



# MONTHLY BUDGET REVIEW

## Fiscal Year 2000

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for June and the *Daily Treasury Statements* for July

August 10, 2000

With the economy continuing to show strength, CBO estimates that the government recorded a total budget surplus of about \$179 billion for the first 10 months of fiscal year 2000—\$110 billion more than the surplus at the same point last year. In its *Budget and Economic Outlook: An Update*, released in July, CBO projected that under current policies, the total surplus for the year would reach \$232 billion and the on-budget surplus would amount to \$84 billion.

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

	Preliminary		
	Estimate	Actual	Difference
Receipts	215	215	*
Outlays	158	159	*
Surplus	56	56	*

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

The Treasury reported a surplus of \$56 billion in June, the same amount CBO had projected on the basis of the *Daily Treasury Statements*. Both revenues and outlays were within a few hundred million dollars of CBO's estimates.

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

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	122	134	12
Outlays	147	131	-16
Surplus or Deficit(-)	-25	3	28

SOURCES: Department of the Treasury; Congressional Budget Office.

The United States has historically recorded deficits in July, but CBO estimates that this year's strong budgetary performance combined with a calendar anomaly resulted in a small surplus last month.

Receipts remained strong in July, running \$12 billion, or about 10 percent, higher than in July 1999. Withheld income and employment taxes, which are closely tied to the strength of the economy, grew by about \$8.5 billion, or 8.5 percent, compared with last July. That growth represents a slight slowdown from the increases of more than 9 percent registered in the previous five months. Whether that deceleration corresponds to a slowing down of the economy is unclear, however, because monthly receipts may vary for other reasons as well.

Receipts from corporate income taxes and from the Federal Reserve System, though small, were also strong. Corporate payments, which were \$3.4 billion in July 1999, totaled \$4.9 billion this July—but those receipts can be very volatile on a monthly basis, especially in months, such as July, when relatively few companies pay estimated income taxes. Payments from the Federal Reserve grew from \$1.9 billion last July to \$2.6 billion this July, partly because the value of the dollar declined this June, causing an increase in the value of foreign securities held by the Federal Reserve System. Such gains are remitted to the Treasury.

Outlays in July were \$16 billion below the corresponding figure last year, but calendar effects more than account for that swing. Last year, outlays in July were unusually high because August 1 fell on a weekend, so almost \$10 billion in federal payments usually made on the first of the month were made at the end of July instead. This year, outlays in July were unusually low because July 1 fell on a Saturday, so nearly \$11 billion in payments were shifted into June.

Without those effects of the calendar, outlays in July 2000 would have been \$4 billion to \$5 billion higher than they were last July, and the improvement in the deficit would have been about \$8 billion.

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

	October-July		Estimated Change
	FY1999	FY2000	
Receipts	1,501	1,668	167
Outlays	1,431	1,488	57
Surplus	69	179	110

SOURCES: Department of the Treasury; Congressional Budget Office.

The surplus for the first 10 months of fiscal year 2000 was about \$179 billion, CBO estimates, or \$110 billion above the surplus recorded for that period last year. Receipts were about \$167 billion higher than in fiscal year 1999, but outlays were only \$57 billion higher.

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.

**RECEIPTS THROUGH JULY**

(In billions of dollars)

Major Source	October-July		Percentage Change
	FY1999	FY2000	
Individual Income	729	832	14.1
Corporate Income	141	159	13.0
Social Insurance	507	545	7.4
Other	<u>123</u>	<u>132</u>	6.7
Total	1,501	1,668	11.1

SOURCES: Department of the Treasury; Congressional Budget Office.

Receipts through the first 10 months of fiscal year 2000 were 11 percent higher than during the same period last year, CBO estimates. Receipts from individual income taxes have risen by more than 14 percent, and revenues from corporate income taxes have grown by 13 percent. Social insurance taxes and other receipts have increased by about 7 percent.

The current growth rate of receipts is substantially faster than the 6.4 percent that CBO projected in January. Strong economic growth accounts for much of that surge. As a result, CBO revised its revenue projections upward in July and now anticipates that receipts will total over \$2.0 trillion this year, an increase of about 10 percent from last year. That would be the fastest annual growth rate since 1987, when revenues rose by 11 percent.

**OUTLAYS THROUGH JULY**

(In billions of dollars)

Major Category	October-July		Percentage Change	
	FY1999	FY2000	Actual	Adjusted <sup>a</sup>
Defense—Military	219	231	5.8	7.0
Social Security				
Benefits	318	334	4.8	4.8
Medicare	178	181	1.6	3.6
Medicaid	89	96	8.3	8.3
Other Programs and Activities	<u>431</u>	<u>450</u>	4.8	5.6
Subtotal	1,236	1,293	4.6	5.5
Net Interest on the Public Debt	<u>196</u>	<u>195</u>	-0.5	-0.5
Total	1,431	1,488	3.9	4.7

SOURCES: Department of the Treasury; Congressional Budget Office.

a. Excludes the effects of payments that were shifted from August 1999 into July because August 1 was a Sunday.

CBO estimates that outlays were 3.9 percent higher in the first 10 months of fiscal year 2000 than in the same period of 1999. After adjusting for the shift of payments from August into July 1999, that rate of increase grows to 4.7 percent.

Medicaid and defense are the fastest-growing categories of spending. Medicaid outlays, which increased by an average of 6.3 percent a year from 1997 through 1999, have risen by about 8.3 percent so far this year. And after substantial expenditures in June, defense spending is growing at an annual rate of about 7 percent. (From 1997 to 1999, it grew by a total of just 1.2 percent.)

**RECENT BASELINE PROJECTIONS FOR FISCAL YEAR 2000**

(In billions of dollars)

	OMB	CBO
Total Receipts	2,013	2,008
Total Outlays	1,789	1,776
Total Surplus	224	232
On-budget surplus	75	84
Off-budget surplus	148	149

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

In the past several weeks, both the Office of Management and Budget and CBO released updated budget projections. For fiscal year 2000, the Administration estimated that the total surplus would be \$224 billion in the absence of additional legislation.

In CBO's new baseline projections, which incorporated data through early June, the total surplus for 2000 was estimated at \$232 billion, assuming no subsequent legislation that would affect the budget. No developments have occurred since then that would indicate a substantial change in the budget outlook.