



# MONTHLY BUDGET REVIEW

Fiscal Year 2001

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for November and the *Daily Treasury Statements* for December

January 9, 2001

With an apparent slowing of the economy, tax receipts grew at a slower rate in the first quarter of fiscal year 2001 than they did over the previous year. Nevertheless, by CBO's estimate, the deficit for the first quarter of 2001 was about \$17 billion less than the deficit for the same quarter last year. CBO will issue updated budget projections for 2001 and the following 10 years at the end of January.

## NOVEMBER RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	126	126	*
Outlays	151	149	-2
Deficit (-)	-25	-24	1

SOURCES: Department of the Treasury; Congressional Budget Office.  
NOTE: \* = less than \$0.5 billion.

The Treasury reported a deficit of \$23.7 billion in November, about \$1 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. Outlays were about \$2 billion less than CBO had estimated, but revenues were also a bit lower.

## ESTIMATES FOR DECEMBER (In billions of dollars)

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	201	201	*
Outlays	168	169	1
Surplus	33	32	-1

SOURCES: Department of the Treasury; Congressional Budget Office.  
NOTE: \* = less than \$0.5 billion.

The surplus in December was about \$32 billion, CBO estimates, almost identical to the \$33 billion surplus recorded last December. Revenues showed no growth from year to year—but that comparison is distorted by two effects of the calendar. The growth of revenues was held down by roughly \$15 billion because this December had two fewer business days than last December and because some people accelerated tax payments from January 2000 into December 1999, perhaps out of concern about possible Y2K problems. After accounting

for those two factors, revenues were actually about 7 percent higher this December than last December.

Withholding of individual income and payroll taxes was roughly 5 percent higher in December, when adjusted for those calendar effects. In the prior nine months, growth from the previous year fluctuated between 7 percent and 10 percent. Anemic growth in personal income from bonuses in the financial industry may have contributed to the relative weakness in withholding in December.

Total outlays also changed little from last December to this one. Spending increases in many areas of the budget were offset by decreases in some major programs. Outlays for defense, Medicare, and Medicaid were lower than last December, partly because of the fewer business days this December and partly because outlays last December were unusually high, reflecting accelerated payments to avoid Y2K problems. Agriculture spending was also lower this year.

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

	October-December		Estimated Change
	FY2000	FY2001	
Receipts	444	461	18
Outlays	464	465	1
Deficit (-)	-20	-3	17

SOURCES: Department of the Treasury; Congressional Budget Office.

The deficit for the first three months of fiscal year 2001 was about \$3 billion, CBO estimates, an improvement of \$17 billion over the deficit recorded for that period last year. Receipts were about \$18 billion higher than in the first quarter of fiscal year 2000, but outlays were only \$1 billion higher. Because of the calendar effects discussed above, those numbers understate the rate of increase in

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.

both revenues and outlays. In addition, the outlay figures for the first quarter of 2001 reflect the fact that \$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. Nevertheless, the \$17 billion decline in the deficit remains roughly indicative of the improvement in the budgetary picture this quarter when all of the calendar effects and timing shifts are taken into account.

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

Major Source	October-December		Percentage Change
	FY2000	FY2001	
Individual Income	216	222	3.0
Corporate Income	49	55	13.1
Social Insurance	141	150	6.1
Other	<u>38</u>	<u>34</u>	-9.4
Total	444	461	4.0

SOURCES: Department of the Treasury; Congressional Budget Office.

By CBO's estimate, receipts for the first three months of fiscal year 2001 were 4 percent higher than for the same period last year. Without the timing shifts discussed above, receipts would have been about 7 percent higher than last year. That growth rate is substantially lower than the 11 percent increase registered for the whole of fiscal year 2000 but not very different from the 8 percent growth averaged during the prior five years.

Receipts from corporate income taxes exhibited the strongest growth in the first quarter of fiscal year 2001—up by more than 13 percent from last year—despite weak earnings reports recently. (Corporate receipts are highly volatile and do not necessarily track quarterly profits closely.) Receipts from individual income taxes grew by only 3 percent, but they would have grown by more than 8 percent without the timing shifts—still well below the 14 percent increase recorded for all of fiscal year 2000.

Receipts from social insurance taxes were up by about 6 percent from the first quarter of last year. Other receipts fell by 9.4 percent, largely because of the timing of payments from the Federal Reserve to the Treasury. Legislation enacted in 1999 caused the Federal Reserve to accelerate about \$4 billion in payments from fiscal year 2001 into 2000.

### OUTLAYS THROUGH DECEMBER (In billions of dollars)

Major Category	October-December		Percentage Change	
	FY2000	FY2001	Actual	Adjusted <sup>a</sup>
Defense—Military	74	72	-2.9	0.8
Social Security Benefits	97	102	5.2	5.2
Medicare	57	59	3.8	3.8
Medicaid	29	31	6.2	6.2
Other Programs and Activities	<u>148</u>	<u>143</u>	-3.6	-0.8
Subtotal	406	407	0.4	2.1
Net Interest on the Public Debt	<u>58</u>	<u>57</u>	-1.1	-1.1
Total	464	465	0.2	1.7

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 just 0.2 percent higher in the first three months of fiscal year 2001 than in the same period of 2000. After adjusting for the \$7 billion in payments that were shifted from October 2000 into September, that growth rate comes to about 1.7 percent.

Spending for Social Security and Medicare increased slightly faster in the first quarter of 2001 than it did over the course of fiscal year 2000. Spending for defense and Medicaid grew more slowly, but mostly because of payment shifts and the Y2K effects in December 1999. Interest costs have fallen as surpluses have eroded the debt owed to the public. That debt declined by more than \$220 billion from the end of November 1999 through the end of November 2000. However, higher interest rates and other factors have offset some of the effects of the declining debt.

After adjusting for the shifts of October 1 payments of Supplemental Security Income and veterans' benefits, outlays for other programs and activities were still slightly below last year's level, largely because spending for agriculture programs in the first quarter was about \$7 billion lower than it was last year. That decrease occurred primarily because emergency payments to farmers for the 2000 crop were made in September 2000. (Similar payments were made in October and November 1999.)