

February 1993

# BUDGET ISSUES

## A Comparison of Fiscal Year 1992 Budget Estimates and Actual Results



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Comptroller General  
of the United States

B-251577

February 12, 1993

The President of the Senate and the  
Speaker of the House of Representatives

In our June 5, 1992 report, Budget Policy: Prompt Action Necessary to Avert Long-term Damage to the Economy (GAO/OCG-92-2), we concluded that the federal government's current deficit trend is unsustainable for the long-term health of the U.S. economy. We reported that the deficit will increase to more than 20 percent of gross domestic product by the year 2020 if no action is taken to change our fiscal policy.

The accuracy of budgetary projections is an essential component in achieving fiscal responsibility in the federal government. Accordingly, identifying and understanding variations—and recurring patterns among variations—between estimates and actual results facilitate future budget decision-making and associated deficit reduction efforts. In this light, we reported last year on several issues and events which contributed to a near tripling of the original 1991 budget deficit estimate (Budget Issues: 1991 Budget Estimates—What Went Wrong, GAO/OCG-92-1, January 15, 1992). In this report, we review 1992 budget estimates and actual results, highlighting those factors which contributed to substantial differences.

## Results in Brief

The total budget deficit for fiscal year 1992 was \$290.2 billion—the highest in the nation's history, surpassing the previous record of \$268.7 billion set in fiscal year 1991. This result appears to track rather well with the original (February 1991) deficit estimate of \$280.9 billion. However, this rough comparability masks (1) significant underlying variations between original receipt and outlay projections and actual results and (2) the impact of substantially lower deposit insurance spending than originally estimated.

Actual 1992 receipts were over \$73 billion less than original estimates. Receipts from almost all sources fell below original estimates, led by individual income taxes (\$53 billion) and social insurance taxes (\$15.7 billion), largely due to the economy performing less well than assumed in the original estimates.

Total outlays also were less than original estimates by about \$64 billion. Although outlays for certain income security and health programs were higher than expected due to worse-than-anticipated economic conditions, these were more than offset by much lower-than-expected outlays for

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deposit insurance programs, because the administration and the Congress did not agree on funding levels for the Resolution Trust Corporation and also because of some reduction in funding needs.

Overall, spending for deposit insurance activities was about \$85 billion below original estimates. If deposit insurance estimates and outlays are excluded from the calculations, the fiscal year 1992 deficit was \$287.6 billion—nearly \$95 billion, or about 50 percent greater than the adjusted original estimate of \$192.8 billion.

Although deposit insurance spending experienced the largest single variation from estimates to actuals, the results of the 1992 budget cycle indicate how greatly economic forecasts influence budget projections. In 1992, the inherent difficulty of any economic model to accurately predict key turning points in the economy was clearly demonstrated, with significant implications on the accuracy of receipt and outlay estimates.

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## Background

Preparation and presentation of each annual budget estimate is a highly structured process, spanning nearly 2 years. For any given fiscal year, the budget cycle begins with the presentation of the President's budget request to the Congress. No later than the first Monday in February of each year, the President must submit to the Congress a budget—containing what is referred to as the “budget year” estimate—for the fiscal year beginning on October 1 of that year. This budget request is based on individual agency estimates, submitted to the Office of Management and Budget (OMB) in the previous September or October—about 1 year preceding the fiscal year to which the estimates apply. These estimates are subsequently revised as part of the budget request for the next fiscal year. The revised estimates are referred to as “current year” estimates.

For fiscal year 1992, the budget year estimate was submitted on February 4, 1991, and current year estimates were submitted on January 29 and February 18, 1992. For convenience throughout this report, we will refer to the budget year estimate as the “original” estimate and the current year estimate as the “revised” estimate.

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## Objectives, Scope, and Methodology

The objectives of this study were to (1) identify receipt and outlay accounts which experienced large variations from original estimates to actual results for fiscal year 1992 and (2) determine what factors contributed to these changes.

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To accomplish the first objective, we compared estimates to actual results on both an aggregated and disaggregated basis. To identify variations on an aggregate basis, we examined receipt, outlay, and resulting deficit estimates included in the original and revised budget estimates. We also reviewed midsession updates prepared by OMB in July of each year. We compared the original and revised estimates to actual 1992 results<sup>1</sup> detailed in (1) the Final Monthly Treasury Statement of Receipts and Outlays of the United States Government, published by the Department of the Treasury on October 28, 1992, and to (2) the administration's fiscal year 1994 budgetary statement, published on January 6, 1993.<sup>2</sup>

To identify differences on a disaggregated basis, we performed the following steps.

- For receipts, we determined original and revised estimates and actual results for the seven "receipt source" categories. For categories with substantive subordinate accounts, we used the OMB Budget Preparation System (BPS)—the computer system used to collect and process information to prepare the President's budget request—to identify receipt accounts which had a 5 percent or greater variance between the original and revised estimates.
- For outlays, we used fiscal years 1992 and 1993 BPS data to create a single account listing, excluding nonbudgetary transactions<sup>3</sup> and combining certain accounts to ensure a consistent structure between the fiscal year estimates.<sup>4</sup> To limit our analysis to the most significant accounts—out of the more than 1,300 fiscal year 1992 budgetary accounts—we ranked each account in terms of its estimated outlays and selected those accounts that represented, cumulatively, 95 percent of estimated 1992 outlays. For each of these, we obtained actual outlay data from the Department of the Treasury. Appendix I identifies the 132 accounts selected.

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<sup>1</sup>Typically, OMB compares actual results to its most recent estimate—either the midsession review or the revised estimate. We used original estimates as the comparison base in this report because they (1) constitute the beginning of the budget cycle, (2) contain the first detailed projection of receipts and outlays at an account level, and (3) form the basis for congressional review and discussions during the budget process.

<sup>2</sup>The Office of Management and Budget, Budget Baselines, Historical Data, and Alternatives for the Future (Washington, D.C.: Government Printing Office, 1993).

<sup>3</sup>Nonbudgetary transactions include those accounts, such as direct loan and loan guarantee financing accounts, which do not represent net budget authority or outlays.

<sup>4</sup>For example, for the National Institutes for Health, almost 20 separate accounts in the fiscal year 1992 budget were presented as a single account in the fiscal year 1993 budget. To ensure consistency, we combined the separate original estimates for fiscal year 1992 for comparison to the revised estimate for the single fiscal year 1993 account.

To determine what factors contributed to the changes between estimates and actual results, we interviewed officials at OMB and other federal agencies. We obtained information concerning the budget estimating process and cycle, the data upon which the estimates were based, and other conditions, such as changes in economic assumptions or policy proposals, which affected resulting estimates.

We conducted our work between July 1992 and December 1992.

## 1992 Forecasts Overestimated Economic Performance

Throughout the fiscal year 1992 budget cycle, assumptions concerning the performance of the nation's economy were continually revised downward, as forecasts prepared by OMB and others proved to be optimistic. Economic growth that appeared imminent to most forecasters in 1991 did not materialize, and the expected recovery faltered. As discussed later, budget estimates are highly sensitive to economic assumptions. Slower growth reduces revenues and increases spending, leading to higher deficits.

Economic forecasts are prepared by several entities. The Council of Economic Advisers, the Department of the Treasury, and OMB jointly develop assumptions included in the President's budget submissions. The Congressional Budget Office (CBO) and a consensus of private forecasters<sup>5</sup> also provide projections for major economic indicators. Appendix II summarizes 1992 forecasts and our estimates of actual results for real gross domestic product (GDP) growth, the consumer price index, unemployment, and interest rates.

As shown in appendix II, OMB's projections were generally consistent with those of CBO and private forecasters. In fact, OMB's 1992 estimates were clearly much closer to mainstream opinion than forecasts made in prior years, which supports the view that procedural reforms contained in the Budget Enforcement Act of 1990 (Title XIII of Public Law 101-508) reduced incentives for the administration to err in the direction of optimistic projections. But, as OMB suggested in presenting its original budget estimates, a comparable estimate may enhance credibility, but that does not "...mean that it is correct....(M)acroeconomics is a highly fallible

<sup>5</sup>Eggert Economic Enterprises, Inc., publishes monthly the Blue Chip Economic Indicators, a summary of major private sector estimates.

'science'...(in which forecasters) are often closer to each other than to reality." <sup>6</sup>

The critical issue for fiscal year 1992 budget projections was not whether any particular forecaster had more accurate models or more relevant data, but rather the capacity of any economic model to predict key turning points in economic performance. On this question, all forecasters to a large extent failed in 1992, assuming a faster rate of economic growth, lower unemployment, and higher interest rates than actually occurred. The implications of these incorrect projections for receipt and outlay estimates were significant and are discussed in more detail below.

## 1992 Deficit: Another Record Year

The combined effect of fiscal year 1992 receipts and outlays produced a deficit of \$290.2 billion—the highest in the nation's history—compared to an original estimate of \$280.9 billion. Table 1 summarizes aggregate receipt and outlay estimates and actual results, and associated deficit estimates.

**Table 1: Fiscal Year 1992 Aggregate Estimates and Actual Results**

Dollars in billions			
	Receipts	Outlays	Deficit
Original estimate	\$1,165.0	\$1,445.9	\$-280.9
Revised estimate	1,075.7	1,475.4	-399.7
1992 actual	1,091.6	1,381.8	-290.2

Source: Office of Management and Budget.

The apparent comparability between the original estimate and actual deficit levels is misleading. Aggregate receipt and outlay estimates not only mask significant variation within many individual accounts—as discussed later in this report—but also hide the overwhelming impact of deposit insurance spending on the fiscal year 1992 budget. Also as discussed below, deposit insurance activities experienced the sharpest decrease between estimated and actual outlays. To highlight the effect of deposit insurance, table 2 displays receipt, outlay, and deficit calculations excluding deposit insurance estimates and actual spending. The resulting actual deficit (\$287.6 billion) is nearly 50 percent higher than the adjusted original estimate (\$192.8 billion).

<sup>6</sup>The Office of Management and Budget, *The Budget of the United States Government - Fiscal Year 1992* (Washington, D.C.: Government Printing Office, 1991), part one, page 9.

**Table 2: Fiscal Year 1992 Aggregate Estimates and Actual Results, Excluding Deposit Insurance**

Dollars in billions			
	Receipts	Outlays	Deficit
Original estimate	\$1,165.0	\$1,357.8	\$-192.8
Revised estimate	1,075.7	1,395.3	-319.6
1992 actual	1,091.6	1,379.2	-287.6

Source: Office of Management and Budget.

## Actual Receipts Fell Below Original Estimates

As summarized in table 3, actual 1992 receipts were \$1,091.6 billion—\$73.4 billion less than the original estimate. Except for miscellaneous tax receipts, all receipt sources were below original estimates.

**Table 3: Receipt Estimates and Actual Results for Fiscal Year 1992**

Dollars in billions				
Receipt source	Original estimate	Revised estimate	Actual	Difference: actual minus original
Individual income taxes	\$529.5	\$478.8	\$476.5	\$-53.0
Corporate income taxes	101.9	89.0	100.3	-1.6
Social insurance taxes	429.4	410.9	413.7	-15.7
Excise taxes	47.8	46.1	45.6	-2.2
Customs duties	19.3	17.3	17.4	-1.9
Estate and gift taxes	13.3	12.1	11.1	-2.2
Miscellaneous receipts	23.9	21.6	27.2	3.3
<b>Total</b>	<b>\$1,165.0</b>	<b>\$1,075.7</b>	<b>\$1,091.6</b>	<b>\$-73.4</b>

Note: Totals may not add due to rounding.

Source: Office of Management and Budget and the Department of the Treasury.

As shown above, OMB reduced anticipated receipts by \$89.3 billion in presenting its revised estimate (\$1,165 billion compared to \$1,075.7 billion). In fact, actual receipts exceeded the revised estimates by about \$16 billion (\$1,091.6 billion compared to \$1,075.6 billion). Thus, to understand the variation between original estimates and actual receipts, it is first necessary to discuss the reasons for changes between original and revised estimates.



Of the \$89 billion reduction between the original and revised receipt estimates, \$52 billion was caused by revisions in economic forecasts and other technical economic changes. As shown in appendix II, estimates of major economic indicators were continually revised downward over the 1992 budget cycle. This disappointing economic performance was reflected in revised revenue estimates, accounting for about \$36 billion of the difference between original and revised estimates. Updated estimates of previously reported economic statistics and actual information on collections caused a further reduction of about \$16 billion. In total, this \$52 billion reduction from original estimates was spread over specific receipt sources as follows:

- individual income taxes—\$28 billion;
- social insurance taxes—\$14 billion;
- corporate income taxes—\$5 billion;
- customs and duties—\$2 billion;
- estate and gift taxes—\$1 billion; and
- earnings of federal reserve banks within miscellaneous receipts—\$2 billion.

The remaining \$37 billion reduction associated with the revised estimates resulted from the following actions and adjustments.

- In January 1992, the President ordered a reduction in federal withholding tax rates in an effort to stimulate economic activity. Although this action had no effect on taxpayer liability, it reduced 1992 individual income tax receipt forecasts by over \$14 billion. When filing their 1992 tax returns in 1993, taxpayers will either pay more taxes or receive smaller refunds. In effect, this administrative action had a one-time effect of shifting receipts from fiscal year 1992 to fiscal year 1993.
- Based on actual receipts showing that capital gains receipts declined by more than 20 percent from 1989 to 1990, the Department of the Treasury's Office of Tax Analysis (OTA) made a technical adjustment to its model that resulted in a reduction to capital gains receipts forecasts by approximately \$8 billion. OTA analysts believed that taxpayers may have been deferring capital gains realizations, and resulting tax liabilities, in anticipation of a capital gains tax cut.
- Additional technical changes caused decreases of about \$10 billion. For example, the Tax Reform Act of 1986 (Public Law 99-514) comprehensively changed the tax code; in 1991, OTA used new detailed information on the effects of the act to make substantial changes to several receipt forecast models.

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- Lastly, legislative action led to both positive and negative adjustments in the original estimates, netting to about a \$4 billion decrease. For example, presidential policy proposals assumed in the original estimate but not enacted by the Congress, and new policy proposals included in the revised estimate, accounted for a downward adjustment of approximately \$8 billion. Enacted legislation concerning unemployment compensation benefits and treatment of estimated corporate tax payments increased estimates by about \$4 billion.

Between the revised estimates and the end of the fiscal year, two factors associated with changes in underlying economic conditions contributed to actual revenues exceeding revised estimates by about \$16 billion. First, in July 1992, increases in reported corporate profits led the administration to revise its forecast of corporate income as a share of national income; this, in turn, increased the forecast of corporate income tax receipts from \$89.0 billion to \$94.2 billion. Actual corporate tax receipts were even higher—\$100.3 billion—because the investment tax allowance proposal, included in the administration's revised estimates, was not enacted. Second, late in fiscal year 1992, changes in the exchange rates of the dollar caused the value of certain Federal Reserve foreign currency assets to increase rapidly. This increased reported earnings of federal reserve banks, included under miscellaneous receipts, by more than \$4 billion.

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## Outlays: Results Mask Significant Variations Within Budget Categories and Accounts

Total 1992 outlays were less than original estimates by about \$64 billion. As shown in table 4, this result was principally driven by a decline in deposit insurance outlays. However, if deposit insurance estimates and outlays are excluded, total 1992 outlays exceeded original estimates by over \$21 billion.

**Table 4: Outlay Estimates and Actual Results for Fiscal Year 1992**

Dollars in billions

Budget Enforcement Act category	Original estimate	Revised estimate	Actual	Difference: actual minus original
Discretionary				
National defense <sup>a</sup>	\$300.4	\$312.9	\$301.3	\$0.9
International	19.6	20.1	19.2	-0.4
Domestic	212.0	216.2	213.8	1.8
Mandatory				
Social Security	286.2	284.3	285.1	-1.1
Deposit insurance	88.1	80.1	2.6	-85.5
Medicaid	59.9	72.5	67.8	7.9
Medicare	111.4	116.0	116.2	4.8
Unemployment compensation	25.0	34.2	37.0	12.0
Other	176.6	176.1	178.6	2.2
Net interest	206.3	198.8	199.4	-6.9
Undistributed offsetting receipts <sup>b</sup>	-39.5	-38.8	-39.3	0.2
<b>Total outlays</b>	<b>\$1,445.9</b>	<b>\$1,475.4</b>	<b>\$1,381.8</b>	<b>\$-64.1</b>
<b>Total outlays excluding deposit insurance</b>	<b>\$1,357.8</b>	<b>\$1,395.3</b>	<b>\$1,379.2</b>	<b>\$21.4</b>

Note: Totals may not add due to rounding.

<sup>a</sup>For this categorization, the national defense original estimate includes a placeholder for Desert Shield/Desert Storm net outlays. The revised estimate includes gross outlays for Desert Shield/Desert Storm (that is, without the offset from foreign cash contributions).

<sup>b</sup>Undistributed offsetting receipts, including, for example, sales of major assets, are deducted from totals for the government as a whole to avoid distortion of agency or subfunction totals.

Source: Office of Management and Budget.

**Deposit Insurance Outlays**

Outlays for deposit insurance showed the greatest change of any component of fiscal year 1992 outlays. OMB's original estimate for deposit insurance outlays was \$88.1 billion. A year later, OMB lowered its estimate to \$80.1 billion. Actual deposit insurance outlays were \$2.6 billion—a decrease of \$85.5 billion from the original estimate. As shown in table 5, the largest variation occurred in the Resolution Trust Corporation (RTC), with the Bank Insurance Fund (BIF) and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund (FRF) experiencing smaller variations.

**Table 5: Deposit Insurance Estimates and Actual Results for Fiscal Year 1992**

Dollars in billions

Deposit insurance component	Original estimate	Revised estimate	Actual	Difference: actual minus original
RTC	\$76.1	\$40.4	\$-8.9	\$-85.0
BIF	9.7	33.0	3.7	-6.0
FRF	3.3	7.0	8.5	5.2
Other	-1.0	-0.2	-0.6	0.4
<b>Total</b>	<b>\$88.1</b>	<b>\$80.1</b>	<b>\$2.6</b>	<b>\$-85.5</b>

Note: Other deposit insurance accounts include the Savings Association Insurance Fund and the National Credit Union Share Insurance Fund. Totals may not add due to rounding.

Source: Office of Management and Budget and the Department of the Treasury.

By far, RTC spending changed more than any other component of deposit insurance. Rather than the originally estimated \$76.1 billion in outlays, actual RTC operations resulted in a net surplus of \$8.9 billion—a difference of \$85 billion.

The principal factor affecting RTC spending was that full funding was not made available for 1992 operations. When the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991 (Public Law 102-233) was enacted on December 12, 1991, it provided \$25 billion—\$55 billion less than requested by the administration to cover losses associated with resolutions. Further, the act stipulated that the loss funds were available for obligation only until April 1, 1992.<sup>7</sup> The administration and the Congress did not agree on subsequent RTC funding legislation.

RTC resolution of failed thrifts, and associated outlays, ceased after the April 1, 1992, cutoff date. The surplus—or “negative outlay”—condition within this account resulted from the continued selling of assets of failed thrifts following the expiration of loss funds. Over the course of the fiscal year, a surplus within the account resulted, as cash receipts obtained from asset sales exceeded cash disbursements to resolve failed institutions.

BIF outlay estimates and spending also varied widely. OMB more than tripled its original outlay estimate in preparing the revised estimate—from \$9.7 billion to \$33 billion—but actual outlays, \$3.7 billion, proved to be

<sup>7</sup>As a result of the deadline, the RTC returned \$18.3 billion in unobligated funds to the Department of the Treasury in April 1992.

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only slightly more than one-third the original estimate. A deterioration in banking conditions after the original budget estimate was made led OMB to assume an industrywide decline in 1992 earnings and hence a greater volume of bank closures. This resulted in a higher estimate of outlays. At the same time, OMB adopted a new model that was expected to produce estimates that were more accurate and with a smaller range of uncertainty for any set of banking conditions. This new model produced outlay estimates that were much higher than those generated by the previous method.

Actual BIF outlays were significantly lower than both the original and revised estimates. Rather than worsening, actual industry earnings almost doubled from \$9.5 billion for the first half of 1991 to \$16 billion for the first half of 1992, largely as a result of lower interest rates. The improved banking environment has not necessarily altered underlying conditions of most banks on the Federal Deposit Insurance Corporation problem bank list. However, higher earnings have at least postponed insolvency for many of these banks, thus slowing the pace of bank closures and reducing 1992 BIF outlays.

Lastly, the original outlay estimate for the FSLIC Resolution Fund was \$3.3 billion; actual outlays were \$8.5 billion—\$5.2 billion more than originally estimated. This growth was a result of efforts to reduce the long-term cost to the government by renegotiating FSLIC agreements. According to OMB, higher fiscal year 1992 outlays stemmed from changes in the timing of renegotiated agreements and changes in the valuation of assets held under FSLIC agreements.

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## Other Significant Outlay Variances

Excluding deposit insurance, actual outlays increased over \$21 billion from the original estimates. As shown in appendix I and summarized below, this change was principally due to increased outlays for certain income security and health programs, offset partially by lower net interest payments.

Worse-than-expected economic conditions increased outlay estimates for certain income security programs. For example, unemployment insurance outlays were about \$12.6 billion over the original estimate of \$28.7 billion, due to higher levels of unemployment and legislation extending the duration of benefits. Food stamp program outlays were \$2.2 billion over original estimates of \$19.6 billion, due to higher than anticipated

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participation rates. Lastly, supplemental security income outlays were \$1.9 billion over original estimates of \$17.5 billion.

Health-related spending continued to increase during 1992. Medicaid grants to states exceeded original estimates by \$8 billion (\$59.8 billion compared to \$67.8 billion). The original estimate included increases associated with larger eligible populations and general health care cost factors. Despite these assumptions, higher actual spending occurred due to the states' continued use of funding mechanisms, such as provider taxes and voluntary contributions, which reduced the states' share of total expenses but increased federal grant outlays.<sup>8</sup> Medicare Hospital Insurance spending exceeded original estimates by \$6.6 billion (\$75.4 billion compared to \$82 billion), due primarily to higher than expected inpatient hospital utilization. In contrast, Medicare supplemental medical insurance outlays were \$1 billion less than originally estimated (\$51.3 billion compared to \$50.3 billion), due to delays caused by new payment procedures introduced in fiscal year 1992. This decrease resulted from both payer and provider unfamiliarity with the new procedures and is, most likely, a temporary condition.

The nation's general economic condition affected, either positively or negatively, several other outlay accounts. For example, net interest outlays, as shown in table 4, decreased \$6.9 billion from original estimates due to lower-than-expected long- and short-term interest rates. Outlays from the Civil Service Retirement and Disability Trust Fund were \$1.3 billion lower than originally estimated (\$33.7 billion compared to \$35 billion), because generally weak employment conditions led to fewer than expected retirements. However, stagnating income levels contributed to higher-than-expected outlays by

- the Internal Revenue Service, for refunds of collections (\$3.3 billion) and for payments associated with earned income credits (\$7.8 billion), both of which exceeded original estimates by about \$1 billion; and
- the Department of Education, for student financial assistance (\$7.7 billion), which exceeded original estimates by \$1.2 billion.

Lastly, although aggregate national defense spending was close to original estimates, two of its components experienced significant variations. Outlays for the Department of Energy's atomic energy defense activities were nearly \$1 billion less than original estimates (\$10.6 billion compared

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<sup>8</sup>The administration published regulations to restrict these state funding mechanisms, effective January 1, 1992. However, the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 (Public Law 102-234), passed on December 12, 1991, cancelled the regulation.

to \$11.4 billion), due largely to lower spending for materials production. The largest component of national defense spending, Department of Defense (DOD)-Military outlays, exceeded original estimates by only about \$4 billion (\$286.9 billion compared to \$283 billion),<sup>9</sup> but significant variations from original estimates occurred within several DOD-Military account groups.<sup>10</sup>

- Total operation and maintenance spending was over \$6 billion more than originally estimated (\$85.7 billion compared to \$92 billion). According to OMB officials, these higher outlays were associated with Operation Desert Shield/Desert Storm, Hurricane Andrew relief, and drug enforcement activities.
- Military personnel spending exceeded original estimates by \$3.4 billion (\$77.8 billion compared to \$81.2 billion), due to higher than expected separation pay and benefits.
- Outlays for research, development, test and evaluation accounts fell below original estimates by over \$3 billion (\$37.8 billion compared to \$34.6 billion), due to delays in obligations for various programs.

## Observations

Overall, the results of our review of the fiscal year 1992 budget cycle suggest the following general implications for 1993 and subsequent fiscal years.

Economic forecasting, which has significant impact on receipt and outlay estimates, is an enormously complex and still imprecise process. The 1992 results suggest that the issue is not whether any particular estimator has more accurate models or data than another; in fact, as shown in appendix II, OMB estimates were at least as accurate as those provided by CBO or the consensus estimates of private forecasters. The more important question centers on the capacity of any economic model to accurately predict key turning points in economic performance.

<sup>9</sup>The fiscal year 1992 budget included a \$4.6 billion placeholder for anticipated Operation Desert Shield/Desert Storm net outlays, but this amount was not included in the DOD-Military original estimate. Actual 1992 DOD-Military outlays include \$4.9 billion in offsetting foreign cash contributions. Additionally, although actual foreign cash contributions are known, actual 1992 outlays associated with Desert Shield/Desert Storm can not be precisely determined. Any such outlays were not separately tracked but were folded into DOD-Military accounts.

<sup>10</sup>Such variations within DOD-Military accounts are not uncommon. For a discussion of fiscal year 1987 variations, see Budget Reprogramming: Opportunities to Improve DOD's Reprogramming Process (GAO/NSIAD-89-138, July 24, 1989); for changes occurring within fiscal years 1981-1985, see Budget Reprogramming: Department of Defense Process for Reprogramming Funds, (GAO/NSIAD-86-164BR, July 16, 1986).

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Deferred RTC spending in 1992 did not eliminate underlying problems, but merely pushed any needed resolution activity and associated cost into 1993 and beyond. Future deposit insurance spending levels will largely depend on whether new regulations concerning reserve levels and rising interest rates that would normally be associated with a recovering economy lead to greater stress at financial institutions. In effect, the “good news” of 1992 deposit insurance spending may simply be a lull before continued pressure on the federal budget.

By any measure, 1992 results added significantly to the nation’s burgeoning debt. Because short- and long-term interest rates were lower than expected, net interest payments rose only slightly—about 2.5 percent in 1992 compared to 5.6 percent in 1991. However, if interest rates rise in conjunction with an improving economy, then the cost to the government to finance a current debt of over \$4 trillion could once again begin to spiral upwards.

Lastly, although the record \$290 billion unified budget deficit is a fairly accurate indicator of the short-term economic impact of the deficit on the economy, it masks the composition of the deficit and understates the problem. In 1992, a \$96 billion trust fund surplus partially offset a federal funds deficit of \$386 billion. Our previous reports have discussed this issue in greater detail, demonstrating that federal fiscal problems are a manifestation of the large and growing federal funds deficits.<sup>11</sup> Unless the imbalance in this part of the budget is addressed, real progress on the deficit will be unlikely in the immediate future.

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<sup>11</sup>The Budget Deficit: Outlook, Implications, and Choices (GAO/OCG-90-5, September 12, 1990) and Social Security: The Trust Fund Reserve Accumulation, the Economy, and the Federal Budget (GAO/HRD-89-44, January 19, 1989).



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We are sending copies of this report to the Chairmen and Ranking Minority Members of the Senate and House Committees on Appropriations and on the Budget, the Senate Committees on Governmental Affairs and on Finance, and the House Committees on Government Operations and on Ways and Means. Copies are also being provided to the Director of the Congressional Budget Office, the Secretary of the Treasury, and the Director of the Office of Management and Budget. Copies will be made available to others upon request.

A handwritten signature in black ink that reads "Charles A. Bowsher". The signature is written in a cursive, flowing style.

Charles A. Bowsher  
Comptroller General  
of the United States

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**Abbreviations**

BIF	Bank Insurance Fund
BPS	Budget Preparation System
CBO	Congressional Budget Office
CPI-U	consumer price index-urban customers
CPI-W	consumer price index-urban wage earners and clerical workers
DHHS	Department of Health and Human Services
DOD	Department of Defense
EPA	Environmental Protection Agency
FDIC	Federal Deposit Insurance Corporation
FRF	Federal Savings and Loan Insurance Corporation Resolution Fund
FSLIC	Federal Savings and Loan Insurance Corporation
GAO	General Accounting Office
GDP	Gross Domestic Product
HUD	Department of Housing and Urban Development
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTA	Office of Tax Analysis
RDT&E	Research, Development, Test and Evaluation
RRB	Railroad Retirement Board
RTC	Resolution Trust Corporation
S&E	salaries and expenses
SS	Social Security
VA	Department of Veterans Affairs

# Major Federal Budget Accounts: Fiscal Year 1992

Dollars in billions

No.	Agency-code <sup>a</sup>	Department	Account title	Original estimate	Revised estimate	Actual outlays
1	20-0550 <sup>b</sup>	Treasury	Interest on the Public Debt	304.0	293.0	292.3
2	20-8006	Health and Human Services, Social Security (DHHS/SS)	Federal Old Age and Survivors Insurance Trust Fund	259.0	256.3	257.8
3	22-4055	Resolution Trust Corporation	Revolving Fund	76.1	40.4	-8.9
4	20-8005	DHHS, Except SS (DHHS)	Federal Hospital Insurance Trust Fund	75.4	77.6	82.0
5	75-0512	DHHS	Grants to States for Medicaid	59.8	72.5	67.8
6	20-8004	DHHS	Supplementary Medical Insurance Trust Fund	51.3	54.2	50.3
7	75-0580	DHHS	Payments to Health Care Trust Funds	38.5	40.1	39.4
8	24-8135	Office of Personnel Management (OPM)	Civil Service Retirement and Disability Trust Fund	35.0	34.1	33.7
9	20-8007	DHHS/SS	Disability Insurance Trust Fund	29.6	30.4	29.7
10	20-8042	Labor	Unemployment Trust Fund	28.7	35.7	41.3
11	97-8097	DOD—Civil	Military Retirement Trust Fund	24.7	24.3	24.5
12	21-2010	DOD—Military	Military Personnel, Army	24.2	25.1	26.1
13	17-1804	DOD—Military	Operation and Maintenance, Navy	23.8	24.1	23.9
14	21-2020	DOD—Military	Operation and Maintenance, Army	22.0	24.3	23.3
15	57-3400	DOD—Military	Operation and Maintenance, Air Force	20.6	20.8	19.9
16	12-3505	Agriculture	Food Stamp Program	19.6	22.7	21.8
17	17-1453	DOD—Military	Military Personnel, Navy	19.5	19.6	20.0
18	24-0200	OPM	Payment to Civil Service Retirement and Disability Trust Fund	19.3	19.3	19.1
19	57-3500	DOD—Military	Military Personnel, Air Force	18.9	18.9	19.1
20	75-0406	DHHS	Supplemental Security Income Program	17.5	19.8	19.4
21	36-0102 <sup>b</sup>	Veterans Affairs (VA)	Compensation and Pensions	16.3	16.3	16.4
22	75-1501	DHHS	Family Support Payments to States	15.1	15.1	15.1
23	69-8083	Transportation	Federal-Aid, Highway Trust Fund	14.8	15.8	15.2
24	86-0164	Housing and Urban Development (HUD)	Assisted Housing Programs	14.2	14.1	13.6
25	57-3600	DOD—Military	Research, Development, Test, and Evaluation (RDT&E), Air Force	14.1	13.0	13.2

(continued)

**Appendix I  
Major Federal Budget Accounts:  
Fiscal Year 1992**

Dollars in billions

No.	Agency-code <sup>a</sup>	Department	Account title	Original estimate	Revised estimate	Actual outlays
26	57-3010	DOD—Military	Aircraft Procurement, Air Force	13.3	13.7	12.8
27	36-0160	VA	Medical Care	13.0	13.2	13.6
28	89-0220 <sup>b</sup>	Energy	Atomic Energy Defense Activities	11.4	11.7	10.6
29	97-0040	DOD—Civil	Payment to Military Retirement Trust Fund	11.4	11.2	11.2
30	17-1611	DOD—Military	Shipbuilding and Conversion, Navy	11.3	10.5	11.0
31	11-8242	Funds Appropriated to the President	Foreign Military Sales Trust Fund	10.3	11.3	12.4
32	12-4336	Agriculture	Commodity Credit Corporation	9.9	10.9	8.8
33	51-1200 <sup>b</sup>	Bank Insurance	Bank Insurance Fund	9.7	33.0	3.7
34	97-0400	DOD—Military	RDT&E, Defense Agencies	9.3	9.6	8.6
35	97-0100	DOD—Military	Operation and Maintenance, Defense Agencies	8.6	15.8	14.8
36	57-3080	DOD—Military	Other Procurement, Air Force	8.6	7.4	7.2
37	17-1319	DOD—Military	RDT&E, Navy	8.4	8.0	7.8
38	75-9915 <sup>b</sup>	DHHS	National Institutes of Health	8.3	8.5	8.4
39	17-1506	DOD—Military	Aircraft Procurement, Navy	7.8	8.2	7.9
40	60-8010	Railroad Retirement Board (RRB)	Railroad Social Security Equivalent Benefit Account	7.7	7.6	7.6
41	20-0906	Treasury	Earned Income Credit Exceeds Tax Liability	6.8	7.2	7.8
42	91-0200	Education	Student Financial Assistance	6.5	6.5	7.7
43	80-0108	NASA	Research and Development	6.4	6.3	6.6
44	57-3020	DOD—Military	Missile Procurement, Air Force	6.2	6.3	6.4
45	91-0900	Education	Compensatory Education for the Disadvantaged	6.1	6.2	6.2
46	17-1105	DOD—Military	Military Personnel, Marine Corps	6.0	6.1	6.1
47	12-3539	Agriculture	State Child Nutrition Payments	6.0	6.1	6.1
48	75-0404	DHHS	Payments to Social Security Trust Funds	5.8	6.1	6.1
49	21-2040	DOD—Military	RDT&E, Army	5.8	5.9	6.0
50	80-0105	NASA	Space Flight, Control, & Data Communications	5.5	5.3	5.1
51	17-1810	DOD—Military	Other Procurement, Navy	5.3	5.5	6.1
52	17-1507	DOD—Military	Weapons Procurement, Navy	5.3	5.4	5.9
53	11-1082	Funds Appropriated to the President	Foreign Military Financing Grants	4.2	4.1	4.4

(continued)

**Appendix I  
Major Federal Budget Accounts:  
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Dollars in billions

No.	Agency-code <sup>a</sup>	Department	Account title	Original estimate	Revised estimate	Actual outlays
54	16-0174	Labor	Training and Employment Services	4.1	4.1	4.3
55	75-1536 <sup>b</sup>	DHHS	Administration for Children and Families Service Programs	3.6	3.8	3.8
56	20-0913	Treasury	Tax Law Enforcement	3.6	3.7	3.5
57	21-2035	DOD—Military	Other Procurement, Army	3.5	3.5	3.8
58	11-1037	Funds Appropriated to the President	Economic Support Fund	3.4	3.3	2.9
59	24-0206	OPM	Government Payments for Annuitants, Employees Health Benefits	3.4	3.4	3.3
60	51-4065	FDIC	FSLIC Resolution Fund	3.3	7.0	8.5
61	21-2060	DOD—Military	National Guard Personnel, Army	3.2	3.3	3.5
62	91-0230	Education	Guaranteed Student Loans Liquidating Account	3.2	1.9	1.5
63	60-0113	RRB	Payments to Railroad Retirement Accounts	3.1	3.2	3.2
64	86-0162	HUD	Community Development Grants	3.1	3.1	3.1
65	75-1361	DHHS	Alcohol, Drug Abuse, and Mental Health	2.9	2.8	2.9
66	60-8011	RRB	Rail Industry Pension Fund	2.9	2.8	2.8
67	75-1534 <sup>b</sup>	DHHS	Social Services Block Grant	2.8	2.8	2.7
68	91-0300	Education	Special Education	2.6	2.6	2.2
69	89-0224	Energy	Energy Supply, Research and Development	2.6	2.7	2.9
70	12-3510	Agriculture	Special Supplemental Program for Women, Infants, and Children	2.6	2.6	2.5
71	69-0201	Transportation	Coast Guard Operating Expenses	2.4	2.7	2.4
72	80-0103	NASA	Research & Program Management	2.4	1.8	1.7
73	75-1545 <sup>b</sup>	DHHS	Payments to States for Foster Care and Adoption Assistance	2.3	2.5	2.5
74	20-1851	Treasury	Payment to the Resolution Funding Corporation	2.3	2.3	2.3
75	21-2033	DOD—Military	Weapons Procurement, Army	2.3	2.6	2.2
76	69-1301	Transportation	Operations	2.3	2.3	2.3
77	20-0904	Treasury	Refunding Internal Revenue Collections, Interest	2.2	2.6	3.3

(continued)

**Appendix I  
Major Federal Budget Accounts:  
Fiscal Year 1992**

Dollars in billions

No.	Agency-code <sup>a</sup>	Department	Account title	Original estimate	Revised estimate	Actual outlays
78	57-3840	DOD—Military	Operation and Maintenance, Air National Guard	2.2	2.4	2.5
79	68-0103	Environmental Protection Agency (EPA)	Construction Grants	2.2	2.2	2.4
80	21-2070	DOD—Military	Reserve Personnel, Army	2.2	2.4	2.3
81	21-2032	DOD—Military	Missile Procurement, Army	2.2	2.3	2.4
82	86-0163	HUD	Low Income Housing Projects	2.2	2.2	2.2
83	69-8104	Transportation	Trust Fund Share of Federal Aviation Administration	2.1	2.1	2.1
84	97-0300	DOD—Military	Procurement, Defense Agencies	2.1	2.4	1.4
85	21-2031	DOD—Military	Aircraft Procurement, Army	2.1	2.1	2.5
86	19-0113	State	Salaries & Expenses (S&E)	2.0	2.0	2.0
87	21-2065	DOD—Military	Operation and Maintenance, Army National Guard	2.0	2.1	2.1
88	12-4141	Agriculture	Rural Housing Insurance Fund Liquidating Account	2.0	1.6	1.3
89	91-0301	Education	Rehabilitation Services and Disability Research	2.0	2.1	2.0
90	75-0350	DHHS	Health Resources and Services	1.9	2.1	2.1
91	10-0920	The Judiciary	S&E, Courts of Appeals	1.9	1.9	1.8
92	15-0200	Justice	S&E, Federal Bureau of Investigation	1.9	1.8	1.8
93	17-1106	DOD—Military	Operation and Maintenance, Marine Corps	1.9	2.4	2.3
94	91-0231	Education	Guaranteed Student Loans Program	1.8	1.7	1.7
95	97-4930	DOD—Military	Defense Business Operations Fund	1.8	5.5	3.2
96	12-3319	Agriculture	Conservation Reserve	1.8	1.8	1.7
97	69-8107	Transportation	Facilities and Equipment, Airport and Airway Trust Fund	1.8	1.8	1.9
98	49-0100	National Science Foundation	Research and Related Activities	1.7	1.7	1.7
99	15-1060	Justice	S&E, Federal Prison System	1.7	1.6	1.6
100	20-0912	Treasury	Processing Tax Returns & Assistance	1.7	1.6	1.7
101	75-0390 <sup>p</sup>	DHHS	Indian Health Services and Facilities	1.6	1.6	1.4
102	21-2034	DOD—Military	Procurement of Ammunition, Army	1.6	1.5	2.0

(continued)

**Appendix I  
Major Federal Budget Accounts:  
Fiscal Year 1992**

Dollars in billions

No.	Agency-code <sup>a</sup>	Department	Account title	Original estimate	Revised estimate	Actual outlays
103	17-1405	DOD—Military	Reserve Personnel, Navy	1.6	1.7	1.7
104	91-1000	Education	School Improvement Programs	1.6	1.7	1.5
105	13-1450	Commerce	Operations, Research, and Facilities; National Oceanic and Atmospheric Administration	1.6	1.6	1.6
106	69-8106	Transportation	Grants-In-Aid for Airports	1.6	1.6	1.7
107	20-8145	EPA	Hazardous Substance Superfund	1.5	1.5	1.3
108	69-1129	Transportation	Formula Grants, Urban Mass Transit	1.5	2.0	1.9
109	21-0702	DOD—Military	Family Housing, Army	1.5	1.5	1.6
110	86-0194	HUD	Assistance for the Renewal of Expiring Section 8 Subsidy Contracts	1.5	1.3	1.5
111	20-0602	Treasury	S&E, U.S. Customs	1.4	1.5	1.2
112	97-0350	DOD—Military	National Guard and Reserve Equipment	1.4	1.4	1.6
113	89-0222	Energy	General Science and Research Activities	1.3	1.2	1.3
114	36-8132	VA	National Service Life Insurance Fund	1.3	1.3	1.3
115	75-0943	DHHS	Disease Control, Research, and Training	1.3	1.3	1.2
116	12-1106	Agriculture	National Forest System	1.3	1.2	1.4
117	69-8191	Transportation	Mass Transit Capital Trust Fund	1.2	1.2	1.3
118	11-1021	Funds Appropriated to the President	Functional Development Assistance Program	1.2	1.1	1.4
119	20-0919	Treasury	Information Systems, Internal Revenue Service	1.1	1.0	1.1
120	57-3850	DOD—Military	National Guard Personnel, Air Force	1.1	1.1	1.2
121	14-2100 <sup>b</sup>	Interior	Operation of Indian Programs	1.1	1.2	1.2
122	17-1205	DOD—Military	Military Construction, Navy	1.1	1.0	1.0
123	68-0200	EPA	S&E, EPA	1.1	1.0	1.1
124	57-3740	DOD—Military	Operation and Maintenance, Air Force Reserve	1.1	1.2	1.2
125	17-1109	DOD—Military	Procurement, Marine Corps	1.0	1.1	1.1
126	91-0400	Education	Vocational and Adult Education	1.0	1.1	1.1
127	12-3550	Agriculture	Nutrition Assistance for Puerto Rico	1.0	1.0	1.0

(continued)



**Appendix I  
Major Federal Budget Accounts:  
Fiscal Year 1992**

Dollars in billions

<b>No.</b>	<b>Agency-code<sup>a</sup></b>	<b>Department</b>	<b>Account title</b>	<b>Original estimate</b>	<b>Revised estimate</b>	<b>Actual outlays</b>
128	57-0704	DOD—Military	Family Housing, Air Force	1.0	1.0	0.9
129	96-3123	DOD—Civil	Operation and Maintenance, General	1.0	1.1	1.5
130	75-1502	DHHS	Low Income Home Energy Assistance	1.0	1.1	1.1
131	20-8144	Labor	Black Lung Disability Trust Fund	1.0	1.0	1.0
132	12-2278	Agriculture	P.L. 480 Grants	0.9	1.2	1.2

<sup>a</sup>Treasury agency code and account identification number.

<sup>b</sup>Represents a combination of accounts to ensure comparability between original and/or revised estimates and actual outlays.

Source: Office of Management and Budget and the Department of the Treasury.

# Calendar Year 1992 Economic Assumptions

	CBO	OMB	Blue Chip	Actual
Real Gross Domestic Product <sup>a</sup> (percent change, 4th quarter over 4th quarter)				2.4 <sup>b</sup>
Early 1992	2.8	2.2	2.3	
Midyear 1992	2.5	2.7	2.8	
Consumer Price Index <sup>c</sup> (percent change, 4th quarter over 4th quarter)				3.0 <sup>b</sup>
Early 1991	3.5	3.9	4.1	
Midyear 1991	3.9	3.9	4.0	
Early 1992	3.4	3.1	3.3	
Midyear 1992	3.3	3.1	3.3	
Unemployment rate (annual average) <sup>d</sup>				7.4 <sup>e</sup>
Early 1991	6.4	6.6	6.3	
Midyear 1991	6.2	6.4	6.5	
Early 1992	6.9	6.9	6.9	
Midyear 1992	7.5	7.3	7.2	
Long-term interest rate <sup>f</sup>				7.0 <sup>g</sup>
Early 1991	7.7	7.2	8.0	
Midyear 1991	8.3	7.8	8.3	
Early 1992	7.1	7.0	7.1	
Midyear 1992	7.1	7.3	7.4	
Short-term interest rate <sup>h</sup>				3.5 <sup>i</sup>
Early 1991	7.0	6.0	6.3	
Midyear 1991	6.2	5.9	6.1	
Early 1992	4.4	4.1	4.1	
Midyear 1992	3.6	3.9	3.8	

(Table notes on next page)

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**Appendix II**  
**Calendar Year 1992 Economic Assumptions**

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<sup>a</sup>Forecasts for early and mid-1991 are excluded because available estimates were calculated in terms of gross national product, using base year 1982 dollars. GDP estimates included above are calculated using base year 1987 dollars.

<sup>b</sup>Straight-line computation based on the annual growth rate from the first three quarters of calendar year 1992.

<sup>c</sup>OMB used urban wage earners and clerical workers (CPI-W) index prior to the early 1992 estimates. All other estimates use the index for all urban customers (CPI-U). The computed actual rate also uses CPI-U.

<sup>d</sup>OMB measured unemployment based on total labor force estimates for early and midyear 1991 estimates; later estimates use civilian labor force estimates. CBO and Blue Chip use civilian labor force estimates.

<sup>e</sup>Computed on the basis of civilian labor force estimates, using the sum of the weighted average of the first three quarters and the first month of the last quarter of calendar year 1992.

<sup>f</sup>OMB and CBO estimates are for 10-year Treasury notes. Blue Chip does not project a similar estimate. The Blue Chip estimates presented in the table are constructed by CBO based on an estimated relationship between rates on 10-year bonds and the Blue Chip projected Aaa bond rate.

<sup>g</sup>Computed on the basis of the average of 10-year Treasury note rates through October 1992.

<sup>h</sup>Estimates are for 3-month Treasury bills.

<sup>i</sup>Computed on the basis of the average of 91-day Treasury bill rates through October 1992.

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