



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for February and the *Daily Treasury Statements* for March

April 10, 2000

CBO estimates that the government recorded a deficit of about \$32 billion for the first six months of fiscal year 2000, about \$17 billion less than the deficit at the same point last year. After adjusting for the shift of certain payments into March because April 1 fell on a weekend, the year-to-year improvement was greater—about \$28 billion. CBO currently projects a total budget surplus of \$179 billion for the fiscal year.

FEBRUARY RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	109.2	108.7	-0.5
Outlays	153.6	150.4	-3.2
Deficit (-)	-44.4	-41.7	2.7

SOURCES: Department of the Treasury; Congressional Budget Office.

The Treasury reported a deficit of \$41.7 billion in February, \$2.7 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. Two unanticipated events accounted for much of the difference. The Federal Deposit Insurance Corporation received a settlement of \$0.9 billion from closing failed thrift institutions, and the Small Business Administration recorded a \$0.8 billion reduction in outlays to reflect a revised estimate of the subsidy costs of its credit programs.

ESTIMATES FOR MARCH

(In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	130.4	137.3	6.9
Outlays	152.8	168.9	16.1
Deficit (-)	-22.4	-31.6	-9.2

SOURCES: Department of the Treasury; Congressional Budget Office.

The deficit in March was almost \$32 billion, CBO estimates, about \$9 billion more than the deficit in March 1999. That comparison is distorted, however, because this year April 1 fell on a weekend and about \$11 billion in payments usually made on the first of the month were made at the end of March instead. After adjusting for that shift, the deficit in March 2000 was about \$2 billion less than the deficit in March 1999.

BUDGET TOTALS THROUGH MARCH

(In billions of dollars)

	October-March		Estimated Change
	FY1999	FY2000	
Receipts	814	879	65
Outlays	863	911	48
Deficit (-)	-49	-32	17

SOURCES: Department of the Treasury; Congressional Budget Office.

The estimated deficit for the first six months of fiscal year 2000 was \$32 billion, compared with \$49 billion for the same period last year. Receipts were about \$65 billion higher than in fiscal year 1999, but outlays were only \$48 billion higher.

RECEIPTS THROUGH MARCH

(In billions of dollars)

Major Source	October-March		Percentage Change
	FY1999	FY2000	
Individual Income	381	418	9.6
Corporate Income	72	81	12.5
Social Insurance	287	306	6.8
Other	74	74	-0.4
Total	814	879	8.0

SOURCES: Department of the Treasury; Congressional Budget Office.

Receipts through the first six months of fiscal year 2000 were 8.0 percent higher than during the same period last year, CBO estimates. That rate of increase is faster than the 6.5 percent rate recorded in the first six months of last year but slower than the 10.0 percent increase during the same period two years ago. CBO expects the growth of receipts to slow in the second half of fiscal year 2000 as the economy slows.

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.

Proceeds from both individual and corporate income taxes have been growing faster than they did last year. Receipts from individual income taxes increased by 9.6 percent in the first half of this fiscal year, compared with 7.6 percent during the same period last year. Income tax withholding was particularly strong from December through February of this year. In addition, corporate income tax payments surged in March, the month when most corporations make their final settlements of liabilities for the previous tax year. As a result, those receipts were 12.5 percent higher for the first half of fiscal year 2000 than they were for the comparable period last year. (In comparison, corporate income tax receipts fell by about 5 percent in the first half of 1999 and by 2 percent over the entire year, and they rose by less than 4 percent in the five months of fiscal year 2000 before March.) The strong corporate payments in March may have been caused, at least in part, by unexpectedly strong profits in the fourth quarter of 1999 that were not fully reflected in companies' estimated payments in December. Profits as measured in the national income accounts grew sharply in the fourth quarter.

April, not surprisingly, is the biggest month for total receipts. CBO expects 15 percent of the year's receipts to be paid this month. Those collections will be a key indicator of the likely revenue totals for the year. Although individuals must submit their income tax returns by April 17, a clear picture of receipts for April will probably not be available until the very end of the month.

OUTLAYS THROUGH MARCH

(In billions of dollars)

Major Category	October-March		Percentage Change	
	FY 1999	FY 2000	Actual	Adjusted ^a
Defense—Military	129	140	8.5	6.4
Social Security				
Benefits	190	197	3.6	3.6
Medicare	104	112	7.2	4.1
Medicaid	53	57	8.7	8.7
Other Programs				
and Activities	<u>269</u>	<u>288</u>	7.2	5.2
Subtotal	745	794	6.6	5.1
Net Interest on the				
Public Debt	<u>118</u>	<u>117</u>	-1.2	-1.2
Total	863	911	5.5	4.2

SOURCES: Department of the Treasury; Congressional Budget Office.

a. Excludes the effects of payments that were shifted from April 2000 into March because April 1 was a Saturday.

By CBO's estimate, outlays were 5.5 percent higher in the first half of fiscal year 2000 than in the same period last year. After adjusting for the shift of April 1 payments, however, spending rose by about 4.2 percent. (CBO projects that outlays will grow by 3.7 percent for the entire fiscal year.)

Most categories of spending are increasing more rapidly this year than they did in 1999. Defense outlays have risen by more than 6 percent through March, compared with 2.1 percent growth for all of 1999. Medicare spending (which declined by almost 1 percent in 1999) is up by about 4.1 percent so far this year. And Medicaid spending (which grew by 6.9 percent in 1999) has increased by 8.7 percent through March. Social Security outlays, especially for disability benefits, are also rising at a faster pace than they did last year. But much of that extra growth is in retroactive benefits—always a volatile category.

Net interest costs have declined only slightly because higher interest rates have offset some of the savings provided by reducing the public debt. Spending for other programs and activities, which grew by almost 10 percent last year, has risen by about 5 percent during the first half of 2000. In total, spending other than for interest has grown by about 5.1 percent in the first half of the year. The comparable figure for all of fiscal year 1999 was 4.7 percent.