



MONTHLY BUDGET REVIEW

Fiscal Year 1999

A Congressional Budget Office Analysis

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

September 14, 1999

CBO estimates that the total surplus for the first 11 months of fiscal year 1999 was \$64 billion, about twice the surplus for the same period last year. CBO anticipates that revenues will exceed outlays by more than \$50 billion in September. Nevertheless, the total surplus for the full fiscal year is likely to be a few billion less than the \$120 billion that CBO projected in its July 1 budget update.

JULY RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	121.8	121.9	0.1
Outlays	149.1	147.1	-2.0
Deficit (-)	-27.3	-25.2	2.1

SOURCES: Department of the Treasury and Congressional Budget Office.

The deficit for July was \$25.2 billion, or \$2.1 billion less than CBO had projected. Revenues were slightly higher than anticipated, but outlays were \$2 billion less than CBO had estimated on the basis of preliminary data. Small differences for a number of agencies accounted for the variance in outlays.

ESTIMATES FOR AUGUST (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	111.7	124.5	12.8
Outlays	122.9	129.6	6.7
Deficit (-)	-11.2	-5.1	6.0

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the deficit this past August was about \$5 billion, compared with \$11 billion in August 1998. Revenues were up by more than 11 percent over last year, with special factors accounting for about half of that increase. In particular, an extra business day this August added about \$3 billion in revenue. In addition, excise taxes grew by about 80 percent (\$2.5 billion) 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, the drop of the dollar in July added about \$0.5 billion to the Federal Reserve's payment to the Treasury because of accrued capital gains on its holdings of foreign currency. Outlays, which had increased by 3.3 percent over last year's spending during the first 10 months of this fiscal year, were up by more than 5 percent in August, CBO estimates.

BUDGET TOTALS THROUGH AUGUST (In billions of dollars)

	October-August FY1998	October-August FY1999	Estimated Change
Receipts	1,540.5	1,624.7	84.2
Outlays	1,508.7	1,560.7	52.0
Surplus	31.8	64.0	32.2

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates the total surplus for the first 11 months of fiscal year 1999 at about \$64 billion—\$32 billion more than at the same time last year. Receipts have grown by \$84 billion this year, whereas outlays have increased by only \$52 billion.

RECEIPTS THROUGH AUGUST (In billions of dollars)

Major Source	October-August FY1998	October-August FY1999	Percentage Change
Individual Income	738.1	789.5	7.0
Corporate Income	151.9	143.0	-5.8
Social Insurance	528.8	556.2	5.2
Other	<u>121.7</u>	<u>135.9</u>	11.7
Total	1,540.5	1,624.7	5.5

SOURCES: Department of the Treasury and Congressional Budget Office.

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.

Receipts were 5.5 percent higher in the first 11 months of this fiscal year than in the same period last year. Corporate tax payments were down by 5.8 percent, with higher refunds accounting for much of the drop. Receipts from all other major sources were higher than last year.

A number of factors will make receipts grow faster in September than they have so far this year. Although a sharp increase (24 percent) in individual income tax refunds lowered net revenue growth during the first part of the year, few refunds are expected in September. In addition, a big increase in excise taxes is expected in September for the same reason that one occurred in August. Moreover, an unusually large corporate income tax payment (\$1.4 billion) arrived on September 1. That payment probably represents taxes owed from previous years, because regular corporate payments are not due until September 15. Despite those factors, however, revenues for the year are likely to fall a bit short of the \$1,821 billion that CBO projected in July.

OUTLAYS THROUGH AUGUST

(In billions of dollars)

Major Category	October-August		Percentage Change
	FY1998	FY1999	
Defense—Military	232.6	237.9	2.3
Social Security			
Benefits	340.5	350.6	2.9
Medicare	195.5	193.3	-1.1
Medicaid	92.5	97.9	5.8
Net Interest on the			
Public Debt	230.1	216.1	-6.1
Other	<u>417.4</u>	<u>464.9</u>	11.4
Total	1,508.7	1,560.7	3.4

SOURCES: Department of the Treasury and Congressional Budget Office.

Outlays in the first 11 months of fiscal year 1999 were about 3.4 percent higher than in the same period last year. Spending for Medicare and net interest has declined, but total expenditures for other programs and activities have grown by more than 6 percent.

Medicare outlays in August were about 2 percent above last year's level for that month, but they remain more than \$2 billion (1.1 percent) below last year's spending for the first 11 months of the fiscal year. Net interest costs have also fallen—by about \$14 billion (6.1 percent)—through the first 11 months because of the growing surplus and lower interest rates.

Spending for defense and Medicaid has picked up in recent months. Defense outlays for the past six months are about 4 percent above last year, after running nearly even for the first five months of the fiscal year. Medicaid outlays are up almost 7 percent in the past six months, compared with an increase of about 5 percent during the first five months of the year.

Of the estimated \$52 billion rise in outlays so far this year, about \$47 billion resulted from spending for things other than the major categories of defense, Social Security, Medicare, Medicaid, and net interest. Agriculture programs accounted for the largest share—\$11 billion. Another \$5 billion of the increase occurred because last year's budget recorded receipts of \$5 billion from the sale of major assets (primarily part of the naval petroleum reserves and the U.S. Enrichment Corporation), but no corresponding sales were made this year. In addition, spending has grown by at least \$2 billion for several agencies—including the Federal Emergency Management Agency and the Departments of Education, Health and Human Services, Housing and Urban Development, Labor, Transportation, and the Treasury.

CURRENT PROJECTIONS FOR FISCAL YEAR 1999

(In billions of dollars)

	OMB	CBO
Total Receipts	1,827	1,821
Total Outlays	1,728	1,701
Total Surplus	99	120
On-budget deficit (-)	-24	-4
Off-budget surplus	124	125

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

In its July 1 budget update, CBO projected that the total surplus this year would reach \$120 billion, with an on-budget deficit of \$4 billion. The surplus now appears likely to fall a few billion dollars short of that estimate.

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