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 2014 with the current services estimates shown in the 2014 Budget, published in April 2013.[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 2014 previously published by the Department of the Treasury.

Receipts

Actual receipts for 2014 were $3,021 billion, $21 billion more than the $3,000 billion current services estimate in the 2014 Budget. As shown in Table 27–1, this increase was primarily the net effect of 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 April 2013 current services estimate of 2014 receipts reflected current law, including the provisions of the American Taxpayer Relief Act of 2012 (ATRA), which was signed into law by President Obama on January 2, 2013. Legislation enacted after that date did not have a significant effect on 2014 receipts.

Economic differences. Differences between the economic assumptions upon which the current services estimates were based and actual economic performance reduced 2014 receipts by a net $83 billion below the April 2013 estimate. These differences had the greatest effect on individual income taxes and social insurance and retirement receipts, reducing those sources of receipts by $67 billion and $20 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 April 2013. 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 April 2013 had a much smaller effect on corporation income taxes and other sources of receipts, increasing collections by a net $4 billion.

Technical factors. Technical factors increased receipts by a net $104 billion relative to the April 2013 current services estimate. These factors had the greatest effect on individual income taxes, increasing collections by $103 billion. The models used to prepare the April 2013 estimates of individual income taxes were based on historical economic data and then-current tax and collections data that were all subsequently revised. These revisions indicated that: (1) sources of income that are not part of the

[1] The current services concept is discussed in Chapter 25, "Current Services Estimates." For mandatory programs and receipts, the April 2013 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 annualizing the amounts provided in the 2013 continuing resolution (P.L. 112-175) and increasing 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. For a detailed explanation of the 2014 estimate, see "Current Services Estimates," Chapter 26 in *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2014.*

Table 27–1. COMPARISON OF ACTUAL 2014 RECEIPTS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Estimate (April 2013)	Changes			Total Changes	Actual
		Policy	Economic	Technical		
Individual income taxes	1,358	*	–67	103	36	1,395
Corporation income taxes	335	*	5	–19	–14	321
Social insurance and retirement receipts	1,032	*	–20	12	–8	1,023
Excise taxes	93	....	1	–*	*	93
Estate and gift taxes	13	....	–*	6	6	19
Customs duties	39	....	–2	–3	–5	34
Miscellaneous receipts	130	....	....	6	6	136
Total receipts	3,000	*	–83	104	21	3,021

* $500 million or less.

economic forecast, but subject to tax, such as capital gains and pensions, differed from what was expected at the time the April 2013 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. Net increases in other sources of receipts accounted for the remaining $1 billion increase in receipts attributable to technical factors.

Outlays

Outlays for 2014 were $3,506 billion, $121 billion less than the $3,627 billion current services estimate in the 2014 Budget. Table 27–2 distributes the $121 billion net decrease in outlays among discretionary and mandatory programs and net interest.[2] The table also shows rough estimates attributable to each of 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 2014, policy changes increased outlays by $51 billion relative to the initial current services estimates, which included the impacts of sequestration and discretionary cap reductions as part of the Joint Committee enforcement provisions of the Budget Control Act of 2011. Final 2013 discretionary appropriations were not enacted at the time of the 2014 Budget, so the April 2013 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 2013 and 2014 appropriations, including Overseas Contingency Operations, increased discretionary outlays by $32 billion. Policy changes increased mandatory outlays by a net $19 billion above current law. Much of this increase was the result of changes in student loan programs enacted in 2013 and 2014 that increased 2014 outlays by $9 billion. Debt service costs associated with all policy changes increased outlays by less than $1 billion.

Economic and technical factors. Technical estimating factors resulted in a net decrease in outlays of $139 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. Increases in discretionary outlays due to legislation, as discussed above, were partially offset by a $19 billion decrease in net outlays resulting from technical changes. Outlays for mandatory programs decreased a net $121 billion. The largest change was a $42 billion decrease in mortgage credit spending: net outlays resulting from Treasury's Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac were $43 billion lower than estimated in the 2014 Budget due to improved financial performance of the companies and a $24 billion increase in the valuation of Freddie Mac's deferred tax asset. Outlays for Social Security were $11 billion lower than anticipated in the 2014 Budget largely due to lower-than-estimated number of beneficiaries. Other advancement of commerce programs outlays decreased by $11 billion mainly due to an $8 billion downward reestimate of the costs of the TARP program.

There was a net decrease in outlays of $33 billion as a result of differences between actual economic conditions and those forecast in April 2013. Unemployment compensation was $6 billion lower than the current services

[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 2014 OUTLAYS WITH THE INITIAL CURRENT SERVICES ESTIMATES

(In billions of dollars)

	Estimate (April 2013)	Changes			Total Changes	Actual
		Policy	Economic	Technical		
Discretionary:						
Defense	574	10	....	12	22	596
Nondefense	592	22	....	–31	–10	582
Subtotal, discretionary	1,166	32	....	–19	13	1,179
Mandatory:						
Social Security	860	....	–4	–11	–15	845
Mortgage Credit	–31	....	....	–42	–42	–74
Other programs	1,407	19	–30	–68	–79	1,327
Subtotal, mandatory	2,235	19	–34	–121	–137	2,099
Allowance for disaster costs [1]	5	....	....	–5	–5	....
Net interest	222	*	1	6	7	229
Total outlays	3,627	51	–33	–139	–121	3,506

* $500 million or less.

[1] These amounts were included in the 2014 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.

estimate and lower than projected cost-of-living adjustments decreased Social Security payments by $4 billion. Remaining changes were in other health and assistance programs.

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 2014. This section combines these effects to show the net deficit impact of these differences.

As shown in Table 27–3, the 2014 current services deficit was initially estimated to be $627 billion. The actual deficit was $485 billion, which was a $142 billion decrease from the initial estimate. Receipts were $21 billion higher and outlays were $121 billion lower than the initial estimate. 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 $51 billion. Economic conditions that differed from the initial assumptions in April 2013 increased the deficit by $50 billion. Technical factors decreased the deficit by an estimated $243 billion.

Comparison of the Actual and Estimated Outlays for Mandatory and Related Programs for 2014

This section compares the original 2014 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 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 2014 and the current services estimates included in the 2014 Budget.[3] Actual outlays for mandatory spending and net interest in 2014 were $2,327 billion, which was $129 billion less than the current services estimate of $2,457 billion in April 2013.

As Table 27–4 shows, actual outlays for mandatory human resources programs were $2,238 billion, $62 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, Medicaid, and other health programs decreased by $41 billion due to economic, legislative and technical factors. Mandatory outlays for programs in functions outside human resources were $76 billion less than originally estimated, largely due to a $42 billion decrease in mortgage credit spending.

Outlays for net interest were $229 billion, or $7 billion more than the original estimate. As shown on Table 27–4, interest payments on Treasury debt securities increased by $12 billion, offset by increased interest earnings by trust funds.

Reconciliation of Differences with Amounts Published by the Treasury for 2014

Table 27-5 provides a reconciliation of the receipts, outlays, and deficit totals for 2014 published by the Department of the Treasury in the September 2014 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 decreased receipts by $39 million and decreased outlays by $54 million. Additional adjustments for the 2016 Budget increased receipts by $678 million and increased outlays by $1,944 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 2013 through August 2014. 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 2014 outlays reported to Treasury after preparation of the Treasury Combined Statement.

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

Table 27–3. COMPARISON OF THE ACTUAL 2014 DEFICIT WITH THE INITIAL CURRENT SERVICES ESTIMATE

(In billions of dollars)

	Estimate (April 2013)	Changes			Total Changes	Actual
		Policy	Economic	Technical		
Receipts	3,000	*	–83	104	21	3,021
Outlays	3,627	51	–33	–139	–121	3,506
Deficit	627	51	50	–243	–142	485

*$500 million or less.

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

Table 27–4. COMPARISON OF ACTUAL AND ESTIMATED OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW
(In billions of dollars)

	2014		
	Estimate	Actual	Change
Mandatory outlays:			
Human resources programs:			
Education, training, employment, and social services:			
Higher education	–18	–8	10
Other	8	7	–1
Total, education, training, employment, and social services	–10	–1	9
Health:			
Medicaid	304	301	–2
Other	78	52	–25
Total, health	381	354	–28
Medicare	519	505	–14
Income security:			
Retirement and disability	143	143	–*
Unemployment compensation	54	43	–11
Food and nutrition assistance	96	96	1
Other	172	168	–4
Total, income security	465	449	–15
Social security	860	845	–15
Veterans benefits and services:			
Income security for veterans	72	71	–1
Other	14	16	2
Total, veterans benefits and services	86	86	1
Total, mandatory human resources programs	2,301	2,238	–62
Other functions:			
Agriculture	16	19	3
International	–1	–3	–2
Mortgage credit	–31	–74	–42
Deposit insurance	–6	–14	–8
Other advancement of commerce (includes the Troubled Asset Relief Program)	13	2	–11
Other functions	33	17	–15
Total, other functions	24	–52	–76
Undistributed offsetting receipts:			
Employer share, employee retirement	–82	–79	3
Rents and royalties on the outer continental shelf	–7	–7	–*
Other undistributed offsetting receipts	0	–1	–1
Total, undistributed offsetting receipts	–89	–88	1
Total, mandatory	2,235	2,099	–136
Net interest:			
Interest on Treasury debt securities (gross)	418	430	12
Interest received by trust funds	–150	–158	–8
Other interest	–46	–42	3
Total, net interest	222	229	7
Total, outlays for mandatory and net interest	2,457	2,327	–129

* $500 million or less.

Table 27-5. RECONCILIATION OF FINAL AMOUNTS FOR 2014
(In millions of dollars)

	Receipts	Outlays	Deficit
Totals published by Treasury (September MTS)	3,020,848	3,504,199	483,351
Miscellaneous Treasury adjustments	–39	–54	–15
Totals published by Treasury in Combined Statement	3,020,809	3,504,145	483,336
National Railroad Retirement Investment Trust	....	1,504	1,504
Standard Setting Body	39	39	....
Public Company Accounting Oversight Board	252	258	6
Affordable Housing Program	288	288	....
Securities Investor Protection Corporation	416	122	–294
Electric Reliability Organization	100	93	–7
United Mine Workers of America benefit funds	21	95	74
Federal Retirement Thrift Investment Board program expenses	....	–34	–34
Unemployment Trust Fund receipt reclassification	–439	–439	....
Other	1	18	17
Total adjustments, net	678	1,944	1,266
Totals in the Budget	3,021,487	3,506,089	484,602
MEMORANDUM:			
Total change since year-end statement	639	1,890	1,251