



# MONTHLY BUDGET REVIEW

## Fiscal Year 1999

### A Congressional Budget Office Analysis

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

March 12, 1999

Five months into fiscal year 1999, CBO estimates that revenues are up by 5.7 percent over last year, whereas spending is up by less than 3 percent. CBO now estimates that the total budget surplus will grow to \$111 billion in 1999.

#### JANUARY RESULTS (In billions of dollars)

	Preliminary		Difference
	Estimate	Actual	
Receipts	171.0	171.7	0.7
Outlays	101.0	101.4	0.4
Surplus	70.0	70.3	0.3

SOURCES: Department of the Treasury and Congressional Budget Office.

The actual January surplus of \$70.3 billion reported by the Treasury Department was slightly above CBO's preliminary estimate of \$70.0 billion, which was based on daily Treasury statements for the month.

#### ESTIMATES FOR FEBRUARY (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	98.0	99.2	1.2
Outlays	139.7	145.0	5.3
Deficit (-)	-41.7	-45.8	-4.1

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that total receipts in February were about \$1 billion higher than a year ago, an increase of around 1 percent. A surge in tax refunds held down the rate of growth. CBO expects that refunds throughout this tax-filing season (February through May) will be nearly 25 percent higher than they were last spring because taxpayers, for the first time, will be claiming the child and education credits enacted in 1997.

Outlays last month were an estimated \$5 billion higher than in February 1998, an increase of about 3.8 percent.

#### BUDGET TOTALS THROUGH FEBRUARY (In billions of dollars)

	October-February		Estimated Change
	FY1998	FY1999	
Receipts	646.9	683.5	36.6
Outlays	703.0	714.0	11.0
Deficit (-)	-56.0	-30.5	25.6

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that receipts for the first five months of fiscal year 1999 were about \$37 billion above last year's revenues for the same period. Outlays are estimated to be up by only \$11 billion. The cumulative deficit for the five-month period is estimated to be about \$30 billion, compared with a cumulative deficit of \$56 billion at the same point last year.

#### RECEIPTS THROUGH FEBRUARY (In billions of dollars)

Major Source	October-February		Percentage Change
	FY1998	FY1999	
Individual Income	314.3	329.9	5.0
Corporate Income	56.4	53.5	-5.2
Social Insurance	222.9	237.4	6.5
Other	<u>53.2</u>	<u>62.7</u>	17.8
Total	646.9	683.5	5.7

SOURCES: Department of the Treasury and Congressional Budget Office.

Receipts in the first five months of the fiscal year were up by 5.7 percent over collections for the same period last year. That rate of growth is much lower than the 10.2 percent rate for the same period in 1998. CBO expects the growth rate for the rest of the year to be about 5.3 percent.

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.

Individual and corporate income taxes account for most of the slowdown in the growth of receipts since last year. Individual income tax receipts have increased by 5 percent so far this year, after growing by nearly 11 percent in the first five months of fiscal year 1998. Receipts from corporate income taxes have slowed even more, dropping below the amount received between October and February last year (when they posted 15 percent growth).

Social insurance taxes have also slowed, but to a lesser extent. They have grown by 6.5 percent so far this year—down from 7.5 percent in the same period last year.

The rapid growth in other tax receipts reflects the postponement of payments of some highway and aviation excise taxes from August and September 1998 into this fiscal year. As a result, the year-over-year growth in excise tax revenues is almost 21 percent, although the rate of increase has been only 3 percent since October. Because this year's August and September payments will follow a normal schedule, excise tax receipts later in the year will be well above last year's levels.

**OUTLAYS THROUGH FEBRUARY**  
(In billions of dollars)

Major Category	October-February		Percentage Change
	FY1998	FY1999	
Defense-Military	107.1	105.1	-1.9
Social Security			
Benefits	153.2	158.1	3.3
Medicare	90.4	84.6	-6.4
Medicaid	41.8	43.8	4.8
Net Interest on the			
Public Debt	104.1	97.7	-6.0
Other	<u>206.5</u>	<u>224.7</u>	8.8
<b>Total</b>	<b>703.0</b>	<b>714.0</b>	<b>1.6</b>

SOURCES: Department of the Treasury and Congressional Budget Office.

On the basis of CBO's preliminary estimates, the February outlay figures are unlikely to indicate any significant changes from recent trends. CBO estimates that outlays in the first five months of fiscal year 1999 were 1.6 percent above outlays for the same period last year.

But the 1998 figures are distorted because March 1 of that year fell on a Sunday, and payments totaling several billion dollars were made in February instead of March. After adjusting for that calendar quirk, outlays for fiscal year 1999 are running about 2.9 percent above last year's spending. That growth rate matches the average annual growth rate for outlays over the 1995-1998 period.

After accounting for the February 1998 shift in payments, defense outlays so far in 1999 appear to be about the same as they were this time last year, whereas Medicare spending is 3.6 percent lower. Net interest payments, which are not affected by the payment shift, have fallen by 6 percent as both interest rates and federal debt held by the public have declined.

Outlays for Social Security are up by about 3 percent; Medicaid spending has grown by almost 5 percent; and spending for a variety of other federal programs has grown by nearly 11 percent (after adjusting for the 1998 payment shift), in part because of unusually large payments to farmers.

**CURRENT PROJECTIONS FOR  
FISCAL YEAR 1999**  
(In billions of dollars)

	OMB	CBO
Total Receipts	1,806	1,815
Total Outlays	1,727	1,704
Total Surplus	79	111
On-budget deficit (-)	-42	-16
Off-budget surplus	121	127

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

CBO recently updated its budget projections for 1999, reducing its estimate of outlays by about \$3 billion, largely because Medicare spending continues to lag behind last year's pace. As a result, CBO is now projecting a total surplus of \$111 billion this year and an on-budget deficit of only \$16 billion. The Administration, in its budget submission last month, estimated a total budget surplus of \$79 billion for 1999.