



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

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

November 14, 2000

Fiscal year 2000 ended with a total budget surplus of \$237 billion. The on-budget surplus reached \$87 billion—up from less than \$1 billion in 1999. The off-budget surplus, which encompasses transactions of the Social Security trust funds and the Postal Service, grew from \$124 billion in 1999 to \$150 billion in 2000. Those surpluses marked the eighth consecutive year of improvement in the government's budget results since 1992, when the total budget deficit peaked at \$290 billion and the on-budget deficit reached \$340 billion. As a percentage of gross domestic product, the total surplus in 2000 was 2.4 percent, the largest since 1948.

SEPTEMBER RESULTS

(In billions of dollars)

| | Preliminary | | |
|----------|-------------|--------|------------|
| | Estimate | Actual | Difference |
| Receipts | 219 | 219 | * |
| Outlays | 158 | 154 | -4 |
| Surplus | 62 | 66 | 4 |

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$500 million.

The surplus in September was \$66 billion, or \$4 billion more than CBO had projected on the basis of the *Daily Treasury Statements*. The difference resulted from outlays that were \$4 billion less than CBO had expected, primarily because offsetting receipts of the Treasury Department were larger than anticipated and the estimated subsidy costs of student loans were reduced by more than expected.

FISCAL YEAR TOTALS

(In billions of dollars)

| | Actual 1999 | Actual 2000 | Change |
|----------------------------|----------------|----------------|--------|
| Receipts | 1,827 | 2,025 | 198 |
| Outlays | 1,703 | 1,788 | 85 |
| Surplus | 124 | 237 | 113 |
| On-budget surplus | 1 | 87 | 87 |
| Off-budget surplus | 124 | 150 | 26 |
| Social Security surplus | 125 | 152 | 27 |
| Postal Service deficit (-) | -1 | -2 | -1 |

SOURCE: Department of the Treasury.

The total surplus for fiscal year 2000 was \$237 billion, up from a surplus of \$124 billion the previous year. Total receipts grew by \$198 billion in 2000, while outlays increased by only \$85 billion. The Social Security trust funds recorded a surplus of \$152 billion, which was slightly offset by net spending of the Postal Service, for an off-budget surplus of \$150 billion, the largest ever recorded.

TOTAL RECEIPTS

(In billions of dollars)

| Major Source | Actual 1999 | Actual 2000 | Percentage Change |
|-------------------|----------------|----------------|----------------------|
| Individual Income | 879 | 1,004 | 14.2 |
| Corporate Income | 185 | 207 | 12.2 |
| Social Insurance | 612 | 653 | 6.7 |
| Other | <u>151</u> | <u>160</u> | 6.0 |
| Total | 1,827 | 2,025 | 10.8 |

SOURCE: Department of the Treasury.

Receipts increased by 10.8 percent in fiscal year 2000, the fastest rate of growth since 1987, when they rose by 11.1 percent, about three percentage points of which resulted from enactment of the Tax Reform Act of 1986. The revenue growth in 2000 represents a marked increase from that of the past five years. From 1995 through 1999, receipts grew by an average of less than 8 percent annually and never by more than 9 percent in any year.

Individual and corporate income taxes accounted for most of the surge in revenues in fiscal year 2000. Individual income taxes grew by 14.2 percent, and corporate income taxes increased by 12.2 percent. Although those two sources represent just under 60 percent of federal revenues, they accounted for about 75 percent of the overall growth between 1999 and 2000.

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.

Other sources of revenue grew much more slowly than income taxes did. Receipts from social insurance payroll taxes rose by 6.7 percent, and all other receipts increased by 6 percent. That moderate growth in all other receipts, however, masks significant changes in some of the components. For example, receipts from the Federal Reserve rose by 25 percent because the Federal Reserve paid \$4 billion from its surplus account to the Treasury in May, implementing legislation enacted in 1999. In addition, excise tax receipts declined by 2.2 percent because legislation enacted in 1997 shifted revenue from August and September of 1998 to October of that year, boosting receipts in fiscal year 1999. (In 2000, those receipts were paid on their normal schedule.)

TOTAL OUTLAYS
(In billions of dollars)

| Major Category | Actual 1999 | Actual 2000 | Percentage Change |
|------------------------------------|----------------|----------------|----------------------|
| Defense—Military | 261 | 281 | 7.6 |
| Social Security | | | |
| Benefits | 383 | 402 | 5.0 |
| Medicare | 211 | 218 | 3.3 |
| Medicaid | 108 | 118 | 9.1 |
| Other Programs and Activities | <u>505</u> | <u>535</u> | 6.1 |
| Subtotal | 1,468 | 1,555 | 5.9 |
| Net Interest on the Public Debt | <u>235</u> | <u>233</u> | -0.7 |
| Total | 1,703 | 1,788 | 5.0 |

SOURCE: Department of the Treasury.

Outlays were 5.0 percent higher in fiscal year 2000 than in 1999, slightly less than the preliminary estimate that CBO reported last month but significantly higher than the 3.0 percent average growth rate over the past several years.

Among major programs, spending for Medicaid grew the fastest—by 9.1 percent. Defense spending rose by 7.6 percent, but unusual effects of the calendar on pay dates for civilian and military personnel added between \$3 billion and \$4 billion to outlays in 2000. Adjusted for those effects, the increase in defense spending was 6.2 percent, well above the 1.0 percent average growth rate of the past three years. Medicare spending rose by 3.3 percent in 2000 after not increasing at all from 1997 to 1999.

Among other programs, assistance to farmers by the Agriculture Department's Commodity Credit Corporation

accounted for the largest increase by far—growing from \$19 billion in 1999 to \$32 billion in 2000. Spending for programs of the Department of Health and Human Services other than Medicare and Medicaid rose by more than \$6 billion (10 percent); the largest increases were for the National Institutes of Health (\$1.6 billion) and the Temporary Assistance for Needy Families program (\$1.3 billion). Outlays of the Department of Transportation and the Department of Veterans Affairs (VA) each grew by about \$4 billion (10 percent and 9 percent, respectively), but almost half of the VA's increase resulted from the shift of October payments into September. The Department of Commerce spent about \$3 billion more in 2000 than in 1999, primarily for the decennial census. Spending for international assistance and for deposit insurance both grew by about \$2 billion in 2000.

ESTIMATES FOR OCTOBER
(In billions of dollars)

| | Actual 1999 | Preliminary 2000 | Estimated Change |
|-------------|----------------|---------------------|---------------------|
| Receipts | 121 | 135 | 14 |
| Outlays | 147 | 147 | * |
| Deficit (-) | -26 | -12 | 14 |

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$500 million.

Revenues in October were 12 percent, or \$14 billion, higher than in the same month a year ago. Special factors explain part of the increase. An extra business day this October generated an additional \$3 billion to \$4 billion in revenue. Partially offsetting that added revenue, receipts from the Federal Reserve were \$1 billion lower this October than last October because the Federal Reserve has temporarily stopped making its weekly payment to the Treasury. The legislated transfer of \$4 billion from the Federal Reserve's surplus in fiscal year 2000 caused a shift in the timing of those payments. The Federal Reserve is now replenishing its surplus account from earnings that would otherwise be paid to the Treasury; it may not resume making its normal weekly payment of over \$500 million until December or possibly later.

Outlays in October 2000 were about the same as in October 1999, preliminary figures indicate. But again, special factors played a role. October 1, 2000, fell on a weekend, so almost \$7 billion in payments normally made on the first day of the month were instead disbursed at the end of September. Adjusted for that calendar effect, outlays in October were about \$7 billion higher this year than last year. Spending for Social Security, Medicare, and Medicaid accounted for almost \$6 billion of that increase.