



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

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

February 11, 2000

CBO estimates that the total budget surplus for the first four months of fiscal year 2000 was \$40 billion, an increase of \$24 billion over the surplus recorded at the same point last year. CBO is currently projecting a total budget surplus of \$176 billion for the fiscal year, reflecting surpluses of \$23 billion in the on-budget accounts and \$153 billion in the off-budget accounts (mostly Social Security). In 1999, the government recorded an on-budget surplus of \$0.7 billion, the first such surplus since 1960.

DECEMBER RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	201.5	201.2	-0.3
Outlays	169.0	168.1	-0.9
Surplus	32.5	33.1	0.6

SOURCES: Department of the Treasury and Congressional Budget Office.

The Treasury reported a surplus of \$33.1 billion in December, slightly more than the \$32.5 billion that CBO had projected on the basis of the *Daily Treasury Statements*. Revenues were \$0.3 billion below CBO's preliminary estimate, and outlays were \$0.9 billion lower.

ESTIMATES FOR JANUARY

(In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	171.7	189.0	17.3
Outlays	101.2	128.2	27.0
Surplus	70.5	60.8	-9.7

SOURCES: Department of the Treasury and Congressional Budget Office.

The government typically runs a surplus in January because revenues are boosted by the quarterly payments of estimated individual income taxes and outlays are depressed by the shift into December of certain payments that would ordinarily be made on January 1. CBO estimates that the surplus this January was almost \$61 billion, about \$10 billion less than the surplus in January 1999. That comparison is distorted, however, because last year January 3 fell on a weekend and about

\$29 billion in Social Security payments were made in December instead of January. After adjusting for that shift, the surplus in January 2000 was about \$20 billion more than the surplus in January 1999.

BUDGET TOTALS THROUGH JANUARY

(In billions of dollars)

	October-January FY1999	October-January FY2000	Estimated Change
Receipts	584	633	48
Outlays	568	592	24
Surplus	16	40	24

SOURCES: Department of the Treasury and Congressional Budget Office.

The estimated surplus for the first four months of fiscal year 2000 was \$40 billion, compared with \$16 billion for the same period last year. Receipts were about \$48 billion higher than in fiscal year 1999, while outlays grew by only \$24 billion.

RECEIPTS THROUGH JANUARY

(In billions of dollars)

Major Source	October-January FY1999	October-January FY2000	Percentage Change
Individual Income	287	327	13.8
Corporate Income	53	54	1.7
Social Insurance	191	202	5.8
Other	53	50	-6.4
Total	584	633	8.3

SOURCES: Department of the Treasury and 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.

After the first four months of the fiscal year, revenues are 8.3 percent higher than at the same point a year earlier. Receipts from individual income taxes are up by almost 14 percent, reflecting strong withholding by employers in December and January as well as strong quarterly estimated payments by individuals in January. Receipts from corporate income taxes are up by nearly 2 percent after falling by about that same percentage in fiscal year 1999. Other receipts have declined by more than 6 percent, mainly because of a drop of 18 percent in excise tax revenues. That drop occurred because a large payment of excise taxes that had been postponed from the previous fiscal year was finally paid in October of last year. Excluding October, excise tax payments this year have grown by about 4 percent.

OUTLAYS THROUGH JANUARY
(In billions of dollars)

Major Category	October-January		Percentage Change
	FY1999	FY2000	
Defense—Military	85	90	6.5
Social Security			
Benefits	126	130	3.3
Medicare	69	70	2.5
Medicaid	35	38	7.6
Net Interest on the			
Public Debt	79	78	-1.4
Other	<u>175</u>	<u>186</u>	6.4
Total	568	592	4.2

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that outlays were 4.2 percent higher in the first four months of fiscal year 2000 than in the same period last year. That growth rate is higher than the 3.1 percent rate recorded for fiscal year 1999 as a whole.

Both of the major health care programs are growing more rapidly than they did last year. Medicare spending (which declined by almost 1 percent from 1998 to 1999) is up by about 2.5 percent so far this year. Medicaid spending (which grew by 6.9 percent in 1999) has increased by 7.6 percent in the first four months of fiscal year 2000. Defense outlays and payments of Social Security benefits are also rising at a faster pace than they did last year.

Net interest costs continue to decline, but higher interest rates are offsetting some of the savings obtained from reducing the public debt.

CURRENT PROJECTIONS
FOR FISCAL YEAR 2000
(In billions of dollars)

	OMB	CBO
Total Receipts	1,956	1,945
Total Outlays	1,776	1,769
Total Surplus	179	176
On-budget surplus	32	23
Off-budget surplus	148	153

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

Both CBO and the Office of Management and Budget (OMB) have recently released new projections of the budget outlook for fiscal year 2000. CBO is now estimating a total surplus of \$176 billion (in the absence of additional spending legislation), compared with OMB's estimate of \$179 billion. CBO is projecting that revenues will increase by 6.4 percent this year and outlays will grow by 3.9 percent. (See *The Budget and Economic Outlook: Fiscal Years 2001-2010*, January 2000.) OMB's estimates of total revenues and outlays are slightly higher. CBO anticipates an on-budget surplus for 2000 of \$23 billion; OMB estimates \$32 billion.