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Report to the Chairman
House Committee on the Budget

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BUDGET ISSUES

Fiscal Year 1993

Budget Estimates and Actual Results



**Accounting and Information
Management Division**

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The Honorable Martin Olav Sabo
Chairman, Committee on the Budget
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we compare the Office of Management and Budget's (OMB) original and revised estimates of the deficit, outlays, receipts, and economic conditions with the actual fiscal year 1993 results. Specifically, you asked that we (1) identify reasons for major differences between OMB's original estimates and actual results, (2) assess whether patterns of estimating problems are discernable, and (3) include, for comparison purposes, the receipt estimates reported by the Congressional Budget Office (CBO).

We share your conviction that an increased understanding of the factors that affect estimates of outlays and receipts is important to both sound financial management and to the credibility of efforts to reduce the federal deficit. To that end, this report, the third in a series of annual reports,¹ highlights factors that have led to large differences between budget estimates and actual results. This is also the second year in which we examine account-level budget estimates. This analysis, which we plan to continue in future years, highlights components of the budget that are persistently difficult to estimate and that would be priority targets for financial management reform.

Results in Brief

The \$254.9 billion federal budget deficit for fiscal year 1993 was the government's lowest since fiscal year 1990 and represented 4 percent of gross domestic product. This result contrasts sharply with OMB's original (February 1992) fiscal year 1993 estimate of \$349.9 billion. The \$95 billion improvement over OMB's estimate of 20 months earlier was primarily a function of lower-than-anticipated outlays for deposit insurance programs. Overall, outlays were \$107.2 billion lower and receipts \$12.2 billion lower than the original estimates.

The original outlay estimate for deposit insurance was \$75.7 billion. However, the deposit insurance programs resulted in \$28 billion in net

¹Budget Issues: A Comparison of Fiscal Year 1992 Budget Estimates and Actual Results (GAO/AFMD-93-51, February 12, 1993) and Budget Issues: 1991 Budget Estimates: What Went Wrong (GAO/OCG-92-1, January 15, 1992).

receipts (negative outlays). This meant that actual outlays were \$103.7 billion lower than OMB's original estimate. This sharp difference reflects (1) the improved health of the banking and thrift industries as a result of higher earnings due to low interest rates and improved economic conditions and (2) the delay in providing appropriations for the Resolution Trust Corporation to close or merge institutions.

Excluding deposit insurance from OMB's original estimate and the actual deficit, the adjusted estimate would have been \$274.2 billion, which was only 3.2 percent below the comparably adjusted deficit of \$282.9 billion. Although the original deficit estimate without deposit insurance outlays was close to the adjusted final result, offsetting differences between original estimates and actual results occurred in several components of the budget. On the outlay side, Medicaid outlays were lower than originally estimated, but the difference was partially offset by higher-than-anticipated outlays for Medicare. On the revenue side, lower-than-estimated receipts from individual and social insurance taxes and contributions were partially offset by higher-than-estimated corporate income tax receipts.

Actual economic conditions that differed from OMB's original assumptions also contributed to offsetting differences between budget estimates and actual results. Higher-than-expected unemployment and slightly slower-than-anticipated economic growth increased outlays for unemployment benefits, while the steep decline in interest rates reduced net interest outlays. Lower-than-expected inflation also reduced actual receipts.

In examining patterns of estimation variations at the account level for fiscal years 1992 and 1993, estimation difficulties were discernable primarily for mandatory programs. During this period, outlays for mandatory programs experienced the largest changes between the revised estimates made midway through each fiscal year and actual results. The average change for mandatory spending accounts, measured as a percent of the revised outlay estimate, was more than twice as large as the average change for discretionary spending accounts.

Background

On October 28, 1993, the Department of the Treasury released the Final Monthly Treasury Statement of Receipts and Outlays of the United States Government (MTS) for fiscal year 1993, which reported a \$254.9 billion

deficit for the year. The President's budget request for fiscal year 1993,² transmitted to the Congress in January and February 1992, presented detailed estimates of receipts and outlays and a total deficit estimate of \$349.9 billion. As part of the President's fiscal year 1994 budget request submitted to the Congress in April 1993, OMB revised its fiscal year 1993 estimates to show a \$322 billion deficit.³ Throughout this report, we will refer to the fiscal year 1993 estimates in the January/February 1992 and April 1993 budget requests as OMB's original and revised estimates, respectively.

Scope and Methodology

To identify large differences between original fiscal year 1993 estimates and actual results, we compared OMB's estimates to actual results both in the aggregate and on an account-level basis.

For analysis on an aggregate basis, we used OMB's original and revised estimates of total outlays, receipts, and the resulting deficits as reported in the President's budget requests for fiscal years 1993 and 1994. We compared these estimates with the fiscal year 1993 results published in the Department of the Treasury's final MTS.

For detailed analysis of receipts, we focused on the Department of the Treasury's estimates for seven "receipt source" categories contained in the President's budget requests and Treasury's final MTS. We reviewed more detailed estimates of individual, corporate, and social insurance receipts obtained from Treasury and the Social Security Administration. We obtained CBO's original (January 1992) and revised (January 1993) receipt estimates, which are included in table 6,⁴ from its reports.⁵

To analyze OMB's estimates of economic conditions, we compared its macroeconomic projections for calendar year 1993 to those of CBO and the

²Budget of the United States Government, Fiscal Year 1993, January 1992 and Supplement, February 1992, Executive Office of the President, Office of Management and Budget.

³Budget of the United States Government, Fiscal Year 1994, April 1993, Executive Office of the President, Office of Management and Budget.

⁴The original request letter refers to the Joint Committee on Taxation's receipt estimates reported by CBO. However, CBO develops its own estimates for receipts under the law as it stands at the time of the estimate. The Joint Committee on Taxation only estimates the revenue impact of changes or proposed changes in law. Such estimates are not comparable to the OMB receipt estimates and actual receipt data included in this report. Thus, we included only the CBO estimates, which are comparable.

⁵The Economic and Budget Outlook: Fiscal Years 1993-1997, January 1992 and The Economic and Budget Outlook: Fiscal Years 1994-1998, January 1993, the Congress of the United States, Congressional Budget Office.

Blue Chip consensus of private forecasters.⁶ Appendix III displays these forecasts and the actual data.

For analysis of outlays on an account-level basis, we obtained data from OMB's Budget Preparation System (BPS)—the automated system used to collect and process information for the President's budget request. Using these data, we identified the 182 accounts that together represented 95 percent of OMB's revised estimate of gross outlays. For each account, we compared OMB's original and revised net outlay estimates to the actual outlay data obtained from Treasury.⁷ Appendix I displays the estimates and actual outlays for the 182 accounts. Throughout this report, in the tables as well as the narrative, account-level detail may not add to totals because calculations were performed prior to rounding.

To determine the factors that contributed to variations between original estimates and actual results, we interviewed OMB budget examiners and agency officials. We also reviewed the economic assumptions, policy proposals, and program information contained in the President's budget requests for fiscal years 1993 and 1994 and the midsession budget updates released in July 1992 and September 1993.

To assess whether patterns of estimating problems were discernable, we analyzed differences between the revised estimates and the actual results for fiscal years 1992 and 1993. We focused our analysis on this comparison to highlight estimation difficulties and minimize differences due to (1) unenacted presidential proposals contained in the original estimates and (2) enacted congressional initiatives not assumed in the original estimates. Appendix II lists major budget accounts for which actual outlays differed by more than (1) 10 percent and (2) \$250 million from the revised estimates in both fiscal year 1992 and fiscal year 1993.

We did not attempt to audit the data discussed in this report which were obtained from the President's budget requests, the final MTS, or agency officials. We conducted our work from October 1993 to December 1993.

Decline in Deficit Not Forecast by OMB

The fiscal year 1993 deficit of \$254.9 billion reversed a 3-year trend in the growth of annual deficits. The \$35.3 billion drop from the 1992 deficit level of \$290.2 billion was the largest single-year decline since 1987. Aside from

⁶Eggert Economic Enterprises, Inc., publishes monthly the Blue Chip Economic Indicators, a summary of major private sector estimates.

⁷This methodology is similar to that used in our February 1993 report.

the positive development in deposit insurance, which was the major factor in the lower deficit, there were other positive trends. Nondeposit insurance outlays grew at a slower rate (4.2 percent) than receipts, which were up 5.7 percent over the fiscal year 1992 level.

Table 1: Fiscal Year 1993 Aggregate Estimates and Actual Results

	Original estimate	Revised estimate	Actual	Difference	
				Actual minus original	Percent of original
Receipts	\$1,165.4	\$1,145.7	\$1,153.2	\$-12.2	-1.0
Outlays	1,515.3	1,467.6	1,408.1	-107.2	-7.1
Deficit	\$349.9	\$322.0	\$254.9	\$-95.0	-27.1

Note: Detail may not add to totals due to rounding.

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

As table 1 shows, the final deficit was \$95 billion below OMB's original \$349.9 billion estimate for fiscal year 1993. A \$103.7 billion difference between the original estimate and actual outlays for deposit insurance was by far the largest change affecting the deficit estimates. Excluding deposit insurance, OMB's original deficit estimate would have been \$274.2 billion which closely tracked with the adjusted \$282.9 billion deficit, as shown in table 2. The revised deficit estimate in table 2 included the President's proposed economic stimulus plan which was not approved by the Congress. In addition, the revised estimate reflected lower social insurance receipts and higher outlays for unemployment benefits and disaster relief. These increases to the deficit were offset by changes in other components after the revised estimate had been made and are discussed in following sections.

Table 2: Fiscal Year 1993 Aggregate Estimates and Actual Results, Excluding Deposit Insurance

Dollars in billions

	Original estimate	Revised estimate	Adjusted actual	Difference	
				Actual minus original	Percent of original
Receipts	\$1,165.4	\$1,145.7	\$1,153.2	\$-12.2	-1.0
Outlays	1,439.6	1,464.8	1,436.1	-3.5	-0.2
Deficit	\$274.2	\$319.1	\$282.9	\$8.7	3.2

Note: Detail may not add to totals due to rounding.

Sources: Office of Management and Budget, Department of the Treasury, and Congressional Budget Office.

Outlays Were Lower Than Originally Estimated Primarily Due to Deposit Insurance

As table 3 shows, actual fiscal year 1993 outlays of \$1,408.1 billion were more than \$107 billion lower than originally estimated. Nearly 97 percent of the net reduction from the original estimate was due to the difference between estimated and actual outlays for deposit insurance activities. Excluding outlays for deposit insurance, total spending was lower than the original estimate by \$3.5 billion or 0.2 percent. However, as shown in appendix I and summarized below, large but offsetting differences between estimated and actual outlays were observed in other areas of the budget.

Table 3: Outlay Estimates and Actual Results for Fiscal Year 1993

Dollars in billions

Budget Enforcement Act category	Original outlay estimate	Revised outlay estimate	Actual outlays	Difference	
				Actual minus original	Percent of original
Discretionary	\$537.3	\$553.7	\$544.3	\$7.0	1.3
National defense	292.0	292.1	292.5	0.5	0.2
International	20.6	21.9	21.6	1.0	4.7
Domestic	224.7	239.7	230.3	5.6	2.5
Mandatory	804.5	749.7	702.2	-102.3	-12.7
Social Security	299.7	302.2	302.0	2.3	0.8
Deposit insurance	75.7	2.8	-28.0	-103.7	-137.0
Medicaid ^a	84.5	80.5	75.8	-8.7	-10.3
Medicare	126.5	129.8	127.8	1.3	1.1
Unemployment compensation	25.5	35.9	35.4	9.9	38.6
Other	192.6	198.5	189.3	-3.3	-1.7
Net interest	213.7	201.5	198.9	-14.8	-6.9
Undistributed offsetting receipts ^b	-40.1	-37.2	-37.4	2.7	6.8
Total	\$1,515.3	\$1,467.6	\$1,408.1	\$-107.2	-7.1
Total excluding deposit insurance	\$1,439.6	\$1,464.8	\$1,436.1	\$-3.5	-0.2

^aThe original outlay estimate excludes approximately \$100 million in proposed offsetting collections which were categorized as domestic discretionary.

^bUndistributed offsetting receipts, primarily the employer share of employee retirement payments and rents and royalties on the Outer Continental Shelf, are deducted from totals for the government as a whole to avoid distortion of subtotals.

Note: Detail may not add to totals due to rounding.

Sources: Office of Management and Budget, Congressional Budget Office, and Department of the Treasury.

Improved Health of the Bank and Thrift Industries Sharply Reduced Outlays for Deposit Insurance

Outlays for deposit insurance programs were by far the most difficult component of the budget to estimate in fiscal year 1993, continuing a pattern observed in fiscal years 1991 and 1992. Actual results were negative outlays (net receipts) of \$28.0 billion, a change of \$103.7 billion from the original estimate of \$75.7 billion in outlays. Approximately two-thirds of this change resulted from improvement in the profitability of the banking and thrift industries due to favorable economic conditions.

Most of the remaining change was due to the delay in providing appropriations to complete the savings and loan cleanup. As table 4 shows, there were large variations in both the Resolution Trust Corporation's (RTC) revolving fund and the Federal Deposit Insurance Corporation's (FDIC) Bank Insurance Fund (BIF). The Federal Savings and Loan Insurance Corporation Resolution Fund (FRF) experienced a smaller but still significant variation.

Resolution of insolvent thrifts and banks, which involves selling the assets of failed institutions and settling all claims including the deposit guarantees of insured customers, is handled by two federal agencies—RTC and FDIC. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 established RTC as a temporary agency charged with bailing out the thrift industry. Since February 1989, thrift resolutions have been funded through the RTC's revolving fund. FDIC administers the other bank and thrift deposit insurance activities through (1) BIF for banks, (2) FRF for resolution commitments stemming from thrifts which failed before RTC was established, and (3) the Savings Association Insurance Fund (SAIF), which is scheduled to take over the resolution of failed thrifts from RTC in the first half of 1995.⁸

Table 4: Deposit Insurance Estimates and Actual Results for Fiscal Year 1993

Deposit insurance component	Original estimate	Revised estimate	Actual	Difference	
				Actual minus original	Percent of original
RTC	\$32.5	\$-3.9	\$-19.2	\$-51.7	-159.0
BIF	38.0	4.0	-9.8	-47.9	-125.8
FRF	6.4	3.8	2.4	-4.0	-63.0
Other	-1.2	-1.1	-1.3	-0.1	-7.4
Total	\$75.7	\$2.8	\$-28.0	\$-103.7	-137.0

Note: Detail may not add to totals due to rounding.

Sources: Office of Management and Budget and Congressional Budget Office.

Resolution Trust Corporation

RTC outlays were \$51.7 billion lower than originally estimated by OMB. Rather than spending \$32.5 billion, RTC netted \$19.2 billion from asset sales. The large change from the original estimate to the actual was a

⁸The RTC Completion Act of 1993 extended RTC's resolution authority to at least January 1, 1995, and no later than July 1, 1995. The act authorized the Chairman of the Thrift Deposit Protection Board to determine the specific date within this 6-month period.

function of the (1) lack of available funding for the savings and loan cleanup and (2) improving financial condition of the thrift industry. We estimate that approximately half of the change was attributable to the delayed funding, although estimates range from \$15 billion to \$32 billion.

RTC relies on appropriations from the Congress to cover the losses incurred in resolving failed thrifts. The Congress did not appropriate any new funds for RTC between December 1991 and the end of fiscal year 1993, even though it received requests for additional funding from both the Bush and Clinton administrations. Although this lack of funding restricted RTC's ability to resolve insolvent thrifts during fiscal year 1993,⁹ RTC continued to sell off its inventory of failed thrift assets. However, RTC cannot use the proceeds of asset sales to resolve failed thrifts until it first repays all funds borrowed from the Federal Financing Bank (part of Treasury). Sale proceeds exceeded expenditures on resolution activities for the fiscal year, producing the negative outlay condition or net receipts in the account.

Favorable economic conditions, particularly lower interest rates, also contributed to lower-than-estimated RTC outlays. First, lower interest rates improve the profitability of thrifts by allowing them to lower the average interest rates paid to depositors but to maintain higher average interest rates on loans. This improvement in profitability during fiscal year 1993 resulted in fewer thrift failures than originally estimated. Second, generally improved economic conditions have reduced RTC's losses on thrift resolutions and increased rates of recovery on sales of failed thrift assets.

The improved financial position of the thrift industry has lowered projections for the remaining cost of the cleanup. Between January 1992 and September 1993, OMB reduced its estimate of funds required for thrift resolutions by about \$23 billion for 1992 through 1997. However, the overall cost of the bailout would have been even lower if funding had been provided in a timely manner because insolvent thrifts continued to operate and lose money. In November 1993, the Congress made up to \$18.3 billion available for RTC and authorized \$8 billion for SAIF.¹⁰

⁹The availability of the loss funds appropriated in December 1991 ended on March 31, 1992. RTC was able to resolve 23 thrifts during fiscal year 1993 with funds that had previously been reserved to cover losses, when its loss estimates for earlier closures proved to be too high. However, at the end of fiscal year 1993, RTC had a backlog of 68 institutions—only one less than a year earlier.

¹⁰In December 1991, the Congress had appropriated up to \$25 billion for RTC, to be available until April 1, 1992. During this period, RTC used only \$6.7 billion. The RTC Completion Act of 1993 repealed the April 1, 1992, cutoff date, thus making the remaining \$18.3 billion available for RTC.

Bank Insurance Fund

Actual outlays for BIF were -\$9.8 billion, nearly \$48 billion lower than the original estimate of \$38.0 billion. This difference resulted primarily from favorable economic conditions. Declining interest rates boosted bank profits and reduced the number of estimated bank failures. The original estimate of failed bank assets for fiscal year 1993 was reduced from \$110.5 billion to \$28.5 billion in September 1993. FDIC reported in December that in the first 9 months of 1993, bank earnings were \$32.6 billion, slightly exceeding the \$32.1 billion record earnings posted during all of 1992.

Premiums collected from banks, the primary financing source for BIF, exceeded expenditures for losses associated with resolving failed banks during fiscal year 1993. This excess, along with proceeds from the sale of failed bank assets, produced the negative outlay condition or net receipts in the account. At the beginning of calendar year 1993, BIF changed its premium rate structure from a flat system in which all banks paid the same rate to a risk-based system. Banks that are financially sound now pay lower premiums than banks in poor condition. Since the adoption of this structure, the average level of assessed premiums has dropped, reflecting the improved condition of the industry. In addition, FDIC was able to pay back all borrowed Federal Financing Bank funds previously used to acquire the assets of failed banks.

**Federal Savings and Loan
Insurance Corporation
Resolution Fund**

Actual outlays for FRF were \$4 billion (63 percent) lower than the original estimate of \$6.4 billion. FRF's costs for renegotiating agreements from thrift resolutions completed before RTC was created proved to be lower than initial projections. However, at least \$700 million of the decline represents a shift in outlays to fiscal year 1994 rather than a real reduction in the cost of these agreements.

**Estimating Spending for
Health Programs Remains
Difficult**

Outlays for the two largest health programs, Medicare and Medicaid, continued to grow during fiscal year 1993 but more slowly than in recent years. However, the program components experienced significant but mostly offsetting changes from the original estimates to actual outlays. The recent trend of higher-than-estimated actual outlays for Medicaid was reversed in fiscal year 1993 with outlays that were \$8.6 billion (10.2 percent) lower than the original estimate of \$84.4 billion. This change was partially offset by slightly higher-than-estimated (\$1.2 billion) outlays for Medicare. Although total Medicare spending exceeded the original estimate of \$144.7 billion by only \$1.2 billion (less than 1 percent), this narrow margin masked larger offsetting differences between the original

estimate and actual outlays for the two Medicare components. Outlays for the Hospital Insurance component—Medicare Part A¹¹—exceeded the original estimate by \$8.0 billion (9.7 percent). This difference was largely offset by the \$6.8 billion (11.1 percent) lower-than-estimated outlays for Medicare Part B¹²—the Supplementary Medical Insurance component.

Medicaid

Difficulty in anticipating state behavior was a key factor in the difference between the original Medicaid estimate and actual outlays. In particular, uncertainty in estimating the impact of the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 (Public Law 102-234)—which sought to limit recent state actions to unilaterally increase the federal government's share of program cost—was cited by OMB and the Health Care Financing Administration (HCFA) as a major factor for lower-than-estimated outlays for Medicaid. Enactment of the legislation coincided with the development of the original Medicaid budget estimate. In developing this estimate, HCFA did not assume the legislation would dramatically change spending trends. Final results indicate that state behavior was different than that assumed by HCFA, resulting in lower-than-expected outlays.

HCFA's revised estimate also did not assume a significant change in the trend in Medicaid spending. Due to the unusually late preparation of the fiscal year 1994 budget, HCFA had available several months of actual state claims for federal Medicaid funds when it prepared the revised fiscal year 1993 estimates. These claims were lower than assumed in the original estimate, leading HCFA to revise its estimate downward by 4.6 percent. However, HCFA indicated that it was reluctant to base its outlay estimates entirely on an extrapolation of these data. HCFA's caution may be attributed to its awareness of the previous rapid growth in Medicaid spending, a recognition that program spending had been underestimated in recent years, and uncertainty about the effectiveness of the new legislation.

Medicare

As in recent years, payments to hospitals for Medicare Part A were underestimated. The increase over the original estimate of Medicare Part A outlays was primarily due to unanticipated growth in the use of skilled nursing facilities (SNFS) and home health care services. SNF outlays of \$5.3 billion were nearly double the original estimate of \$2.9 billion. At the time the original estimate was developed, growth in expenditures for SNFS was at its lowest since 1989. However, the program experienced rapid growth in 1992, which continued throughout 1993. OMB attributes the

¹¹Medicare Part A funds hospital or related care for the elderly and disabled.

¹²Medicare Part B covers expenses for physicians and other medical services. Persons eligible for Part A may purchase Part B.

continued growth in the use of SNFs to increased awareness of the existing skilled nursing care benefit resulting from the enactment and subsequent repeal of the Medicare Catastrophic Coverage Act of 1988, which contained provisions expanding some of the program's benefits. Although spending levels initially decreased with the repeal of the act, new awareness of the existing benefit continues to contribute to the program's growth.

The other primary factor affecting Medicare Part A outlays was home health care expenditures of \$9.5 billion, which exceeded the original estimate by \$2.6 billion. Expenditures for home health care services began to grow rapidly in 1989. However, the original estimate assumed that after 2 years of rapid growth, the rate of program expenditure growth would slow. As with skilled nursing facilities, underestimation of the program's growth resulted in higher-than-anticipated outlays. OMB attributes the unanticipated pace of growth in home health care to expanded coverage resulting from the out-of-court settlement of a 1989 lawsuit against HCFA.¹³ As part of the settlement, certain guidelines in the Medicare provider manual were rewritten to significantly expand coverage of services. These revisions allowed home health care providers to increase the number of home visits and made it more difficult to deny benefit claims. However, the impact of these changes was not factored into the original estimate. HCFA expects that growth in home health service use due to these changes will slow in fiscal year 1995 but that total spending will remain at an elevated level.

Unanticipated reductions in the volume of services performed by physicians in response to new reimbursement methods for Medicare Part B resulted in an original estimate that was \$6.8 billion higher than actual spending. The changes to the reimbursement schedule implemented in January 1992 were part of the 1989 legislated overhaul of the program's payment system. The reforms included the development of a nationwide fee schedule and volume standards. Payment was changed from the previous reasonable charge reimbursement system to a resource-based relative value scale system that reflects the time and intensity of physician services, overhead expenses, and geographic cost differences. In addition, the new system developed a mechanism for updating annually the physician fee schedule based on actual performance against a predetermined volume standard—the Medicare volume performance standard (MVPS). The MVPS is a prospectively set target for annual growth of physician services, which was designed to prevent physicians from making

¹³Duggan v. Sullivan, United States District Court for the District of Columbia, Civil Action 87-0383-SS.

up for a reduction in fees by increasing the volume of services they provide. Despite attempts to account for changes in physician behavior, lower-than-anticipated increases in the volume of services resulted in lower-than-expected outlays.

Other Significant but Offsetting Outlay Variations

Components of the budget sensitive to fluctuations in economic conditions experienced large outlay variations from their original fiscal year 1993 estimates. Persistently higher-than-originally-forecast unemployment levels pushed outlays for unemployment insurance benefits \$10.6 billion higher than the original estimate of \$29.1 billion. Economic growth expected to be slower-than-originally-forecast also spurred the Congress and the President to extend the length of time individuals could collect unemployment benefits. In contrast, actual outlays for interest on the public debt of \$292.5 billion were \$23.3 billion lower than the original estimate. Approximately \$13.6 billion of this decline was due to lower interest rates. The remainder was due to lower-than-originally-expected borrowing; this was at least partially due to reduced outlays for deposit insurance resulting from lower interest rates.

Although total outlays for the Department of Defense (DOD) were only \$0.5 billion above the original estimate of \$278.1 billion, seven DOD-Military accounts differed from their original estimate by over \$1 billion. Weaknesses in DOD's financial management capabilities contributed to the large outlay variations from original estimates in several accounts. The largest difference occurred in the Defense Business Operations Fund (DBOF), which showed a year-end balance of \$4.9 billion compared to the original estimate of \$0.6 billion. As we have previously reported,¹⁴ accurate estimates for DBOF are difficult to develop because DOD lacks effective cash management practices and cost accounting systems. Further complicating estimates is the newness of the fund, which was only established in fiscal year 1992.

Weaknesses in DOD's cash management practices and systems also contributed to differences between original estimates and actual outlays for accounts with operational ties to DBOF. For example, the Army, Navy, and Air Force operation and maintenance accounts used to purchase goods and services through DBOF each exceeded its original estimate by more than \$2 billion. One contributing factor was the advance billing by maintenance and selected research and development activities between

¹⁴For a discussion of DOD's efforts to improve the operation of DBOF and a list of related GAO reports see Defense Business Operations Fund (GAO/AIMD-94-7R, October 12, 1993).

June and August of 1993 for \$5.7 billion in goods and services. This advance billing was initiated to avoid a projected cash shortage in DBOF. Lastly, differences between outlay estimates and final results are not unusual for DOD-Military accounts. Reprogramming agreements between congressional committees and DOD allow the shifting of funds within appropriations, and transfer authority, which has routinely been provided by the Congress, allows the shifting of funds between appropriations.

Total Receipts Were Close to Estimate With Offsetting Differences

Actual receipts for fiscal year 1993 were \$1,153.2 billion—only 1 percent less than the original estimate. This result represented a significant improvement over fiscal years 1991 and 1992, in which receipts fell short of the original estimates by an average of 7.6 percent. However, as summarized in table 5, the slight difference in fiscal year 1993 masked larger offsetting estimate variations within and among major receipt categories.¹⁵ Overall, receipt estimates were affected by discretion that individual and corporate taxpayers have in determining the timing of certain types of tax liabilities. Specifically, social insurance receipts were 4.1 percent lower than the original estimate, while corporate tax receipts were 13.2 percent higher than projected. Individual income taxes and miscellaneous receipts were, respectively, 1.1 percent and 12.1 percent below the original estimates. These results are summarized in table 5. For comparison, CBO's estimates are shown in table 6.

¹⁵Although we discuss the individual income and social insurance categories separately, they are interdependent. The allocation of receipts between these two categories is affected by periodic bookkeeping adjustments made to incorporate data from prior years. These changes result only in transfers between the two categories and have no impact on the combined total.

Table 5: Receipt Estimates and Actual Results for Fiscal Year 1993 Prepared by OMB and Department of the Treasury

Receipt source	Original estimate	Revised estimate	Actual	Difference	
				Actual minus original	Percent of original
Individual income taxes	\$515.2	\$515.3	\$509.7	\$-5.5	-1.1
Corporate income taxes	103.8	106.3	117.5	13.7	13.2
Social insurance taxes and contributions	446.7	426.8	428.3	-18.4	-4.1
Excise taxes	48.1	47.6	48.1	0.0	0.1
Estate and gift taxes	12.9	12.6	12.6	-0.3	-2.3
Customs duties	18.0	19.2	18.8	0.8	4.7
Miscellaneous receipts	20.7	17.9	18.2	-2.5	-12.0
Total	\$1,165.4	\$1,145.7	\$1,153.2	\$-12.2	-1.0

Note: Detail may not add to totals due to rounding.

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

Table 6: CBO Receipt Estimates and Actual Results for Fiscal Year 1993

Receipt source	Original estimate	Revised estimate	Actual	Difference	
				Actual minus original	Percent of original
Individual income taxes	\$518	\$501	\$509.7	\$-8.3	-1.6
Corporate income taxes	109	110	117.5	8.5	7.8
Social insurance taxes and contributions	449	434	428.3	-20.7	-4.6
Excise taxes	49	48	48.1	-0.9	-1.9
Estate and gift taxes	12	12	12.6	0.6	4.8
Customs duties	18	19	18.8	0.8	4.5
Miscellaneous receipts	23	19	18.2	-4.8	-20.7
Total	\$1,179	\$1,143	\$1,153.2	\$-25.8	-2.2

Note: Detail may not add to totals due to rounding.

Sources: Congressional Budget Office and Department of the Treasury.

Actual social insurance receipts fell \$18.4 billion short of the original estimate. This difference was the net result of changes in different social insurance funds. Three funds make up over 90 percent of social insurance receipts: Old Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Hospital Insurance (HI). The original estimate for these funds was \$19.1 billion lower than actual receipts because of the following factors:

- lower-than-estimated growth in salary and wage income—approximately \$10 billion,
- bookkeeping adjustments¹⁶—\$7.5 billion, and
- an unenacted policy proposal to extend Hospital Insurance coverage to all state and local government employees—\$1.7 billion.

The \$19.1 billion decline in the OASI, DI, and HI receipts was partially offset by an unexpected repayment of a state loan to the unemployment insurance fund (another component of social insurance taxes and contributions), which helped boost actual unemployment insurance receipts \$1.0 billion above the original estimate.

¹⁶As noted earlier in footnote 15, these bookkeeping adjustments have no impact on total receipts.

Corporate receipts exceeded initial projections by \$13.7 billion. This result contrasts with fiscal years 1991 and 1992, during which corporate receipts were originally overestimated by \$30.5 billion and \$1.6 billion, respectively. For fiscal year 1993, approximately \$7.1 billion of the difference between the original estimate and actual receipts can be explained by (1) the completion of recent revisions to the forecasting model,¹⁷ (2) new data on liabilities and collections, and (3) lower tax refunds than anticipated. Other factors contributing to the difference in corporate receipts were

- higher-than-expected payments due to higher corporate profits partially offset by other economic factors—about \$2 billion,
- enacted legislation that increased estimated payment requirements and prevented thrifts from deducting losses reimbursed by tax-exempt federal assistance—about \$2.5 billion, and
- unenacted policy proposals such as investment tax breaks included in the Bush and Clinton budgets—\$2 billion.

Individual income tax receipts were \$5.5 billion lower than the original estimate. Economic factors including (1) lower inflation, (2) slightly slower-than-expected economic growth, and (3) a lower share of income subject to individual income tax caused Treasury to lower its estimate by \$15 billion. Internal Revenue Service initiatives making it easier for taxpayers to obtain extensions or make installment tax payments further reduced the estimate during the fiscal year by \$1.4 billion. These downward revisions from the original estimate were partially offset by the following factors:

- a \$7.5 billion transfer from the social insurance accounts partially offset by other data revisions—\$4 billion,
- an unexpected increase in taxes withheld—about \$1.6 billion,
- enacted legislation requiring the withholding of taxes on pension income—\$1.4 billion, and
- unenacted policy proposals, including a proposal to expand the tax exemption for families with children—\$3.8 billion.

Miscellaneous receipts, which are primarily composed of earnings on Federal Reserve assets, fell \$2.5 billion short of the original estimate. This difference was primarily due to changes in foreign exchange rates and the

¹⁷These revisions—which were completed after the original estimate was made—represented the final installment of a multiyear overhaul of the model, which fully incorporates the effects of the Tax Reform Act of 1986.

decline in U.S. interest rates, which reduced the value and the interest income of the Federal Reserve's foreign and domestic holdings.

OMB's Economic Assumptions Consistent With Other Forecasters

OMB's economic assumptions for 1993 were generally in line with or more conservative than forecasts developed by CBO and private forecasters. Forecasts made in early 1992 were slightly optimistic regarding economic growth and unemployment and too pessimistic about inflation and interest rates. These unanticipated economic conditions lowered receipts and had a mixed effect on outlays, lowering them in some programs and increasing them in others.

The Council of Economic Advisers, with the Department of the Treasury and OMB, prepares the economic forecast that is used in developing the President's budget request. Estimates of major macroeconomic indicators that affect outlays and receipts are included in the budget documents. CBO and private forecasters also develop estimates of these indicators. As shown in appendix III, the administration's macroeconomic projections for calendar year 1993 were generally quite close to those of CBO and the Blue Chip consensus of private forecasters. In fact, in an effort to minimize disagreements between the legislative and executive branches about the budget estimates, the administration adopted CBO's economic projections for the revised fiscal year 1993 estimates.

During the fiscal year 1993 budget cycle, the performance of the economy had a mixed impact on the budget. Economic growth estimates were revised downward, as the economy continued a slower-than-expected recovery from the 1990-91 recession. Original estimates of the unemployment rate, which generally declines as a result of economic growth, proved to be overly optimistic. The combination of higher-than-expected unemployment, lower-than-expected inflation, and slightly slower-than-expected economic growth reduced receipts and increased spending for income support programs.

Interest rates were also substantially lower than originally projected. This reduced the deficit by (1) strengthening the banking and thrift industries, which resulted in lower outlays for deposit insurance activities and (2) lowering the cost of financing the nation's debt. Inflation, which generally moves in tandem with interest rates, was also lower than forecast. Lower inflation reduced the projected level of taxable income which, in turn, lowered receipts from the level originally estimated.

As we noted in our February 1993 report, economic forecasting is an enormously complex and imprecise process. The forecasts in appendix III illustrate the limited capacity of economic models to accurately predict economic performance. Because of the sensitivity of budget outlays and receipts to changes in economic conditions, differences between economic forecasts and actual conditions are a key factor in the accuracy of outlay and receipt estimates.

Differences Between Estimated and Actual Outlays Larger for Mandatory Programs

Our analysis showed that in both fiscal years 1992 and 1993, outlays for mandatory programs experienced the largest differences between the revised estimates made midway through the fiscal year and actual outlays. This result was not unexpected. The larger differences reflect the open-ended aspect of outlays for mandatory programs in contrast to the specific appropriated amounts which limit outlays for discretionary programs. Furthermore, estimates for mandatory programs are heavily dependent on estimates for other variables such as economic conditions and demographic characteristics.

The average difference, measured as a percent of the revised outlay estimate, for mandatory spending accounts was more than twice as large as the average difference for discretionary spending accounts. Furthermore, in fiscal years 1992 and 1993, approximately 95 percent of the total difference between revised estimates and actual outlays in the major budget accounts listed in appendix I occurred in mandatory spending accounts. Tables II.1 and II.2 in appendix II list the major budget accounts for which actual outlays differed by more than 10 percent and more than \$250 million, respectively, from the revised estimate in both fiscal year 1992 and fiscal year 1993. Of the accounts that met these criteria, approximately 60 percent are for mandatory expenditures.

Difficulties in estimating outlays for credit reform liquidating accounts¹⁸ resulted in 9 of these accounts being among the 31 accounts with variations of greater than 10 percent between the revised estimate and actual outlays. The years we analyzed—fiscal years 1992 and 1993—were the first 2 years of credit reform implementation. We have reported¹⁹ previously on agency problems in implementing credit reform due to

¹⁸Liquidating accounts, established by the Federal Credit Reform Act of 1990, reflect the cash flows to and from the government resulting from direct loan obligations or loan guarantees made prior to October 1, 1991.

¹⁹Federal Credit Programs: Agencies Had Serious Problems Meeting Credit Reform Accounting Requirements (GAO/AFMD-93-17, January 6, 1993).

severe and long-standing financial systems problems. Because of economic uncertainties and because agencies had to rely on information that has historically been incomplete and unreliable, estimates were inaccurate. Difficulties in establishing initial account balances and estimating cash flows from existing loans and guarantees, along with subsequent adjustments to the accounts, are reflected in the differences between the revised estimates and actual outlays.

Sensitivity to economic conditions is a common characteristic of the mandatory programs with large dollar variations in fiscal years 1992 and 1993. Outlays for interest on the public debt were lower than the revised estimates in both years due to the unforeseen decline in interest rates. As previously discussed, the impact of lower interest rates, as well as the overall improvement in the economy, is reflected in the large differences between estimated and actual outlays for the Bank Insurance Fund in both years. Other accounts with large dollar variations primarily due to changes in economic conditions include the Unemployment Trust Fund, the Supplemental Security Income Program, and two Commodity Credit Corporation accounts.

Some discretionary accounts—in which spending levels are specified by the Congress in appropriation acts—also are prone to differences between estimates and final results; these differences often are due to inadequate agency financial and information management systems.²⁰ The tables in appendix II reveal that the majority of discretionary spending accounts which had large differences between the revised estimates and final results in both fiscal years 1992 and 1993 were defense-related. As discussed previously, these reflect the weaknesses in DOD's financial systems combined with the flexibility given DOD to move funds among accounts.

Non-DOD outlay estimates are also plagued by inadequate management information systems. For example, the Department of Housing and Urban Development's (HUD) revised estimate of outlays for assistance for the renewal of expiring Section 8 subsidies was nearly 20 percent too low in fiscal year 1992 and nearly 20 percent too high in fiscal year 1993. HUD currently lacks the financial management and budgeting systems and data to estimate accurately program funding needs. These problems have been

²⁰For a discussion of financial management weaknesses in federal agencies, see Financial Management Issues (GAO/OCG-93-4TR, December 1992).

well-documented in reports by GAO, OMB, and HUD.²¹ HUD expects new management information systems under development to produce improved budget estimates no earlier than for fiscal year 1995.

Observations

The impact of deposit insurance on the accuracy of future deficit estimates should be considerably less due to the improved profitability of the banking and thrift industries and the availability of funds allowing RTC to continue its work. In recent years, the volatility of deposit insurance outlays has distorted changes between deficit estimates and final results. Excluding deposit insurance, OMB's estimate of the budget deficit for fiscal year 1993 tracked closely to the final adjusted deficit.

The budget estimation process is not likely to become any easier in the near future given the tax and program changes contained in the Omnibus Budget Reconciliation Act of 1993 and the administration's planned health care and welfare reforms. Unpredictable behavior of individuals and state and local governments in response to changes in law, in addition to unanticipated changes in economic conditions and demographic variables, affects estimates for many large programs and receipt sources. As previously discussed, unanticipated responses by states and physicians to new regulations in the Medicaid and Medicare programs contributed to significant variations from estimated outlays in fiscal years 1992 and 1993. Receipt estimates were affected by the discretion that individual and corporate taxpayers have in determining the timing of certain types of tax liabilities. For this reason, while annual receipt estimates may be relatively accurate over a 2-year or 3-year period, estimating receipts for a given fiscal year is more difficult.

Although the fiscal year 1993 budget deficit was the lowest in 3 years, it still added \$255 billion to the nation's debt. In fiscal year 1993 alone, interest payments on this borrowing were \$292.5 billion—20.8 percent of outlays—and more than the deficit for the year. CBO projects²² that under the Omnibus Budget Reconciliation Act of 1993 and with continued economic growth, the annual deficit will shrink to \$166 billion in fiscal year 1996 but will turn upward near the end of the decade unless

²¹For a discussion of HUD's difficulties in estimating its Section 8 funding needs and a list of related reports, see *Assisted Housing: Evening Out the Growth of the Section 8 Program's Funding Needs* (GAO/RCED-93-54, August 5, 1993).

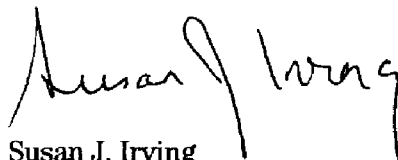
²²*The Economic and Budget Outlook: Fiscal Years 1995-1999*, January 1994, the Congress of the United States, Congressional Budget Office.

additional action is taken. In previous reports²³ we have discussed the budget deficit in detail and concluded that strategies to reduce it must include all major areas of the budget—mandatory spending, discretionary spending, and revenues. Today, while the economy is growing and the deficit is not, is a good time to adopt policies to keep the deficit on a downward path.

As agreed with the Committee, unless you publicly release its contents earlier, we plan no further distribution of this report until 10 days from the date of this letter. At that time, we will send copies of this report to the Ranking Minority Member of your Committee, the Chairman and Ranking Minority Member of the Senate Budget Committee, the Secretary of the Treasury, and the Directors of the Office of Management and Budget and the Congressional Budget Office. We will also make copies available to others upon request.

Please contact me at (202) 512-9142 if you or your staff have any questions concerning the report. Other major contributors to this report are listed in appendix IV.

Sincerely yours,



Susan J. Irving
Associate Director, Budget Issues

²³For a discussion of the deficit, see Budget Issues (GAO/OCG-93-1TR, December 1992); Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy (GAO/OCG-92-2, June 5, 1992); and The Budget Deficit: Outlook, Implications, and Choices (GAO/OCG-90-5, September 12, 1990).

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Abbreviations

BIF	Bank Insurance Fund
BPS	Budget Preparation System
CBO	Congressional Budget Office
DBOF	Defense Business Operations Fund
DOD	Department of Defense
DI	Disability Insurance
EPA	Environmental Protection Agency
FDIC	Federal Deposit Insurance Corporation
FRF	Federal Savings and Loan Insurance Corporation Resolution Fund
GSA	General Services Administration
HCFA	Health Care Financing Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
HI	Hospital Insurance
MVPS	Medicare Volume Performance Standard
MTS	<u>Monthly Treasury Statement of Receipts and Outlays of the United States Government</u>
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OASI	Old Age and Survivors' Insurance
RDT&E	research, development, test, and evaluation
RRB	Railroad Retirement Board
RTC	Resolution Trust Corporation
S&E	salaries and expenses
SAIF	Savings Association Insurance Fund
SNFs	skilled nursing facilities

Fiscal Year 1993 Estimated and Actual Outlays for Major Budget Accounts

Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
1	20-0550	Treasury	Interest on the Public Debt	\$315.8	\$294.7	\$292.5
2	20-8006	Health and Human Services (HHS)	Federal Old Age and Survivors Insurance Trust Fund	269.9	270.1	270.0
3	75-0512	HHS	Grants to States for Medicaid	84.4	80.5	75.8
4	20-8005	HHS	Federal Hospital Insurance Trust Fund	83.6	91.5	91.6
5	20-8004	HHS	Supplemental Medical Insurance Trust Fund	61.1	56.2	54.3
6	75-0580	HHS	Payments to Health Care Trust Funds	42.6	44.2	44.7
7	51-4064	FDIC	Bank Insurance Fund	38.0	4.0	-9.8
8	24-8135	Office of Personnel Management (OPM)	Civil Service Retirement and Disability Trust Fund	35.0	34.6	34.9
9	22-4055	RTC	RTC Revolving Fund	32.5	-3.9	-19.2
10	20-8007	HHS	Disability Insurance Trust Fund	32.3	34.8	34.6
11	20-8042	Labor	Unemployment Trust Fund	29.1	40.2	39.7
12	97-8097	Department of Defense (DOD)-Civil	Military Retirement Trust Fund	25.6	25.6	25.7
13	12-3505 ^a	Agriculture	Food Stamp Program	23.7	24.5	24.6
14	21-2010	DOD-Military	Military Personnel, Army	23.4	23.2	22.9
15	75-0406	HHS	Supplemental Security Income Program	21.2	23.6	22.6
16	17-1804	DOD-Military	Operation and Maintenance, Navy	21.1	21.9	23.8
17	24-0200	OPM	Payment to Civil Service Retirement and Disability Trust Fund	19.7	19.9	19.8
18	17-1453	DOD-Military	Military Personnel, Navy	19.7	19.2	19.4
19	57-3500	DOD-Military	Military Personnel, Air Force	18.6	18.5	18.3
20	57-3400	DOD-Military	Operation and Maintenance, Air Force	18.5	19.2	20.7
21	21-2020	DOD-Military	Operation and Maintenance, Army	18.5	20.5	20.5
22	69-8083	Transportation	Federal-Aid, Highway Trust Fund	16.9	17.6	16.3
23	36-0102 ^a	Veterans Affairs	Compensation and Pensions	16.4	16.8	17.0

(continued)

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Fiscal Year 1993 Estimated and Actual
Outlays for Major Budget Accounts**

Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
24	75-1501	HHS	Family Support Payments to States	15.3	15.8	15.6
25	86-0164	Housing and Urban Development (HUD)	Annual Contributions for Assisted Housing Programs	14.9	13.4	14.4
26	36-0160	Veterans Affairs	Medical Care	14.3	14.5	14.3
27	57-3600	DOD-Military	Research, Development, Test, and Evaluation (RDT&E), Air Force	14.1	12.8	12.3
28	97-0040	DOD-Civil	Payment to Military Retirement Fund	11.8	12.3	12.3
29	57-3010	DOD-Military	Aircraft Procurement, Air Force	11.5	10.8	11.4
30	12-4336	Agriculture	Commodity Credit Corporation	11.3	15.5	15.0
31	11-8242	Funds Appropriated to the President	Foreign Military Sales Trust Fund	11.3	12.9	13.2
32	97-0400	DOD-Military	RDT&E, Defense-Wide	9.8	9.4	9.2
33	97-0100	DOD-Military	Operation and Maintenance, Defense Agencies	9.7	9.2	9.6
34	17-1611	DOD-Military	Shipbuilding and Conversion, Navy	9.4	9.6	10.1
35	75-9915	HHS	National Institutes of Health	9.1	9.2	9.5
36	17-1319	DOD-Military	RDT&E, Navy	8.2	9.1	8.9
37	57-3080	DOD-Military	Other Procurement, Air Force	8.1	7.8	8.1
38	60-8010	Railroad Retirement Board (RRB)	Railroad Social Security Equivalent Benefit Account	8.0	7.9	7.9
39	20 0906	Treasury	Payment Where Earned Income Credit Exceeds Tax Liability	7.9	8.4	8.8
40	17-1506	DOD-Military	Aircraft Procurement, Navy	7.6	7.5	7.2
41	97-0130	DOD-Military	Defense Health Program	7.3	8.1	8.2
42	91-0200	Education	Student Financial Assistance	7.2	7.5	7.7
43	80-0108	National Aeronautics and Space Administration (NASA)	Research and Development	6.8	6.9	7.1
44	91-0900	Education	Compensatory Education for the Disadvantaged	6.6	7.3	6.6
45	12-3539	Agriculture	State Child Nutrition Programs	6.5	6.8	6.6

(continued)

**Appendix I
Fiscal Year 1993 Estimated and Actual
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Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
46	75-0404	HHS	Payments to Social Security Trust Fund	6.4	6.0	6.2
47	51-4065	FDIC	FSLIC Resolution Fund	6.4	3.8	2.4
48	17-1105	DOD-Military	Military Personnel, Marine Corps	6.1	6.0	5.9
49	21-2040	DOD-Military	RDT&E, Army	5.7	5.8	6.2
50	57-3020	DOD-Military	Missile Procurement, Air Force	5.7	6.0	5.4
51	80-0105	NASA	Space Flight, Control, and Data Communications	5.1	5.0	5.0
52	17-1507	DOD-Military	Weapons Procurement, Navy	5.1	5.1	4.7
53	17-1810	DOD-Military	Other Procurement, Navy	4.8	6.0	6.4
54	89-0240	Energy	Atomic Energy, Weapons Activities	4.8	4.6	4.3
55	16-0174	Labor	Training and Employment Services	4.2	5.2	4.2
56	75-1536	HHS	Children and Families Services Program	4.2	4.6	3.4
57	89-0242	Energy	Defense Environmental Restoration and Waste Management	4.1	4.2	4.2
58	11-1082	Funds Appropriated to the President	Foreign Military Financing Grants	4.0	4.6	4.6
59	24-0206	OPM	Government Payment for Annuitants, Employees Health Benefits	3.9	3.7	3.8
60	20-0913	Treasury	Tax Law Enforcement	3.8	3.8	3.9
61	86-0162	HUD	Community Development Grants	3.3	3.8	3.2
62	21-2060	DOD-Military	National Guard Personnel, Army	3.2	3.1	3.3
63	11-1037	Funds Appropriated to the President	Economic Support Fund	3.2	3.2	3.2
64	91-0230	Education	Federal Family Education Loan Liquidating Account ^b	3.2	2.8	3.2
65	69-8104	Transportation	Trust Fund Share of FAA Operations	3.2	2.3	2.3
66	60-0113	RRB	Federal Payments to the Railroad Retirement Accounts	3.1	3.1	3.0

(continued)

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	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
67	75-1362 ^b	HHS	Substance Abuse and Mental Health Services Administration	3.1	2.6	2.7
68	21-2035	DOD-Military	Other Procurement, Army	3.0	3.3	3.9
69	89-0224	Energy	Energy Supply, R&D Activities	3.0	3.0	2.8
70	12-3510	Agriculture	Special Supplemental Food Program for Women, Infants, and Children	2.8	2.9	2.8
71	75-1534	HHS	Social Services Block Grant	2.8	2.8	2.8
72	60-8011	RRB	Railroad Industry Pension Fund	2.8	2.9	2.8
73	75-1545	HHS	Payments to States for Foster Care and Adoption Assistance	2.8	2.9	2.6
74	91-0300	Education	Special Education	2.8	2.8	2.6
75	91-0231	Education	Federal Family Education Loan Program ^b	2.6	2.3	2.4
76	89-0243	Energy	Materials Support and Other Defense Programs	2.6	2.9	2.2
77	57-3840	DOD-Military	Operation and Maintenance, Air National Guard	2.5	2.4	2.6
78	69-0201	Transportation	Operating Expense, Coast Guard	2.4	2.6	2.5
79	86-0163	HUD	Low Income Housing Projects	2.3	2.4	2.5
80	86-0194	HUD	Assistance for the Renewal of Expiring Section 8 Subsidy Contracts	2.3	3.1	2.5
81	75-0350	HHS	Health Resources and Services	2.3	2.5	2.3
82	20-1851	Treasury	Payment to the Resolution Funding Corporation	2.3	2.3	2.3
83	97-0300	DOD-Military	Procurement, Defense-Wide	2.3	2.0	1.7
84	10-0920	The Judiciary	S&E, Court of Appeals	2.2	2.0	2.1
85	20-0904	Treasury	Refunding Internal Revenue Collections, Interest	2.2	2.6	2.1
86	68-0103	Environmental Protection Agency (EPA)	Water Infrastructure Financing ^b	2.2	2.4	2.1

(continued)

**Appendix I
Fiscal Year 1993 Estimated and Actual
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	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
87	21-2065	DOD-Military	Operation and Maintenance, Army National Guard	2.1	2.3	2.3
88	19-0113	State	Salaries and Expenses	2.1	2.1	2.3
89	21-2032	DOD-Military	Missile Procurement, Army	2.1	2.1	2.2
90	21-2070	DOD-Military	Reserve Personnel, Army	2.1	2.2	2.2
91	91-0301	Education	Rehabilitation Services and Disability Research	2.1	2.2	2.0
92	69-8107	Transportation	Facilities & Equipment, Airport and Airway Trust Fund	2.0	2.0	2.2
93	49-0100	National Science Foundation	Research and Related Activities	2.0	2.0	1.8
94	15-0200	Justice	S&E, FBI	1.9	2.0	2.0
95	21-2031	DOD-Military	Aircraft Procurement, Army	1.9	1.8	1.7
96	86-4238	HUD	Guarantees of Mortgage-Backed Securities	1.9	-0.4	-0.5
97	17-1106	DOD-Military	Operation and Maintenance, Marine Corps	1.8	2.1	2.2
98	69-8106	Transportation	Grants in Aid for Airports	1.8	2.1	1.9
99	12-3319	Agriculture	Conservation Reserve Program	1.8	1.8	1.7
100	15-1060	Justice	S&E, Federal Prison System	1.8	1.7	1.7
101	80-0103	NASA	Research and Program Management	1.7	1.6	1.6
102	21-2033	DOD-Military	Weapons Procurement, Army	1.6	1.8	2.1
103	91-1000	Education	School Improvement Programs	1.6	1.7	2.0
104	20-0912	Treasury	Processing Tax Returns and Assistance	1.6	1.6	1.7
105	17-1405	DOD-Military	Reserve Personnel, Navy	1.6	1.6	1.6
106	18-4020	Postal Service	Postal Service Fund	1.6	1.6	0.9
107	13-1450	Commerce	Operations, Research, and Facilities; National Oceanic and Atmospheric Administration	1.5	1.7	1.6
108	20-8145	EPA	Hazardous Substance Superfund	1.5	1.6	1.4
109	75-0943	HHS	Disease Control, Research, and Training	1.5	1.5	1.4

(continued)

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Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
110	89-0222	Energy	General Science and Research Activities	1.5	1.4	1.4
111	21-0702	DOD-Military	Family Housing, Army	1.5	1.4	1.4
112	21-2034	DOD-Military	Procurement of Ammunition, Army	1.5	1.3	1.4
113	69-8191	Transportation	Mass Transit Capital Trust Fund	1.5	1.3	1.3
114	20-0602	Treasury	S&E, U.S. Customs Service	1.5	1.5	1.5
115	97-0810	DOD-Military	Environmental Restoration, Defense	1.5	0.9	0.0
116	69-1301	Transportation	Operations, Federal Aviation Administration	1.4	2.2	2.2
117	20-0919	Treasury	Information Systems, Internal Revenue Service	1.4	1.6	1.2
118	97-0350	DOD-Military	National Guard and Reserve Equipment	1.3	1.7	1.7
119	64-4110	Tennessee Valley Authority	Tennessee Valley Authority Fund	1.3	1.4	1.6
120	75-0390	HHS	Indian Health Services and Facilities	1.3	1.5	1.5
121	12-1106	Agriculture	National Forest System	1.3	1.4	1.4
122	36-8132	Veterans Affairs	National Service Life Insurance Fund	1.3	1.2	1.1
123	57-3300	DOD-Military	Military Construction, Air Force	1.3	1.1	0.9
124	11-1021	Funds Appropriated to the President	Functional Development Assistance Program	1.2	1.3	1.5
125	14-2100	Interior	Operation of Indian Programs	1.2	1.3	1.4
126	57-3740	DOD-Military	Operation and Maintenance, Air Force Reserve	1.2	1.2	1.3
127	91-0400	Education	Vocational and Adult Education	1.2	1.3	1.2
128	57-3850	DOD-Military	National Guard Personnel, Air Force	1.2	1.2	1.2
129	17-1205	DOD-Military	Military Construction, Navy	1.2	1.0	0.9
130	47-4542	GSA	Federal Buildings Fund	1.2	1.1	0.6
131	69-8350	Transportation	Trust Fund Share of Transit Programs	1.2	1.2	0.6
132	68-0108	EPA	Abatement, Control, and Compliance	1.1	1.3	1.3

(continued)

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Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
133	57-0704	DOD-Military	Family Housing, Air Force	1.1	1.1	1.0
134	96-3122	DOD-Civil	Construction, General	1.1	1.1	1.0
135	68-0200	EPA	Program and Research Operations ^b	1.1	0.9	0.9
136	17-1109	DOD-Military	Procurement, Marine Corps	1.0	1.2	1.5
137	12-2278	Agriculture	P.L. 480 Foreign Assistance Grants	1.0	1.2	1.1
138	96-3123	DOD-Civil	Operation and Maintenance, General	1.0	1.2	1.1
139	21-2080	DOD-Military	Operation and Maintenance, Army Reserve	1.0	1.1	1.0
140	15-1217	Justice	Immigration & Naturalization Service	1.0	1.1	1.0
141	20-8144	Labor	Black Lung Disability Trust Fund	1.0	1.0	1.0
142	14-1036	Interior	Operation of the National Park System	1.0	1.1	1.0
143	36-0137	Veterans Affairs	Readjustment Benefits	1.0	0.8	0.9
144	17-0703	DOD-Military	Family Housing, Navy and Marine Corps	0.9	0.9	0.9
145	19-1126	State	Contributions to International Organizations	0.9	0.9	0.9
146	21-2050	DOD-Military	Military Construction, Army	0.9	0.8	0.8
147	17-1806	DOD-Military	Operation and Maintenance, Navy Reserves	0.8	0.8	0.9
148	36-0151	Veterans Affairs	General Operating Expenses	0.8	0.9	0.8
149	16-0327	Labor	Advances to the Unemployment Trust Fund and Other Funds	0.7	4.7	5.0
150	58-0104	Federal Emergency Management Agency	Disaster Relief	0.7	2.5	2.3
151	75-1502	HHS	Low Income Home Energy Assistance	0.7	1.0	1.1
152	12-4155	Agriculture	Rural Development Insurance Fund Liquidating Account	0.6	0.6	0.5
153	12-4141	Agriculture	Rural Housing Insurance Fund Liquidating Account	0.6	0.6	0.2

(continued)

**Appendix I
Fiscal Year 1993 Estimated and Actual
Outlays for Major Budget Accounts**

Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
154	12-4085	Agriculture	Federal Crop Insurance Corporation	0.6	0.5	0.1
155	69-1129	Transportation	Formula Grants	0.5	0.8	1.2
156	14-0804	Interior	Surveys, Investigations, and Research	0.5	0.6	0.6
157	86-0143	HUD	S&E, Management and Administration	0.5	0.5	0.5
158	12-2081	Agriculture	Rural Housing Insurance Fund Program	0.5	1.0	0.9
159	86-4072	HUD	FHA General and Special Risk Insurance	0.5	0.9	0.3
160	16-1521	Labor	Special Benefits	0.3	0.3	0.2
161	83-4027	Export-Import Bank	Export-Import Bank of the United States	0.3	-1.3	-1.0
162	12-4338	Agriculture	Commodity Credit Corporation Guaranteed Loans Liquidating Account	0.2	0.9	0.5
163	86-4115	HUD	Housing for the Elderly or Handicapped	0.2	0.3	0.1
164	16-0178 ^c	Labor	Payments to the Unemployment Trust Fund	0.0	7.8	7.5
165	21-4528	DOD-Military	Army Conventional Ammunition, Working Capital Fund	0.0	0.0	0.2
166	36-4025	Veterans Affairs	Loan Guaranty Revolving Fund Liquidating Account	0.0	0.3	0.1
167	75-0511	HHS	Program Management	0.0	0.2	0.1
168	47-4548	GSA	Information Technology Fund	0.0	0.1	0.0
169	04-4505	Government Printing Office	Government Printing Office Revolving Fund	0.0	0.0	0.0
170	47-4530	GSA	General Supply Fund	0.0	0.0	0.0
171	20-4521	Treasury	Federal Financing Bank	0.0	0.0	0.0
172	16-0179	Labor	State Unemployment Insurance and Employment Service Operations	0.0	0.0	0.0
173	36-4537	Veterans Affairs	Supply Fund	0.0	0.0	0.0
174	96-4902	DOD-Civil	Revolving Fund	0.0	0.0	0.0
175	86-4070	HUD	FHA Mutual Mortgage and Cooperative Housing Insurance Funds	-0.1	-0.2	0.2

(continued)

**Appendix I
Fiscal Year 1993 Estimated and Actual
Outlays for Major Budget Accounts**

Dollars in billions in descending order of original estimate

	Account code	Department	Account title	Original estimate	Revised estimate	Actual outlays
176	12-4140	Agriculture	Agricultural Credit Insurance Fund	-0.1	0.0	0.1
177	89-4045	Energy	Bonneville Power Administration Fund	-0.2	0.6	0.6
178	24-8440	OPM	Employees Health Benefits Fund	-0.2	-0.1	-0.9
179	12-4230	Agriculture	Rural Electrification and Telephone Liquidating Account	-0.2	-0.6	-1.4
180	89-0226	Energy	Uranium Supply and Enrichment Activities	-0.3	-0.1	0.2
181	97-4930	DOD-Military	Defense Business Operations Fund	-0.6	-2.8	-4.9
182	24-8424	OPM	Employees Life Insurance Fund	-1.2	-1.1	-1.1

^aRepresents a combination of accounts to ensure comparability between original and/or revised estimates and actual outlays.

^bReflects change in account code or title.

^cAccount initiated subsequent to original estimate as a result of amendments to the Emergency Unemployment Law (Public Law 102-164).

Sources: OMB's Budget Preparation System for fiscal years 1993 and 1994 and Department of the Treasury.

Fiscal Year 1992 and 1993 Differences Between Revised Estimates and Actual Outlays for Selected Accounts

Table II.1: Accounts With Differences From Revised Estimates Greater Than 10 Percent in Fiscal Years 1992 and 1993

Dollars in billions in descending order of 1993 absolute percent difference

	Account code	Department	Account title	Fiscal year 1992		Fiscal year 1993	
				Actual outlays	Difference as a percent of revised estimate	Actual outlays	Difference as a percent of revised estimate ^a
1	04-4505	Government Printing Office	Government Printing Office Revolving Fund	\$ 0.0	132.0	\$ 0.0	-2714.1
2	24-8440	OPM	Employees Health Benefits Fund	-0.4	24.3	-0.9	498.4
3	22-4055	RTC	RTC Revolving Fund	-9.0	-122.1	-19.2	386.2
4	89-0226	Energy	Uranium Supply and Enrichment Activities	-0.3	40.1	0.2	-361.3
5	51-4064	FDIC	Bank Insurance Fund	3.7	-88.9	-9.8	-345.3
6	86-4070	HUD	FHA Mutual Mortgage and Cooperative Housing Insurance Funds	0.9	-603.1	0.2	-191.5
7	12-4230	Agriculture	Rural Electrification and Telephone Liquidating Account	-1.0	-271.2	-1.4	145.2
8	97-0810	DOD-Military	Environmental Restoration, Defense	0.0	-100.3	0.0	-100.3
9	47-4548	GSA	Information Technology Fund	0.0	-89.8	0.0	-77.6
10	97-4930	DOD-Military	Defense Business Operations Fund	3.2	-43.0	-4.9	71.9
11	36-4025	Veterans Affairs	Loan Guaranty Revolving Fund Liquidating Account	0.1	-72.2	0.1	-71.4
12	86-4072	HUD	FHA General and Special Risk Insurance	1.1	21.8	0.3	-68.6
13	12-4141	Agriculture	Rural Housing Insurance Fund Liquidating Account	1.3	-18.9	0.2	-67.5
14	86-4115	HUD	Housing for the Elderly or Handicapped	0.5	-25.5	0.1	-55.3
15	12-4338	Agriculture	Commodity Credit Corporation Guaranteed Loans Liquidating Account	0.5	-46.0	0.5	-49.8
16	75-0511	HHS	Program Management	-0.1	-59.4	0.1	-49.6
17	18-4020	Postal Service	Postal Service Fund	0.7	-20.1	0.9	-46.8
18	51-4065	FDIC	FSLIC Resolution Fund	8.5	20.6	2.4	-38.4
19	86-4238	HUD	Guarantees of Mortgage-Backed Securities	-0.4	25.8	-0.5	25.5
20	83-4027	Export-Import Bank	Export-Import Bank of the United States	-0.2	-155.9	-1.0	-24.2

(continued)

**Appendix II
Fiscal Year 1992 and 1993 Differences
Between Revised Estimates and Actual
Outlays for Selected Accounts**

Dollars in billions in descending order of 1993 absolute percent difference

	Account code	Department	Account title	Fiscal year 1992		Fiscal year 1993	
				Actual outlays	Difference as a percent of revised estimate	Actual outlays	Difference as a percent of revised estimate ^a
21	64-4110	TVA	Tennessee Valley Authority Fund	1.5	295.1	1.6	19.4
22	57-3300	DOD-Military	Military Construction, Air Force	0.9	21.0	0.9	-19.2
23	91-1000	Education	School Improvement Programs	1.5	-12.7	2.0	18.5
24	20-0904	Treasury	Refunding Internal Revenue Collections, Interest	3.3	23.9	2.1	-18.0
25	86-0194	HUD	Assistance for the Renewal of Expiring Section 8 Subsidy Contracts	1.5	19.5	2.5	-17.8
26	16-1521	Labor	Special Benefits	0.2	16.7	0.2	-16.6
27	91-0230	Education	Federal Family Education Loan Liquidating Account	1.5	-20.4	3.2	16.5
28	21-2033	DOD-Military	Weapons Procurement, Army	2.2	-17.5	2.1	16.5
29	11-1021	Funds Appropriated to the President	Functional Development Assistance Program	1.4	27.2	1.5	15.3
30	97-0300	DOD-Military	Procurement, Defense-Wide	1.4	-39.1	1.7	-13.2
31	20-8145	EPA	Hazardous Substance Superfund	1.3	-13.1	1.4	-11.3

^aThe fiscal year 1993 revised estimate for these accounts is shown in appendix I.

Sources: OMB's Budget Preparation System for fiscal years 1991-1993 and Department of the Treasury.

**Appendix II
Fiscal Year 1992 and 1993 Differences
Between Revised Estimates and Actual
Outlays for Selected Accounts**

Table II.2: Accounts With Differences From Revised Estimates Greater Than \$250 Million in Fiscal Years 1992 and 1993

Dollars in billions in descending order of 1993 absolute dollar difference

	Account code	Department	Account title	Fiscal year 1992		Fiscal year 1993	
				Actual outlays	Actual outlays minus revised estimate	Actual outlays	Actual outlays minus revised estimate ^a
1	22-4055	RTC	RTC Revolving Fund	\$ -9.0	\$ -49.4	\$ -19.2	\$ -15.2
2	51-4064	FDIC	Bank Insurance Fund	3.7	-29.3	-9.8	-13.8
3	75-0512	HHS	Grants to States for Medicaid	67.8	-4.7	75.8	-4.7
4	20-0550	Treasury	Interest on the Public Debt	292.3	-2.2	292.5	-2.2
5	97-4930	DOD-Military	Defense Business Operations Fund	3.2	-2.4	-4.9	-2.0
6	20-8004	HHS	Supplemental Medical Insurance Trust Fund	50.3	-3.9	54.3	-2.0
7	57-3400	DOD-Military	Operation and Maintenance, Air Force	19.9	-1.1	20.7	1.5
8	51-4065	FDIC	FSLIC Resolution Fund	8.5	1.4	2.4	-1.5
9	69-8083	Transportation	Federal-Aid, Highway Trust Fund	15.2	-0.6	16.3	-1.3
10	75-0406	HHS	Supplemental Security Income Program	19.4	-0.3	22.6	-1.0
11	86-0164	HUD	Annual Contributions for Assisted Housing Programs	13.6	-0.5	14.4	1.0
12	97-0810	DOD-Military	Environmental Restoration, Defense	0.0	-1.3	0.0	-0.9
13	12-4230	Agriculture	Rural Electrification and Telephone Liquidating Account	-1.0	-1.5	-1.4	-0.8
14	21-2035	DOD-Military	Other Procurement, Army	3.8	0.3	3.9	0.6
15	57-3010	DOD-Military	Aircraft Procurement, Air Force	13.2	-0.5	11.4	0.6
16	20-8042	Labor	Unemployment Trust Fund	41.3	5.6	39.7	-0.5
17	17-1611	DOD-Military	Shipbuilding and Conversion, Navy	11.0	0.8	10.1	0.5
18	20-0904	Treasury	Refunding Internal Revenue Collection, Interest	3.3	0.6	2.1	-0.5
19	75-0580	HHS	Payments to Health Care Trust Funds	39.4	-0.7	44.7	0.5
20	91-0230	Education	Federal Family Education Loan Liquidating Account	1.5	-0.4	3.2	0.5
21	12-4338	Agriculture	Commodity Credit Corporation Guaranteed Loans Liquidating Account	0.5	-0.4	0.5	-0.5
22	12-4336	Agriculture	Commodity Credit Corporation	9.0	-1.9	15.1	-0.4
23	57-3600	DOD-Military	RDT&E, Air Force	12.0	-0.8	12.3	-0.4

(continued)

**Appendix II
Fiscal Year 1992 and 1993 Differences
Between Revised Estimates and Actual
Outlays for Selected Accounts**

Dollars in billions in descending order of 1993 absolute dollar difference

	Account code	Department	Account title	Fiscal year 1992		Fiscal year 1993	
				Actual outlays	Actual outlays minus revised estimate	Actual outlays	Actual outlays minus revised estimate ^a
24	12-4141	Agriculture	Rural Housing Insurance Fund Liquidating Account	1.3	-0.3	0.2	-0.4
25	97-0100	DOD-Military	Operation and Maintenance, Defense-Agencies	14.8	-1.0	9.6	0.4
26	86-4070	HUD	FHA Mutual Mortgage and Cooperative Housing Insurance Funds	0.9	1.1	0.2	0.4
27	17-1810	DOD-Military	Other Procurement, Navy	6.1	0.6	6.4	0.4
28	17-1507	DOD-Military	Weapons Procurement, Navy	5.9	0.5	4.7	-0.3
29	11-8242	Funds Appropriated to the President	Foreign Military Sales Trust Fund	12.4	1.1	13.2	0.3
30	83-4027	Export-Import Bank	Export-Import Bank of the United States	-0.2	-0.7	-1.0	0.3
31	21-2033	DOD-Military	Weapons Procurement, Army	2.2	-0.5	2.1	0.3
32	89-0240	Energy	Atomic Energy, Weapons Activities	4.4	-0.4	4.3	-0.3
33	64-4110	TVA	Tennessee Valley Authority Fund	1.5	1.1	1.6	0.3
34	24-8135	OPM	Civil Service Retirement and Disability Trust Fund	33.7	-0.4	34.9	0.3
35	97-0300	DOD-Military	Procurement, Defense-Wide	1.4	-0.9	1.7	-0.3

^aThe fiscal year 1993 revised estimate for these accounts is shown in appendix I.

Sources: OMB's Budget Preparation System for fiscal years 1991-1993 and Department of the Treasury.

Calendar Year 1993 Economic Assumptions

	CBO	OMB	Blue Chip	Actual
Real Gross Domestic Product ^a (percent change, 4th quarter over 4th quarter)				2.9 ^b
Early 1992	3.3	3.0	3.0	
Midyear 1992	3.2	3.0	3.1	
Early 1993	2.8	2.8	3.0	
Midyear 1993	2.3	2.3	2.2	
Consumer Price Index ^c (percent change, 4th quarter over 4th quarter)				2.7 ^b
Early 1992	3.6	3.3	3.8	
Midyear 1992	3.4	3.3	3.6	
Early 1993	2.8	2.8	3.2	
Midyear 1993	3.4	2.9	3.3	
Unemployment Rate ^d (annual average)				6.8 ^e
Early 1992	6.4	6.5	6.3	
Midyear 1992	6.8	6.6	6.7	
Early 1993	7.1	7.1	7.0	
Midyear 1993	6.9	7.0	6.9	
Long-term interest rate ^f				5.9 ^e
Early 1992	7.1	6.9	7.5	
Midyear 1992	6.9	7.0	7.6	
Early 1993	6.7	6.7	6.9	
Midyear 1993	6.0	6.1	6.1	
Short-term interest rate ^g				3.0 ^e
Early 1992	5.1	5.1	5.0	
Midyear 1992	3.7	4.7	4.4	
Early 1993	3.1	3.2	3.5	
Midyear 1993	3.1	3.1	3.1	

(Table notes on next page)

Appendix III
Calendar Year 1993 Economic Assumptions

^aGross domestic product estimates are calculated using base year 1987 dollars.

^bComputed as compound annual average change using quarterly data.

^cAll estimates use the consumer price index for urban consumers.

^dAll estimates use the civilian labor force.

^eComputed as a simple average of quarterly rates.

^fOMB 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.

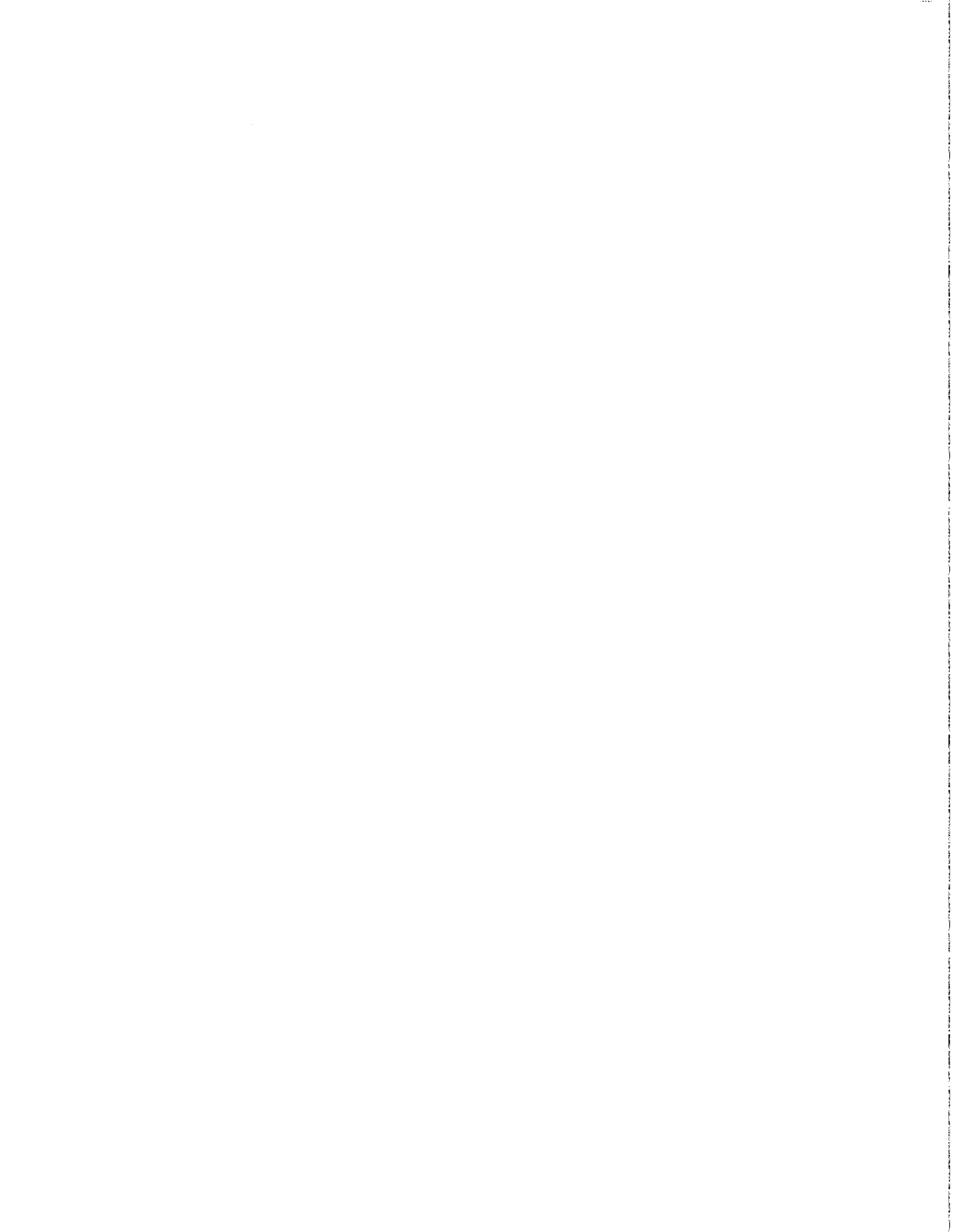
^gEstimates are for 3-month Treasury bills.

Sources: Office of Management and Budget and Congressional Budget Office.

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