



MONTHLY BUDGET REVIEW

Fiscal Year 2001

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for February and the *Daily Treasury Statements* for March

April 9, 2001

The federal government ran a deficit of about \$20 billion in the first six months of fiscal year 2001, CBO estimates, \$15 billion less than in the same period last year. With a large influx of tax payments due in April, however, the budget is expected to be in surplus for the rest of the year. CBO projects that the surplus for all of fiscal year 2001 will total \$281 billion if there is no further legislation affecting revenues or spending for this year. (The total surplus for fiscal year 2000 was \$236 billion.)

FEBRUARY RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	111	110	*
Outlays	158	159	1
Deficit (-)	-47	-48	-1

SOURCES: Department of the Treasury; CBO.

NOTE: * = between -\$500 million and zero.

The Treasury reported a deficit of \$48.2 billion in February, \$1 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. Outlays were about \$1 billion more than CBO had expected, spread among a variety of agencies and programs.

ESTIMATES FOR MARCH

(In billions of dollars)

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	136	132	-4
Outlays	171	178	7
Deficit (-)	-35	-46	-11

SOURCES: Department of the Treasury; CBO.

CBO estimates that the deficit in March 2001 was about \$46 billion—\$11 billion more than in March 2000. Outlays were up by about \$7 billion, but receipts were \$4 billion below the level of last March.

The decline in receipts occurred almost entirely because there was one fewer business day this March than last March. Adjusted for that difference, receipts were

roughly unchanged from last March. Taking into account the difference in the number of business days, withheld income and payroll taxes were about \$3 billion, or 3 percent, higher than last March. Since the corresponding growth rate for the previous three months was more than 6 percent, it appears that growth in personal incomes is slowing. Receipts from corporate taxes were \$2.5 billion, or about 10 percent, lower this March than in March 2000 because of a substantial increase in refunds. Corporate tax payments in March largely reflect the final settlement of liabilities from the prior tax year, so the results this March are consistent with the weakness in corporate profits late last year.

Social Security, Medicare, and Medicaid accounted for more than \$4 billion of the increase in outlays. Payments of unemployment compensation also rose, by about \$500 million. In both this year and last, April 1 fell on a weekend, so the shifts of payments from April 1 into March were comparable.

BUDGET TOTALS THROUGH MARCH

(In billions of dollars)

	October-March		Estimated Change
	FY2000	FY2001	
Receipts	877	923	45
Outlays	913	943	30
Deficit (-)	-35	-20	15

SOURCES: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of \$20 billion for the first half of fiscal year 2001—about \$15 billion less than for the same period last year. Receipts in those six months were about \$45 billion higher than last year, and outlays were about \$30 billion higher. The outlay figure for 2001 reflects the fact that

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.

\$7 billion in wages and benefits normally paid on October 1 were instead disbursed in September (the previous fiscal year) because October 1 fell on a weekend.

RECEIPTS THROUGH MARCH (In billions of dollars)

Major Source	October-March		Percentage Change
	FY2000	FY2001	
Individual Income	417	443	6.1
Corporate Income	80	81	1.1
Social Insurance	306	327	6.9
Other	74	72	-3.3
Total	877	923	5.1

SOURCES: Department of the Treasury; CBO.

Receipts in the first half of fiscal year 2001 were 5.1 percent greater than the amount collected in the first six months of fiscal year 2000—close to the 5.4 percent growth rate that CBO projects for the entire year. The fastest-growing sources of revenues so far this year have been social insurance payroll taxes (up 6.9 percent) and individual income taxes (up 6.1 percent). Withheld payments for both types of taxes are paid together, however, so the precise allocation of receipts between those two sources will not be known for about a year. Meanwhile, the share of payments that the Treasury allocates to payroll taxes is based on projections made earlier in the year and may not reflect the slowdown in payments that occurred in recent months. Thus, individual income tax receipts may be higher and payroll tax receipts lower than currently estimated.

Receipts from corporate income taxes have grown much more slowly. In the first six months of fiscal year 2001, they rose just 1.1 percent above the amount recorded in the same period last year, after growing by 12 percent in all of 2000. Substantial refunds in February and March noticeably diminished that rate of growth.

Other receipts have fallen by 3.3 percent so far this year. Much of that decline resulted from a reduction early in the year in payments to the Treasury from the Federal Reserve, pursuant to legislation enacted in 1999. Receipts from estate and gift taxes also fell in the first half of fiscal year 2001.

Receipts in April will be a key indicator of the likely revenue totals for the year. Although individuals must file their tax returns by April 16, the total amount paid will probably not become clear until early May.

OUTLAYS THROUGH MARCH (In billions of dollars)

Major Category	October-March		Percentage Change	
	FY2000	FY2001	Actual	Adjusted ^a
Defense—Military	140	143	2.1	4.1
Social Security				
Benefits	197	210	6.5	6.5
Medicare	111	117	5.7	5.7
Medicaid	57	63	9.9	9.9
Other Programs				
and Activities	290	297	2.3	3.7
Subtotal	796	830	4.3	5.2
Net Interest on the				
Public Debt	117	113	-3.1	-3.1
Total	913	943	3.3	4.1

SOURCES: Department of the Treasury; CBO.

a. Excludes the effects of payments that were shifted from October 2000 to September because October 1 was a Sunday.

Outlays were 3.3 percent higher in the first six months of fiscal year 2001 than in the same period last year, CBO estimates. Adjusted for the payments that were shifted from October 2000 into September, the growth rate was about 4.1 percent. CBO projects that for the entire fiscal year, spending in 2001 will be 3.6 percent higher than in 2000.

Among the major categories of spending, Medicaid continues to show the most rapid growth—up by almost 10 percent so far this year. (It grew by more than 9 percent in 2000 and by almost 7 percent in 1999.) Medicare spending has risen by 5.7 percent so far this year, but that growth rate will accelerate in the second half of the year as increased payment rates to health care providers take effect.

Overall, CBO anticipates that outlays in the last six months of fiscal year 2001 will be lower than in the first six months, as has been the case in recent years. In particular, spending for agriculture and education programs, for the refundable portion of the earned income tax credit, and for international security assistance is more heavily weighted toward the first half of the year.