legislation that imposed a special assessment on thrifts to capitalize the Savings Association Insurance Fund, expanded collections from auctions of the electromagnetic spectrum, and reformed food stamps, partially offset by increases in the Farm Bill. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

Economic conditions that differed from those forecast in March 1996 resulted in a net outlay increase of $3.6 billion. Outlays for mandatory programs decreased an estimated $4.1 billion, largely due to lower than expected unemployment rates, which in turn resulted in lower outlays for unemployment compensation and food stamps. Outlays for net interest increased an estimated $7.7 billion, largely 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, higher asset sales from failed banks and thrifts, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of $43.1 billion. The largest decreases were for Medicare, Medicaid, deposit insurance, and higher than expected revenues from the auction of spectrum licenses.

Deficit

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1997. This section combines these effects to show the net impact of these differences on the deficit.

As shown in Table 19–3, the 1997 current services deficit was initially estimated to be $149.8 billion. The actual deficit was $21.9 billion, which was $127.8 billion less than the initial estimate. Receipts were $77.8 billion more than the initial estimate, and outlays were $50.0 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 for receipts and outlays decreased the deficit $10.6 billion.

Economic conditions that differed from the initial assumptions in March 1996 accounted for an estimated $3.8 billion increase in the deficit. This was the combined effect of a decrease in receipts of $0.2 billion and an increase in outlays of $3.6 billion. Technical factors decreased the deficit by an estimated $121.0 billion. This was due to an increase in receipts of $78.0 billion and a decrease in outlays of $43.1 billion for technical estimating reasons.

Table 19–2. COMPARISON OF ACTUAL 1997 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (March 1996)	Changes: Policy	Changes: Economic	Changes: Technical	Changes: Total changes	Actual
Discretionary:						
Defense	270.9	–6.6	....	7.4	0.8	271.6
Nondefense	278.2	2.7	....	–4.3	–1.6	276.6
Subtotal, discretionary	549.1	–3.9	....	3.1	–0.8	548.3
Mandatory:						
Deposit insurance	–4.6	–3.2	....	–6.6	–9.8	–14.4
Other programs	867.7	–3.2	–4.1	–37.0	–44.3	823.4
Subtotal, mandatory	863.1	–6.4	–4.1	–43.6	–54.1	809.0
Net interest	239.1	–0.3	7.7	–2.5	4.9	244.0
Total outlays	**1,651.3**	**–10.6**	**3.6**	**–43.1**	**–50.0**	**1,601.2**

Table 19–3. COMPARISON OF THE ACTUAL 1997 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (March 1996)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts	1,501.5	*	–0.2	78.0	77.8	1,579.3
Outlays	1,651.3	–10.6	3.6	–43.1	–50.0	1,601.2
Deficit	**–149.8**	**10.6**	**–3.8**	**121.0**	**127.8**	**–21.9**

* indicates $50 million or less.
Note: Deficit changes are receipts minus outlays. For these changes, a plus indicates a decrease in the deficit.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1997

This section compares the original 1997 outlay estimates for mandatory and related programs under current law in the 1997 Budget (March 1996) with the actual outlays. Mandatory and related programs are programs with permanent spending authority that is 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 19–4 shows the differences between the actual outlays for these programs in 1997 and the amounts originally estimated in the 1997 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 1997 were $1,053.0 billion, which was $49.2 billion less than the initial estimate of $1,102.2 billion, based on existing law in March 1996.

Actual outlays for mandatory human resources programs were $876.5 billion, $24.6 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.

Outlays for other functions were $18.7 billion less than originally estimated. Much of this decrease was for deposit insurance. Undistributed offsetting receipts were $10.8 billion higher than expected, largely due to higher-than-expected receipts from the sale of spectrum licenses.

Outlays for net interest were $244.0 billion or $4.9 billion more than the original estimate. This increase was largely the effect of higher than assumed interest rates, partially offset by lower borrowing requirements due to lower than originally estimated deficits for 1996 and 1997.

Reconciliation of Differences with Amounts Published by Treasury for 1997

Table 19–5 provides a reconciliation of the receipts, outlays, and deficit totals published by the Department of the Treasury in the September 30, 1997, Monthly Treasury Statement and those published in this budget. The Department of the Treasury made technical adjustements to the estimates for the U.S. Government Annual Report, which lowered receipts by $25 million and outlays by $676 million. Most of the revision was for the Postal Service and for the Federal Housing Administration in the Department of Housing and Urban Development. Additional adjustements made for this budget increased receipts by $341 million and outlays by $316 million. Nearly all of this difference is the result of inclusion of transactions of the United Mine Workers of America benefit funds.

Table 19–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1997		
	March 1996 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services	13.5	13.7	0.2
Health:			
Medicaid	102.3	95.6	–6.7
Other	4.5	5.3	0.8
Total health	106.8	100.9	–5.9
Medicare	193.1	187.4	–5.7
Income security:			
Retirement and disability	75.7	75.7	0.1
Unemployment compensation	24.7	20.6	–4.1
Food and nutrition assistance	36.5	31.7	–4.8
Other	65.2	63.5	–1.7
Total, income security	202.0	191.4	–10.5
Social security	364.8	362.3	–2.6
Veterans benefits and services:			
Income security for veterans	19.9	20.4	0.5
Other	1.0	0.3	–0.7
Total veterans benefits and services	20.9	20.7	–0.2
Total mandatory human resources programs	901.1	876.5	–24.6
Other functions:			
Agriculture	3.7	5.0	1.3
Deposit insurance	–4.6	–14.4	–9.8
Other functions	2.1	–8.1	–10.2
Total, other functions.	1.2	–17.5	–18.7
Undistributed offsetting receipts:			
Employer share, employee retirement	–34.5	–34.3	0.2
Rents and royalties on the outer continental shelf	–3.1	–4.7	–1.6
Other undistributed offsetting receipts.	–1.6	–11.0	–9.4
Total undistributed offsetting receipts	–39.2	–50.0	–10.8
Total, mandatory.	863.1	809.0	–54.1
Net interest:			
Interest on the public debt	345.8	355.8	10.0
Interest received by trust funds	–100.4	–105.0	–4.6
Other interest	–6.3	–6.8	–0.5
Total net interest	239.1	244.0	4.9
Total outlays for mandatory and net interest.	1,102.2	1,053.0	–49.2

Table 19–5. RECONCILIATION OF FINAL AMOUNTS FOR 1997

(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September 30, 1997, Monthly Treasury Statement)	1,578,977	1,601,595	–22,618
Postal Service	....	–376	376
Federal Housing Administration	....	–308	308
Other	–25	8	–34
Total adjustments, net	–25	–676	650
Totals published by Treasury in U.S. Government Annual Report	1,578,951	1,600,919	–21,968
United Mine Workers of America benefit funds	339	339	....
Other	2	–23	25
Total adjustments, net	341	316	25
Totals in the budget	1,579,292	1,601,235	–21,943
MEMORANDUM:			
Total change since September 30, 1997, Monthly Treasury Statement	315	–360	675