



# MONTHLY BUDGET REVIEW

## Fiscal Year 2000

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for April and the *Daily Treasury Statements* for May

June 13, 2000

With a strong inflow of tax revenues in May, CBO estimates that the government recorded a total budget surplus of about \$120 billion for the first eight months of fiscal year 2000, about \$80 billion more than the surplus at the same point last year. Continued robust economic growth is likely to yield a total surplus for the year in excess of \$200 billion and an on-budget surplus of more than \$40 billion. CBO will update its budget projections for 2000 through 2010 early this summer.

#### APRIL RESULTS

(In billions of dollars)

	Preliminary		Difference
	Estimate	Actual	
Receipts	295	295	a
Outlays	132	136	3
Surplus	163	159	-3

SOURCES: Department of the Treasury; Congressional Budget Office.

a. Less than \$0.5 billion.

The Treasury reported a surplus of just over \$159 billion in April, about \$3 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. Revenues were very close to CBO's preliminary estimate, but outlays for a number of programs were higher than CBO had anticipated.

#### ESTIMATES FOR MAY

(In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	99	144	46
Outlays	123	148	25
Deficit (-)	-24	-4	20

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the deficit was about \$4 billion in May, \$20 billion less than in the same month last year. Receipts were \$46 billion, or about 45 percent, higher than in May 1999. The calendar and a one-time payment from the Federal Reserve to the Treasury accounted for much of that increase. Because the deadline for individuals to file their income tax returns was later than normal (April 17), about \$15 billion in nonwithheld tax payments were recorded in May rather than in April.

Furthermore, two extra business days in May and an earlier Memorial Day holiday contributed roughly \$10 billion to receipts in May compared with the same month in 1999. In addition, the Federal Reserve paid \$4 billion from its surplus account to the Treasury in May, implementing legislation enacted last year. That payment is counted as federal revenue. Even after accounting for those various unusual circumstances, however, revenues in May were still about \$17 billion above last year's level. Roughly half of that increase resulted from growth in withheld taxes.

The calendar also affected the difference in outlays between May 1999 and May 2000. Last year, May 1 fell on a weekend, and about \$10 billion in federal payments usually made on the first of the month were made at the end of April instead.

Adjusting for the effects of the calendar and excluding the one-time Federal Reserve payment, the deficit in May 2000 was not very different from that in May 1999, though both receipts and spending were noticeably higher.

#### BUDGET TOTALS THROUGH MAY

(In billions of dollars)

	October-May		Estimated Change
	FY1999	FY2000	
Receipts	1,179	1,317	138
Outlays	1,138	1,196	58
Surplus	41	120	80

SOURCES: Department of the Treasury; Congressional Budget Office.

The surplus for the first eight months of fiscal year 2000 was about \$120 billion, CBO estimates, well above the \$41 billion surplus recorded for that period last year. Receipts were about \$138 billion higher than in fiscal year 1999, but outlays were only \$58 billion higher.

NOTE: Unless otherwise indicated, the figures in this report include the Social Security trust funds and the Postal Service fund, which are off-budget. Numbers may not add up to totals because of rounding.

**RECEIPTS THROUGH MAY**

(In billions of dollars)

Major Source	October-May		Percentage Change
	FY1999	FY2000	
Individual Income	576	664	15.2
Corporate Income	98	113	15.3
Social Insurance	405	434	7.0
Other	<u>99</u>	<u>106</u>	6.8
Total	1,179	1,317	11.7

SOURCES: Department of the Treasury; Congressional Budget Office.

By CBO's estimate, receipts for the first eight months of fiscal year 2000 were 11.7 percent higher than during the same period last year. Receipts from both individual and corporate income taxes grew by more than 15 percent, while social insurance taxes and other receipts rose by about 7 percent.

Total receipts for the fiscal year are now about \$45 billion greater than CBO projected in its baseline estimates in January. Stronger-than-anticipated economic growth has caused much of that increase and is likely to continue through most of the rest of this fiscal year. Substantial receipts from withheld taxes in May also suggest that revenues over the remainder of the fiscal year are likely to exceed earlier projections.

An important indication of prospective income from corporate income taxes occurs this month. By June 15, most corporations must make their first estimated payment based on profits in calendar year 2000.

**OUTLAYS THROUGH MAY**

(In billions of dollars)

Major Category	October-May		Percentage Change
	FY1999	FY2000	
Defense—Military	171	184	7.3
Social Security			
Benefits	254	265	4.3
Medicare	140	144	3.4
Medicaid	71	76	8.4
Other Programs and Activities	<u>345</u>	<u>370</u>	7.2
Subtotal	981	1,040	6.0
Net Interest on the Public Debt	<u>158</u>	<u>157</u>	-0.6
Total	1,138	1,196	5.1

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that outlays were 5.1 percent higher in the first eight months of fiscal year 2000 than in the same period of 1999.

Most categories of spending are increasing more rapidly than they did last year. Defense outlays have risen by more than 7 percent so far this year, compared with 2.1 percent growth for all of fiscal year 1999. Social Security spending, especially for disability benefits, is also rising at a faster pace than it did last year; much of that extra growth is in retroactive benefits. (The repeal of the Social Security earnings test, enacted in April, will add about \$3 billion to Social Security outlays this year.) After declining last year, Medicare spending is up by about 3.4 percent so far this year and by 4.2 percent over the past four months. Medicaid spending is growing even faster—by 8.4 percent this year and by 9.6 percent over the past four months. Spending for other programs and activities, which grew by almost 10 percent last year, has risen by about 7 percent during the first eight months of fiscal year 2000. Total spending (other than for interest) has grown by about 6 percent in the first eight months of the year, compared with 4.7 percent growth for all of last year.

The government's net interest costs, by contrast, have declined from last year. But that decline is small because higher interest rates have offset some of the savings provided by reductions in the public debt.