



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

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

September 13, 2000

Federal revenues have increased by 11 percent so far this year, the strongest growth in over a decade. As a result, CBO estimates that the government recorded a total budget surplus of about \$170 billion for the first 11 months of fiscal year 2000, \$104 billion more than the surplus at the same point last year. With large quarterly tax payments due in September, more than \$50 billion should be added to the surplus before the year is over.

JULY RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	134	134	*
Outlays	131	129	-2
Surplus	3	5	2

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$0.5 billion.

The Treasury reported a surplus of \$5 billion in July, about \$2 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. Outlays were \$2 billion lower than CBO had anticipated, because defense expenditures were \$1 billion less than expected and spending for a number of other agencies fell shy of CBO's estimates for the month.

ESTIMATES FOR AUGUST

(In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	126	139	13
Outlays	129	150	21
Deficit (-)	-3	-11	-8

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the Treasury recorded a deficit of about \$11 billion in August, which was larger than the deficit for the same month last year. That apparent in-

crease in the deficit resulted because August 1, 1999, fell on a Sunday, and about \$10 billion in payments usually made on the first of the month were instead paid at the end of July that year. After adjusting for that effect of the calendar, the deficit this August was about \$2 billion smaller than last year's figure.

Receipts remained strong in August, growing by about 10 percent from the amount collected in August 1999. Two unusual circumstances probably accounted for 1 to 2 percentage points of that growth. First, income tax payments by corporations surged in the middle of the month, roughly doubling the \$3 billion paid in mid-August 1999. Since relatively few corporations pay income taxes in August, that jump suggests that special factors were at work, which probably affected a very limited number of corporations. Thus, that strength is probably temporary. Second, August 2000 contained one more business day than August 1999, which pushed up receipts by about \$1 billion. But some other, smaller, non-recurring factors this August moved receipts in the other direction. On net, after removing those special factors, receipts probably grew by between 8 percent and 9 percent from last August's figure.

Withholding for income and payroll taxes, which accounts for over two-thirds of annual receipts, grew by about 8.5 percent in July and August combined (which, in total, had the same number of business days as the same two-month period last year). That rate of increase is slightly less than the underlying rate of more than 9 percent achieved from February through June.

Outlays in August were close to the monthly average of \$149 billion for the first 10 months of this year. CBO's estimate for August includes a reduction of about \$1 billion in outlays to reflect adjustments that CBO believes were made to the subsidy cost of loans and loan guarantees previously issued by the Export-Import Bank.

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.

BUDGET TOTALS THROUGH AUGUST

(In billions of dollars)

	October-August		Estimated Change
	FY1999	FY2000	
Receipts	1,627	1,806	179
Outlays	1,561	1,636	75
Surplus	66	170	104

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the surplus for the first 11 months of fiscal year 2000 totaled about \$170 billion—well above the \$66 billion surplus recorded for that period last year. Receipts were about \$179 billion higher than in fiscal year 1999, but outlays were only \$75 billion higher.

RECEIPTS THROUGH AUGUST

(In billions of dollars)

Major Source	October-August		Percentage Change
	FY1999	FY2000	
Individual Income	790	900	13.9
Corporate Income	144	165	14.0
Social Insurance	556	596	7.2
Other	<u>136</u>	<u>145</u>	6.8
Total	1,627	1,806	11.0

SOURCES: Department of the Treasury; Congressional Budget Office.

Although the growth rate of receipts slowed slightly in July and August, total revenues were 11 percent higher for the first 11 months of fiscal year 2000 than for the corresponding period last year. Receipts from both individual and corporate income taxes grew by 14 percent, while social insurance tax and other receipts increased by about 7 percent. With only one month remaining in fiscal year 2000, it appears that receipts this year will grow at the fastest rate in over a decade, surpassing \$2 trillion for the first time.

OUTLAYS THROUGH AUGUST

(In billions of dollars)

Major Category	October-August		Percentage Change
	FY1999	FY2000	
Defense—Military	238	254	6.7
Social Security			
Benefits	351	368	4.8
Medicare	193	201	3.9
Medicaid	98	107	9.2
Other Programs			
and Activities	<u>464</u>	<u>491</u>	5.8
Subtotal	1,344	1,421	5.7
Net Interest on the			
Public Debt	<u>216</u>	<u>215</u>	-0.4
Total	1,561	1,636	4.8

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that outlays were 4.8 percent higher in the first 11 months of fiscal year 2000 than in the same period of 1999. The rate of increase has been slightly higher in the past six months (an estimated 5.2 percent) than it was during the first five months of the year (4.5 percent). Medicaid spending, in particular, has been accelerating. It grew by 6.8 percent during the first five months of this fiscal year but has increased by 11.0 percent since then. (Last year, federal outlays for Medicaid rose by 6.7 percent.) Payments of Social Security benefits have also grown more rapidly in the latter part of this year—by 6.0 percent over the past six months. That acceleration is largely the result of legislation that increased benefit payments by eliminating the earnings test.