



MONTHLY BUDGET REVIEW

Fiscal Year 1999

A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for February and the Daily Treasury Statements for March

April 12, 1999

Halfway through fiscal year 1999, revenues are up about 6 percent over last year's level, and spending is up 3 percent. CBO estimates that the deficit for the first six months of the fiscal year was about \$48 billion, \$22 billion less than for the first half of 1998. CBO projects that the government will end the year with a total budget surplus of \$111 billion.

FEBRUARY RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	99.2	99.4	0.2
Outlays	145.0	142.3	-2.7
Deficit (-)	-45.8	-42.9	2.9

SOURCES: Department of the Treasury and Congressional Budget Office.

The actual February deficit of \$42.9 billion reported by the Treasury Department was \$2.9 billion less than CBO's preliminary estimate, which was based on daily Treasury statements for the month. Most of the difference occurred because the Small Business Administration made a substantial adjustment to its estimates of credit subsidies and because outlays were lower than anticipated for a number of other agencies.

ESTIMATES FOR MARCH

(In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	117.9	129.3	11.4
Outlays	131.7	149.3	17.6
Deficit (-)	-13.8	-20.1	-6.3

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that total receipts in March were about \$11 billion higher than a year ago, an increase of about 10 percent. An extra business day in March accounts for much of the increase.

Outlays are estimated to be about \$18 billion higher than in March 1998. But because March 1, 1998, was a Sunday, almost \$9 billion in outlays nor-

mally made in March were shifted to the end of February. After accounting for that shift, outlays in March 1999 are estimated to be about 6 percent higher than a year ago.

BUDGET TOTALS THROUGH MARCH

(In billions of dollars)

	October-March FY1998	October-March FY1999	Estimated Change
Receipts	764.9	813.0	48.2
Outlays	834.7	860.5	25.8
Deficit (-)	-69.9	-47.5	22.4

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that receipts for the first six months of fiscal year 1999 were about \$48 billion higher than last year's revenues for the same period. Outlays were up by an estimated \$26 billion. The cumulative deficit for the six-month period is estimated to be about \$48 billion, compared with \$70 billion for the same period last year. The large revenue inflows that usually occur in April will turn the cumulative deficit into a surplus for the remainder of the year.

RECEIPTS THROUGH MARCH

(In billions of dollars)

Major Source	October-March FY1998	October-March FY1999	Percentage Change
Individual Income	354.0	379.9	7.3
Corporate Income	75.9	72.0	-5.2
Social Insurance	271.0	286.7	5.8
Other	64.0	74.4	16.2
Total	764.9	813.0	6.3

SOURCES: Department of the Treasury and Congressional Budget Office.

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.

Receipts were 6.3 percent higher in the first half of the fiscal year than during the same period last year. That rate of increase is much lower than the 10.0 percent increase seen in the first six months of last year. CBO expects the growth rate for the rest of fiscal year 1999 to slow to 4.7 percent because of a big jump in tax refunds and an expected slowing in economic growth.

Receipts from individual income taxes have risen by 7 percent so far this year after rising by nearly 11 percent in the first six months of last year. Receipts from corporate income taxes are down by 5 percent after growing by 12 percent during the October-March period last year. Social insurance and other tax receipts are up by about 6 percent and 16 percent, respectively. The rapid growth in other tax receipts reflects the postponement of payments of some highway and aviation excise taxes from August and September 1998 into this fiscal year.

April is expected to account for 15 percent of the year's revenue, so collections during the month will be a key indicator of the accuracy of revenue projections. Because many taxpayers mail their checks to the Internal Revenue Service on or shortly before April 15, a clear picture of the April results may not emerge until the end of the month.

OUTLAYS THROUGH MARCH
(In billions of dollars)

Major Category	October-March		Percentage Change
	FY1998	FY1999	
Defense-Military	126.4	127.3	0.7
Social Security			
Benefits	184.3	189.9	3.1
Medicare	106.5	103.8	-2.5
Medicaid	50.2	52.8	5.2
Net Interest on the			
Public Debt	125.5	117.8	-6.2
Other	<u>241.8</u>	<u>268.9</u>	11.2
Total	834.7	860.5	3.1

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays in the first six months of fiscal year 1999 were 3.1 percent higher than outlays for the same period last year, very close to the 3.2 percent growth rate that CBO projects for the full fiscal year. (In 1998, outlays also grew by 3.2 percent.)

Medicare spending increased slightly in March, but for the first six months of fiscal year 1999, it remains almost \$3 billion, or 2.5 percent, below last year's level. Other rates of change remain about the same as reported in the previous *Monthly Budget Review*. Outlays for Social Security are up by about 3 percent, Medicaid spending has grown by about 5 percent, and spending for a variety of other federal programs has grown by around 11 percent compared with the first six months of fiscal year 1998. Defense spending is slightly above last year's level, but net interest payments have fallen by over 6 percent as both interest rates and federal debt held by the public have declined.

**CURRENT PROJECTIONS FOR
FISCAL YEAR 1999**
(In billions of dollars)

	OMB	CBO
Total Receipts	1,806	1,815
Total Outlays	1,727	1,704
Total Surplus	79	111
On-budget deficit (-)	-42	-16
Off-budget surplus	121	127

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

CBO is projecting a total surplus of \$111 billion for fiscal year 1999 and an on-budget deficit of \$16 billion. The Administration, in its February budget submission, estimated a total budget surplus of \$79 billion for 1999.