



MONTHLY BUDGET REVIEW

Fiscal Year 1998

A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for December and the Daily Treasury Statements for January

February 6, 1998

A surplus of \$22 billion is estimated for January, which would reduce the deficit for the first four months of the fiscal year to \$28 billion below last year's comparable level. If revenue growth continues to be strong, a surplus is likely to result for the fiscal year.

DECEMBER RESULTS AND CBO ESTIMATES FOR JANUARY

(In billions of dollars)

	December Actual	January Estimate	Estimated Change
Receipts	168.0	161.0	-7.0
Outlays	154.4	139.0	-16.4
Surplus	13.6	22.0	9.4

Source: Department of the Treasury and Congressional Budget Office.

- The December surplus of \$13.6 billion was very close to CBO's estimate of \$13.7 billion for the month.
- A surplus of \$22 billion is estimated for January based on the Daily Treasury Statements. Receipts will be relatively high because of quarterly estimated individual income tax collections, while outlays will be unaffected by calendar quirks.
- The range of error around the CBO estimates of a monthly deficit or surplus is about \$2 billion, based on past experience. This means that the actual surplus that will be reported later this month by the Treasury should be somewhere between \$20 billion and \$24 billion.

COMPARISON WITH LAST YEAR

(By fiscal year, in billions of dollars)

	October-January		Estimated Change
	1997	1998	
Receipts	496.7	547.4	50.7
Outlays	542.5	564.1	21.5
Deficit	45.8	17.7	-28.2

Source: Department of the Treasury and Congressional Budget Office.

- Receipts for the first four months of the fiscal year are estimated to be up 10 percent over the amount collected a year ago, reflecting the continuing strong growth in the economy.
- Outlays for the first four months are estimated to be 4 percent above last year's level, resulting in a cumulative deficit that is \$28 billion below the level recorded a year ago.

RECEIPTS THROUGH JANUARY

(By fiscal year, in billions of dollars)

Major Source	October-January		Percent Change
	1997	1998	
Individual Income	246.5	272.3	10.5
Corporate Income	47.0	55.2	17.5
Social Insurance	165.5	177.9	7.5
Other	37.7	41.9	11.3
Total	496.7	547.4	10.2

Source: Department of the Treasury and Congressional Budget Office.

- Despite one less working day this year, receipts in January are estimated to be up nearly \$12 billion from last year's collections for the month. For the year to date, receipts are up nearly \$51 billion over last year's pace.
- January receipts are boosted by nonwithheld individual income tax payments. Total individual income tax collections through January are estimated to be up 10.5 percent over last year's pace.

OUTLAYS THROUGH JANUARY

(By fiscal year, in billions of dollars)

Major Category	October-January		Percent Change
	FY 1997	FY 1998	
Defense-Military	88.0	88.2	0.3
Social Security Benefits	117.7	122.2	3.9
Medicare and Medicaid	102.5	107.4	4.7
Net Interest on the Public Debt	83.7	84.2	0.6
Other	<u>150.6</u>	<u>163.0</u>	<u>8.2</u>
Total	542.5	565.1	4.1

Source: Department of the Treasury and Congressional Budget Office.

- Outlays through January are estimated to be 4.1 percent above last year's level for the same period, which is consistent with CBO's 4.3 percent growth estimate for the fiscal year.
- About \$8 billion of January payments were made in December because January 1 was a holiday, but an equal amount of outlays was shifted from February to January because February 1 was a Sunday, another non-working day.

FY 1998 PROJECTIONS

(In billions of dollars)

	Budget Resolution	OMB February	CBO January
Receipts	1,602	1,658	1,665
Outlays	1,692	1,668	1,670
Deficit	90	10	5

Source: Congressional Budget Office.

- The Office of Management and Budget (OMB) estimates a deficit of \$10 billion for fiscal year 1998, nearly \$5 billion higher than CBO's January estimate. OMB's higher deficit estimate is largely because of a lower estimate of receipts.
- If revenue growth over last year continues to be strong, CBO's higher receipt estimate is likely to be exceeded, and a surplus for the year could result.
- The historical track record for CBO and OMB at this point in the fiscal year shows that estimates for total receipts and outlays could each be off the mark by 2 percent. If the estimating errors are not offset, the final budgetary outcome could be different by tens of billions of dollars.

Prepared by James Blum and Rosemary Marcuss.

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