

## 17. COMPARISON OF ACTUAL TO ESTIMATED TOTALS FOR 1999

The following three parts of this chapter compare the actual total receipts, outlays, and surplus for 1999 with the current services estimates<sup>1</sup> shown in the 1999 Budget published in February 1998. 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 surplus totals for 1999 previously published by the Department of the Treasury with those in this budget.

### Receipts

Receipts in 1999 were \$1,827.5 billion, which is \$97.6 billion greater than the current services estimate of \$1,729.8 billion in the 1999 Budget. As shown in Table 17-1, this increase was the net effect of legislative and administrative 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.**—The Transportation Equity Act for the 21st Century, Internal Revenue Service Restructuring and Reform Act of 1998, and The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, were the only major laws enacted after February 1998 that affected 1999 receipts. The changes provided in these Acts, together with several minor legislative and administrative changes, were in large part offsetting, resulting in a net decrease in 1999 receipts relative to the February 1998 current services estimate of only \$5 million.

**Economic differences.**—Differences between the economic assumptions upon which the current services

estimates were made and actual economic performance accounted for a net increase in 1999 receipts of \$36.7 billion. Higher-than-anticipated wages and salaries were in large part responsible for the increases in individual income taxes and social insurance and retirement receipts of \$27.9 billion and \$14.7 billion, respectively. Excise taxes were also higher than the budget estimate, in large part due to higher-than-estimated levels of gross domestic product (GDP). These increases were partially offset by lower-than-expected shares of corporate profits in GDP, which reduced corporation income taxes \$4.8 billion below the budget estimate. Lower-than-expected imports, which affect customs duties, and lower-than-expected interest rates, which affect deposits of earnings by the Federal Reserve (miscellaneous receipts), reduced receipts below the budget estimates by an additional \$0.5 billion and \$1.7 billion, respectively.

**Technical reestimates.**—Technical factors increased 1999 receipts a net \$60.9 billion above the February 1998 current services estimate. This net increase was in large part attributable to higher-than-anticipated collections of individual income taxes and estate and gift taxes, which were partially offset by lower-than-anticipated collections of corporation income taxes. Higher effective tax rates on personal income than estimated in February 1998, and the continued strength of the stock market and its effect on capital gains, were in large part responsible for the increase in individual income taxes of \$60.2 billion. Greater-than-anticipated numbers and values of taxable estates, attributable in large part to the continued strength of the stock market, increased estate and gift taxes \$7.5 billion above the budget estimate. Different collections patterns and effective tax rates than assumed in February 1998 were primarily responsible for the lower-than-anticipated collections of corporation income taxes of \$6.9 billion.

Table 17-1. COMPARISON OF ACTUAL 1999 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Feb. 1998 estimate	Enacted legislation/ administrative actions	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes .....	792.7	-1.4	27.9	60.2	86.7	879.5
Corporation income taxes .....	194.4	2.0	-4.8	-6.9	-9.7	184.7
Social insurance and retirement receipts .....	595.7	*	14.7	1.4	16.1	611.8
Excise taxes .....	70.7	-0.1	1.2	-1.5	-0.3	70.4
Estate and gift taxes .....	20.5	.....	-0.2	7.5	7.2	27.8
Customs duties .....	18.8	-0.5	-0.5	0.4	-0.5	18.3
Miscellaneous receipts .....	36.8	.....	-1.7	-0.2	-1.9	34.9
<b>Total .....</b>	<b>1,729.8</b>	<b>-*</b>	<b>36.7</b>	<b>60.9</b>	<b>97.6</b>	<b>1,827.5</b>

\* indicates \$50 million or less.

### Outlays

Outlays for 1999 were \$1,703.0 billion. This was \$29.4 billion less than the \$1,732.4 billion current services estimate in the 1999 Budget (February 1998).

Table 17-2 distributes the \$29.4 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 1999, policy changes increased outlays an estimated \$10.0 billion relative to the initial current services estimates.

Policy changes increased discretionary outlays by \$8.5 billion because outlays from final appropriations were above the initial current services estimates. Defense discretionary outlays increased by \$3.5 billion and non-defense discretionary outlays increased by \$5.0 billion. Policy changes increased mandatory outlays \$1.2 billion above current law. The largest changes were an increase of \$5.7 billion for emergency spending for agricultural programs, partially offset by \$2.4 billion in collections from the sale of pension assets of the District of Columbia. (Mandatory programs are mostly formula benefit or entitlement programs not normally controlled by annual appropriations.)

*Economic conditions* that differed from those forecast in February 1998 for current services (as well as policy) resulted in a net decrease in outlays of \$19.1 billion. Outlays for mandatory programs decreased an estimated \$10.1 billion, largely due to lower than expected unemployment rates, which in turn reduced outlays for unemployment compensation and food stamps; and lower than expected inflation, which caused lower than estimated increases for Social Security and other inflation-sensitive programs. Outlays for net interest decreased \$9.0 billion due to a combination of lower than

projected interest rates and changes in borrowing requirements that resulted from the effect of economic factors on receipts and outlays.

*Technical estimating differences* and other changes result from changes in such factors as the number of beneficiaries for entitlement programs, crop conditions, or other factors not associated with policy changes or economic conditions. Technical changes accounted for a net decrease of \$20.3 billion. The largest decrease was for Medicare.

### Deficit/Surplus

The preceding two sections discussed the differences between the initial current services estimates and the actual amounts of Federal Government receipts and outlays for 1999. This section combines these effects to show the net impact of these differences on the deficit or surplus.

As shown in Table 17-3, the 1999 current services deficit was initially estimated to be \$2.6 billion. The actual surplus was \$124.4 billion, which was a \$127.0 billion change from the initial estimate. Receipts were \$97.6 billion more than the initial estimate, and outlays were \$29.4 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 increased the deficit \$10.0 billion.

Economic conditions that differed from the initial assumptions in February 1998 accounted for an estimated \$55.9 billion decrease in the deficit. This was the combined effect of an increase in receipts of \$36.7 billion and a decrease in outlays of \$19.1 billion. Technical factors decreased the deficit by an estimated \$81.2 billion. This was due to an increase in receipts of \$60.9 billion and a decrease in outlays of \$20.3 billion for technical estimating reasons.

Table 17-2. COMPARISON OF ACTUAL 1999 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Current Services (Feb. 1998)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Discretionary:						
Defense .....	271.0	3.5	.....	1.0	4.5	275.5
Nondefense .....	298.4	5.0	.....	-3.9	1.1	299.5
Subtotal, discretionary .....	569.4	8.5	.....	-2.9	5.6	575.0
Mandatory:						
Deposit insurance .....	-4.4	.....	-0.1	-0.8	-0.9	-5.3
Other programs .....	925.3	1.2	-10.1	-12.8	-21.7	903.6
Subtotal, mandatory .....	920.9	1.2	-10.1	-13.6	-22.6	898.3
Net interest .....	242.1	0.3	-9.0	-3.7	-12.4	229.7
<b>Total outlays .....</b>	<b>1,732.4</b>	<b>10.0</b>	<b>-19.1</b>	<b>-20.3</b>	<b>-29.4</b>	<b>1,703.0</b>

**Table 17-3. COMPARISON OF THE ACTUAL 1999 SURPLUS WITH THE INITIAL CURRENT SERVICES ESTIMATES OF THE DEFICIT**

(In billions of dollars)

	Current Services (Feb. 1998)	Changes				Actual
		Policy	Economic	Technical	Total changes	
Receipts .....	1,729.8	—*	36.7	60.9	97.6	1,827.5
Outlays .....	1,732.4	10.0	-19.1	-20.3	-29.4	1,703.0
<b>Surplus/deficit (-) .....</b>	<b>-2.6</b>	<b>-10.0</b>	<b>55.9</b>	<b>81.2</b>	<b>127.0</b>	<b>124.4</b>

\* indicates \$50 million or less.

Note: Surplus/deficit(-) changes are receipts minus outlays. For these changes, a plus indicates an increase in the surplus or a decrease in the deficit.

### **Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 1999**

This section compares the original 1999 outlay estimates for mandatory and related programs under current law in the 1999 Budget (February 1998) 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 on eligibility criteria, benefit levels, and other factors established in law. Major examples of these programs include Social Security and Medicare benefits for the elderly, agricultural price support payments to farmers, and 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 17-4 shows the differences between the actual outlays for these programs in 1999 and the amounts originally estimated in the 1999 Budget, based on laws in effect at that time. Actual outlays for mandatory spending and net interest in 1999 were \$1,128.1 billion, which was \$35.0 billion less than the initial estimate of \$1,163.0 billion, based on existing law in February 1998.

Actual outlays for mandatory human resources programs were \$921.7 billion, \$39.6 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 \$14.9 billion more than originally estimated, largely because of increases of \$11.1 billion for agriculture programs. Undistributed offsetting receipts were \$2.1 billion less than expected.

Outlays for net interest were \$229.7 billion or \$12.4 billion less than the original estimate. This decrease was the net effect of changes in interest rates from those initially assumed, lower borrowing requirements due to actual surpluses in 1998 and 1999, and technical factors.

**Table 17-4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW**

(In billions of dollars)

	1999		
	Feb. 1998 estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services .....	13.9	11.3	-2.7
Health:			
Medicaid .....	107.9	108.0	0.1
Other .....	7.1	6.1	-1.0
Total health .....	115.1	114.1	-0.9
Medicare .....	204.7	187.7	-17.0
Income security:			
Retirement and disability .....	81.1	76.5	-4.6
Unemployment compensation .....	23.9	21.4	-2.6
Food and nutrition assistance .....	33.1	28.7	-4.4
Other .....	72.0	71.2	-0.8
Total, income security .....	210.1	197.8	-12.4
Social security .....	392.8	387.0	-5.9
Veterans benefits and services:			
Income security for veterans .....	23.3	22.2	-1.1
Other .....	1.4	1.7	0.3
Total veterans benefits and services .....	24.7	23.8	-0.8
Total mandatory human resources programs .....	961.3	921.7	-39.6
Other functions:			
Agriculture .....	7.0	18.1	11.1
Deposit insurance .....	-4.4	-5.3	-0.9
Other functions .....	-0.4	4.3	4.7
Total, other functions .....	2.2	17.1	14.9
Undistributed offsetting receipts:			
Employer share, employee retirement .....	-36.6	-35.6	1.0
Rents and royalties on the outer continental shelf .....	-4.2	-3.1	1.1
Other undistributed offsetting receipts .....	-1.8	-1.8	0.1
Total undistributed offsetting receipts .....	-42.6	-40.4	2.1
Total, mandatory .....	920.9	898.3	-22.6
Net interest:			
Interest on the public debt .....	366.8	353.5	-13.2
Interest received by trust funds .....	-118.8	-118.6	0.2
Other interest .....	-5.8	-5.1	0.7
Total net interest .....	242.1	229.7	-12.4
Total outlays for mandatory and net interest .....	1,163.0	1,128.1	-35.0

### **Reconciliation of Differences with Amounts Published by Treasury for 1999**

Table 17-5 provides a reconciliation of the receipts, outlays, and surplus totals published by the Department of the Treasury in the September 30, 1999, Monthly Treasury Statement and those published in this budget. The Department of the Treasury made

technical adjustments to the estimates for the U.S. Government Annual Report, which lowered outlays by \$539 million. Additional adjustments made for this budget increased receipts by \$169 million and decreased outlays by \$966 million. The major changes were for Federal family education loans and transactions of the United Mine Workers of America benefit funds.

Table 17-5. RECONCILIATION OF FINAL AMOUNTS FOR 1999

(In millions of dollars)

	Receipts	Outlays	Surplus
Totals published by Treasury (September 30, 1999, Monthly Treasury Statement) ..	1,827,285	1,704,545	122,740
Miscellaneous Treasury adjustments. ....		-539	539
Totals published by Treasury in U.S. Government Annual Report <sup>1</sup> .....	1,827,285	1,704,006	123,279
Federal family education loans <sup>1</sup> .....		-1,086	1,086
United Mine Workers of America benefit funds .....	148	148	
Other .....	21	-28	49
Total adjustments, net .....	169	-966	1,135
Totals in the budget .....	1,827,454	1,703,040	124,414
<b>MEMORANDUM:</b>			
Total change September 30, 1999, Monthly Treasury Statement .....	169	-1,505	1,674

<sup>1</sup> Estimates shown for the Treasury Annual Report are consistent with detailed estimates in the Treasury Annual Report Appendix. The Federal family education loan change is included in Treasury Annual Report summary material.