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FEDERAL BUDGET OUTLAY ESTIMATES: A GROWING PROBLEM

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

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LETTER OF TRANSMITTAL

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C., April 19, 1979.

HON. ROBERT N. GIAIMO,
Chairman, Committee on the Budget,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a study prepared by Margaret Dyess from the Government Accounting Office, entitled "Federal Budget Outlay Estimates: A Growing Problem."

This report was submitted in response to a request from the Budget Process Task Force July 11, 1978. It focuses on the accuracy of budget estimates, the importance of control over outlays, and the relationship of misestimating outlays to both macroeconomic aspects of the budget and to distortion of priorities.

GAO found a large and growing variance between estimated and actual outlays and identified a pattern of underestimates in the budget year followed by overestimates in the current year. Many of the variables influencing the estimating process are relatively uncontrollable but in other cases more accurate outlay estimating is both possible and necessary.

This study is the first of several focusing on estimating procedures. I would like to express my thanks for the fine staff work by Margaret Dyess and others in the GAO Program and Analysis Division who produce this knowledgeable and valuable report.

Sincerely,

NORMA Y. MINETA,
Chairman, Budget Process Task Force.

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ABBREVIATIONS

GAO General Accounting Office.
OMB Office of Management and Budget.
VA Veterans' Administration.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C.

Hon. NORMAN Y. MINETA,
Chairman, Budget Process Task Force, Committee on the Budget,
House of Representatives.

DEAR MR. CHAIRMAN: Pursuant to the task force's July 11, 1978, request, we analyzed the accuracy of budget estimates, focusing on outlays and the spending shortfall problem. We examined the reasons estimates vary from actuals in selected accounts and included work on offsetting collections and offsetting receipts.

Estimates submitted by the executive branch to the Congress form the basis by which the Congress determines the level of Federal revenues and expenditures. If these estimates are not accurate, the ability of the Congress to allocate scarce resources is adversely affected. We have attempted to identify why estimates vary from actuals and possible means to decrease that variance.

At your request, we did not take the additional time needed to obtain written agency comments. However, we received oral comments on case studies from the various agencies concerned and from analysts at the Office of Management and Budget and the Congressional Budget Office and incorporated these comments where appropriate.

Because of the significance of the issues raised in this report and our recommendations to the Office of Management and Budget, we believe that its response is particularly important. Under section 236 of the Legislative Reorganization Act of 1970, a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs is required not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We believe that you should make arrangements with the agency to receive a copy of this response.

As agreed with your office, we will send copies of this report in 5 days to the Director, Congressional Budget Office; the Director, Office of Management and Budget, the Secretary of Agriculture; the Secretary of Defense; the Secretary of the Interior; the Secretary of the Treasury; the Administrator of Veterans Affairs; and the Administrator, Environmental Protection Agency.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

DIGEST

GAO found a large and growing variance between estimated and actual outlays as shown by a 17 percent, or $7 billion, increase in the budget year difference for 50 large accounts from fiscal years 1977 to 1978. First estimates varied from actuals by $37 billion. The same accounts in fiscal year 1978 varied by $44 billion.

Estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. In 1977, for example, there was a $17 billion swing from an $8.6 billion longfall to an $8.4 billion shortfall. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in current year estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by the Congress.

Fiscal years 1977 and 1978 estimates at critical points in time vary significantly from actuals. However, there is early evidence that fiscal year 1979 outlay estimates may not result in a shortfall.

The estimating process is not an exact science; rather it is flexible and changing. It can be influenced by a number of variables. Many of these variables are uncontrollable, such as the effect of congressional action, and others are controllable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful. Controllable factors should be of concern to improve outlay estimates. (See chapter 4.)

As a result of increased interest in outlay estimates, both the Office of Management and Budget and the Congressional Budget Office are striving to achieve more accurate estimates. For example, the Office of Management and Budget is increasing its emphasis on regular tracking of outlays and comparisons with projections. The results of these efforts are not yet known, but GAO believes they are a step in the right direction. (See chapter 5.)

The Director, Office of Management and Budget, should make further efforts to improve outlay estimates by:

—Establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued.

—Comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances.

—Identifying corrective action to improve estimates in future years when such action is feasible.

—Making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate.

—Applying early efforts in goal setting and variance analysis toward accounts with the largest outlays.

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—Requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials.

GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

The Director, Office of Management and Budget, should also:

—Change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays. This recommendation involves only a change in presentation of data for clarity. Availability of revenues from business-type transactions is not affected.

—Include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays. As long as off-budget agencies are excluded from budget totals, this change will not result in double counting. Off-budget agencies should be returned to the budget. (If they are returned to the budget, this recommendation would no longer be appropriate.)

—Apply the recommendations set forth to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

Agency Comments

At the request of the Budget Process Task Force, House Budget Committee, GAO did not obtain agency comments on this report. However, GAO received oral comments on case studies from the various agencies concerned and from analysts at the Office of Management and Budget and the Congressional Budget Office.

GLOSSARY

Balanced budget.—A budget in which receipts are equal to or greater than outlays.

Budget authority.—Authority provided by law to enter into obligations which will result in immediate or future outlays involving Government funds, except that such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or Government. The basic forms of budget authority are appropriations, contract authority, and borrowing authority.

Budget year estimates.—The budget year is the fiscal year for which the budget is being considered. Budget year or first estimates of outlays are transmitted from the Office of Management and Budget to the Congress about 9 months prior to the beginning of the fiscal year for which they are submitted. These outlay estimates form the basis for congressional budget decisions.

Concurrent resolution on the budget.—A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the U.S. Government for a fiscal year. There are two such resolutions required preceding each fiscal year. The first required concurrent resolution, due by May 15, establishes the congressional budget. The second required concurrent resolution, due by September 15, reaffirms or revises it. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

Current year estimates.—The current year is the fiscal year in progress. Current year or second estimates of outlays are transmitted from the Office of Management and Budget to the Congress 3 months after the beginning of the fiscal year for which they are made.

General fund appropriation accounts.—Established to record amounts appropriated by the Congress to be expended for the general support of the Government.

Longfall.—The amount by which actual outlays are greater than estimated outlays. Since estimates vary through time, the amount of the longfall is dependent on which estimate it is measured from.

Obligations.—Amounts of orders placed, contracts awarded, services rendered, or other commitments made by Federal agencies during a given period, which will require outlays during the same or some future period.

Off-budget Federal entities.—Entities, federally owned in whole or in part, whose transactions have been excluded from the budget totals under provisions of law.

Offsetting collections.—Moneys (not deposited into receipt accounts) received by the Government as a result of business-type transactions with the public (sale of goods and services) or as a result of a payment from one Government account to another. Such collections are subtracted from budget authority and outlays totals in appropriation

accounts. This practice is permitted only if specifically authorized by law. Amounts are not reflected in receipt totals.

Offsetting receipts.—All moneys deposited into receipt accounts that are offset against budget authority and outlays rather than reflected as budget receipts in computing budget totals. Offsetting receipts are generally deducted at the budget function or subfunction level and from agency budget authority and outlays with the exception of undistributed offsetting receipts. These are made from budget totals rather than being offset by function and subfunction by agency.

Outlays.—The amount of checks issued, interest accrued on most public debt, or other payments; net of refunds and reimbursements. Total budget outlays consist of the sum of the outlays from appropriations and funds included in the unified budget, less offsetting receipts. The outlays of off-budget Federal entities are excluded from the unified budget under provisions of law, even though these outlays are part of total Government spending.

Receipts.—Collections deposited into the Treasury for appropriation by the Congress. Accounts are classified as either general, special, or trust fund receipt accounts.

Shortfall.—The amount by which actual outlays are less than estimated outlays. Since estimates vary through time, the amount of the shortfall is dependent on which estimate it is measured from.

Special fund appropriation accounts.—Established to record appropriated amounts of special fund receipts to be expended for special programs in accordance with specific provisions of law.

Unobligated balance.—The portion of budget authority that has not yet been obligated. Unobligated balances are not estimated. However, agencies estimate budget authority and obligations from which estimated unobligated balances can be derived.

Chapter 1

INTRODUCTION

This report has been prepared in response to a July 11, 1978, request from the chairman, Budget Process Task Force, House Committee on the Budget (see appendix I). The task force requested that we undertake several related studies on the accuracy of budget estimates, focusing first on accuracy with regard to outlays.

In July of 1974, the Congressional Budget and Impoundment Control Act of 1974 was passed establishing a new congressional budget process. Some of the act's purposes were to assure effective congressional control over the budgetary process, to provide for the congressional determination each year of the appropriate level of Federal revenues and expenditures, to establish national budget priorities, and to provide for the furnishing of information by the executive branch in a manner that would assist the Congress in discharging its duties.

Scope

As requested by the task force, we emphasized outlay estimates and the shortfall question in this report. However, our scope was broader than this and included work on offsetting receipts and offsetting collections. We worked with budget data available in "The Budget of the U.S. Government" and the computerized version of this data, selected executive agencies' records, and records of the Congressional Budget Office. We interviewed officials of the Office of Management and Budget (OMB), selected executive agencies, and the Congressional Budget Office. We also utilized available literature on the subjects of budget estimating and the budget process.

We reviewed budget estimates by both the executive and legislative branches of the Federal Government. The executive budget process includes the continuing process within each executive agency leading to submission of budget estimates to OMB, OMB's submission of the President's budget and its updates to the Congress, and the submission of agency justifications to the Appropriations Committees.

The Congress bases its budget process on executive branch data. The congressional process includes formulation of independent budget estimates by the budget committees and the Congressional Budget Office and the preparation of the congressional budget reflected in the concurrent resolution. The congressional budget process also includes the review of budget requests by the Appropriations Committees leading to the appropriation of budget authority.

AGENCY COMMENTS

At the request of the Budget Process Task Force of the House Budget Committee, we did not obtain agency comments on this report. However, we received oral comments on case studies from the various agencies concerned and from analysts at OMB and the Congressional Budget Office.

ACCURACY OF ESTIMATES

The Federal budget is a plan which expresses priorities, policies, and proposals for meeting our national needs and controls spending. We have found no criteria relating to appropriate levels of accuracy for budget estimates and only recently have systematic efforts begun to compare actual figures against estimates to measure the degree of accuracy of past estimates. In fact, because of constant changes which come with the passage of time, measuring accuracy is very difficult.

It is possible to achieve an accurate aggregate or total estimate without achieving accuracy at the individual account level by relying on over- and underestimates to offset each other. However, in estimating, the most logical approach is to build the overall estimate from accurate estimates at the lowest possible level.

The degree of variance between estimates and actuals is affected by unpredictable factors that are beyond the control of estimators and by inadequacies which could and should be improved to increase the accuracy of estimates.

LEVEL OF DISCLOSURE

Budget data must be accurate to be useful. In addition, it must be fully disclosed in a clear and understandable manner. The most accurate estimate possible will be less than fully useful if it is obscured by the manner of its presentation or is overly complex. Thus, we have found it necessary to discuss not only the accuracy of estimates but also the way these estimates are presented.

Chapter 2

BACKGROUND ON OUTLAY ESTIMATES

A large and growing variance exists between estimated and actual outlays as demonstrated by a 17 percent, or $7 billion, increase in the budget year difference for 50 large accounts from fiscal years 1977 to 1978. Budget or first estimates for the 50 accounts with the largest outlays in fiscal year 1977 varied from actuals by $37 billion ($11 billion in overestimates, or shortfall, and $26 billion in underestimates, or longfall). The same accounts in fiscal year 1978 varied by $43.5 billion composed of a $21.2 billion overestimate, or shortfall, and a $22.3 billion underestimate, or longfall.

Wide variances between the budget estimates and actuals have had a variety of effects, as illustrated below.

—Concern over the amount by which actual Federal outlays are less than estimated outlays—the shortfall. This is discussed in detail in chapter 3.

—The creation of independent outlay estimates by the Congressional Budget Office.

—Recent reports by both the Congressional Budget Office and OMB on problems in outlay estimating.[1]

—Efforts by OMB and the Congressional Budget Office to improve outlay estimates. (See chapter 6.)

We recognize that the budget estimating process is not an exact science; estimates are predictions of the future and cannot be expected to equal actuals. Legitimate variances are part of the process and often result from congressional action and/or unpredictable events, such as the weather. However, estimates should be free of upward bias and the best available estimating techniques should be used.

The Congress needs as reliable outlay estimates as possible to:

—Determine whether the Federal budget is balanced or to determine the amount of surplus or deficit,

—Assess the impact of the Federal budget on the Nation's economy,

—Ensure effective congressional oversight and control over specific programs; and

—Set congressional ceilings on outlays in fulfillment of requirements of the Congressional Budget Act of 1974.

Not only does the Congress need estimates that are as accurate as possible, but it also needs that information in time to affect its decisions.

CRITICAL ESTIMATES

Many outlay estimates are made during the budget process by both executive and legislative branch participants in the budget process. However, there are certain points in time in the budget process which

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[1] Technical staff paper, OMB, "Overview of the Current State-of-the-Art of Federal Outlay Estimating," December 15, 1977, and staff working paper, Congressional Budget Office, "Estimates of Federal Budget Outlays," February 1978.

are critical. In our opinion, the President's budget year estimates, the congressional first concurrent resolution, and the congressional second or final concurrent resolution are most critical to the effective operation of the budget process.

The President's budget year estimates are issued in January, about 9 months before the beginning of the fiscal year for which they are submitted. These estimates are presented at the appropriation account level as well as aggregated. The President's budget year estimates set forth the administration's priorities. They are the initial funding requests, backed up by detailed budget justifications, considered by Appropriations Committees. The estimates serve as the basis for all later estimates and are the basic building blocks of the budget process.

In contrast, the President's second or current year estimates are published after most budget decisions have been made—the fiscal year for which the estimates are made has been underway for almost 4 months—and reflect progress to date in implementing agreed upon programs.

Congressional priorities are initially presented in the First Concurrent Resolution on the Budget, which must be reported by each House on or before May 15. The First Concurrent Resolution contains target spending levels at the budget function and subfunction levels. These target levels form the basis for debate leading to formulation of the Second Concurrent Resolution on the Budget.

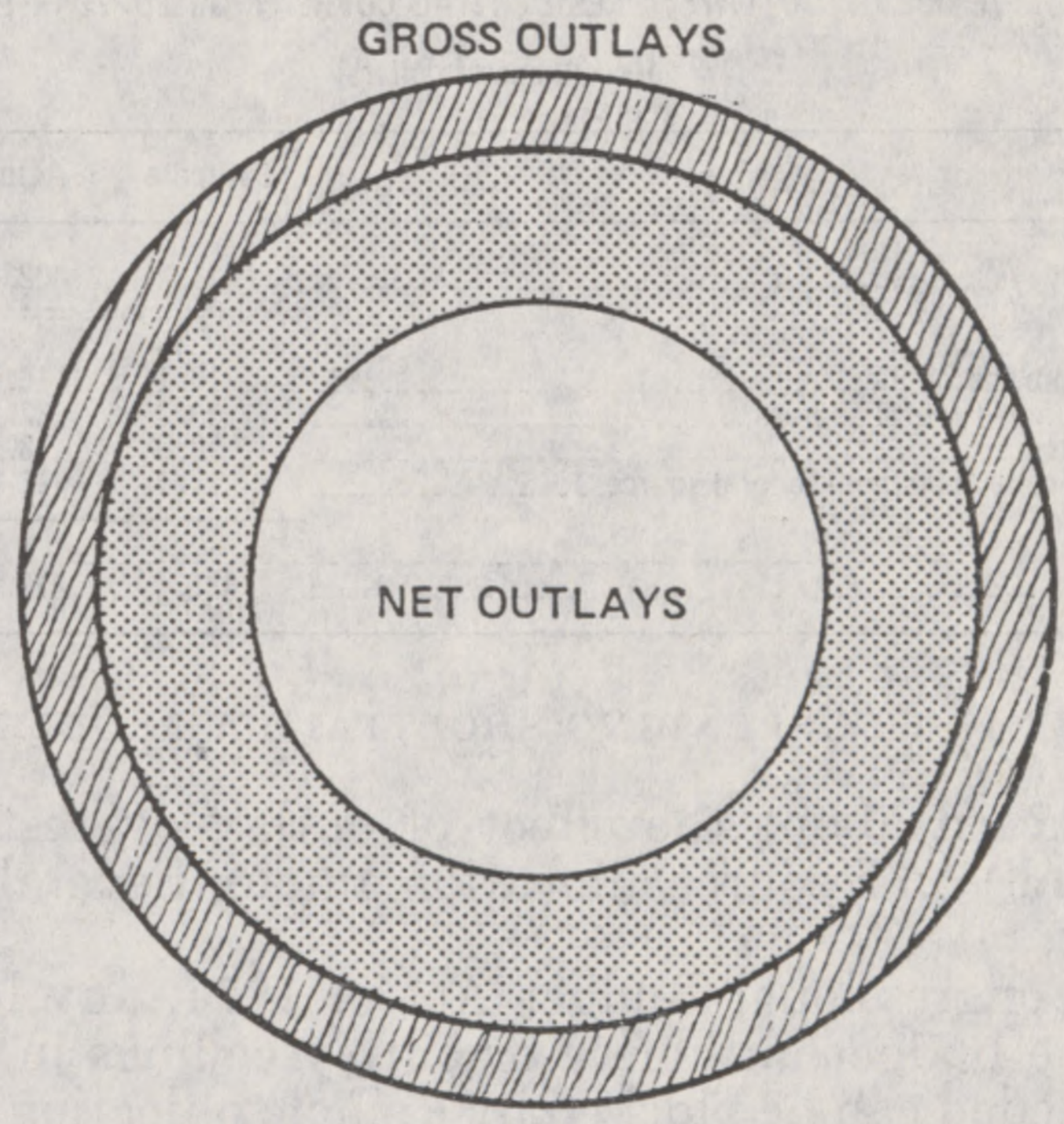
The Second Concurrent Resolution, which contains spending ceilings, must be completed not later than September 15. Legislation which would exceed these ceilings can be blocked by a single objection from the floor. The President's budget year estimates (the basic building block) and related updates, Congressional Budget Office reestimates, and other data are used in formulating the concurrent resolution numbers.

The following three chapters discuss accuracy of outlay estimates at the aggregate and individual account level and efforts to improve these estimates.

Chapter 3

ACCURACY OF AGGREGATE ESTIMATES/THE SHORTFALL PROBLEM

A spending shortfall occurs when actual Federal outlays for a fiscal year are less than what is estimated. The opposite of a shortfall is a longfall, or a situation in which outlays exceed estimates. Since many estimates are made at different points in time during the budget process, the amount of the shortfall (or longfall) depends on which estimate is used as a base. These concepts are currently based on net outlay figures and ignore outlays from business-type revenues currently recorded as offsetting collections and offsetting receipts. (See chapter 6 of this report.) The following chart illustrates the difference between net and gross outlays.



□NET OUTLAYS + ▦OFFSETTING COLLECTIONS FROM NON-FEDERAL SOURCES + ▨OFFSETTING RECEIPTS FROM THE PUBLIC = GROSS OUTLAYS

TOTAL SHORTFALL BASED ON GROSS OUTLAYS

Economic activity is affected by all funds the Government spends; not just those included in the net outlay figures. Rational decision-making requires full information in Federal activity. We believe the true shortfall (that is, the real amount of Government underspending) is not reflected in net numbers which also exclude off-budget entities. The effect of looking at gross rather than net numbers and of including off-budget entities in fiscal year 1977 Presidential budget

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year estimates is about a $1.6 billion decrease in the longfall. This is illustrated in the following table.

FISCAL YEAR 1977 OUTLAYS: PRESIDENTAL BUDGET OR 1ST YR ESTIMATE

[In billions of dollars]

	Estimate	Actual	Longfall	Shortfall
Included: Net budget outlays	394.2	402.8	8.6	
Not included:				
Offsetting receipts from the public	19.1	16.7		2.4
Offsetting collections/non-Federal sources	33.3	32.4		.9
Off-budget net outlays	11.1	8.7		2.4
Off-budget offsetting collections/non-Federal sources	14.5	18.6	4.1	
Total			12.7	5.7
Gross Federal outlays	472.2	479.2	7.0	

The fiscal year 1977 shortfall measured from the President's current year estimate would increase by about $0.8 billion if it were considered on a gross basis including off-budget entities. This is illustrated in the following table.

FISCAL YEAR 1977 OUTLAYS: PRESIDENTIAL CURRENT OR 2D YEAR ESTIMATE

[In billions of dollars]

	Estimate	Actual	Longfall	Shortfall
Included: Net budget outlays	411.2	402.8		8.4
Not included:				
Offsetting receipts from the public	16.1	16.7	0.6	
Offsetting collections/non-Federal sources	33.2	32.4		0.8
Off-budget net outlays	10.8	8.7		2.1
Off-budget offsetting collections/non-Federal sources	17.1	18.6	1.5	
Total			2.1	11.3
Gross Federal outlays	488.4	479.2		9.2

WHY IS THE SPENDING SHORTFALL A PROBLEM?

There is concern about the effect of outlay overestimates (which result in shortfall) on resource allocation among Federal programs and on fiscal policy.

Under the Congressional Budget Act of 1974, any legislation that would cause the budget authority or outlay ceilings in budget resolutions to be exceeded can be blocked by a single objection from the floor. If, however, congressional outlay ceilings are based on overestimates, the Congress is unnecessarily prevented from considering desirable new programs. Continuous overestimates encourage the Congress to "spend" the shortfall without providing for proportional increases in budget authority. Thus, if the Congress enacts new programs without realistic increases in budget authority or outlay estimates, either agencies will not meet program goals or actual spending will rise above congressional ceilings. Furthermore, there are fears that prolonged existence of a spending shortfall undermines the credibility of the new congressional budget process as an effective control over spending legislation.

The effectiveness of budget and fiscal policy is affected by the accuracy of estimates. The Federal deficit, or surplus, is the difference between revenues and outlays. Both revenue and outlay estimates must be reasonably accurate to serve as a sound basis for decisionmaking.

There is much congressional concern with the accuracy of estimates. For example, in February 1978, a House Member inserted a table on the shortfall in the Congressional Record with the statement:

> I am placing the accompanying table into the record in hopes that other members also will begin to address this issue and, ultimately, force the administration to tell Congress what the real deficit is so that we can responsibly prepare tax and budget policy.

AMOUNT OF THE SHORTFALL BASED ON NET OUTLAYS

We believe that the shortfall should be viewed on the basis of gross outlays, including off-budget accounts. However, since full information on gross outlays is not readily available, our analysis and the following discussion of the shortfall must conform to the currently accepted concept of the shortfall based on net outlay figures.

Both the Congress and the President make estimates of Federal Government spending throughout the budget process. The President and the Congress have not always shown the current level of concern about accurate outlay estimates.

The President's budget year outlay estimates reflect administration goals. These estimates, made about 9 months before the beginning of the fiscal year, also reflect the administration's concern about the growing deficit and the need to hold down spending. Therefore, the first outlay estimates have predominantly been lower than actual outlays. In contrast, current year estimates made 12 months later overestimated outlays in 8 out of 10 recent years. This major shift in such a short period of time reflects the administration's assessment of actual financial needs to carry out legislation passed by Congress. The swing between longfalls in budget year estimates and shortfalls in current year estimates is illustrated in the following table. In 1977, for example, there was a $17 billion swing—from an $8.6 billion longfall to an $8.4 billion shortfall.

SPENDING SHORTFALLS AND LONGFALLS

[In billions of dollars]

Fiscal year	Budget year, estimate minus actual		Current year, estimate minus actual	
	Longfall	Shortfall	Longfall	Shortfall
1969		1.5	0.9	
1970	1.3			1.3
1971	10.6			1.4
1972	2.7			4.7
1973	.2			3.3
1974		.3		6.3
1975	20.2		11.2	
1976	17.1			7.0
1977 [1]	8.6			8.4
1977 [2]	(3)	(3)		14.6
1978 [1]	.8		(3)	(3)
1978 [2]		[4] 8.6		12.3

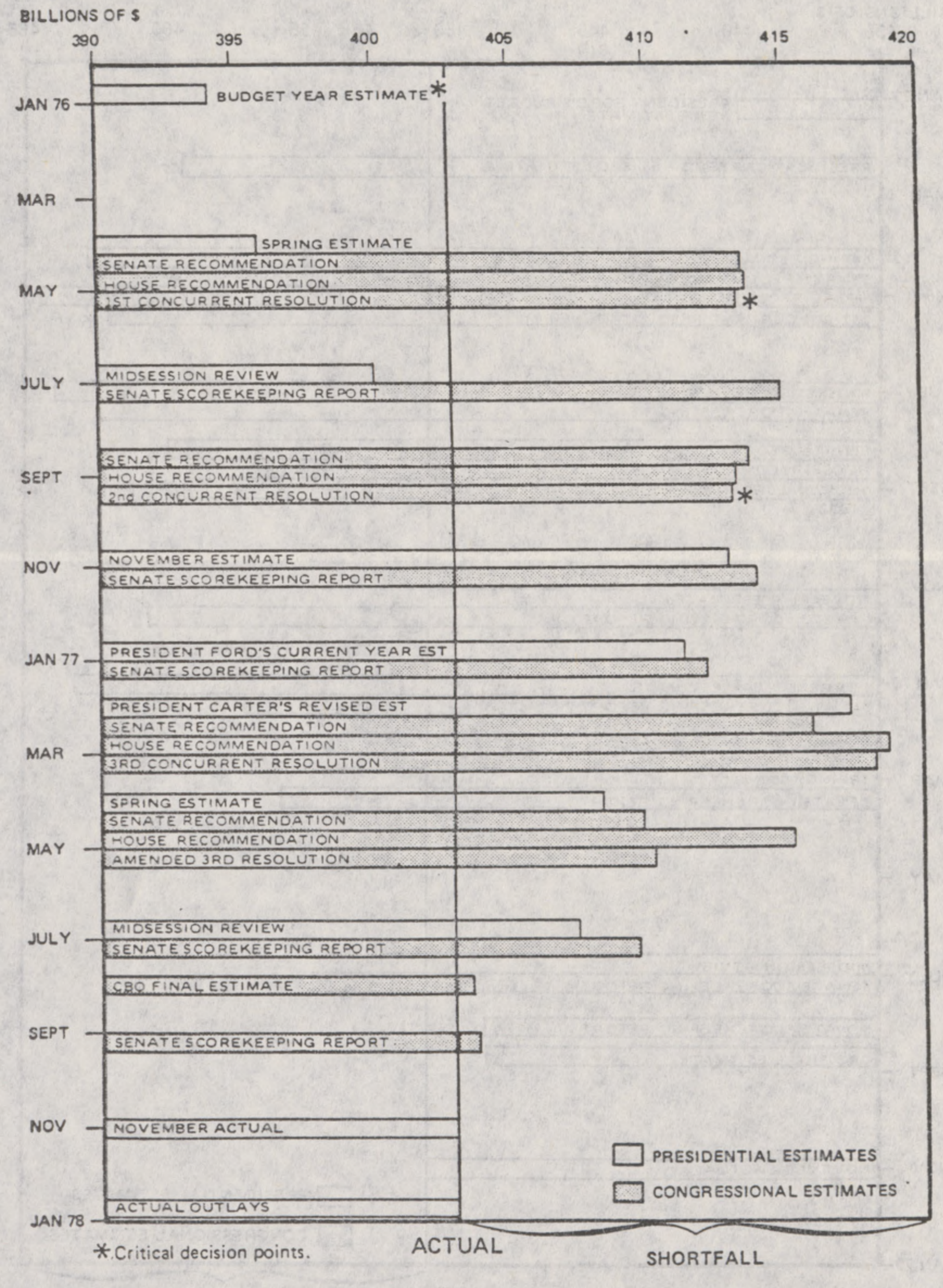
[1] President Ford's estimate.
[2] President Carter's estimate.
[3] Not applicable.
[4] A major exception took place when spending estimates were significantly increased in President Carter's revised fiscal year 1978 budget plan. The swing from longfall to shortfall appears to have been caused by a change in short-term political goals (namely, President Carter's economic stimulus programs), rather than a permanent change in the trend of budget year underestimates.

COMPARING PRESIDENTIAL AND CONGRESSIONAL OUTLAY ESTIMATES

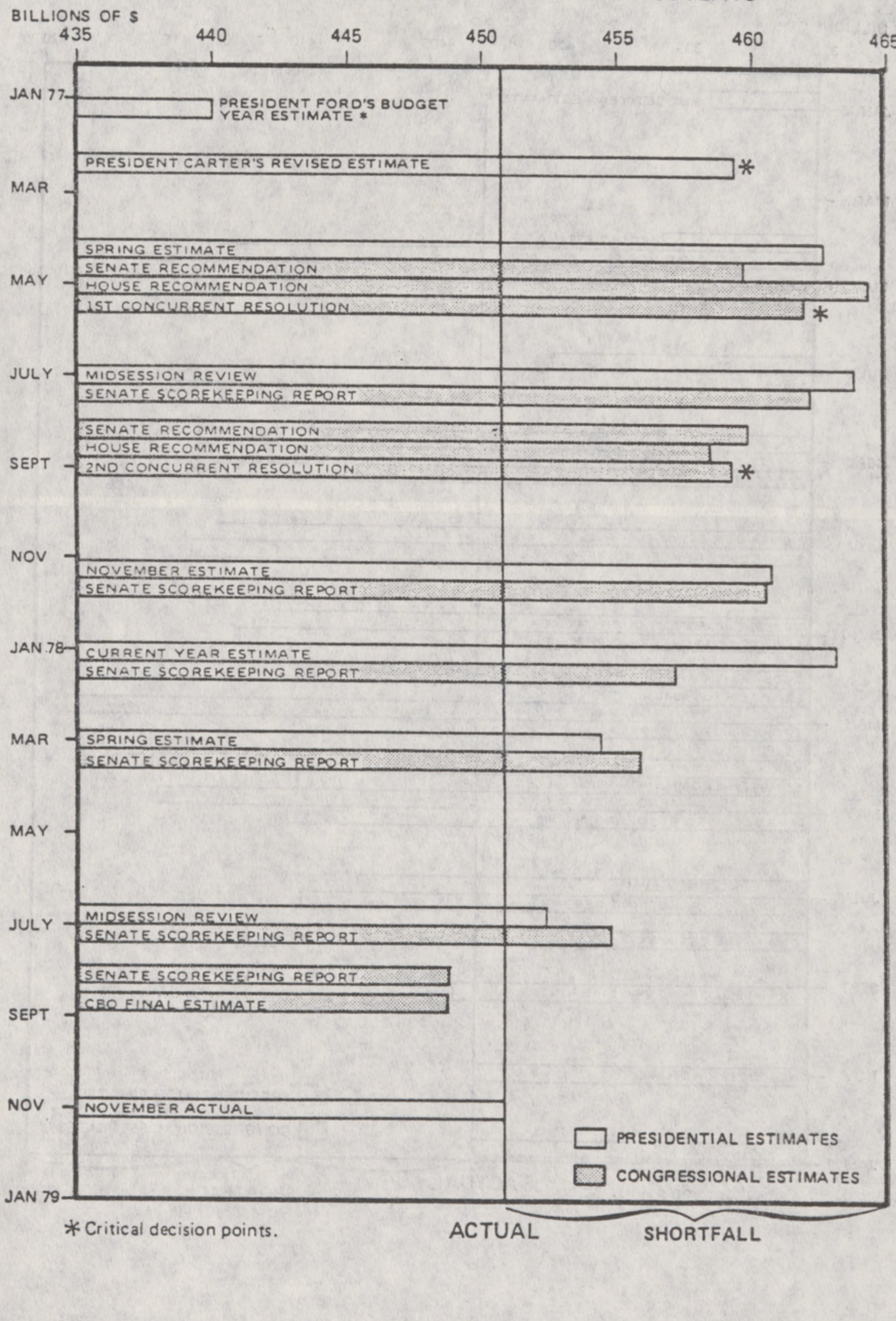
One way to measure how well the Congress and the President are estimating Federal spending is to compare their estimates at different times in the budget process for a given fiscal year. This comparison helps in seeing differences in the amount of the shortfall depending on when it is méasured and in predicting future shortfalls. We have adjusted estimates to consistently include earned income credit payments as outlays.

Fiscal years 1977 and 1978 estimates at critical points in time (budget year estimates, First Concurrent Resolution, and Second Concurrent Resolution) vary significantly from actuals. The fiscal year 1979 estimates do not follow the trend which existed in fiscal years 1977 and 1978, when second budget resolution spending ceilings were set nearly $20 billion above the President's initial budget year estimates. Instead, in fiscal year 1979, the Second Concurrent Resolution ceiling of $487.5 billion was $13.5 billion below the President's initial estimate. These points are illustrated in the following three bar charts.

FY 77 FEDERAL BUDGET ESTIMATES OF OUTLAYS



*Critical decision points.


FY 78 FEDERAL BUDGET ESTIMATES OF OUTLAYS
BILLIONS OF $
435
440
445
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455
460
465
JAN 77
PRESIDENT FORD'S BUDGET YEAR ESTIMATE *
PRESIDENT CARTER'S REVISED ESTIMATE
*
MAR
SPRING ESTIMATE
SENATE RECOMMENDATION
MAY
HOUSE RECOMMENDATION
1ST CONCURRENT RESOLUTION
*
JULY
MIDSESSION REVIEW
SENATE SCOREKEEPING REPORT
SENATE RECOMMENDATION
HOUSE RECOMMENDATION
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SENATE SCOREKEEPING REPORT
JAN 78
CURRENT YEAR ESTIMATE
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MAR
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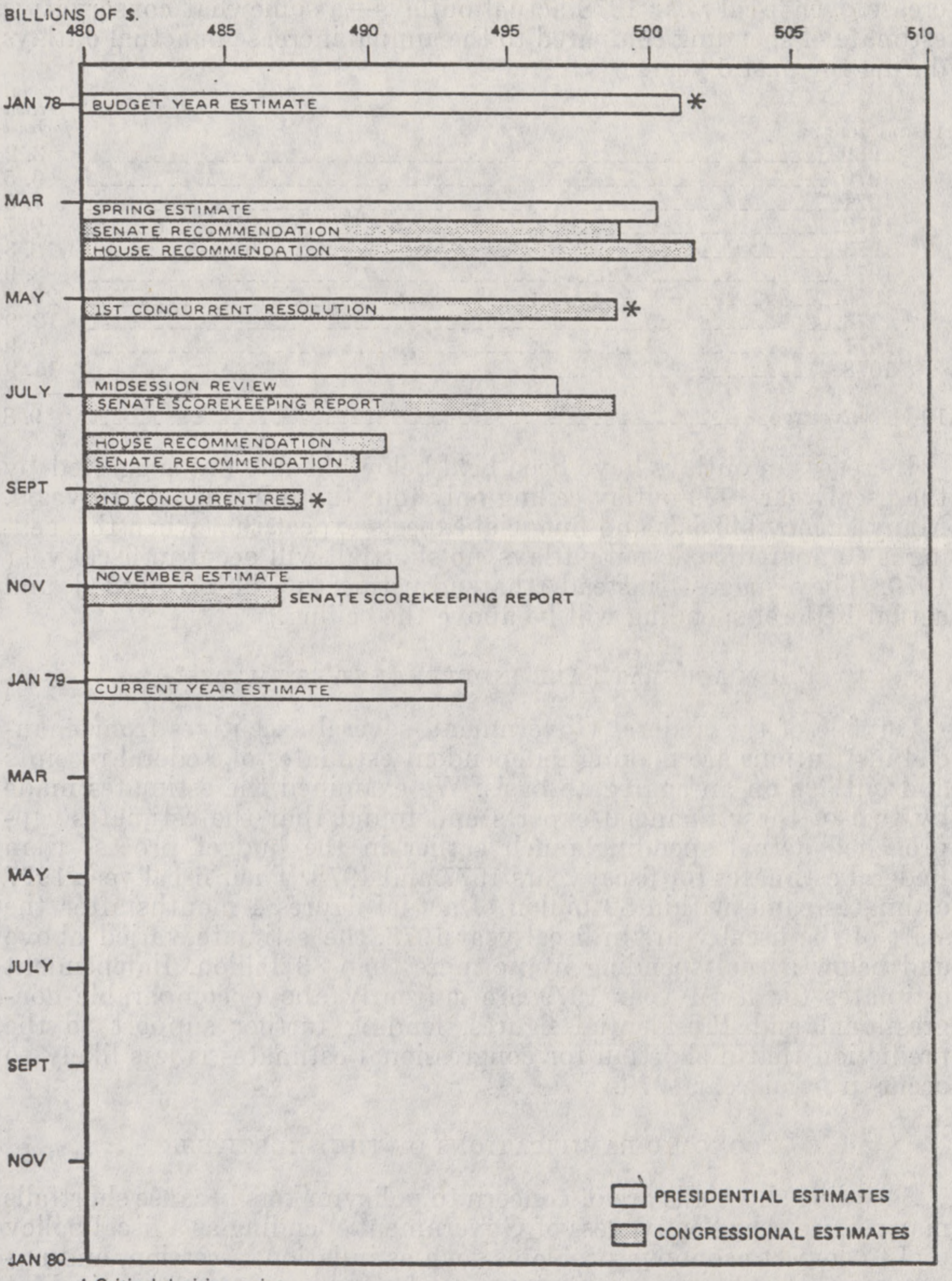
SENATE SCOREKEEPING REPORT
SEPT
CBO FINAL ESTIMATE
NOV
NOVEMBER ACTUAL
JAN 79
PRESIDENTIAL ESTIMATES
CONGRESSIONAL ESTIMATES
* Critical decision points.
ACTUAL
SHORTFALL

FY 79 FEDERAL BUDGET ESTIMATES OF OUTLAYS



*Critical decision points.

The fiscal year 1979 outlay ceiling represents only an 8.1-percent increase over fiscal year 1978 actual outlays—a somewhat conservative estimate of spending compared to the annual increase in actual outlays during the past 5 years.

Fiscal year:	*Annual percent increase*
1969	3. 2
1970	6. 5
1971	7. 5
1972	9. 7
1973	6. 3
1974	8. 9
1975	20. 9
1976	12. 9
1977	9. 9
1978	11. 9
10-year average	9. 8

Increases in outlays have been held below the amount suggested by the fiscal year 1979 outlay ceiling only four times in the last 10 years. Many agency officials and financial experts expect that when this ceiling is compared to actual outlays, no shortfall will occur in fiscal year 1979. They suggest, instead, that adjustments will be needed and actual Federal spending will be above the ceiling.

HOW ACCURATE ARE INDEPENDENT ESTIMATES?

Outside of the Federal Government, several executives from financial institutions are making independent estimates of Federal receipts and outlays on an aggregate basis. We examined the estimates made by two of these financial experts and found that the estimates approached actual spending much earlier in the budget process than Federal estimates for fiscal years 1977 and 1978. Their fiscal year 1977 estimates came within $2 billion of actual figures 4 months after the start of the fiscal year. In fiscal year 1978, the estimate varied above and below actual spending by no more than $3 billion. Independent estimates for fiscal year 1979 are currently above comparable congressional and Presidential figures, lending further support to the prediction that a shortfall for congressional estimates is less likely to occur in fiscal year 1979.

ECONOMIC RAMIFICATIONS OF THE SHORTFALL

Spending shortfalls are of concern to policymakers because shortfalls may reduce the effectiveness of Government spending as a fiscal policy tool to correct economic problems such as inflation, recession, and unemployment. The economic impact of Government action is best measured by using the deficit or surplus. Shortfalls that occurred in fiscal years 1976 and 1977 when the economy was recovering from its deepest postwar recession changed the deficit situation of the Government and accordingly reduced the effectiveness of the Federal budget to stimulate the economy and aggregate demand for goods and services.

Estimating the actual economic impact of underspending requires (1) identifying the sources of the shortfalls and (2) determining if it is an actual reduction or merely a lag in spending which will be made up in later years.

Isolating the sources of the shortfall is necessary because Government spending for direct purchase of goods and services has a greater effect on stimulating national output and employment than equivalent spending which transfers funds from the public to the private sector. Federal spending on goods and services initially expands aggregate demand by an amount equal to the size of the outlay. On the other hand, transfer payments to individuals through unemployment compensation or social security are less likely to fully expand aggregate demand because a portion of these transfer payments may be saved. Thus, even if the total shortfall remains a constant percentage of the gross national product over time, its effect on the economy will be different depending on the programs in which the shortfall occurs.

One major source of shortfalls is poor estimation of economic conditions. Transfer payment programs (for example, social security or unemployment insurance) are an example of Federal spending programs which depend in part on accurate economic forecasts. For example, it would appear that forecasting errors related to the rate of inflation are an important cause of Federal underspending. If the actual rate of inflation is lower than the expected rate, budget estimates sensitive to this forecast will be overstated by the difference in the rates. In this case, a shortfall will be recorded and related to the forecasting error. This type of shortfall would have no real direct impact on the economy since it does not involve lower real Federal spending on goods and services.

Therefore, not all shortfalls have a direct or indirect economic effect. Since the elements making up the budget shortfall may differ widely in their effect on employment, prices, and real output, ratios expressing the aggregate shortfall to some economywide total (for example, the gross national product) are apt to be misleading, especially if one year is compared to another. For these reasons, the budget net outlay and shortfall totals are not as important for assessing their economic impact as examining the specific program category in which the shortfall occurs.

Furthermore, it should be noted that the ultimate impact of Government spending on economic activity depends both on the phase of the business cycle and the method used to finance the Federal budget deficit. The impact of underspending could lower the Treasury's borrowing requirements.

This, in turn, may lessen inflationary expectations as well as make available to the private sector a larger quantity of loanable funds. Both may serve to stimulate spending by the private sector which could, potentially, offset a part of the deflationary impact due to Federal underspending.

Measuring the effect of underspending is complicated by the fact that Government expenditures often have a greater dollar impact on the gross national product than the initial dollar value of the program.

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Thus, the amount by which underspending reduces economic stimulus programs may be greater than the actual dollar shortfall. This effect is difficult to measure and varies according to program area, the phase of the business cycle, the method of Federal deficit financing, and expectations about future economic conditions.

CONCLUSIONS

The shortfall is made up of understated and overstated outlay estimates which offset each other. Although past outlay estimates have been unreliable, increased efforts are underway to improve estimates.

The amount of the shortfall (or longfall) varies according to when it is measured. The measure at no one point in time is universally accepted as "the shortfall." The dollar amount of the spending shortfall as measured from a given estimate is not as important as a trend over time of estimates which come closer to actual outlays sooner. Accurate outlay estimates must be available before decisions are made to be meaningful.

The "real" shortfall or longfall is based on including off-budget entities and business-type receipts from the public to fully reflect Federal activity. The effect of this change on fiscal year 1977 numbers is to decrease the budget year longfall by $1. 6 billion and increase the current year shortfall by about $0. 8 billion.

There has been a wide swing between longfalls, or underestimates of outlays, in budget year estimates and shortfalls, or overestimates of outlays, in current year estimates in most fiscal years. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate, in current year estimates (12 months later) reflects the administration's assessment of actual financial needs to accomplish its goals.

There is early evidence that fiscal year 1979 outlay estimates may not result in a shortfall. For example, the congressional concurrent resolution ceiling is less than OMB's outlay estimates. This was not true in fiscal years 1977 and 1978. In addition, the estimated fiscal year 1979 percent increase in outlays over prior years is less than it has been in the past. Finally, independent estimates which have been more accurate earlier than other estimates are above comparable congressional and Presidential figures for fiscal year 1979.

Chapter 4

ACCURACY OF OUTLAY ESTIMATES IN INDIVIDUAL ACCOUNTS

In the previous chapter, we discussed the accuracy of aggregate estimates. This chapter discusses the accuracy of estimates in individual accounts.

What Makes Up the Shortfall?

The spending shortfall is made up of many understated and overstated estimates which offset each other at the program, account, agency, function, and Government-wide levels. We analyzed the 50 accounts with the largest outlays in fiscal year 1977. (See appendix II for fiscal years 1977 and 1978 outlay data on these accounts.) Spending in these accounts was $381.9 billion, or about 83 percent of fiscal year 1977 outlays. Based on current year estimates, the net shortfall in these accounts was $2.9 billion. This net figure is the combined result of a shortfall in 32 accounts of $6.5 billion and a longfall in 16 accounts of $3.6 billion. In two accounts, estimates equaled actual outlays. For technical reasons, the shortfall or longfall in individual accounts will not equal the Government-wide net shortfall of longfall.

We also analyzed accounts with dollar differences between current year estimates and actual fiscal year 1977 outlays of at least $100 million. The largest shortfalls in fiscal year 1977 occurred in the following accounts:[1]

	Amount difference (millions)	Percent difference
Department of Labor's unemployment trust fund [1]	$1,297	9
Postal Service fund [2]	1,179	681
Environmental Protection Agency's construction grants [1]	900	25
Export-Import Bank of United States [3]	559	164
Department of Housing and Urban Development's Federal Housing Administration	535	109
Department of Agriculture's rural housing insurance fund	529	596
Department of Health, Education, and Welfare's public assistance [1]	489	3
Department of Housing and Urban Development's special assistance functions	445	55
Veterans' Administration's readjustment benefits [1]	430	12
Funds appropriated to the President/security supporting assistance	395	37
Department of Defense's aircraft procurement, Navy [1]	318	12

[1] Included among the 50 accounts with the largest outlays.
[2] Off-budget account.
[3] Off-budget in fiscal year 1977, on budget in fiscal year 1978.

OMB and Congressional Budget Office Estimates

Both the Congressional Budget Office and OMB (or agencies) make outlay estimates of individual accounts, although these estimates are not always directly comparable. OMB estimates contain proposed

[1] Excludes Department of Energy accounts.

legislation, but the Congressional Budget Office estimates do not. Congressional Budget Office estimates are based on the program currently authorized. In the table below, we compared OMB and Congressional Budget Office estimates of currently authorized programs to actuals. Actuals include outlays resulting from proposed legislation which was enacted. In two of the three accounts where there were differences, Congressional Budget Office estimates were closer to actuals than OMB estimates.

Programs	Fiscal year 1978 budget year estimates	
	OMB percent difference	Congressional Budget Office percent difference
Environmental Protection Agency construction grants	56	35
Veterans' Administration readjustment benefits	14	19
Department of Defense aircraft procurement, Navy	7	7
Department of Agriculture child nutrition programs	14	11

While the Congressional Budget Office and OMB estimates at later points in time are more comparable, they fall after the time when congressional decisions are made; therefore, use of these estimates is limited.

Fiscal year 1978 OMB estimates including propose legislation varied from actuals as follows: Construction grants, 62 percent; readjustment benefits, less than 1 percent; aircraft procurement, Navy, 7 percent; and child nutrition programs, 15 percent.

One year variances do not show the significant swings that can take place within an account over a period of years. For example, Environmental Protection Agency Construction Grants estimates have fluctuated as follows for the last 6 fiscal years:

—1973, 61 percent overestimate.
—1974, 3 percent overestimate.
—1975, 73 percent overestimate.
—1976, 5 percent underestimate.
—1977, 7 percent overestimate.
—1978, 62 percent overestimate.

We have found no published, Government-wide criteria for the accuracy of outlay estimates or comprehensive requirements for reporting on reasons for misestimates.

CASE STUDY RESULTS

We selected four appropriation accounts for detailed analysis, each with outlays exceeding $2.5 billion in fiscal year 1977; three of these were among the eleven accounts with the largest shortfalls in fiscal year 1977:

—Veterans' Administration (VA) Readjustment Benefits.
—Environmental Protection Agency, Construction Grants.
—Department of Agriculture, Child Nutrition Programs.
—Department of Defense, Aircraft Procurement, Navy.

During the course of our limited analysis of four accounts, we identified two categories of reasons for variances between estimates and actuals. One category includes unpredictable factors that are beyond the control of estimators. The other involves areas in which improvements could be made to increase the accuracy of estimates. Generally, more than one factor applies to a given variance and it is difficult to measure the impact of any single factor.

Unpredictable events

Unpredictable events include such variables as weather or natural disasters which cannot reasonably be expected to be predicted and which affect the accuracy of estimates by necessitating changes in outlays that were planned at the time estimates were made. Decisions by State and local administrators and local tax initiatives, such as Proposition 13 in California, can affect the accuracy of Federal estimates. (See chapter 7 of this report for additional information on Proposition 13 and its effects.) Legislative action is another factor which cannot be predicted and which is one of the most frequent reasons for variances.

Legislative action

In each of the four accounts examined, the ability of agencies and OMB to accurately forecast outlays was always subject to the unknown factor of congressional action. The outlay estimating process was affected by legislation because the Congress acted or failed to act after a particular estimate was submitted or because congressional action decreased the usefulness of historical data.

Legislation passed after Presidential estimates were submitted

Estimates for the VA Readjustment Benefits account in 1975 were submitted to the Congress in the January 1974 President's budget and were based on the program's then current authorization. However, after the publication of the President's budget, the Congress passed three pieces of legislation affecting fiscal year 1975 outlays in the account. VA found it necessary to later request three supplementals to adjust for the program changes. Presidential outlay estimates for fiscal year 1975 varied from actuals by $1.7 billion (38 percent).

Legislation decreased the usefulness of historical outlay rates

Before fiscal year 1974, Aircraft Procurement, Navy was funded together with missile procurement under a single account. When the Congress required that a separate account be established for Navy aircraft programs, the Navy was forced to project outlays for aircraft procurement on the basis of historical outlay rates for combined aircraft/missile procurement. The Navy had no reliable, historical basis for projecting 1974 outlays for the new account; the President's budget year outlay estimate for the account differed from actual outlays by 110 percent.

Estimating improvements needed

Areas in which improvement can and should be made include elimination of upward bias, improving estimating techniques, exercising caution in making subjective modifications of statistical projections, and improving documentation of past actions.

Elimination of upward bias

OMB, the Congressional Budget Office, and our office have identified one problem in outlay estimating as a consistent upward bias on the part of executive agencies. Part of this may be attributed to the overoptimism of program managers about how fast they can implement programs, that is, expend funds.

For example, such overoptimism occurred at the Environmental Protection Agency in fiscal year 1976. In July and August of 1976, House and Senate Appropriations Committees were conducting hearings on the Public Works Employment appropriations bill, which would have provided additional funds for the Environmental Protection Agency Construction Grants account. These funds related to legislation which was not included in the agency's budget estimate. Officials stated at the hearings that they could outlay $50 million of such funds in fiscal year 1977. However, actual outlays from this $480 million appropriation in fiscal year 1977 were only $57,000.

Improving estimating techniques

The statistical models used in three of our four case study accounts were either based on theoretical assumptions that did not work, were based on questionable or inadequate data, or were inadequately documented. We recognize that the findings from these limited case studies cannot be projected to all accounts; however, at least in these instances problems existed.

Questionable and inadequate data

In one case we found that VA outlay projections for the Readjustment Benefits account were based primarily on estimated numbers of trainees and estimated cost per trainee. In developing trainee estimates, VA relied on data from the cost accounting system and the "Master Record of Persons in Training." This source data, however, has not reconciled with VA official reports on training and cost accounting for several years. VA recognized the inconsistency and subjectively adjusted the trainee estimates based on the Master Report. In fiscal year 1977, for example, VA's budget year estimate of trainees before OMB hearings was 41 percent above the actual after the subjective adjustment.

In another instance, the Food and Nutrition Service developed outlay projections for the Child Nutrition Programs account in part by analyzing historical participation rates. These rates were based on monthly reports submitted by the States and Puerto Rico, which, according to agency officials, were known to be in error. The data, however, was still used in developing estimates.

Theoretical assumptions

From fiscal years 1973 to 1977, the Environmental Protection Agency relied basically on a "payment curve" model which generally yielded budget year outlay estimates that were larger than actuals. The basic assumption for this model was that the most reliable guide to the future payment experience of existing and to-be-awarded projects was the cumulative experience of completed or ongoing projects. Historically it is assumed that over time, as more experience was accumulated on the payout patterns of projects, forecasts based on such cumulative experience would become more and more accurate. As illustrated below, however, this did not occur, and estimates based on

this model varied widely. Other factors also contributed to this variance.

CONSTRUCTION GRANTS BUDGET YEAR ESTIMATES

[Dollar amounts in millions]

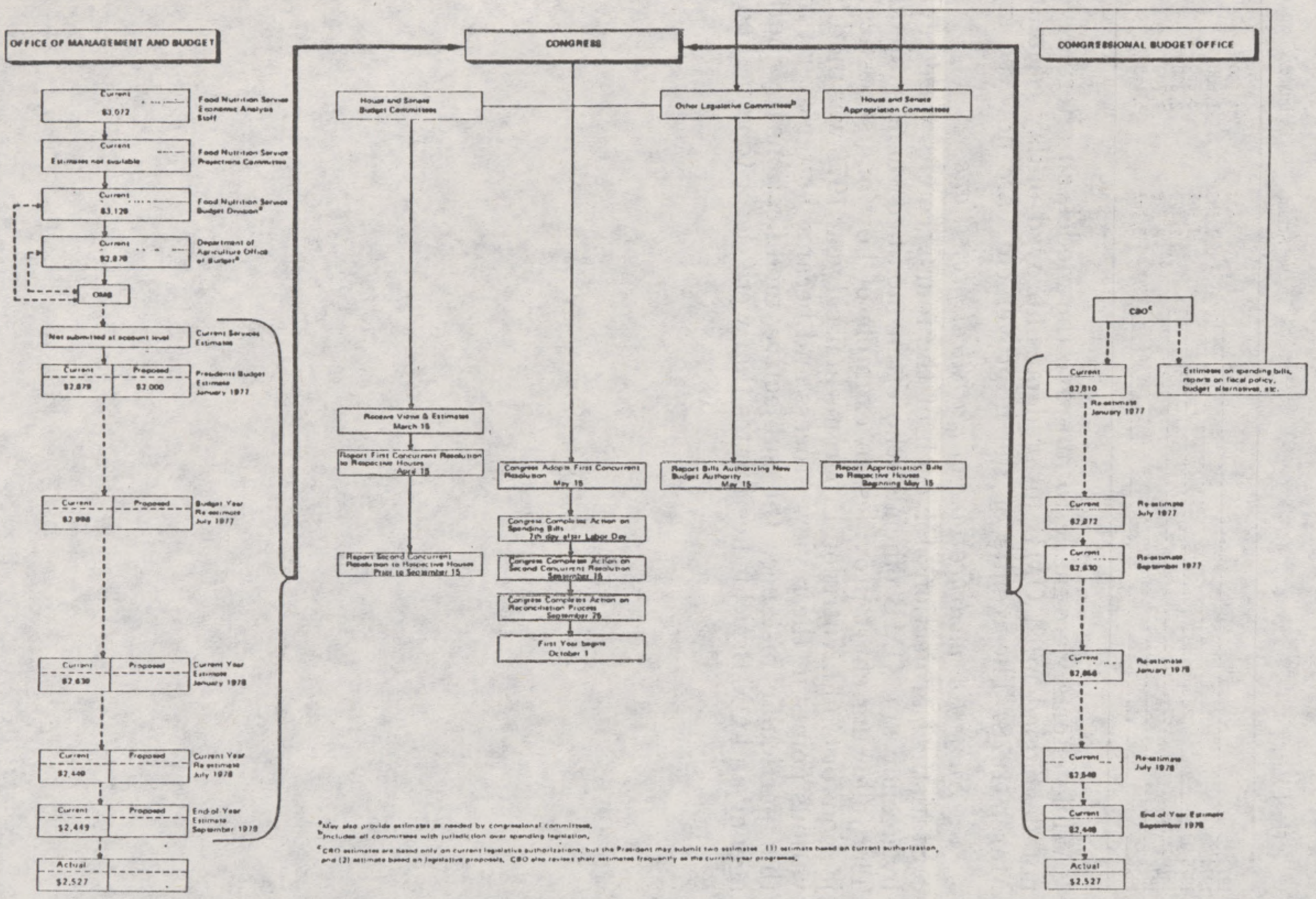
Fiscal year	Actual	Estimate	Variance (percent)
1973	$684	$1,100	61
1974	1,553	1,600	3
1975	1,938	3,350	73
1976	2,429	2,300	—5
1977	3,530	3,700	7
1978	3,187	5,160	62

While efforts were made to improve the model, an alternative was not developed until OMB insisted on improved outlay estimates in March 1978. The results of the improvements are not yet known.

Subjective modifications of statistical projections

Statistical projections for each of the four accounts were reviewed by agency and OMB officials who often modified them subjectively. The following chart provides an example of how one statistical projection for Child Nutrition Programs in fiscal year 1978 was modified at various points in the review process and became better over time. In this particular instance, the subjective modifications by both the agency and OMB yielded estimates that were closer to actual outlays.

OMB AND CBO BUDGET ESTIMATES FOR CHILD NUTRITION PROGRAMS ACCOUNT, FY 1978



[a] May also provide estimates as needed by congressional committees.

[b] Includes all committees with jurisdiction over spending legislation.

[c] CBO estimates are based only on current legislative authorizations, but the President may submit two estimates (1) estimate based on current authorization, and (2) estimate based on legislative proposals. CBO also revises their estimates frequently as the current year progresses.

Modification of agency estimates does not always improve them. According to Navy officials, for example, modification of their statistical projections for the Aircraft Procurement, Navy, account in fiscal year 1977, increased the variance between the estimate and actual by $204 million:

Fiscal year 1977:	*Millions*
Actual	$2,657
Statistical projection	2,771
Difference	114
Modified estimate	2,975
Difference	318

Some budget officials stated that they are not told who modifies their statistical projections or the rationale for the changes. Such changes may be made on the basis of departmental policy, OMB guidance, proposed legislation, or the "expertise and experience" of higher level program managers.

Need to improve documentation of the estimating process

In three of the four agencies, we found either a lack of evidence documenting the assumptions used in the estimating models or adequate historical records of outlay projections were not available. For VA, we could not find documentation of the methodology used to develop estimatcs for the Readjustment Benefits account for the fiscal years before 1977. A similar lack of documentation for both methodology and prior year outlay estimates was evident in the Environmental Protection Agency and the Food and Nutrition Service.

CONCLUSIONS

We believe that one of the fundamental requirements of the outlay estimating process at the individual account level is to provide the basic numbers upon which effective and timely decisions can be made. We often found wide and changing variances between estimated outlays and the actual at the account level.

We are aware that the estimating process is not an exact science but is flexible and changing. This process can be influenced by a number of variables, many of which are uncontrollable; others include factors that are more directly controllable, such as historic upward bias. We believe it is necessary that the Congress be fully aware of these wide variances at the account level and that significant variances be clearly and systematically identified and explained. No comprehensive system exists to address these variances. We further found that no criteria has been developed relating to an acceptable degree of accuracy.

Developing a common executive/congressional criteria and analyzing variances from it would be a significant step toward evaluating and improving the validity of agency budget estimates. We are aware, however, that this will not be easily done. The issues involved in developing such criteria are complex. We believe these steps are necessary to improve the current estimates. This effort should not be unilateral, but should be a combined undertaking leading to a common goal of improved outlay estimates.

Chapter 5

EFFORTS TO IMPROVE OUTLAY ESTIMATES

One problem which has adversely affected outlay estimates has been the historical lack of emphasis on these estimates by either executive agencies, OMB, or the Congress. We have found that until recently there was no major, systematic ongoing effort in either the executive or legislative branch to assess the accuracy of outlay estimates. Increased interest in these estimates has resulted from passage of the Congressional Budget Act of 1974 and from growing concern over the Federal deficit.

Both OMB and the Congressional Budget Office are striving to achieve more accurate estimates. In a December 1977 staff paper, OMB outlined its plans for improving outlay estimates. These plans include improving estimating techniques used by agencies through greater use of computer models and advanced technical approaches along with realistic judgment by program managers. The paper also states:

> * * * there is room for some optimism concerning the possibility of improving outlay estimates and removing the upward bias:
>
> * * * * * * *
>
> Increase emphasis on regular tracking of outlays and comparisons with projections should also lead to better estimates.
>
> * * * * * * *
>
> Finally, the Office of Management and Budget will maintain close surveillance over agency outlay estimates and will, where appropriate, develop independent estimating techniques.

It is too soon to assess the degree of success of OMB's efforts; however, some agencies appear to be responding. For example, the Environmental Protection Agency has begun supplying OMB with a monthly report on outlays with reasons for variances from projections.

The Congressional Budget Act requires that the budget contain two reconciliations between the initial budget estimates and the actual amounts for the last completed fiscal year: A reconciliation of the differences in relatively uncontrollable outlays by major program, and a reconciliation of the differences in receipts by major source. The fiscal year 1980 budget contains these reconciliations for the first time.

Due to the unavailability of the 1980 budget until late January 1979, we were unable to analyze these reconciliations. We did note that most of this effort was directed toward the aggregate issue.

While we believe that this is an important step toward better disclosure and understanding of estimating differences, efforts should continue to address all significant variances not only at the aggregate level but, more importantly, at the individual account level. The estimatimg process is so important to critical decisions that we must continue to strive to narrow the variances between what is estimated and what actually occurs.

The Congressional Budget Office has only been producing outlay estimates for a short period of time. It has established a goal of providing estimates of total outlays that are accurate within 1 percent 6 months before the start of the fiscal year (leaving aside major new policy decisions). Such accuracy is to rely to a great extent on the expectation that estimating errors for individual programs will offset each other.

The Congressional Budget Office report includes the following plans for improving its outlay estimates, both for individual programs and in the aggregate:

—Checking the reasonableness of estimates using a variety of statistical techniques to compare estimates with historical experience.
—Developing independent models for certain prograns which are sensitive to economic and programmatic factors affecting outlays.
—Maintaining contact with New York banking and investment firms that make independent estimates of Federal spending.
—Continuing to conduct special analyses of pendings patterns in programs which experience outlay estimating errors.
—Increasing efforts to monitor actual outlays and to compare actual spending rates with estimates for individual programs.

CONCLUSIONS

Both OMB and the Congressional Budget Office have recognized that improvements can and should be made in outlay estimating and that monitoring and comparing actual outlays to budget estimates is one way to improve estimates.

OMB has stated it intends to increase emphasis on regular tracking of outlays and comparisons with projections and to maintain close surveillance over agency outlay estimates. These actions are a step in the right direction.

RECOMMENDATIONS

In this and the three previous chapters, we have discussed our observations on outlay estimates. We recommend that the Director, OMB, further efforts to improve outlay estimates by:

—Establishing criteria for acceptable levels of accuracy for estimates, to be used as a guide in defining significant variances to be pursued.
—Comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances.
—Identifying corrective action to improve estimates in future years when such action is feasible.
—Making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate.
—Applying early efforts in goal setting and variance analysis toward accounts with the largest outlays.
—Requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials.

Chapter 6

DISTORTION OF OUTLAY ESTIMATES CAUSED BY BUDGET REPORTING PRACTICES

Outlays of $76. 4 billion were not included in fiscal year 1977 Government-wide net outlays of $402. 8 billion. These excluded outlays consisted of offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. They represent 16 percent of total Federal outlays (net outlays plus excluded items). Over $67 billion of the $76.4 billion not included is made up of offsetting collections and receipts which are also excluded from the fiscal year 1977 receipt total of $356.9 billion. Offsetting collections (both on and off budget) have increased from $33 billion in fiscal year 1973 to $51 billion in fiscal year 1977. These and other items excluded follow:

Outlays excluded:	*Amount in billions*
Offsetting collections from non-Federal sources—on budget	$32. 4
Offsetting collections from non-Federal sources—off budget	18. 6
Offsetting receipts from non-Federal sources	16. 7
Net outlays from off-budget Federal entities	8. 7
Total	76. 4

Transactions among Federal agencies are not included in outlay totals. They are offset to avoid double counting and are not an issue in this discussion. In contrast, we believe collections and receipts from non-Federal sources should be included in revenue and outlay totals to make the budget easier to understand and to make revenue and outlay figures reflect the full impact of Federal transactions.[1]

There are two types of transactions from non-Federal sources currently subtracted from outlays at various budget levels—offsetting collections and offsetting receipts. Both are revenue from business-type activities. The major differences between the two relate to where these transactions are recorded, at what level they are offset, and the availability of the revenue for expenditure.

Offsetting collections are:

—Recorded in expenditure or appropriation accounts;

—Netted or subtracted from budget authority and outlays at the appropriation account level; and

—Spent by appropriation accounts within limitations stated in legislation.

Offsetting receipts are:

—Recorded in receipt accounts;

—Netted or subtracted from budget authority and outlays at the budget function/subfunction and agency level, and in one case, at budget total level; and

[1] See our report (PAD–77–25, Aug. 30, 1977) entitled "Revolving Funds: Full Disclosure Needed for Better Congressional Control." In addition, we will publish a full report on the practice of offsetting business-type receipts in the near future.

—Generally not available for expenditure by agencies without appropriation from the Congress.

Off-budget entities are federally owned in whole or in part. Transactions of these entities have been excluded from the budget totals under provision of law. We have expressed over the years our opposition to off-budget status for Government-owned entities. We believe that the budgetary system and congressional efforts to better control it are weakened by excluding certain activities from overall budget.

Two major concerns relating to outlays are addressed in this chapter:

—The need for full and clear disclosure of all Federal outlays;

—The accuracy of estimates of offsetting items, which directly affects the accuracy of outlay estimates.

Full and Clear Disclosure of Federal Outlays

The current method of presenting offsetting collections, offsetting receipts, and off-budget Federal entities in the Federal budget makes it dfficult to readily identify total Federal revenues and outlays;

Offsetting collections

Offsetting collections from non-Federal sources are currently deducted from budget authority and outlays in expenditure or appropriation accounts and are not counted in revenue totals. Budget authority and outlay figures at the account level are reported net and do not fully reflect Federal activity.

The extent of offsetting collections in fiscal year 1977 for both on- and off-budget accounts was $51 billion. To obtain this total it was necessary to examine all appropriation accounts and summarize information from each of the more than 275 appropriation accounts that had this type of activity in fiscal year 1977.

In accounts with large offsetting collections, there is serious distortion of outlay figures. Not only are outlays excluded from totals, but the practice may also result in a negative amount. We noted a number of individual appropriation accounts as well as agency, function, and subfunction budget totals with negative outlays resulting from this practice. For example, the Federal Home Loan Bank Board Revolving Fund reported negative actual 1977 outlays of $1.5 billion. If offsetting collections had not been deducted in this account, a positive outlay of $90 million would have been reported. The Department of Housing and Urban Development, Special Assistance Fund, reported negative outlays of $805 million. If offsetting collections had not been deducted, positive outlays of $729 million would have been reported. Bonneville Power Administration Fund would be changed from negative outlays of $8.5 million to positive outlays of $324 million. The excerpt from the fiscal year 1979 budget clearly shows the impact these negative outlays can have at the function and subfunction level.

Off-budget entities

The existence of off-budget entities causes two additional problems related to full disclosure of all Federal outlays. First, the net outlays of off-budget entities ($8. 7 billion in fiscal year 1977) are not included in outlay totals used to determine the surplus or deficit. Second, as long as these entities remain off-budget, their payments to on-budget accounts should be treated as offsetting collections from non-Federal

sources since they present the same problems discussed in this report relating to offsetting collections.

The amount of off-budget transactions with other Federal accounts in fiscal year 1977 was $3. 0 billion for offsetting collections and $3. 4 billion for offsetting receipts. These problems would be solved if off-budget entities were returned to the budget. This way, the net outlays of the entities would be included in outlay totals and their transactions with other Federal accounts would be properly eliminated from totals to avoid double counting.

Offsetting receipts

In fiscal year 1977, there were about 825 receipt accounts with offsetting receipts totaling $16. 7 billion. The largest of these accounts was $1.3 billion for Rents and Bonuses on Outer Continental Shelf Lands.

Offsetting receipts from the public are deposited into Treasury receipt accounts but are not included in revenue totals. They are subtracted from budget authority and outlay totals at the budget function, subfuctions, or agency level, and, in one case, from Government-wide budget totals. Disclosure is less of a problem in regard to offsetting receipts than offsetting collections because the amount of offsetting receipts is summarized and readily available in the budget. However, deduction of these receipts causes revenue, budget authority, and outlay figures to reflect less than total Government activity.

OUTLAYS BY FUNCTION AND AGENCY

[in millions of dollars]

Function and department or other unit	1977 actual	1978 estimate	1979 estimate
COMMERCE AND HOUSING CREDIT			
Mortgage credit and thrift insurance:			
Department of Agriculture	100	455	−93
Department of Housing and Urban Development	−585	781	1, 267
Other independent agencies:			
Federal Deposit Insurance Corporation (trust fund)	−852	−379	−945
Federal Home Loan Bank Board	−1, 913	−360	−467
National Credit Union Administration	−19	−30	−36
Total	−3, 270	467	−274
Postal Service: Other independent agencies: Postal Service	2, 267	1, 787	1, 830
Federal Financing Bank: Deductions for offsetting receipts (total)	−143	----------	----------
Other advancement and regulation of commerce:			
Legislative branch	9	11	9
Department of Commerce [1]	443	518	669
Department of Housing and Urban Development	10	10	14
Department of the Treasury [1]	−4	−1	−4
General Services Administration	1	5	1
Other independent agencies:			
Commodity Futures Trading Commission	13	15	16
Emergency Loan Guarantee Board	−5	2	----------
Federal Communications Commission	56	66	66
Federal Trade Commission	52	62	64
National Center for Productivity and Quality of Working Life	2	3	3
National Institute of Building Sciences	----------	1	----------
Securities and Exchange Commission	54	66	65
Small Business Administration	516	547	543
Other temporary commissions	2	(2)	----------
Deductions for offsetting receipts	−29	−31	−32
Total	1, 118	1, 272	1, 415
Deductions for offsetting receipts [3]	−4	−4	−3
Total commerce and housing credit	−31	3, 523	2, 969

[1] Includes both Federal and trust funds.
[2] $500,000 or less.
[3] Excludes offsetting receipts which have been distributed by subfunction above.

ACCURACY OF ESTIMATES OF OFFSETTING ITEMS

Estimates of offsetting collections and offsetting receipts have not been reliable.

Offsetting collections

Responsibility for estimating offsetting collections lies with the collecting agency in whose accounts the deduction from budget authority and outlays is made. To estimate budget authority and outlays accurately, estimates of offsetting collections must be accurate.

Estimates of offsetting collections have fluctuated in accuracy at both the account level and when totaled for 5 recent fiscal years (1973 to 1977). There has not been a consistent trend in over- or underestimating. The following table shows that totaled account level estimates of on-budget agency collections have varied from actuals by an underestimate of $2.6 billion to an overestimate of $1.8 billion. Totaled estimates of off-budget agency collections have varied from actuals by an underestimate of $3.5 billion to an overestimate of $2.2 billion.

[In billions of dollars]

Fiscal year	On budget		Off budget		Total [1]	
	Underestimate	Over estimate	Underestimate	Over estimate	Underestimate	Over estimate
1973	2.6			2.2	0.4	
1974	1.9			.1	1.8	
1975		1.8	0.5			1.3
1976	2.5		1.0		3.5	
1977		.8	3.5		2.7	

[1] Adjustments have been made because individual accounts moved between on and off budget over the time period covered.

Wide flucations in the variance between estimated and actual collections become more apparent at the individual account level. We noted several large accounts in fiscal year 1977 with significant dollar over- or underestimates. Our review of the accuracy of estimates for these accounts over 5 recent fiscal years disclosed large over- and underestimates from year to year. For example, the Federal Home Loan Bank Board Revolving Fund had a $1.8 million overestimate (9 percent) in fiscal year 1975, a $40 million (66 percent) underestimate in fiscal year 1976, and a $1.5 billion (95 percent) underestimate in fiscal year 1977.

Our analysis of two types of accounts (general and special funds) indicated a tendency to underestimate collections. These types of accounts are financed almost totally through appropriations, and collections are usually for small amounts. Totaled estimates of collections in special funds underestimated collections in 5 recent years. Totaled estimates of general funds underestimated collections in each of the fiscal years from 1973 to 1976. While fiscal year 1977 shows an overstatement of collections by general funds, this was caused by a unique one-time event on the Military Construction, Army account containing a large adjustment for foreign military sales. Estimates of offsetting collections in general funds tend to be understated in the aggregate.

It is difficult to determine with assurance that any one over- or underestimate was a deliberate attempt to affect budget totals. By underestimating collections to be offset against budget authority and outlays at the account level, an agency may justify increased appropriations. Additional revenue which becomes available when collections exceed estimates may be used to increase program size or unobligated balances. The additional budget authority may also lapse or be transferred.

Some of the reasons for variances between estimated and actual collections are legitimately unpredictable events. For example, the effect of marketable interest rates and other economic factors is difficult to predict. However, improvements in estimating collections can be made. For example, there has been consistent failure in some accounts to estimate collections even though there have been actual reported collections for several years. In addition, some estimates for offsetting collections seem to be based primarily on subjective judgments and historical trends, with little or no use of sophisticated analytical techniques.

Offsetting receipts

In fiscal year 1977, budget year estimates for total offsetting receipts from the public were 14 percent below actuals. Current year or second estimates were overstated by 3 percent. Offsetting receipts estimates have not been reliable at the individual account level. Excluding those accounts that had either zero first estimates or zero actuals, there were over 100 accounts where estimates varied from actuals in excess of $1 million. Of these accounts, 30 percent had variances in excess of 100 percent.

The largest offsetting receipt category, Undistributed Outer Continental Shelf Rents and Royalties, was estimated in the budget year at $6 billion. The actual receipts were $2.4 billion, a 150-percent difference from actual. Reasons for this wide variance include the effect of multiple sources of uncertainty and the effect of estimating with nonsophisticated techniques. Even if estimating techniques were improved, uncontrollable factors are expected to continue to make accurate estimating difficult.

TIMING OF OFFSETTING COLLECTIONS

When to conduct certain transactions can also be timed to affect offsetting collection and outlay totals. The Farmers Home Administration finances several programs through sales of Certificates of Beneficial Ownership. Loans are made by the agency to participants in several housing programs, and the agency in turn sells shares in its pool of loans to the Federal Financing Bank (an off-budget agency) in the form of interest-bearing Certificates of Beneficial Ownership. The funds generated by the sales of Certificates of Beneficial Ownership are recorded by the Farmers Home Administration as offsetting collections and are offset against outlays. Since OMB and the Department of Agriculture control when Certificates of Beneficial Ownership are sold by the Farmers Home Administration, non-Federal collections and outlays can be adjusted by OMB and Agriculture. In fact, according to agency officials, one of the three factors governing decisions

to sell Certificates of Beneficial Ownership to the Federal Financing Bank is "the status of actual outlays against the outlay target in the Budget (or as modified by the Department and OMB)." The Farmers Home Administration had $5 billion actual offsetting collections from non-Federal sources from sales of Certificates of Beneficial Ownership in fiscal year 1977. The budget year estimate for these transactions was overestimated by $0.9 billion, and the current year estimate was overestimated by $1.3 billion.

CONCLUSIONS AND RECOMMENDATIONS

Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex. We believe the Federal budget should fully and clearly represent all Government activity. To do so, all revenues should be reflected as revenues and all expenditures should be reflected as outlays in the budget.

We recommend that the Director, OMB:

—Change the presentation of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and by not subtracting them from budget authority and outlays. This recommendation involves only a change in presentation of data for clarity. Availability of revenues from business-type transactions is not affected.

—Include offsetting collections and offsetting receipts from off-budget agencies under revenues and do not subtract them from budget authority and outlays. As long as off-budget agencies are excluded from budget totals, this change will not result in double counting. Off-budget agencies should be returned to the budget. If they are returned to the budget, this recommendation would no longer be appropriate.

—Apply our recommendations to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

Chapter 7

POTENTIAL EFFECTS OF STATE AND FEDERAL BUDGET CUTBACKS ON BUDGET ESTIMATES

The public is directing pressure at all levels of government to reduce taxation and spending. On June 6, 1978, California taxpayers voted overwhelmingly for Proposition 13, an amendment to their State constitution which places limitations on State and local taxation. After passage of Proposition 13, tax and expenditure limitation measures were proposed in almost every State. Taxpayers in 16 States voted on measures designed to ease tax burdens. In addition, attempts have been made at the Federal level to adopt budget limitation measures. This chapter describes how State and Federal tax and spending cutbacks affect Federal budget estimates and budget estimating practices.

Effects of California's Proposition 13

Proposition 13 has had minimal immediate impact on Federal budget estimates at either the aggregate or program level. However, as similar propositions are adopted by other States or at the Federal level, revenue and outlay implications for the Federal budget estimating process could become significant.

Impact of Proposition 13 on Federal revenues is minor

Various estimates have been made of Proposition 13's impact on Federal revenues. Based on Congressional Budget Office and Department of the Treasury estimates, we reported in "Will Federal Assistance to California be Affected by Proposition 13?" (GGD–78–101, Aug. 10, 1978) that Proposition 13 would not cause a significant increase in Federal tax revenues. California residents will have fewer property tax deductions on their Federal income tax returns, but Federal revenue will probably increase by no more than $1.5 billion, or 0.3 percent, in fiscal year 1979.

How Federal expenditures might be affected

Passage of measures which limit taxation and expenditures could affect Federal grant outlays due to three features of the Federal grants system:

1. *Matching requirements.*—Sixty percent of Federal grant programs require that State and local governments provide a specified non-Federal share of grant costs as a condition for receiving Federal assistance.
2. *Maintenance of effort requirements.*—Many Federal grant programs require grantees to maintain a prior fixed level of fiscal effort. Other programs require that Federal funds be used only to supplement non-Federal funds that would be available in the absence of the Federal grant. Thirty-seven of the 52 Federal grant programs with over $100 million in fiscal year 1978 funding have maintenance-of-effort requirements.

3. *Formula allocations.*—Thirty-two of the 93 Federal formula grant programs increase funding in response to higher grantee expenditures or taxing efforts. Thus, a lower level of expenditures or tax effort could result in lower Federal assistance.

Little immediate impact likely on Federal expenditures from Proposition 13

Passage of Proposition 13 has aroused concern that California could lose billions of dollars each year in Federal aid from projected local spending cuts. Such fears are unfounded. Proposition 13 will have little short-term effect on Federal spending since:

—The State surplus greatly offset the potential revenue loss to local governments. Although property taxes were expected to decline by some $6 billion annually, only $1.9 billion was lost in the fiscal year beginning July 1, 1978, because the State provided surplus funds of about $4.1 billion to local governments.

—Spending cutbacks in local governments were not as great as indicated by the projected revenue loss of $1. 9 billion:

—The tax loss was overstated by approximately $108 million.

—Local governments obtained an estimated $100 million in additional revenues by raising fees and nonproperty taxes and by imposing user charges.

—Many Government entities had surplus revenues to offset the revenue loss. County and city surpluses are estimated at $680 million and school districts' reserves at $880 million.

—Local government entities were careful not to trigger the loss of Federal aid by failing to allocate sufficient funds to satisfy Federal formulas and matching or maintenance of effort requirements.

Actual impact to date

Proposition 13 has had little impact on Federal aid programs in California. Federal spending will be increased slightly in unemployment insurance and food stamp programs and decreased in employment and training, welfare, and child nutrition. Other Federal formula programs (impact aid and revenue sharing) could be affected, but the outlay reductions would not occur until 1980 or 1981.

SLOWING THE RATE OF FEDERAL PROGRAM GROWTH

We believe that the passage of further measures which limit taxing and spending and the attitude of the public will reduce the rapid growth in State and local expenditures. Thus, the growth in Federal outlays to State and local governments experienced in the recent past will also be reduced.

Federal aid to State and local governments increased nearly fourfold over the 9-year period from 1969 to 1977—from $19 billion to $70 billion. Federal funds accounted for 27 percent of total State and local expenditures in fiscal year 1978, compared with 10 percent in 1955. The growth in Federal outlays has encouraged large increases in State and local spending. In fact, for some time the growth in State and local expenditures and employment was higher than that of any industry in the private sector.

Proposals which limit taxing and spending create fiscal restrictions which may make State and local officials less willing to participate in new or expanded Federal aid programs. In fact, bona fide monetary restraints may preclude participation.

TAX AND EXPENDITURES LIMITATION MEASURES IN OTHER STATES

Practically every State and a number of communities and counties have considered or are considering some tax limitation or spending control measures. Taxpayers in seven States approved measures on the November 1978 ballot designed to ease State income or property tax burdens. These States are:

1. Alabama.
2. Idaho.
3. Massachusetts.
4. Missouri.
5. Nevada.
6. North Dakota.
7. South Dakota.

In five other States, measures were passed which placed limits on State spending:

1. Arizona.
2. Hawaii.
3. Illinois.
4. Michigan.
5. Texas.

Federal budget limitation proposals

The Congress also debated Federal taxing and spending limitation policies last year. For example, the Roth-Kemp bill (S. 1860, H.R. 8333) would have substantially reduced taxes without specifically reducing Federal spending. There were other proposals calling for large income tax cuts if Federal spending was limited and requiring a balanced Federal budget. The one proposal for balancing the budget that was passed into law was the Byrd amendment. This amendment reads: "Beginning with Fiscal Year 1981, the total budget outlays of the federal government shall not exceed its receipts." No penalties or enforcement mechanisms are included.

Two national groups and various State groups that were formed to limit Government taxing powers are sponsoring a Federal constitutional convention—the first since 1787. They would like to see the Constitution amended to prohibit deficit spending except in times of national emergency. Twenty-two State legislatures—12 short of the necessary two-thirds requirement for a convention—have adopted resolutions petitioning the Congress for such a convention.

INCREASED USE OF QUESTIONABLE BUDGET PRACTICES

Pressure to lower the growth of Federal revenue and spending and to balance the budget will likely lead to increased pressure to use questionable budget practices, such as giving off-budget status to agencies which artificially lower budget totals. Such practices would only create the appearance of a balanced budget and a decreased deficit while obscuring the actual extent of Federal financial activity.

Off-budget status

We have expressed in reports and testimony opposition to off-budget status for Government-owned programs. However, in the fiscal year 1979 budget, there were eight off-budget accounts with total estimated net outlays for fiscal year 1979 of $12.5 billion. In our report, " Government Agency Transactions with the Federal Financing Bank Should

Be Included on the Budget" (PAD–77–70, Aug. 3, 1977), we discussed one of the largest of these accounts. We recommended that the Federal Financing Bank's receipts and disbursements be included in the Federal budget totals. We also recommended that the receipts and disbursements of all off-budget Federal agencies that borrow from the bank be included in the budget totals.

By placing all Government activities in the budget, the budgetary system and congressional efforts to better control Federal financial activities can be strengthened. The fundamental purpose of a single budget is to bring together competing needs so that priorities may be more readily established and resources allocated with regard to all factors.

Net budget disclosure

We have recommended changes in current budget procedures which place the Government's business-type activities with the public in the Federal budget as part of revenues and outlays. These recommendations have been made in chapter 6 of this report and in our previous report, "Revolving Funds: Full Disclosure Needed for Better Congressional Control" (PAD–77–25, Aug. 30, 1977). In that report we said:

> We believe that for the Congress to decide on budget totals and make priority allocations among functions under the new budgetary process, it must have complete information on the *total* levels of Federal activities. With full disclosure (gross accounting for receipts and outlays in the budget), the Congress will be better able to use the budget information in establishing aggregate financial targets by functional category.

Presentation on a gross rather than net basis would not deter efforts to balance the Federal budget. However, a gross presentation would greatly increase both receipt and outlay totals. Gross reporting of outlays is a basic requirement in any realistic attempt to limit the size of the Federal budget.

CONCLUSIONS

Measures such as Proposition 13 highlight current efforts to reduce the growth of Federal and State spending. However, attempts to balance the budget or limit Federal financial activity will be futile unless they are based on full disclosure and accurate estimates of revenues and outlays. In the past, the budget's value has been limited by estimates that need improvement and practices which lead to only partial disclosure of available information. The push to limit the size of the budget will surely intensify existing problems and lead to the spread of new ones. The resulting budget figures will be even more suspect than the already questionable data currently available unless improvements are made in accuracy of budget estimates and principles of full disclosure are instituted and consistently applied.

APPENDIX I

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, D.C. July 11, 1978.

Hon. ELMER B. STAATS, *Comptroller General of the United States, Washington, D.C.*

Dear Mr. Staats: I greatly appreciated receiving the testimony of your General Counsel, Paul Dembling, at the oversight hearings which the Budget Process Task Force held last week.

The Budget Process Task Force agenda for the coming months includes a focus on several additional areas related to good Congressional budgeting including the need for accurate estimating which is key to the effective operation of the Budget Act.

As part of our effort in this area, I would like to request that the General Accounting Office undertake several related studies focusing first on the accuracy of budget estimates with regard to outlays in the Federal Government, due about mid-January 1979. This would be followed by a study on the accuracy of budget authority and finally a study on the accuracy of receipts and offsetting collections.

In conjunction with these studies, I would hope to have a hearing soon after the FY 1980 budget has been sent to Congress in which I would hope you could testify with regard to the first part of this study—accuracy of budget estimates with particular relation to outlays.

The fine work which the Task Force has become accustomed to receiving from General Accounting Office has provided a good solid basis for better understanding and the move in Congress toward better budgeting.

With warm regards.

Sincerely,

BUTLER DERRICK,
Chairman, Budget Process Task Force.

APPENDIX II

ACCURACY OF ESTIMATING OUTLAYS—50 ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS[1]

[In millions of dollars]

Agency: Account name— Account No.	Fiscal year 1977			Fiscal year 1978		
	Actual	Budget year estimate minus actual	Current year estimate minus actual	Actual	Budget year estimate minus actual	Current year estimate minus actual
Department of Health, Education, and Welfare: Federal old age and insurance trust fund— 09–60–8006–0–7–601	73,479	−674	−246	81,205	−1,607	460
Department of the Treasury: Interest on the public debt— 15–60–0550–0–1–901	41,900	3,100	100	48,695	−4,095	−95
Department of Health, Education, and Welfare: Public assistance (health care services)— 09–50–0581–0–1–999	18,777	−10,264	489	[2] 20,187	714	−3
Federal hospital insurance trust fund— 09–38–8005–0–7–551	15,207	−1,926	133	17,862	−1,413	18
Department of Labor: Unemployment trust fund— 12–05–8042–0–7–999	14,103	2,397	1,297	11,169	2,131	631
Department of Health, Education, and Welfare: Federal disability insurance trust fund— 09–60–8007–0–7–601	11,590	−374	−155	12,655	131	409
Civil Service Commission: Civil Service retirement and disability fund— 30–28–8135–0–7–602	9,564	460	206	10,908	270	−12
Department of Defense: Operation and maintenance, Navy— 07–10–1804–0–1–051	9,021	−150	−3	10,320	96	112
Veterans' Administration: Compensation and pensions— 29–00–0102–0–1–701	9,000	−913	−17	9,573	−543	−9
Department of Defense: Military personnel, Army— 07–05–2010–0–1–051	8,696	−162	185	9,198	−481	−173
Retired pay, Defense— 07–07–0030–0–1–051	8,216	172	18	9,171	−136	40
Funds appropriated to the President: Advances, foreign military sales— 04–09–8242–0–7–155	8,210	−1,210	125	8,104	696	396
Department of Defense: Operation and maintenance, Air Force— 07–10–3400–0–1–051	8,034	−38	231	8,541	−38	38
Operation and Maintenance, Army— 07–10–2020–0–1–051	7,590	298	191	8,476	−260	−212
Civil Service Commission: Payment to Civil Service retirement and disability fund— 30–28–0200–0–1–805	7,298	−146	−11	7,434	−513	−37
Department of Defense: Military personnel, Air Force— 07–05–3500–0–1–051	7,269	−209	27	7,526	−346	−9
Department of the Treasury: State and local government fiscal assistance trust fund— 15–07–8111–0–7–851	6,760	−211	16	6,823	−9	4
Department of Health, Education, and Welfare: Payments to social security trust funds— 09–60–0404–0–1–999	6,714	−143	0	741	7,077	0
Department of the Treasury: Payments to State and local government fiscal assistance trust fund— 15–07–2111–0–1–851	6,655	−113	0	6,855	0	0
Department of Health, Education, and Welfare: Limitations on administrative expenses— 09–38–8004–0–7–551	6,342	23	91	7,356	492	335
Department of Defense: Military personnel, Navy— 07–05–1453–0–1–051	6,021	65	161	6,385	−214	−16

See footnotes at end of table.

ACCURACY OF ESTIMATING OUTLAYS—50 ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS [1]—Con.

[In millions of dollars]

Agency: Account name— Account No.	Fiscal year 1977			Fiscal year 1978		
	Actual	Budget year estimate minus actual	Current year estimate minus actual	Actual	Budget year estimate minus actual	Current year estimate minus actua
Department of Transportation: Federal-aid highways (trust fund)— 21-25-8102-0-7-401	5,973	747	—133	5,876	1,008	674
Department of Agriculture: Food stamp program— 05-84-3505-0-1-604	5,399	—691	—645	5,499	—787	156
Department of Health, Education, and Welfare: Supplemental security income program— 09-60-0406-0-1-604	5,297	613	72	5,855	—141	119
Department of Labor: Advances to the unemployment trust fund— 12-05-0327-0-1-603	4,338	162	171	1,110	690	—510
Veterans' Administration: Medical care— 29-00-0160-0-1-703	4,291	—259	73	4,809	—243	95
Railroad Retirement Board: Railroad retirement account— 32-20-8011-0-7-601	3,800	—122	—73	3,983	—87	111
Veterans' Administration: Readjustment benefits— 29-00-0137-0-1-702	3,700	543	430	3,362	—4	—260
Department of Defense: Research development, test, and evaluation, Air Force— 07-20-3600-0-1-051	3,618	—184	—39	3,626	503	301
Aircraft procurement, Air Force— 07-15-3010-0-1-051	3,586	327	—71	3,989	908	606
Environmental Protection Agency: Construction grants— 20-00-0103-0-1-304	3,530	240	900	3,187	1,973	948
Department of Agriculture: Price support and related programs (Commodity Credit Corporation fund)— 05-66-4336-0-3-351	3,501	—2,809	—1,697	5,541	—4,555	1,987
Department of Defense: Research, development, test, and evaluation, Navy— 07-20-1319-0-1-051	3,481	526	85	3,825	167	—25
Department of Labor: Employment and training assistance— 12-05-0174-0-1-504	3,291	—497	—79	4,764	—1,623	88
National Aeronautics and Space Administration: Research and development— 27-00-0108-0-1-999	2,981	—245	—244	2,989	—66	—28
Department of Health, Education, and Welfare: Higher and continuing education— 09-40-0293-0-1-502	2,877	—827	211	294	2,070	11
Department of Defense: Shipbuilding and conversion, Navy— 07-15-1611-1-051	2,841	731	142	3,048	702	—48
Operations and maintenance, Defense agencies— 07-10-0100-0-1-051	2,800	—76	12	2,857	113	—8
Aircraft procurement, Navy— 07-15-1506-0-1-051	2,657	346	318	2,602	178	73
Department of Agriculture: Child nutrition programs— 05-84-3539-0-1-604	2,635	—344	207	2,527	—374	112
Department of Housing and Urban Development: Subsidized housing programs (housing payments)— 25-02-0139-0-1-604	2,443	127	—47	2,920	164	123
Department of Health, Education, and Welfare: Elementary and secondary education— 09-40-0279-0-1-501	2,352	—425	—113	2,815	—382	—241
Department of Labor: Temporary employment assistance— 12-05-0173-0-1-504	2,340	—1,275	18	4,769	—3,769	—4
U.S. Postal Service: Payment to the Postal Service fund— 32-10-1001-0-1-372	2,267	—808	5	1,778	—306	9
Department of Housing and Urban Development: Community development grants— 25-06-0162-0-1-451	2,089	—489	173	2,464	648	120

See footnotes at end of table.

ACCURACY OF ESTIMATING OUTLAYS—50 ACCOUNTS WITH THE LARGEST FISCAL YEAR 1977 OUTLAYS [1]—Con.

[In millions of dollars]

Agency: Account name— Account No.	Fiscal year 1977			Fiscal year 1978		
	Actual	Budget year estimate minus actual	Current year estimate minus actual	Actual	Budget year estimate minus actual	Current year estimate minus actual
Department of Defense:						
Research, development, test, and evaluation, Army—						
07-20-2040-0-1-051	2,069	218	144	2,342	129	—38
Military Personnel, Marine Corps—						
07-05-1105-0-1-051	1,871	—1	74	2,008	—92	—55
Department of Health, Education, and Welfare:						
Human development services—						
09-80-1636-0-1-500	1,869	—264	—28	2,078	—206	—28
Department of Defense:						
Other procurement, Air Force—						
07-15-3080-0-1-051	1,834	183	42	1,969	289	192
Department of Transportation:						
Urban mass transportation fund—						
21-32-1119-0-1-401	1,709	—124	121	2,028	97	—53
Total:						
Shortfall (+)		11,278	6,468		21,246	8,168
Longfall (—)		—25,973	—3,601		—22,290	—1,864
Net shortfall or longfall		—14,695	2,867		—1,044	6,304
Total misestimate		37,251	10,069		43,536	10,032

[1] Excludes Department of Energy accounts.

[2] The Department of Health, Education, and Welfare's public assistance (health care services) was split into 5 accounts in fiscal year 1978.