



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

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

March 10, 2000

CBO estimates that the federal government recorded a deficit of about \$3 billion during the first five months of fiscal year 2000, \$23 billion less than the deficit at the same point last year. CBO expects that the budgetary outlook will continue to improve over the course of the fiscal year, yielding a total budget surplus of \$179 billion for 2000 (compared with a surplus of \$124 billion for fiscal year 1999).

JANUARY RESULTS

(In billions of dollars)

	Preliminary		
	Estimate	Actual	Difference
Receipts	189.0	189.5	0.5
Outlays	128.2	127.3	-0.9
Surplus	60.8	62.2	1.4

SOURCES: Department of the Treasury and Congressional Budget Office.

The surplus in January was \$62.2 billion, slightly more than the \$60.8 billion that CBO had projected on the basis of the *Daily Treasury Statements*. Revenues were \$0.5 billion higher than CBO's preliminary estimate, and outlays were \$0.9 billion lower.

ESTIMATES FOR FEBRUARY

(In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	99.5	109.2	9.7
Outlays	141.8	153.6	11.8
Deficit (-)	-42.3	-44.4	-2.1

SOURCES: Department of the Treasury and Congressional Budget Office.

February and May are typically the months with the lowest revenues and the largest deficits. This February was no exception. CBO estimates that the deficit in February was about \$44 billion, very close to the \$42 billion deficit recorded in February 1999. Revenues were almost \$10 billion, or about 10 percent, higher than a year ago, boosted in part by one more collection day this February. (The increase in revenues would have been \$3 billion to \$4 billion smaller if not for the leap day.) Outlays rose by about \$12 billion, or 8 percent—substantially faster than the 4 percent increase recorded in the first four months of the fiscal year.

BUDGET TOTALS THROUGH FEBRUARY

(In billions of dollars)

	October-February		Estimated Change
	FY1999	FY2000	
Receipts	684	742	58
Outlays	710	745	35
Deficit (-)	-26	-3	23

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the deficit for the first five months of fiscal year 2000 was \$3 billion, compared with \$26 billion for the same period last year (and \$56 billion for the corresponding period in fiscal year 1998). Receipts were about \$58 billion higher than in fiscal year 1999, while outlays were only \$35 billion higher.

RECEIPTS THROUGH FEBRUARY

(In billions of dollars)

Major Source	October-February		Percentage Change
	FY1999	FY2000	
Individual Income	330	374	13.2
Corporate Income	54	55	2.1
Social Insurance	237	252	6.3
Other	<u>62</u>	<u>61</u>	-1.6
Total	684	742	8.6

SOURCES: Department of the Treasury and Congressional Budget Office.

After the first five months of the fiscal year, receipts are 8.6 percent higher than they were at the same point last year. They have been boosted mostly by strong withholding for individual income and social insurance payroll taxes, especially in December and January. Revenues from corporate income taxes remain slightly above the 1999 level, after falling from 1998 to 1999.

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.

OUTLAYS THROUGH FEBRUARY
(In billions of dollars)

Major Category	October-February		Percentage Change
	FY1999	FY2000	
Defense—Military	105	112	6.6
Social Security			
Benefits	158	163	3.5
Medicare	85	88	3.9
Medicaid	44	47	6.7
Other Programs and Activities	<u>221</u>	<u>238</u>	7.5
Subtotal	613	648	5.8
Net Interest on the Public Debt	<u>98</u>	<u>97</u>	-0.3
Total	710	745	4.9

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays in the first five months of fiscal year 2000 were 4.9 percent higher than in the same period last year. That growth rate is higher than the 3.1 percent rate recorded for fiscal year 1999 as a whole.

Almost all major categories of spending are growing faster this year than they did during fiscal year 1999. (Part of the apparent upturn occurs because, through February, there has been one more business day this year than last.) Defense spending is up by more than 6 percent, after rising by only 2 percent last year. Payments of Social Security benefits have risen by 3.5 percent, compared with a 2.9 percent increase last year. Medicare outlays, which declined by almost 1 percent last year, have turned up and are running almost 4 percent higher than they did in 1999.

Net interest on the public debt fell by 6 percent last year but is down by only 0.3 percent this year, as rising interest rates have offset the reductions in federal debt. Medicaid outlays are growing by almost 7 percent, about the same rate of increase as in 1999.

Net spending for the wide variety of other federal programs and activities has grown by \$17 billion—about 7.5 percent—in the first five months, compared with an increase of almost 10 percent for fiscal year 1999 as a whole. Of the \$17 billion increase, more than \$6 billion was for additional aid to farmers. Significant increases have also been recorded for the Justice and Transportation departments and in outlays for the earned income tax credit. In addition, over the past few years, the deposit insurance agencies have gradually disposed of most of the assets they obtained from failed financial institutions. Receipts from that source have fallen and thus net outlays of those agencies are rising.

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

	OMB	CBO
Total Receipts	1,956	1,945
Total Outlays	1,776	1,766
Total Surplus	179	179
On-budget surplus	32	26
Off-budget surplus	148	153

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

CBO and the Office of Management and Budget (OMB) have recently released new projections of the budget outlook for fiscal year 2000, which are very similar. Both agencies now estimate a total surplus of \$179 billion (in the absence of additional spending legislation). CBO anticipates that both receipts and outlays will be \$10 billion to \$11 billion less than OMB forecasts. CBO is projecting that revenues will increase by 6.4 percent this year and outlays will grow by 3.7 percent. (See *An Analysis of the President's Budgetary Proposals for Fiscal Year 2001: A Preliminary Report*, March 2000.) CBO forecasts an on-budget surplus for 2000 of \$26 billion, slightly less than OMB's estimate of \$32 billion.