



# MONTHLY BUDGET REVIEW

## Fiscal Year 1999

### A Congressional Budget Office Analysis

Based on the Monthly Treasury Statement for April and the Daily Treasury Statements for May

June 9, 1999

CBO estimates that the surplus for the first eight months of fiscal year 1999 was \$43 billion, an increase of \$27 billion over the surplus at the same time last year. Revenues through May are very close to CBO's expectations, but outlays for a number of programs are slightly lower than anticipated. In particular, spending for Medicare is about \$3.5 billion below last year's level. CBO is preparing to issue a new forecast on July 1, and current trends suggest that the estimated surplus for 1999 is likely to be slightly higher than the current projection of \$111 billion.

#### APRIL RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	266.5	266.1	-0.4
Outlays	151.1	152.7	1.6
Surplus	115.4	113.5	-1.9

SOURCES: Department of the Treasury and Congressional Budget Office.

The usual large inflow of tax payments in April produced a surplus for the month of \$113.5 billion, \$1.9 billion less than CBO's preliminary estimate, which was based on daily Treasury statements for the month. Receipts were slightly less than projected because of continued weakness in corporate income tax payments. Outlays reported for April were higher than CBO anticipated primarily because an expected downward adjustment of \$1.5 billion in outlays of the Department of Education was applied retroactively to the preceding six months rather than netted out against April outlays.

#### ESTIMATES FOR MAY (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	95.3	100.0	4.7
Outlays	134.1	121.7	-12.4
Deficit (-)	-38.8	-21.7	17.1

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the deficit in May was about \$22 billion, about \$17 billion less than for the same month last year. But a number of unusual circumstances

account for the bulk of the difference. First, there were four Fridays in May this year compared with five in 1998. Because individual income tax refunds are paid on Friday, the extra Friday last year cut net revenue for the month by about \$6 billion. Excluding the extra refunds in 1998, revenues this May would be slightly lower than they were last year.

Outlays in May 1999 were unusually low for two reasons. First, because May 1 fell on a Saturday this year, about \$10 billion in payments normally made on the first of the month were shifted to April 30. Second, the Treasury received about \$3 billion from the sale of assets previously acquired from the District of Columbia pension fund. In the absence of those circumstances, CBO estimates that outlays in May would have been about \$135 billion, only slightly above spending last May.

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

	October-May		Estimated Change
	FY1998	FY1999	
Receipts	1,121.1	1,180.1	59.0
Outlays	1,105.2	1,137.2	32.0
Surplus	16.0	43.0	27.0

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that receipts for the first eight months of fiscal year 1999 were about \$59 billion higher than for the same period last year. Outlays were up by an estimated \$32 billion. The cumulative surplus for the eight-month period is estimated to be about \$43 billion this year compared with \$16 billion last year. (The total surplus for all of fiscal year 1998 was \$69 billion.)

NOTE: Unless otherwise indicated, the figures in this *Monthly Budget Review* include Social Security trust funds and the Postal Service fund, which are off-budget.

**RECEIPTS THROUGH MAY**  
(In billions of dollars)

Major Source	October-May		Percentage Change
	FY1998	FY1999	
Individual Income	542.3	577.0	6.4
Corporate Income	106.6	98.1	-8.0
Social Insurance	383.7	405.8	5.8
Other	<u>88.7</u>	<u>99.3</u>	12.0
<b>Total</b>	<b>1,121.1</b>	<b>1,180.1</b>	<b>5.3</b>

SOURCES: Department of the Treasury and Congressional Budget Office.

Receipts are up by 5.3 percent for the first eight months of the fiscal year compared with the same period last year. That rate of increase is the lowest for the first eight months of a fiscal year since 1993 but is close to the rate that CBO expected for the period.

Although total receipts are on target, some components are not. Receipts of withheld individual income taxes are running higher than CBO anticipated, but that excess is offset by a shortfall in corporate income tax receipts. That pattern is consistent with economic developments over the past several months—wages have been higher than forecast, but profits have been somewhat lower. Estimated corporate tax payments due on June 15 will indicate whether the lower corporate income tax receipts will persist for the rest of the year.

**OUTLAYS THROUGH MAY**  
(In billions of dollars)

Major Category	October-May		Percentage Change
	FY1998	FY1999	
Defense—Military	169.5	171.8	1.4
Social Security			
Benefits	246.6	254.1	3.0
Medicare	142.2	138.7	-2.4
Medicaid	67.0	70.6	5.5
Net Interest on the			
Public Debt	167.8	158.2	-5.7
Other	<u>312.1</u>	<u>343.8</u>	10.1
<b>Total</b>	<b>1,105.2</b>	<b>1,137.2</b>	<b>2.9</b>

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays were 2.9 percent higher in the first eight months of fiscal year 1999 than in the same period last year. That growth rate matches the average annual growth rate for outlays over the 1995-1998 period.

Medicare spending continues to be the biggest surprise—outlays so far this year are about \$3.5 billion, or 2.4 percent, below last year's level. CBO believes that a reduction in spending for home health services accounts for much of that decline.

Net interest costs are also running below last year's level because interest rates have been lower and because budget surpluses have diminished federal borrowing from the public.

Spending for other programs is higher than in 1998. Compared with last year, outlays for Medicaid have increased by 5.5 percent, Social Security by 3 percent, and defense by about 1 percent. Spending for a variety of other programs and activities is up by about 10 percent.

**CURRENT PROJECTIONS FOR  
FISCAL YEAR 1999**  
(In billions of dollars)

	OMB	CBO
Total Receipts	1,806	1,815
Total Outlays	1,727	1,704
Total Surplus	79	111
On-budget deficit (-)	-42	-16
Off-budget surplus	121	127

SOURCES: Office of Management and Budget and Congressional Budget Office.

In compliance with the Congressional budget resolution for 2000, CBO will update its economic and budget forecast on July 1. Although CBO has not yet completed its new estimate of the 1999 surplus, current trends suggest that the surplus is likely to be slightly higher than the current projection of \$111 billion. Specifically, the continued slow pace of Medicare spending, along with slightly lower-than-anticipated outlays in a number of other areas, suggests that total outlays for 1999 may fall a bit short of CBO's current estimate of \$1,704 billion. In addition, the economy's rate of growth for the rest of the year is expected to be higher than CBO previously forecast, leading to a small increase in projected revenues for the fiscal year.