



# MONTHLY BUDGET REVIEW

Fiscal Year 1998

## A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for August and the Daily Treasury Statements for September

October 6, 1998

The total budget surplus in September is estimated to be about \$39 billion. That will bring fiscal year 1998 to a close with a total budget surplus of approximately \$71 billion, about \$8 billion more than CBO projected in July. Excluding the estimated \$99 billion surplus for off-budget items (Social Security and the Postal Service), the on-budget deficit in 1998 is estimated to be about \$28 billion.

### AUGUST RESULTS<sup>a</sup>

(In billions of dollars)

	August Estimate	August Actual	Difference
Receipts	111.6	111.7	0.1
Outlays	125.0	122.9	-2.1
Deficit (-)	-13.4	-11.2	2.2

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

The actual August deficit of \$11.2 billion reported by the Treasury Department was \$2.2 billion below CBO's estimate based on daily statements for the month, largely because Defense Department outlays were nearly \$2 billion lower than expected.

### CBO ESTIMATES FOR SEPTEMBER<sup>a</sup>

(In billions of dollars)

	Sept. 1997	Sept. 1998	Estimated Change
Receipts	175	181	6
Outlays	125	142	17
Surplus	50	39	-11

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

Total receipts in September are estimated to exceed total outlays by about \$39 billion, resulting in a surplus that is \$11 billion smaller than the one recorded for the same month a year ago. CBO's estimates for the monthly total deficit or surplus are usually within \$2 billion of the final results reported later in the month by the Department of the Treasury.

### FISCAL YEAR RESULTS

(In billions of dollars)

	1997 Actual	1998 Estimate	Estimated Change
Total Receipts	1,579	1,721	142
Total Outlays	1,601	1,650	49
Total Deficit (-) or Surplus	-22	71	93
On-budget deficit (-)	-103	-28	75
Off-budget surplus	81	99	18

SOURCE: Department of the Treasury and Congressional Budget Office.

CBO estimates that total budget receipts in fiscal year 1998 exceeded total budget outlays by about \$71 billion. That figure includes an estimated off-budget surplus of \$99 billion (for Social Security and the Postal Service) and an on-budget deficit of about \$28 billion.

### FISCAL YEAR RECEIPTS<sup>a</sup>

(In billions of dollars)

Major Source	1997 Actual	1998 Estimate	Percentage Change
Individual Income	737	829	12.5
Corporate Income	182	187	2.8
Social Insurance	539	572	6.0
Other	<u>120</u>	<u>133</u>	10.7
Total	1,579	1,721	9.0

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

Total budget receipts for fiscal year 1998 are estimated to be \$1,721 billion, which is \$142 billion, or 9.0 percent, above the level of 1997 receipts. As a share of GDP, total receipts reached 20.5 percent in 1998, compared with 19.5 percent a year ago.

Individual income tax receipts grew by 12.5 percent in 1998—close to their 12.3 percent growth in 1997. Corporate income tax receipts grew by only 2.8 percent in 1998, down from the 6.1 percent growth in 1997. The 6.0 percent growth in social insurance contributions was close to last year's growth of 5.9 percent. Other receipts grew by 10.7 percent in 1998, with major gains in Federal Reserve payments and receipts from estate and gift taxes.

**FISCAL YEAR OUTLAYS<sup>a</sup>**  
(In billions of dollars)

Major Category	1997 Actual	1998 Estimate	Percentage Change
Defense—Military	258	255	-1.3
Social Security Benefits	358	372	3.8
Medicare and Medicaid	305	315	3.0
Net Interest on the Public Debt	251	250	-0.3
Other	<u>428</u>	<u>459</u>	7.3
<b>Total</b>	<b>1,601</b>	<b>1,650</b>	<b>3.1</b>

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

Total outlays for fiscal year 1998 are estimated to be \$1,650 billion, which is \$49 billion, or 3.1 percent, above the level of 1997 outlays. As a percentage of GDP, total outlays are estimated to be 19.6 percent, compared with 20.1 percent a year ago.

Defense outlays in 1998 were down about \$3 billion, or 1.3 percent, from a year ago. Lower inflation reduced the growth in outlays for Social Security benefits to 3.8 percent in 1998 from 4.4 percent in 1997. Medicare outlays grew by only 1.6 percent in 1998, a sharp slowdown from prior years, while growth in Medicaid outlays increased from 3.9 percent in 1997 to an estimated 6.0 percent in 1998. A slowdown in the processing of payments begun last January appears to account for the slower growth in Medicare outlays.

**COMPARISON WITH CBO'S JULY ESTIMATES**  
(In billions of dollars)

	CBO July	Latest Estimate	Differ- ence
<b>Receipts</b>			
Individual income	821	829	8
Corporate income	190	187	-3
Social insurance	577	572	-5
Other	<u>129</u>	<u>133</u>	<u>4</u>
<b>Total</b>	<b>1,717</b>	<b>1,721</b>	<b>4</b>
<b>Outlays</b>			
Defense—Military	256	255	-1
Social Security benefits	372	372	a
Medicare and Medicaid	317	315	-2
Net interest on the public debt	250	250	a
Other	<u>460</u>	<u>459</u>	<u>-1</u>
<b>Total</b>	<b>1,654</b>	<b>1,650</b>	<b>-4</b>
<b>Total Surplus</b>	<b>63</b>	<b>71</b>	<b>8</b>
<b>On-budget deficit (-)</b>	<b>-41</b>	<b>-28</b>	<b>13</b>
<b>Off-budget surplus</b>	<b>104</b>	<b>99</b>	<b>-5</b>

SOURCE: Congressional Budget Office.

a. Less than \$500 million.

Total receipts for 1998 are estimated to be about \$4 billion higher than CBO projected in July. Withheld individual income and employment taxes were nearly \$6 billion higher than expected, and excise taxes were higher by about \$3 billion. Both nonwithheld individual income and employment taxes and corporate income taxes, however, fell short of CBO's estimates by about \$2.5 billion.

The Treasury Department is expected to adjust past estimates for Federal Insurance Contributions Act (FICA) taxes downward by \$5 billion in the September monthly Treasury statement and correspondingly raise withheld individual income taxes. That adjustment explains the \$5 billion shortfall for social insurance contributions from CBO's July estimate and the smaller-than-projected off-budget surplus.

Total outlays for 1998 are also estimated to be about \$4 billion lower than CBO projected in July. Medicare outlays were over \$3 billion lower than expected, and defense outlays were more than \$1 billion below CBO's July estimate. Relatively small deviations from estimated levels are expected for other programs.