



# MONTHLY BUDGET REVIEW

## Fiscal Year 2001

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for December and the *Daily Treasury Statements* for January

February 13, 2001

The surplus for the first four months of fiscal year 2001 was \$71 billion, CBO estimates, \$29 billion more than for the same period last year. After adjusting for the shift of certain payments from October into September 2000 (because October 1 fell on a weekend), the improvement in the surplus so far this year was about \$22 billion. Even with a slowdown in economic growth, CBO projects a total surplus of \$281 billion for fiscal year 2001.

#### DECEMBER RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	201	200	*
Outlays	169	168	-1
Surplus	32	33	1

SOURCES: Department of the Treasury; CBO.

NOTE: \* = less than \$500 million.

The Treasury reported a surplus of \$32.7 billion in December, \$1 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. Outlays were about \$1 billion less than CBO had expected, in part because of an error in the Treasury's reporting of interest paid to trust funds.

#### ESTIMATES FOR JANUARY (In billions of dollars)

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	189	219	30
Outlays	127	146	19
Surplus	62	73	11

SOURCES: Department of the Treasury; CBO.

Substantial receipts from individual income taxes and the shift into December of some payments ordinarily made on the first of each month usually result in a large surplus in January. This year was no exception. The surplus in January was about \$73 billion, CBO estimates, \$11 billion more than in January 2000.

Receipts were about \$30 billion, or nearly 16 percent, above the amount recorded last January. Much of that increase, however, represents differences in the timing of receipts. Last year, tax payments in early January

were unusually low because some taxpayers accelerated their payments into December 1999, presumably out of concern about possible Y2K problems. In addition, this fiscal year contained more business days in January and fewer in December than last year. It is also possible that taxpayers shifted some wages and salaries, and thus some withheld taxes, from December into January this year in anticipation of a possible tax cut.

In December and January combined, total receipts were about 7.5 percent higher than in the same period a year ago. That growth rate is similar to the one recorded in the preceding two months but well below the 10.8 percent rate recorded for all of fiscal year 2000.

Outlays were \$19 billion higher this January than they were last January, CBO estimates. Significant spending increases occurred in a number of areas, including defense, education, housing, Medicare, Medicaid, Social Security, and unemployment compensation.

#### BUDGET TOTALS THROUGH JANUARY (In billions of dollars)

	October-January FY2000      FY2001		Estimated Change
Receipts	633	681	48
Outlays	591	610	18
Surplus	42	71	29

SOURCES: Department of the Treasury; CBO.

CBO estimates that the surplus for the first four months of fiscal year 2001 was \$71 billion—about \$29 billion more than for the same period last year. Receipts in those four months were about \$48 billion higher than last year, but outlays were up by only about \$18 billion. However, the outlay figures for 2001 reflect the fact that \$7 billion in wages and benefits normally paid on October 1 were instead disbursed in September (the previous fiscal year) because October 1 fell on a weekend. Adjusted for that timing shift, the four-month surplus was about \$22 billion higher this year than last year.

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 JANUARY**  
(In billions of dollars)

Major Source	October-January		Percentage Change
	FY2000	FY2001	
Individual Income	327	355	8.8
Corporate Income	54	60	11.6
Social Insurance	202	217	7.4
Other	<u>50</u>	<u>48</u>	-4.5
Total	633	681	7.5

SOURCES: Department of the Treasury; CBO.

For the first four months of fiscal year 2001, total receipts were 7.5 percent higher than for the same period last year. Receipts from corporate income taxes continued to grow strongly (by 11.6 percent). Receipts from individual income taxes rose by 8.8 percent, well below the 14 percent growth rate recorded last year. Other receipts declined by 4.5 percent, mainly because of reduced payments by the Federal Reserve to the Treasury earlier in the year. (Legislation enacted in 1999 caused the Federal Reserve to accelerate about \$4 billion in payments from fiscal year 2001 into fiscal year 2000.)

**OUTLAYS THROUGH JANUARY**  
(In billions of dollars)

Major Category	October-January		Percentage Change	
	FY2000	FY2001	Actual	Adjusted <sup>a</sup>
Defense—Military	91	92	1.5	4.7
Social Security				
Benefits	130	138	6.0	6.0
Medicare	70	76	7.2	7.2
Medicaid	38	42	10.3	10.3
Other Programs and Activities	<u>184</u>	<u>187</u>	1.5	3.8
Subtotal	514	534	4.1	5.5
Net Interest on the Public Debt	<u>78</u>	<u>75</u>	-3.3	-3.3
Total	591	610	3.1	4.3

SOURCES: Department of the Treasury; CBO.

a. Excludes the effects of payments that were shifted from October 2000 to September because October 1 was a Sunday.

CBO estimates that outlays were 3.1 percent higher for the first four months of fiscal year 2001 than for the same period last year. Adjusted for the payments that were shifted from October 2000 into September, the growth rate was about 4.3 percent. (CBO projects that for the entire fiscal year, spending in 2001 will be 3.7 percent more than it was in 2000.)

Spending for the government's major health care programs continues to grow rapidly. Medicaid outlays rose by more than 10 percent in the first four months of this fiscal year. Spending for Medicare increased by more than 7 percent, after growing by 3.3 percent during fiscal year 2000.

Outlays are also rising rapidly for a number of other programs, including those of the Departments of Education, Health and Human Services, Housing and Urban Development, Justice, Labor, and Transportation.

**CURRENT PROJECTIONS  
FOR FISCAL YEAR 2001**  
(In billions of dollars)

	CBO	OMB
Total Receipts	2,135	2,125
Total Outlays	1,853	1,868
Total Surplus	281	256
On-budget surplus	125	98
Off-budget surplus	156	158

SOURCES: Office of Management and Budget; CBO.

In its recent report, *The Budget and Economic Outlook: Fiscal Years 2002-2011*, CBO published new budget projections for fiscal year 2001 and the following 10 years. CBO now estimates that the total surplus will grow from \$236 billion in 2000 to \$281 billion in 2001, in the absence of legislative action that would affect either revenues or outlays. Most of that increase will occur in the on-budget accounts, which CBO expects will show a surplus of \$125 billion (compared with \$86 billion last year).

The Clinton Administration's Office of Management and Budget also released updated budget projections in January. It projects lower revenues and higher spending in 2001 than CBO does. As a result, its estimate of the total surplus in 2001 is about \$25 billion lower than CBO's estimate.