



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for August and the *Daily Treasury Statements* for September

October 11, 2000

CBO estimates that the government recorded a total budget surplus of about \$232 billion for fiscal year 2000, almost twice the previous year's surplus of \$124 billion. The on-budget surplus, which excludes Social Security and the Postal Service, grew from less than \$1 billion in 1999 to about \$81 billion in 2000, by CBO's estimate. As a percentage of gross domestic product, the total surplus was the largest since 1948, and the on-budget surplus was the largest since 1951.

AUGUST RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	139	138	-1
Outlays	150	149	-1
Deficit (-)	-11	-10	*

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$0.5 billion.

The Treasury reported a deficit of \$10.4 billion in August, slightly less than CBO had projected on the basis of the *Daily Treasury Statements*. Proceeds from corporate income taxes were lower than CBO had anticipated, but outlays for several agencies also fell short of CBO's estimates for the month.

ESTIMATES FOR SEPTEMBER

(In billions of dollars)

	Actual 1999	Preliminary 2000	Estimated Change
Receipts	200	219	19
Outlays	142	158	15
Surplus	58	62	4

SOURCES: Department of the Treasury; Congressional Budget Office.

The total surplus in September was about \$62 billion, CBO estimates, \$4 billion more than in the same month last year—despite a number of calendar effects and other circumstances that held down this September's figure.

Based on the *Daily Treasury Statements*, CBO estimates that receipts in September were \$19 billion, or 9.4 percent, higher than those recorded in September 1999. All of the major sources of tax revenues contributed to that strong performance, which occurred even though September had one fewer business day in 2000 than in 1999. Quarterly payments of estimated income taxes by individuals grew by more than 14 percent, and quarterly

payments of income taxes by corporations increased by about 10 percent. Withheld taxes for individuals grew by 9 percent (and would have grown by 10 percent if not for the difference in the number of business days). Receipts from other sources were lower than they were in September 1999, mainly because of declines in revenues from estate and gift taxes and payments by the Federal Reserve.

Outlays in September, estimated at about \$158 billion, were about \$9 billion above the monthly average for the first 11 months of fiscal year 2000 and \$15 billion more than in September 1999. A number of unusual circumstances contributed to the relatively high outlay figure. Because October 1, 2000, fell on a Sunday, some \$7 billion in salary and benefit payments ordinarily paid on the first of the month were instead paid at the end of September. In addition, a substantial number of federal employees are paid every other Friday, and three such Fridays occurred in September 2000—resulting in another \$2 billion in outlays in that month. Finally, the Department of Agriculture's Commodity Credit Corporation made more than \$6 billion in payments to farmers in September, almost 20 percent of its payments for the fiscal year.

FISCAL YEAR TOTALS

(In billions of dollars)

	Actual 1999	Preliminary 2000	Estimated Change
Receipts	1,827	2,025	198
Outlays	1,703	1,792	89
Surplus	124	232	108
On-budget	1	81	81
Off-budget	124	151	27

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the government recorded a surplus of about \$232 billion for fiscal year 2000—almost twice the \$124 billion surplus recorded in 1999. Most of that increase occurred in the on-budget accounts, which exclude transactions of the Social Security trust funds

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.

and the Postal Service. The on-budget surplus grew from less than \$1 billion in 1999 to an estimated \$81 billion, while the off-budget surplus increased from \$124 billion to about \$151 billion. Overall, receipts were about \$198 billion higher in 2000 than in 1999, but outlays were only \$89 billion higher.

TOTAL RECEIPTS
(In billions of dollars)

Major Source	Actual 1999	Preliminary 2000	Percentage Change
Individual Income	879	1,004	14.2
Corporate Income	185	208	12.6
Social Insurance	612	653	6.7
Other	<u>151</u>	<u>160</u>	5.9
Total	1,827	2,025	10.8

SOURCES: Department of the Treasury; Congressional Budget Office.

The strong receipts recorded in September capped a year of substantial revenue growth. CBO estimates that receipts rose by 10.8 percent in fiscal year 2000, the highest rate of growth since 1987 (when receipts increased by just over 11 percent, of which about 3 percentage points resulted from enactment of the Tax Reform Act of 1986). Even in the robust period since 1994, revenues had not grown by more than 9 percent in any year.

The major contribution to revenue growth in fiscal year 2000 came from income taxes. Individual income taxes increased by 14.2 percent, propelled by over 16 percent growth in nonwithheld taxes and over 12 percent growth in withheld taxes. Corporate income taxes increased by 12.6 percent. Other sources of revenue grew at less than double-digit rates. Social insurance tax receipts rose by an estimated 6.7 percent, and all other receipts rose by 5.9 percent.

Total revenues in 2000 were about \$17 billion higher than CBO forecast this past summer, when it incorporated data available through June 15. Quarterly payments of taxes by individuals and corporations were each between \$6 billion and \$7 billion higher than expected. Most of the rest of the excess occurred in individual withheld taxes. Since most final payments by individuals and corporations for tax year 1999 had already been received by this past summer, the bulk of the excess probably reflected this year's robust economic activity.

TOTAL OUTLAYS
(In billions of dollars)

Major Category	Actual 1999	Preliminary 2000	Percentage Change
Defense—Military	261	281	7.5
Social Security			
Benefits	383	402	5.0
Medicare	211	218	3.3
Medicaid	108	118	9.0
Other Programs			
and Activities	<u>505</u>	<u>540</u>	7.1
Subtotal	1,468	1,559	6.2
Net Interest on the			
Public Debt	<u>235</u>	<u>234</u>	-0.6
Total	1,703	1,792	5.3

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that total federal outlays grew by about 5.3 percent in fiscal year 2000, the largest percentage increase since 1991. Excluding the extra spending in September that was caused by anomalies of the calendar, the resulting increase—about 4.7 percent—was still the highest since 1992. (Since then, outlays have grown at an average annual rate of 3.0 percent.)

Medicaid outlays, the fastest-growing major category of spending, rose by about 9.0 percent in 2000. The growth rate for that program is steadily accelerating: Medicaid spending increased by an average of 3.6 percent a year from 1995 to 1997 and 6.3 percent a year from 1997 to 1999.

Defense spending grew by more than 7 percent in 2000. Adjusting for effects of the calendar, the increase was still more than 6 percent—compared with an average annual growth rate of 1.0 percent from 1996 to 1999.

Spending for Medicare, which did not increase at all from 1997 to 1999, began to grow again in 2000. Its 3.3 percent increase, however, was still well below the growth rates of the preceding decade. Payments of Social Security benefits also grew more rapidly in 2000 than they had in recent years—by 5.0 percent. That acceleration resulted largely from legislation that increased benefit payments by eliminating the earnings test.

Spending for other programs and activities grew by about 7 percent in 2000, compared with an increase of almost 10 percent in the previous year. Net interest paid on the public debt, which declined by \$15 billion in 1999, was virtually unchanged in 2000 because higher interest rates offset the reduction in debt owed to the public.