



MONTHLY BUDGET REVIEW

Fiscal Year 1999

A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for May
and the Daily Treasury Statements for June

July 9, 1999

CBO estimates that the surplus for the first nine months of fiscal year 1999 was \$95 billion, an increase of \$28 billion over the surplus at the same time last year. With continued strong economic growth, CBO now projects a total surplus of \$120 billion for the fiscal year.

MAY RESULTS (In billions of dollars)

	Preliminary		
	Estimate	Actual	Difference
Receipts	100.0	98.6	-1.4
Outlays	121.7	122.6	0.9
Deficit (-)	-21.7	-24.0	-2.3

SOURCES: Department of the Treasury and Congressional Budget Office.

The deficit in May was about \$2 billion higher than CBO anticipated. Refunds of individual income taxes were greater than projected, resulting in slightly lower revenues. Spending was about \$1 billion above CBO's estimate, primarily because the Federal Housing Administration made a large adjustment to its estimate of costs for previously issued loan guarantees.

ESTIMATES FOR JUNE (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	187.9	199.0	11.1
Outlays	136.8	144.9	8.1
Surplus	51.1	54.1	3.0

SOURCES: Department of the Treasury and Congressional Budget Office.

Quarterly payments of corporate income taxes and of estimated individual income taxes generated a substantial surplus in June. CBO estimates that revenues exceeded outlays by about \$54 billion, \$3 billion more than in June 1998. Both revenues and outlays were up by about 6 percent over last year's figures.

BUDGET TOTALS THROUGH JUNE (In billions of dollars)

	October-June		Estimated Change
	FY1998	FY1999	
Receipts	1,309.0	1,377.7	68.7
Outlays	1,241.9	1,282.9	41.0
Surplus	67.1	94.8	27.7

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the total surplus for the first nine months of fiscal year 1999 was about \$95 billion—an increase of about \$28 billion compared with the same period last year. Receipts for those nine months were about \$69 billion higher than last year, and outlays were up by an estimated \$41 billion.

RECEIPTS THROUGH JUNE (In billions of dollars)

Major Source	October-June		Percentage Change
	FY1998	FY1999	
Individual Income	623.8	669.2	7.3
Corporate Income	146.3	136.4	-6.8
Social Insurance	439.1	460.9	4.9
Other	<u>99.7</u>	<u>111.3</u>	11.6
Total	1,309.0	1,377.7	5.3

SOURCES: Department of the Treasury and Congressional Budget Office.

Receipts were 5.3 percent higher in the first three quarters of this fiscal year than in the same period last year. Corporate tax payments were down by 6.8 percent, but receipts from all other sources increased.

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.

CBO expects overall revenue growth of 7.5 percent over the remainder of the fiscal year. A sharp increase in tax refunds (24 percent) lowered net revenue growth during the first part of the year, but few refunds are expected in the last three months. In addition, excise tax receipts are projected to be much higher in the final quarter than they were last year because in 1998 payments of highway and airport taxes were postponed from August and September until October.

OUTLAYS THROUGH JUNE
(In billions of dollars)

Major Category	October-June		Percentage Change
	FY1998	FY1999	
Defense—Military	190.6	194.7	2.2
Social Security			
Benefits	277.9	286.2	3.0
Medicare	160.0	157.9	-1.3
Medicaid	75.9	80.0	5.3
Net Interest on the			
Public Debt	187.6	176.4	-6.0
Other	<u>349.9</u>	<u>387.7</u>	10.8
Total	1,241.9	1,282.9	3.3

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays were 3.3 percent higher in the first nine months of fiscal year 1999 than in the same period last year, slightly above the 2.9 percent increase it projects for the entire year.

The Medicare program spent about 3 percent more this June than it did last June. Despite that increase, for the nine months as a whole, Medicare outlays are about \$2 billion, or 1.3 percent, below last year's level.

Net interest costs are about 6 percent below last year's level because interest rates have been lower and budget surpluses have reduced the amount of federal borrowing from the public. Compared with last year, the government has already spent \$11 billion less on net interest, and CBO expects it to save a total of more than \$14 billion by the end of the fiscal year.

Spending for all other categories is running higher than at the same point in 1998. Outlays for Medicaid have grown by more than 5 percent, Social Security by 3 percent, and defense by about 2 percent. Spending for a variety of other programs and activities is up by almost 11 percent, or \$38 billion, with farm programs accounting for about \$12 billion of that increase.

**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.

Both CBO and the Office of Management and Budget (OMB) recently released updated budget projections for fiscal year 1999. CBO now estimates that the total surplus this year will reach \$120 billion, up from its previous estimate of \$111 billion. The revised outlook results from both higher revenues (because economic growth is stronger than forecast last December) and lower outlays (largely because Medicare spending remains below anticipated levels). More detail about CBO's projections is contained in its report *The Economic and Budget Outlook: An Update*, issued on July 1 and available on CBO's World Wide Web site (www.cbo.gov).

OMB has raised its estimate of 1999 revenues by \$20 billion and its forecast of the total surplus from \$79 billion to \$99 billion, mostly because of revised economic projections. OMB anticipates that receipts will be about \$6 billion higher and outlays about \$27 billion higher than CBO does.