



MONTHLY BUDGET REVIEW

Fiscal Year 1998

A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for March and the Daily Treasury Statements for April

May 6, 1998

A surge in tax collections during the last week of April raised receipts nearly \$20 billion over the expected level for the month. A surplus of \$123 billion is estimated for April, and it now appears that the fiscal year will end with a surplus on the order of \$43 billion to \$63 billion, an increase of \$35 billion to \$55 billion above the \$8 billion surplus projected by CBO in March.

MARCH RESULTS (In billions of dollars)

	March Estimate	March Actual	Difference
Receipts	118.4	117.9	-0.5
Outlays	133.4	131.7	-1.7
Deficit (-)	-15.0	-13.8	1.2

SOURCE: Department of the Treasury and Congressional Budget Office.

The March deficit of \$13.8 billion was \$1.2 billion below CBO's estimate for the month, within the expected \$2 billion error range for monthly estimates.

CBO ESTIMATES FOR APRIL (In billions of dollars)

	April 1997	April 1998	Estimated Change
Receipts	228.6	260.0	31.4
Outlays	134.7	137.0	2.3
Surplus	93.9	123.0	29.1

SOURCE: Department of the Treasury and Congressional Budget Office.

An unusually large portion of April receipts were recorded in the closing days of the month, bringing April receipts to a record total of about \$260 billion, \$31 billion above last year's level. Outlays in April are estimated to be about \$137 billion, roughly \$2 billion over last year.

The expected surplus of \$123 billion for April is \$29 billion more than the \$94 billion surplus posted a year ago.

COMPARISON WITH LAST YEAR (By fiscal year, in billions of dollars)

	October-April		Estimated Change
	1997	1998	
Receipts	923.7	1,024.9	101.2
Outlays	940.9	971.7	30.8
Deficit (-)/ Surplus	-17.2	53.1	70.4

SOURCE: Department of the Treasury and Congressional Budget Office.

Receipts for the first seven months of the fiscal year are up 11 percent over the amount collected last year for the same period, while outlays are up 3.3 percent.

The cumulative net result through April is expected to be a surplus of \$53 billion, a \$70 billion improvement over the comparable result last year.

RECEIPTS THROUGH APRIL (By fiscal year, in billions of dollars)

Major Source	October-April		Percentage Change
	1997	1998	
Individual Income	454.7	512.1	12.6
Corporate Income	95.3	102.9	8.0
Social Insurance	306.2	331.9	8.4
Other	<u>67.5</u>	<u>78.0</u>	<u>15.5</u>
Total	923.7	1,024.9	11.0

SOURCE: Department of the Treasury and Congressional Budget Office.

April receipts were nearly \$20 billion higher than CBO had expected for the month, with the unexpected increase almost entirely in the nonwithheld component of individual income and employment taxes. That component includes final payments on 1997 tax liabilities as well as quarterly payments on estimated 1998 tax liabilities. Although details will not be available until later in the year, it is likely that taxes paid on capital gains realizations during 1997 will prove to be a major factor underlying the robust nonwithheld April receipts.

Withheld income and employment tax collections through April were strong, up 9.3 percent over last year. Continued strength in those collections, coupled with the higher-than-expected nonwithheld individual income and employment tax collections, is likely to boost total receipts above CBO's March estimate by \$25 billion to \$35 billion--an increase of about 1.5 percent to 2 percent.

OUTLAYS THROUGH APRIL

(By fiscal year, in billions of dollars)

Major Category	October-April		Percentage Change
	1997	1998	
Defense-Military	148.0	147.5	-0.3
Social Security Benefits	207.4	215.5	3.9
Medicare and Medicaid	176.3	184.2	4.5
Net Interest on the			
Public Debt	145.9	146.3	0.2
Other	<u>263.3</u>	<u>278.3</u>	<u>5.7</u>
Total	940.9	971.7	3.3

SOURCE: Department of the Treasury and Congressional Budget Office.

Outlays in April of \$137 billion are estimated to be only slightly more than the level posted a year ago. Nearly \$3 billion in offsetting receipts from the February sale of the naval petroleum oil reserve are expected to be included in the April monthly Treasury statement.

Cumulative outlays for October through April are estimated to be up 3.3 percent over last year, slower than the 4.4 percent growth for the fiscal year projected by CBO in March. At this point, total outlays for the fiscal year are likely to be \$10 billion to \$20 billion below CBO's March estimate, a decrease of roughly 1 percent.

Outlays for a number of different programs are likely to fall short of CBO's March estimates, including highway construction grants slowed by the short-term authorization and the delay in reauthorization, Medicare spending slowed by payment lags, disaster assistance outlays stalled by court action, and stronger-than-expected offsetting receipts for the Federal Housing Administration. Outlays through March also have been lower than expected for agriculture, energy, public health, and veterans' affairs programs. In addition, debt-service costs will be lower than estimated as a result of reduced borrowing needs.

FISCAL YEAR 1998 PROJECTIONS

(In billions of dollars)

	CBO March	Current Estimate
Receipts	1,680	1,705-1,715
Outlays	1,672	1,652-1,662
Surplus	8	43-63

SOURCE: Congressional Budget Office.

The surge in April tax collections, continuing strong growth in withheld income and employment taxes, and slower-than-estimated growth in outlays point to a surplus for the fiscal year that could be \$35 billion to \$55 billion higher than the \$8 billion surplus projected by CBO in March.

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