

27. COMPARISON OF ACTUAL TO ESTIMATED TOTALS

In successive budgets, the Administration publishes estimates of the surplus or deficit for a particular fiscal year. Initially, the year appears as an outyear projection at the end of the budget horizon. In each subsequent budget, the year advances in the estimating horizon until it becomes the “budget year.” One year later, the year becomes the “current year” then in progress, and the following year, it becomes the just-completed “actual year.”

The Budget is legally required to compare budget year estimates of receipts and outlays with the subsequent actual receipts and outlays for that year. This chapter meets that requirement by comparing the actual receipts, outlays, and deficit for 2013 with the current services estimates shown in the 2013 Budget, published in February 2012.¹ It also presents a more detailed comparison for mandatory and related programs, and reconciles the actual receipts, outlays, and deficit totals shown here with the figures for 2013 previously published by the Department of the Treasury.

¹ The current services concept is discussed in Chapter 25, “Current Services Estimates.” For mandatory programs and receipts, the February 2012 current services estimate was based on laws then in place, adjusted to reflect extension of certain expiring tax provisions. For discretionary programs the current services estimate was based on the discretionary spending limits enacted in the Budget Control Act of 2011 (BCA). Spending for Overseas Contingency Operations, was estimated based on 2012 enacted appropriations, increased for inflation. The current services estimates also reflected the effects of discretionary and mandatory sequestration as required by the BCA following failure of the Joint Select Committee on Deficit Reduction to meet its deficit reduction target. The current services estimates published in the 2013 Budget re-classified a large number of surface transportation programs as mandatory. The published estimates for nondefense discretionary outlays and mandatory outlays were \$545 billion and \$2,195 billion, respectively. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this chapter for comparability. For a detailed explanation of the 2013 estimate, see “Current Services Estimates,” Chapter 27 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2013*.

Receipts

Actual receipts for 2013 were \$2,775 billion, \$107 billion less than the \$2,882 billion current services estimate in the 2013 Budget. As shown in Table 27–1, this decrease was the net effect of legislative and administrative changes that differed from what was assumed in the current services estimate, economic conditions that differed from what had been expected, and technical factors that resulted in different tax liabilities and collection patterns than had been assumed.

Policy differences. The February 2012 current services estimate of 2013 receipts reflected permanent extension of estate, gift, and generation-skipping transfer taxes at parameters in effect for calendar year 2012 (a top rate of 35 percent and an exemption amount of \$5 million); annual indexation of the 2011 parameters of the AMT as enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010; and permanent extension of the tax reductions enacted in 2001 and 2003 (as amended by subsequent legislation) that were scheduled to expire on December 31, 2012. Those provisions were estimated to reduce 2013 receipts by a net \$244 billion relative to then-current law. Several laws were enacted after February 2012 that reduced 2013 receipts by a net \$303 billion, \$59 billion more than the net tax reductions reflected in the current services estimate. The bulk of the legislated tax reductions enacted after February 2012 that affected 2013 receipts were provided in the Middle Class Tax Relief and Job Creation Act of 2012 and the American Taxpayer Relief Act of 2012, which reduced 2013 receipts by an estimated \$28 billion and \$278 billion, respectively. The major provisions of these two laws extended the two-percentage-point reduction in the Social Security payroll tax rate for employees and self-employed individuals to apply to taxable wages and self-employment earnings received before January 1, 2013; permanently extended the 2001 and 2003 tax cuts

Table 27–1. COMPARISON OF ACTUAL 2013 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES
(In billions of dollars)

	Estimate (February 2012)	Changes			Total changes	Actual
		Policy	Economic	Technical		
Individual income taxes	1,294	1	–51	73	23	1,316
Corporation income taxes	365	–35	–41	–16	–91	274
Social insurance and retirement receipts	990	–26	–19	2	–42	948
Excise taxes	87	–2	–4	3	–3	84
Estate and gift taxes	12	2	–*	5	7	19
Customs duties	34	*	–2	*	–2	32
Miscellaneous receipts	101	.....	3	–2	1	103
Total receipts	2,882	–59	–115	66	–107	2,775

* \$500 million or less.

for most Americans; temporarily extended key tax relief provided to middle-income taxpayers in the American Recovery and Reinvestment Act of 2009 (ARRA); and extended a number of other provisions that had expired or were scheduled to expire. Other legislation enacted after February 2012, which included the Moving Ahead for Progress in the 21st Century (MAP-21) Act and the FAA Modernization and Reform Act of 2012, increased 2013 receipts by a net \$3 billion.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2013 receipts by a net \$115 billion below the February 2012 estimate. These differences had the greatest effect on individual income taxes, corporation income taxes, and social insurance and retirement receipts, reducing those sources of receipts by \$51 billion, \$41 billion, and \$19 billion, respectively. The reduction in individual income tax receipts was primarily attributable to lower-than-anticipated wages and salaries and other sources of taxable personal income than assumed in February 2012. Corporations were less profitable than initially projected, which reduced collections of corporation income taxes below the February 2012 estimate. Lower-than-anticipated wages and salaries and proprietors' income—the tax base for Social Security and Medicare payroll taxes—were in large part responsible for the reduction in social insurance and retirement receipts. Different economic factors than those assumed in February 2012 reduced other sources of receipts by a net \$3 billion.

Technical factors. Technical factors increased receipts by a net \$66 billion relative to the February 2012 current services estimate. These factors had the greatest effect on individual income taxes, increasing collections by \$73 billion. The models used to prepare the February 2012 estimates of individual income taxes were based on historical economic data and then-current tax and collec-

tions data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the economic forecast, but subject to tax, such as capital gains and pensions, differed from what was expected at the time the February 2012 estimates were prepared; (2) for most sources of income subject to individual income taxes, both the percentage that was subject to tax and the effective tax rate on the portion subject to tax differed from what was anticipated; and (3) the timing of the payment of tax liability was different from what had been assumed. These increases in individual income taxes were partially offset by net reductions in other sources of receipts of \$6 billion.

Outlays

Outlays for 2013 were \$3,455 billion, \$200 billion less than the \$3,655 billion current services estimate in the 2013 Budget. Table 27–2 distributes the \$200 billion net decrease in outlays among discretionary and mandatory programs and net interest.² The table also shows rough estimates according to three reasons for the changes: policy; economic conditions; and technical estimating differences, a residual.

Policy differences. Policy changes are the result of legislative actions that change spending levels, primarily through higher or lower appropriations or changes in authorizing legislation, which may themselves be in response to changed economic conditions. For 2013, policy changes increased outlays by \$50 billion relative to the

² Discretionary programs are controlled by annual appropriations, while mandatory programs are generally controlled by authorizing legislation. Mandatory programs are primarily formula benefit or entitlement programs with permanent spending authority that depends on eligibility criteria, benefit levels, and other factors.

Table 27–2. COMPARISON OF ACTUAL 2013 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Estimate (February 2012)	Changes			Total changes	Actual
		Policy	Economic	Technical		
Discretionary:						
Defense	667	4	.....	–45	–41	626
Nondefense ¹	600	21	.....	–45	–24	576
Subtotal, discretionary	1,267	25	.....	–90	–65	1,202
Mandatory:						
Social Security	820	–*	–1	–11	–12	808
Medicare and Medicaid	811	–*	–12	–42	–54	757
Other programs ¹	509	25	–23	–45	–43	467
Subtotal, mandatory	2,140	25	–36	–97	–108	2,032
Disaster costs ²	2	.....	.....	–2	–2	.....
Net interest	246	*	–36	11	–25	221
Total outlays	3,655	50	–72	–178	–200	3,455

* \$500 million or less.

¹ The current services estimates published in the 2013 Budget re-classified a large number of surface transportation programs as mandatory. The estimate for nondefense discretionary spending was \$545 billion and \$2,195 billion for mandatory outlays in the published Budget. This proposal was not subsequently enacted, so the applicable costs are shown as discretionary in this table for comparability.

² These amounts were included in the 2013 Budget to represent the statistical probability of a major disaster requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary, or mandatory outlays or tax relief. These amounts were included as outlays for convenience.

initial current services estimates, which included the impacts of sequestration as part of the Budget Control Act of 2011. Final 2012 discretionary appropriations were not enacted at the time of the 2013 Budget, so the February 2012 estimate of discretionary outlays was based on an annualized continuing resolution rate that was lower than the final bill. The combined policy changes from final 2012 and 2013 appropriations, including Overseas Contingency Operations, increased discretionary outlays by \$25 billion.

Policy changes increased mandatory outlays by a net \$25 billion above current law. Much of this increase was the result of changes in unemployment compensation and student loan programs enacted in 2012 and 2013 that increased 2013 outlays by \$12 billion and \$10 billion, respectively. Debt service costs associated with all policy changes increased outlays by less than \$1 billion.

Economic differences. There was a net decrease in outlays of \$72 billion as a result of differences between actual economic conditions and those forecast in February 2012. The greatest change was in net interest, where lower-than-anticipated inflation and other changes in economic factors decreased outlays by \$36 billion. Unemployment compensation and Medicaid spending were both \$11 billion lower than the current services estimate due to economic factors; spending on food and nutrition assistance was \$7 billion lower.

Technical factors. Technical estimating factors resulted in a net decrease in outlays of \$178 billion. Technical 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. Outlays for discretionary programs decreased by \$90 billion, as agencies spent resources more slowly than assumed in February 2012, particularly during an extended period of uncertainty about final appropriations levels and following implementation of sequestration for discretionary programs. Outlays for mandatory programs decreased a net \$97 billion. The largest change was a \$58 billion decrease in mortgage credit spending: net outlays resulting from Treasury's Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac were \$87 billion lower than estimated in the 2013 Budget due to improved financial performance of the companies and a \$51 billion increase in the valuation of Fannie Mae's deferred tax asset. This decrease was partially offset by a \$28 billion increase in net outlays resulting from techni-

cal reestimates of Federal Housing Administration (FHA) credit programs pursuant to the Federal Credit Reform Act. There was also a \$35 billion decrease in Medicare spending driven in part by lower than projected utilization, including for inpatient hospital services. Outlays for higher education were \$18 billion lower than anticipated in the 2013 Budget largely due to a \$15 billion downward reestimate of the cost of the outstanding student loan portfolio, and a downward reestimate of the costs of the TARP program further decreased outlays by \$13 billion. This was partially offset by a \$21 billion increase in spending on deposit insurance programs primarily due to lower-than-anticipated assessment collections, and unanticipated outlays associated with the conclusion of the Federal Deposit Insurance Corporation's assessment prepayment program in 2013. Net interest outlays increased by \$11 billion due to technical factors.

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 2013. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 27–3, the 2013 current services deficit was initially estimated to be \$772 billion. The actual deficit was \$680 billion, which was a \$93 billion decrease from the initial estimates. Receipts and outlays were \$107 billion and \$200 billion less than the initial estimate, respectively. The table shows the distribution of the changes according to the categories in the preceding two sections. The net effect of policy changes for receipts and outlays increased the deficit by \$109 billion. Economic conditions that differed from the initial assumptions in February 2012 increased the deficit by \$42 billion. Technical factors decreased the deficit by an estimated \$244 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2013

This section compares the original 2013 outlay estimates for mandatory and related programs in the current services estimates of the Budget with the actual outlays. Major examples of these programs include Social Security and Medicare benefits, Medicaid and unemployment compensation payments, and deposit insurance for banks and

Table 27–3. COMPARISON OF THE ACTUAL 2013 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE

(In billions of dollars)

	Estimate (February 2012)	Changes			Total changes	Actual
		Policy	Economic	Technical		
Receipts	2,882	–59	–115	66	–107	2,775
Outlays	3,655	50	–72	–178	–200	3,455
Deficit	772	109	42	–244	–93	680

* \$500 million or less.

Note: Deficit changes are outlays minus receipts. For these changes, a positive number indicates an increase in the deficit.

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 mandatory 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 27–4 shows the differences between the actual outlays for these programs in 2013 and the current services estimates included in the 2013 Budget.³ Actual outlays for mandatory spending and net interest in 2013 were \$2,253 billion, which was \$133 billion less than the current services estimate of \$2,386 billion in February 2012.

As Table 27–4 shows, actual outlays for mandatory human resources programs were \$2,139 billion, \$80 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. Most significantly, outlays for Medicare decreased by \$36 billion due to economic and technical factors and Medicaid spending was \$17 billion lower than anticipated for the reasons outlined above. Outlays for programs in other functions were \$31 billion less than originally estimated, largely due to a \$58 billion decrease in mortgage credit spending and the \$13 billion downward reestimate of TARP mentioned above; this was partially offset by the increase in deposit insurance outlays.

Outlays for net interest were \$221 billion, or \$25 billion less than the original estimate. As shown on Table 27–4, interest payments on Treasury debt securities decreased by \$55 billion, offset by reduced interest earnings.

Reconciliation of Differences with Amounts Published by the Treasury for 2013

Table 27–5 provides a reconciliation of the receipts, outlays, and deficit totals for 2013 published by the Department of the Treasury in the September 2013 Monthly Treasury Statement (MTS) and those published in this Budget. The Department of the Treasury made adjustments to the estimates for the Combined Statement of Receipts, Outlays, and Balances, which increased receipts by \$33 million and decreased outlays by \$10 million. Additional adjustments for the 2015 Budget increased receipts by \$1,092 million and increased outlays by \$362 million. The largest adjustment relates to a conceptual difference in reporting for the National Railroad Retirement Investment Trust (NRRIT). NRRIT reports to the Department of the Treasury with a one-month lag so that the fiscal year total provided in the Treasury Combined Statement covers September 2012 through August 2013. The Budget has been adjusted to reflect transactions that occurred during the actual fiscal year, which begins October 1. Aside from this timing difference, the Budget includes a number of financial transactions that are not reported to the Department of the Treasury, including those for the Standard Setting Body, the Public Company Accounting Oversight Board, the Affordable Housing Program, the Securities Investor Protection Corporation, the Electric Reliability Organization, the United Mine Workers of America benefit funds, and the Federal Retirement Thrift Investment Board program expenses. The Budget also reflects agency adjustments to 2013 outlays reported to Treasury after preparation of the Treasury Combined Statement.

³ See footnote 1 for an explanation of the current services concept.

Table 27-4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	2013		
	Estimate	Actual	Change
Mandatory outlays: ¹			
Human resources programs:			
Education, training, employment, and social services:			
Higher education	-9	-22	-13
Other	8	7	-1
Total, education, training, employment, and social services	-1	-15	-14
Health:			
Medicaid	283	265	-17
Other	43	36	-7
Total, health	325	301	-24
Medicare	528	492	-36
Income security:			
Retirement and disability	139	138	-*
Unemployment compensation	55	67	12
Food and nutrition assistance	103	103	-1
Other	169	165	-5
Total, income security	466	473	6
Social Security	820	808	-12
Veterans benefits and services:			
Income security for veterans	66	66	*
Other	14	14	*
Total, veterans benefits and services	79	80	1
Total, mandatory human resources programs	2,219	2,139	-80
Other functions:			
Agriculture	19	24	5
International	2	-1	-3
Mortgage credit	-11	-69	-58
Deposit insurance	-17	4	21
Other advancement of commerce (includes the Troubled Asset Relief Program)	12	-2	-15
Other functions	12	30	18
Total, other functions	17	-14	-31
Undistributed offsetting receipts:			
Employer share, employee retirement	-82	-81	1
Rents and royalties on the Outer Continental Shelf	-7	-9	-2
Other undistributed offsetting receipts	-6	-3	3
Total, undistributed offsetting receipts	-95	-93	2
Total, mandatory	2,140	2,032	-108
Net interest:			
Interest on Treasury debt securities (gross)	471	416	-55
Interest received by trust funds	-173	-157	17
Other interest	-52	-38	14
Total, net interest	246	221	-25
Total, outlays for mandatory and net interest	2,386	2,253	-133

* \$500 million or less.

¹ The current services estimates published in the 2013 Budget re-classified a large number of surface transportation programs as mandatory. This proposal was not subsequently enacted, so the applicable costs are removed from mandatory outlays in this table for comparability.

Table 27-5. RECONCILIATION OF FINAL AMOUNTS FOR 2013
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September MTS)	2,773,978	3,454,253	680,276
Miscellaneous Treasury adjustments	33	-10	-44
Totals published by Treasury in Combined Statement	2,774,011	3,454,243	680,232
National Railroad Retirement Investment Trust .....	.....	-364	-364
Standard Setting Body	26	26	.....
Public Company Accounting Oversight Board	234	230	-4
Affordable Housing Program	287	287	.....
Securities Investor Protection Corporation	411	96	-315
Electric Reliability Organization	100	100	.....
United Mine Workers of America benefit funds	33	4	-29
Federal Retirement Thrift Investment Board program expenses .....	.....	-17	-17
Other	1	.....	-1
Total adjustments, net	1,092	362	-730
Totals in the Budget	2,775,103	3,454,605	679,502
MEMORANDUM:			
Total change since year-end statement	1,125	352	-774