



MONTHLY BUDGET REVIEW

Fiscal Year 1998

A Congressional Budget Office Analysis

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

January 8, 1998

Receipts continued to be very strong in December, while outlays for the month picked up as expected. The 1998 budget is now expected to be near balance, with a deficit of only \$5 billion.

NOVEMBER RESULTS AND CBO ESTIMATES FOR DECEMBER

(In billions of dollars)

	November Actual	December Estimate	Estimated Change
Receipts	103.5	168.7	65.2
Outlays	120.8	155.0	34.2
Deficit(-)/Surplus	-17.3	13.7	31.0

Source: Department of the Treasury and Congressional Budget Office.

- Daily Treasury statements for December indicate that receipts for the month rose to \$168.7 billion, boosted by \$44 billion in corporate income tax payments. The greater number of working days in December boosted receipts relative to November.
- Outlays in December are estimated to be about \$155 billion, \$34 billion more than was reported for November. More than half of the increase can be attributed to the calendar. November outlays were low because about \$8 billion in payments were shifted to October and because there were only 18 working days. December outlays are high because about \$8 billion in payments due on January 1 were made in December and because there were four more working days.
- 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 \$12 billion and \$16 billion.

COMPARISON WITH LAST YEAR

(By fiscal year, in billions of dollars)

	October-December		Estimated Change
	1997	1998	
Receipts	346.0	387.1	41.1
Outlays	405.2	426.7	21.5
Deficit	59.2	39.6	-19.6

Source: Department of the Treasury and Congressional Budget Office.

- Receipts for the first three months are estimated to be about \$41 billion, or 11.9 percent, above the amount collected a year ago, reflecting the continuing strong income growth in the economy.
- Outlays for the first quarter of the fiscal year are estimated to be about \$21 billion, or 5.3 percent, above last year's first quarter level.
- The first quarter deficit is estimated to be about \$40 billion, nearly \$20 billion lower than the \$59 billion deficit posted a year ago for the October-December period. This improvement over last year is expected to be maintained during the remainder of the fiscal year.

RECEIPTS THROUGH DECEMBER

(By fiscal year, in billions of dollars)

Major Source	October-December		Percent Change
	1997	1998	
Individual Income	159.3	178.8	12.2
Corporate Income	42.2	51.5	22.1
Social Insurance	116.7	124.4	6.5
Other	27.8	32.5	16.8
Total	346.0	387.1	11.9

Source: Department of the Treasury and Congressional Budget Office.

- Corporate income tax collections in December, a quarterly payment month, were strong--over \$5 billion above last year's level.
- Individual income and payroll tax receipts continue to match fiscal year 1997 growth rates. Relatively high withheld tax payments in the first quarter may reflect increases in withholding rates by certain taxpayers to meet expected tax liabilities. That could reduce nonwithheld payments in January and April.

OUTLAYS THROUGH DECEMBER

(By fiscal year, in billions of dollars)

Major Category	October-December		Percent Change
	FY 1997	FY 1998	
Defense-Military	66.8	67.6	1.2
Social Security Benefits	87.5	91.2	4.2
Medicare and Medicaid	76.3	81.4	6.7
Net Interest on the Public Debt	62.5	62.9	0.5
Other	<u>112.0</u>	<u>123.6</u>	<u>10.3</u>
Total	405.2	426.7	5.3

Source: Department of the Treasury and Congressional Budget Office.

- The relatively high growth rate for outlays in the first quarter of fiscal 1998 is partly attributable to the \$10 billion in offsetting receipts for deposit insurance and spectrum auctions that were credited to the first quarter of fiscal 1997. About \$1 billion in offsetting receipts for these items will be credited to the first quarter this year. Excluding these offsetting receipts, outlays for the October-December quarter are up only 3.0 percent, rather than the 5.3 percent shown above.
- Medicare and Medicaid outlays in the first quarter are up 6.7 percent over the same period last year, slightly higher than the 5.8 percent growth rate recorded for all of fiscal year 1997. Medicaid outlays in the October-December quarter are up nearly 8 percent from the same period a year ago, about double the rate of growth for fiscal year 1997. The first quarter growth rate for Medicare outlays, on the other hand, is down slightly from the 6.8 percent growth rate recorded for fiscal year 1997.
- Outlays for net interest on the public debt in the first quarter show little growth over last year.
- The growth in outlays in the "other" category shown above for the first quarter is greatly affected by the offsetting receipts for deposit insurance and spectrum auctions noted above. Excluding these offsetting receipts, "other" outlays through December are up only 2 percent from last year.

FY 1998 PROJECTIONS

(In billions of dollars)

	Budget Resolution	CBO September	CBO January
Receipts	1,602	1,635	1,665
Outlays	1,692	1,691	1,670
Deficit	90	57	5

Source: Congressional Budget Office.

- Receipts for fiscal year 1998 are now estimated to be \$1,665 billion, up \$30 billion from the CBO September baseline estimate of \$1,635 billion. This would represent a growth of 5.4 percent over the level of revenues received in fiscal year 1997. The high revenue growth in the first quarter of 1998 is expected to slow down considerably during the remaining three quarters of the fiscal year as personal and corporate income growth abate and the tax cuts enacted in the Taxpayer Relief Act of 1997 come on line.
- Estimated outlays for 1998 have been reduced by \$21 billion, reflecting lower expected growth for a number of entitlement programs and other factors.
- The latest CBO estimates indicate that the 1998 budget will be essentially balanced, with a deficit of only \$5 billion. However, it is also possible that the deficit could be larger or that a surplus would result. With total revenues and total spending approaching \$1.7 trillion, small percentage deviations from the amounts currently projected by CBO can swing budgetary outcomes by tens of billions of dollars.

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