



MONTHLY BUDGET REVIEW

Fiscal Year 1999

A Congressional Budget Office Analysis

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

October 12, 1999

CBO estimates that the budget surplus in September was about \$58 billion, producing a total surplus for fiscal year 1999 of nearly \$125 billion. That result is more than \$55 billion above last year's surplus and about \$5 billion more than CBO projected in July. Excluding the surplus of the off-budget Social Security trust funds (about \$125 billion) and net outlays of the Postal Service (about \$1 billion, also off-budget), CBO estimates that the government's on-budget accounts showed a surplus of \$1 billion for 1999.

AUGUST RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	124.5	126.3	1.8
Outlays	129.6	128.8	-0.8
Deficit (-)	-5.1	-2.5	2.6

SOURCES: Department of the Treasury and Congressional Budget Office.

The deficit for August was \$2.5 billion, or \$2.6 billion less than CBO had projected. Revenues were higher than anticipated largely because a \$1.4 billion payment of back corporate taxes was recorded in August rather than September, as CBO had anticipated. Small differences for a number of agencies accounted for the variance in outlays.

ESTIMATES FOR SEPTEMBER (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	181.0	200.0	19.0
Outlays	143.6	142.0	-1.6
Surplus	37.4	58.0	20.6

SOURCES: Department of the Treasury and Congressional Budget Office.

Quarterly payments of corporate income taxes and estimated individual income taxes helped generate a surplus of \$58 billion in September—more than \$20 billion higher than the surplus in September 1998. Revenues were \$19 billion, or 10.6 percent, higher than last September, after growing by 5.6 percent during the first 11 months of fiscal year 1999. That rapid growth in September occurred in part because payments of airport and highway taxes returned to a normal schedule this year. (Last year, payments due in August and September did not need to be paid until October.) Moreover, withheld taxes and corporate income taxes grew faster than they

had earlier in the year. In fact, September marked the first time since December 1997 that receipts from quarterly payments of corporate income taxes were significantly higher than they had been a year earlier. Outlays, by contrast, were slightly lower in September than in the same month last year, CBO estimates, after growing by 3.4 percent during the first 11 months of fiscal year 1999.

FISCAL YEAR TOTALS (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	1,721.5	1,826.5	105.0
Outlays	1,652.2	1,701.9	49.7
Surplus	69.2	124.6	55.4
On-budget deficit (-) or surplus	-29.9	1.0	31.0
Off-budget surplus	99.2	123.6	24.4
Social Security surplus	99.4	124.7	25.3
Postal Service deficit (-)	-0.2	-1.1	-0.9

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the total surplus for fiscal year 1999 was about \$125 billion, compared with a surplus of \$69 billion last year. Receipts grew by \$105 billion in 1999, while outlays increased by only \$50 billion. The off-budget Social Security trust funds had a surplus of nearly \$125 billion. Including the off-budget Postal Service (which ran a slightly higher deficit this year than last year), the total off-budget surplus grew from \$99 billion in 1998 to almost \$124 billion in 1999. The change in on-budget totals was even larger, going from a deficit of \$30 billion last year to a surplus of \$1 billion this year. These totals for 1999, which are based on the *Daily Treasury Statements* for September, are preliminary. The actual on-budget surplus or deficit could differ by \$1 billion to \$3 billion. If, as CBO estimates, the government realized a small on-budget surplus in 1999, it was the first such surplus since fiscal year 1960.

NOTES: 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.

TOTAL RECEIPTS
(In billions of dollars)

Major Source	Actual 1998	Preliminary 1999	Percentage Change
Individual Income	828.6	884.0	6.7
Corporate Income	188.7	183.9	-2.5
Social Insurance	571.9	608.0	6.3
Other	<u>132.4</u>	<u>150.7</u>	13.9
Total	1,721.5	1,826.5	6.1

SOURCES: Department of the Treasury and Congressional Budget Office.

Based on the *Daily Treasury Statements* for September, CBO estimates that revenues increased by 6.1 percent in fiscal year 1999, the lowest rate of growth since fiscal year 1993. Individual income tax receipts increased by 6.7 percent after three years in a row of double-digit growth. Despite a turnaround in August and September, corporate income tax receipts fell in 1999 for the first time since 1990. Excise tax receipts, which grew by 22 percent, accounted for most of the growth in other tax revenues. However, after adjusting for shifts in the timing of payments of airport and highway taxes, collections of excise taxes grew by only 6 percent in 1999.

Total revenues in 1999 were about \$5.5 billion higher than CBO forecast in July, largely because payments of corporate income taxes turned out to be more than \$6 billion higher than estimated. In recent years, the growth of quarterly corporate payments in June has been a very reliable predictor of growth in September, but this year that relationship did not hold. In addition, the decline of the dollar over the summer added about \$1.5 billion to the profits of the Federal Reserve System that CBO had not anticipated. Those profits are turned over to the Treasury and treated as revenues. Receipts from non-withheld individual income taxes, by contrast, were slightly lower than CBO had expected

TOTAL OUTLAYS
(In billions of dollars)

Major Category	Actual 1998	Preliminary 1999	Percentage Change
Defense—Military	256.1	261.8	2.2
Social Security			
Benefits	372.0	382.9	2.9
Medicare	213.0	211.4	-0.7
Medicaid	101.2	108.1	6.7
Net Interest on the			
Public Debt	250.0	235.2	-5.9
Other	<u>459.9</u>	<u>502.5</u>	9.3
Total	1,652.2	1,701.9	3.0

SOURCES: Department of the Treasury and Congressional Budget Office.

Outlays were about 3 percent higher in fiscal year 1999 than in 1998, very close to the 2.9 percent rate of growth experienced over the 1995-1998 period.

Spending declined in two major areas: interest costs and Medicare. The government's net interest costs dropped by almost \$15 billion (5.9 percent) because of the growing surplus and lower interest rates. Spending for Medicare also declined—by \$1.6 billion, or 0.7 percent. (In comparison, Medicare spending rose at an average annual rate of about 9 percent from 1994 to 1997, then grew by 1.5 percent last year.)

Spending in other areas increased in 1999. Medicaid outlays were up by almost 7 percent for the year—and by more than 8 percent for the last six months—compared with the same period last year. (Medicaid's growth rate is accelerating. Spending grew by an average of 3.6 percent a year from 1995 to 1997 and by 5.9 percent in 1998.)

Social Security payments rose by less than 3 percent, after growing at an average annual rate of 4.2 percent in the previous three years.

Outlays for defense also grew in 1999—by a little more than 2 percent. (Defense spending had declined by a total of about 1 percent between 1995 and 1998.) Spending for all other programs and activities increased by about 9 percent, compared with 7 percent the year before.

**CURRENT PROJECTIONS FOR
FISCAL YEAR 2000**
(In billions of dollars)

	OMB	CBO
Total Receipts	1,901	1,905
Total Outlays	1,761	1,744
Total Surplus	141	161
On-budget surplus	3	14
Off-budget surplus	138	147

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

In its July 1 budget update, CBO projected the budget results for fiscal year 2000, assuming that current laws affecting revenues and entitlement programs do not change and that the Congress complies with the statutory caps on discretionary spending. Under those assumptions—which could be significantly affected by current and future Congressional action—CBO estimates a budget surplus of \$161 billion for 2000, including an on-budget surplus of \$14 billion. The Office of Management and Budget, by contrast, estimates a total surplus of \$141 billion for 2000 under current law.