



# MONTHLY BUDGET REVIEW

## Fiscal Year 1999

### A Congressional Budget Office Analysis

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

February 8, 1999

The estimated \$15 billion total surplus for the first four months of fiscal year 1999 represents a \$29 billion improvement over the same period in fiscal year 1998. CBO currently estimates that the total 1999 surplus will be \$107 billion.

#### DECEMBER RESULTS

(In billions of dollars)

	Preliminary		
	Estimate	Actual	Difference
Receipts	178.0	178.6	0.7
Outlays	183.5	184.1	0.6
Deficit (-)	-5.5	-5.4	0.1

SOURCES: Department of the Treasury and Congressional Budget Office.

The actual December deficit of \$5.4 billion reported by the Treasury Department was almost identical to CBO's preliminary estimate of \$5.5 billion, which was based on daily Treasury statements for the month.

#### ESTIMATES FOR JANUARY

(In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	162.6	171.0	8.4
Outlays	137.2	101.0	-36.2
Surplus	25.4	70.0	44.6

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that total receipts in January were about \$8 billion higher than a year ago, even though the month had one fewer collection day this year. Outlays are estimated to be about \$36 billion lower than in January 1998 for two major reasons. First, Social Security payments totaling about \$30 billion were made in December rather than in January because January 3 fell on a Sunday this year. Second, spending in January 1998 was unusually high because February 1 was a Sunday, so about \$9 billion in payments ordinarily made in February were shifted to the end of January. After accounting for those shifts, outlays in January 1999 were about 2 percent more than a year ago.

#### BUDGET TOTALS THROUGH JANUARY

(In billions of dollars)

	October-January		Estimated Change
	FY1998	FY1999	
Receipts	549.0	583.6	34.6
Outlays	563.3	568.6	5.3
Deficit (-) or Surplus	-14.3	15.0	29.3

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that receipts for the first four months of fiscal year 1999 were almost \$35 billion above last year's revenues for the same period. Outlays are estimated to be up by only \$5 billion. The cumulative surplus for the four-month period is estimated to be \$15 billion, an improvement of \$29 billion over last year.

#### RECEIPTS THROUGH JANUARY

(In billions of dollars)

Major Source	October-January		Percentage Change
	FY1998	FY1999	
Individual Income	272.1	287.6	5.7
Corporate Income	55.6	52.2	-6.2
Social Insurance	178.2	190.6	6.9
Other	<u>43.0</u>	<u>53.2</u>	23.6
Total	549.0	583.6	6.3

SOURCES: Department of the Treasury and Congressional Budget Office.

Receipts in the first four months of the fiscal year were up 6.3 percent over collections for the same period last year. That rate of increase is about the same as was posted during the last five months of fiscal year 1998, but it is below the 11 percent rate recorded for the first seven months of last year.

NOTE: Unless otherwise indicated, the figures in this Monthly Budget Review include Social Security trust funds and the Postal Service fund, which are off-budget.

CBO anticipates that growth in receipts will diminish during the year as the economy slows and as taxpayers claim child and education tax credits for the first time.

Individual income tax collections during the four months were up by about 6 percent, and receipts from social insurance taxes grew by 7 percent. Corporate income tax collections are running 6 percent below last year's figure, reflecting lower profits.

The unusually rapid rate of growth in other receipts reflects the postponement of some highway and aviation excise tax payments from August and September 1998 to the beginning of fiscal year 1999 and a high level of Federal Reserve payments to the Treasury this year because of the decline of the dollar against the yen.

#### OUTLAYS THROUGH JANUARY

(In billions of dollars)

Major Category	October-January		Percentage Change
	FY1998	FY1999	
Defense-Military	87.7	84.1	-4.1
Social Security Benefits	122.2	126.1	3.2
Medicare	73.2	68.4	-6.5
Medicaid	34.1	35.2	3.2
Net Interest on the Public Debt	84.0	79.3	-5.6
Other	<u>162.2</u>	<u>175.4</u>	8.1
Total	563.3	568.6	0.9

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays in the first four months of fiscal year 1999 were up less than 1 percent over the same period last year. But after adjusting for the calendar quirk that advanced spending from February 1998 into January, outlays for fiscal year 1999 are running about 2.6 percent above last year's spending. That growth rate for outlays compares with a 3.2 percent rate during fiscal year 1998.

After accounting for the January 1998 payment shift, defense outlays so far in 1999 are about 1.4 percent below last year's spending, and Medicare spending is also down, by about 3 percent. Net interest payments have fallen by almost 6 percent as both interest rates and federal debt owed to the public have declined.

Outlays for Social Security and Medicaid are up by about 3 percent, and spending for a variety of other federal programs, bolstered by large payments to farmers, has grown by almost 11 percent (after adjusting for the 1998 payment shifts).

#### CURRENT PROJECTIONS FOR FISCAL YEAR 1999

(In billions of dollars)

	OMB	CBO
Total Receipts	1,806	1,815
Total Outlays	1,727	1,707
Total Surplus	79	107
On-budget deficit (-)	-42	-19
Off-budget surplus	121	127

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

Both CBO and the Office of Management and Budget (OMB) have recently released new budget projections for 1999. CBO is now projecting a total surplus of \$107 billion and an on-budget deficit of only \$19 billion. CBO is estimating year-over-year increases of 5.5 percent in revenues and 3.4 percent in outlays. (See *The Economic and Budget Outlook: Fiscal Years 2000-2009*, January 1999.) OMB has estimated slightly lower receipts and higher outlays, resulting in an estimated total surplus of \$79 billion.

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