MONTHLY BUDGET REVIEW
Fiscal Year 2001
A Congressional Budget Office Analysis

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

March 13, 2001

CBO estimates that the total surplus in the first five months of fiscal year 2001 was about $27 billion. In the same period last year, the surplus was a negligible $0.1 billion. In the absence of legislation that would affect spending or revenues this year, CBO expects the surplus to reach $281 billion by the end of the fiscal year.

JANUARY RESULTS
(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	219	219	*
Outlays	146	143	-3
Surplus	73	76	3

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than $500 million.

The Treasury reported a surplus of $76.4 billion in January, about $3 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. The difference was almost entirely on the spending side of the budget. Outlays were lower than CBO had anticipated for a number of agencies, including the Postal Service and the Departments of Education, Housing and Urban Development, and the Treasury.

ESTIMATES FOR FEBRUARY
(In billions of dollars)

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	109	111	2
Outlays	150	158	7
Deficit (-)	-42	-47	-5

SOURCES: Department of the Treasury; Congressional Budget Office.

The deficit in February was about $47 billion, CBO estimates, $5 billion more than the deficit incurred last February. Revenues exceeded last year's figure by just $2 billion, but outlays were $7 billion higher. The growth in receipts was small in part because this year, February had one fewer business day than it did last year. If not for that difference, the increase in receipts would have been closer to $5 billion. Outlays for Social Security benefits were about $2.5 billion higher this February than last; spending for a variety of other programs and agencies accounted for the rest of the increase.

BUDGET TOTALS THROUGH FEBRUARY
(In billions of dollars)

	October-February FY2000	October-February FY2001	Estimated Change
Receipts	742	791	50
Outlays	742	764	23
Surplus	*	27	27

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than $500 million.

CBO estimates that the surplus for the first five months of fiscal year 2001 was $27 billion—an improvement of about $27 billion over the same period last year, when the surplus was just $0.1 billion. Receipts for those five months were about $50 billion higher than last year, while outlays rose by only about $23 billion. (The outlay figures for fiscal year 2001 reflect the fact that $7 billion in wages and benefits that would normally have been paid on October 1, 2000, were instead disbursed in September, the previous fiscal year, because October 1 fell on a weekend.)

RECEIPTS THROUGH FEBRUARY
(In billions of dollars)

Major Source	October-February FY2000	October-February FY2001	Percentage Change
Individual Income	373	404	8.4
Corporate Income	56	59	6.0
Social Insurance	252	270	7.0
Other	61	58	-4.3
Total	742	791	6.7

SOURCES: Department of the Treasury; Congressional Budget Office.

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.

Receipts in the first five months of the fiscal year were 6.7 percent higher than in the same period last year. That growth rate is substantially lower than the 10.8 percent increase recorded in 2000. Slower growth of receipts from income taxes contributed the most to the slowdown. Revenues from individual income taxes rose by 8.4 percent in the first five months of this year, compared with 14.2 percent growth last year. Proceeds from corporate income taxes are up by 6.0 percent so far this year, about half the 12.2 percent growth recorded last year.

Receipts from social insurance taxes are 7.0 percent higher so far this year, about the same rate of growth as last year. Other taxes, which represent less than 10 percent of total receipts, have fallen by 4.3 percent this fiscal year, mainly because of reduced payments by the Federal Reserve. Legislation enacted in 1999 caused the Federal Reserve to accelerate about $4 billion in payments into fiscal year 2000, thereby reducing payments at the beginning of fiscal year 2001.

OUTLAYS THROUGH FEBRUARY
(In billions of dollars)

Major Category	October-February FY2000	October-February FY2001	Percentage Change Actual	Percentage Change Adjusted[a]
Defense—Military	112	114	1.9	4.5
Social Security Benefits	164	174	6.4	6.4
Medicare	89	94	5.6	5.6
Medicaid	47	52	10.7	10.7
Other Programs and Activities	234	237	1.3	3.1
Subtotal	645	670	4.0	5.1
Net Interest on the Public Debt	97	94	-3.0	-3.0
Total	742	764	3.1	4.0

SOURCES: Department of the Treasury; Congressional Budget Office.

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

CBO estimates that outlays were 3.1 percent higher for the first five months of fiscal year 2001 than for the same period last year. Adjusted for the payments that were shifted from October 2000 into September, the growth rate was about 4.0 percent.

Spending for Medicaid continues to increase rapidly this year—up by almost 11 percent compared with the same period last year. That is the growth rate that CBO is projecting for the full fiscal year and represents an acceleration over the 9 percent growth rate recorded in fiscal year 2000. The rapid rise of Medicaid outlays reflects higher spending on prescription drugs and increased use by states of certain financing mechanisms (related to the Medicare upper payment limit) that generate additional federal payments.

Outlays for the two largest entitlement programs—Social Security and Medicare—are running about 6 percent higher than in the same period last year. CBO anticipates that spending for Social Security will grow by about 5 percent this year and spending for Medicare by about 10 percent. CBO expects that Medicare spending will accelerate in the second half of the year because the Benefits Improvement and Protection Act of 2000 increased rates paid to Medicare+Choice plans as of March 1 and will increase rates paid to hospitals, skilled nursing facilities, and many other types of providers beginning on April 1. Many of those increases will be temporarily doubled to achieve, in the second half of the year, the growth in payments that would have occurred if the higher rates had been in effect all year. Of the $64 billion increase in total outlays that CBO projects for 2001, $22 billion is for Medicare, $20 billion is for Social Security, and $13 billion is for Medicaid.

Net interest costs have dropped by about $3 billion so far this year, as the net government debt continues to fall. Debt owed to the public declined by $236 billion from January 31, 2000, to January 31, 2001, as a result of the burgeoning budget surplus.

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