



# MONTHLY BUDGET REVIEW

## Fiscal Year 2001

### A Congressional Budget Office Analysis

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

June 8, 2001

The federal government ran a surplus of about \$135 billion in the first eight months of fiscal year 2001, CBO estimates, \$14 billion more than in the same period last year. The recently enacted tax bill will reduce the projected surplus for fiscal year 2001 by about \$74 billion, resulting in a total surplus for the year in the vicinity of \$200 billion if no further legislation affecting revenues or spending is enacted this year. (The total surplus for fiscal year 2000 was \$236 billion.)

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

	Preliminary Estimate	Actual	Difference
Receipts	331	332	*
Outlays	142	142	*
Surplus	189	190	*

SOURCES: Department of the Treasury; CBO.

NOTE: \* = between zero and \$500 million.

The Treasury reported a surplus of \$189.8 billion in April, the largest monthly surplus ever and just a few hundred million dollars more than CBO had projected on the basis of the *Daily Treasury Statements*. The fact that revenues were \$0.4 billion higher than CBO anticipated accounted for most of the difference.

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

	Actual FY2000	Preliminary FY2001	Estimated Change
Receipts	146	125	-21
Outlays	150	156	6
Deficit (-)	-4	-30	-27

SOURCES: Department of the Treasury; CBO.

CBO estimates that the Treasury recorded a deficit in May 2001 of about \$30 billion—\$27 billion more than in May 2000. Outlays were up by about \$6 billion, and receipts were \$21 billion below the level of last May.

Calendar differences and payments to the Treasury from the Federal Reserve account for the decline in receipts. The calendar contributed in two ways. First,

the deadline for filing personal income tax returns this year was April 16, which enabled the Internal Revenue Service to process the returns and deposit the checks in time to include nearly all the receipts in April's tabulation. Last year, the filing deadline was one day later, and as a result, about \$14 billion in receipts were included in May's tabulation. The calendar also contributed approximately \$5 billion to the reduction in receipts because May 2001 contained one fewer Monday—typically the biggest payment day of the week—than did May 2000. In addition, receipts in May of last year were unusually high because of a one-time payment by the Federal Reserve implementing legislation enacted in 1999. That payment accounts for about \$4 billion of the year-to-year difference. Adjusted for those three effects, receipts were slightly higher this May.

Medicare and Medicaid accounted for almost \$5 billion of the increase in outlays. Defense spending was higher, and payments of unemployment compensation also rose, by about \$800 million. Spending by the Commerce Department declined because last year's outlays included costs for the decennial census.

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

	October-May FY2000	October-May FY2001	Estimated Change
Receipts	1,318	1,378	60
Outlays	1,198	1,243	46
Surplus	121	135	14

SOURCES: Department of the Treasury; CBO.

CBO estimates that the government recorded a surplus of \$135 billion for the first eight months of fiscal year 2001—about \$14 billion more than for the same period last year. Receipts in those eight months were about \$60 billion higher than last year's, and outlays were about

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.

\$46 billion higher. The outlay figure for 2001 reflects 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.

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

Major Source	October-May		Percentage Change
	FY2000	FY2001	
Individual Income	665	705	5.9
Corporate Income	114	108	-4.7
Social Insurance	434	465	7.2
Other	106	100	-5.6
Total	1,318	1,378	4.5

SOURCES: Department of the Treasury; CBO.

Receipts for the first eight months of fiscal year 2001 were, by CBO's estimates, \$60 billion, or 4.5 percent, higher than during the same period last year. Receipts from taxes that are based on personal income grew: social insurance receipts increased 7.2 percent, while individual income tax receipts rose 5.9 percent.

Weakness in corporate profits caused receipts from corporate income taxes to fall by 4.7 percent compared with the same period a year ago. The weakness has developed very recently: from February through May, corporate receipts declined about 20 percent compared with last year. An important indicator of corporate receipts occurs on June 15, when most corporations make their second quarterly payment of estimated taxes for tax year 2001. Largely as a result of the recent unexpected weakness in corporate receipts, CBO has reduced its projection of total receipts by \$20 billion for fiscal year 2001 and by smaller amounts for 2002 and 2003.

Other receipts have also fallen in the first eight months of fiscal year 2002, because of the effects of legislation. The decline of \$6 billion, or 5.6 percent, was caused by a reduction in payments to the Treasury by the Federal Reserve. The 1999 legislation increased the Federal Reserve's payment in May 2000, leading to a corresponding reduction in payments early in fiscal year 2001. That acceleration in payments resulted in higher receipts in 2000 and lower receipts in 2001, accounting for a year-to-year decline of \$7.5 billion for the October-May period. Other sources of receipts—excise taxes, estate and gift tax receipts, customs duties, miscellaneous fees, and fines—have all been close to last year's level.

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

Major Category	October-May		Percentage Change	
	FY2000	FY2001	Actual	Adjusted <sup>a</sup>
Defense—Military	183	189	3.3	4.9
Social Security				
Benefits	265	281	6.0	6.0
Medicare	144	156	7.7	7.7
Medicaid	77	86	12.3	12.3
Other Programs and Activities	371	382	3.2	4.3
Subtotal	1,040	1,095	5.2	5.9
Net Interest on the Public Debt	158	149	-5.6	-5.6
Total	1,198	1,243	3.8	4.4

SOURCES: Department of the Treasury; CBO.

a. Excludes the effects of payments that were shifted from October 2000 to September because October 1 was a Sunday.

Outlays were 3.8 percent higher in the first eight months of fiscal year 2001 than in the same period last year, CBO estimates. Adjusted for the payments that were shifted from October 2000 into September, the growth rate was about 4.4 percent.

Among the major categories of spending, Medicaid continues to show the most rapid growth—up by over 12 percent so far this fiscal year. (It has grown at a rate of almost 14 percent over the past four months.) Medicare spending has risen by almost 8 percent so far this year, and that growth rate will accelerate because of increased payment rates to health care providers. CBO projects that, by the end of the fiscal year, Medicare spending will be 10 percent above last year's level.

### CURRENT ESTIMATE FOR FISCAL YEAR 2001

In May, CBO revised its estimate of the surplus for fiscal year 2001. Projected revenues were reduced by \$20 billion, largely reflecting weakness in corporate tax receipts. That change was partly offset by a \$14 billion drop in estimated outlays. The decline in outlays largely results from a net reduction of \$11 billion in estimated subsidy costs for credit programs that the Office of Management and Budget plans to record this year. In addition, the tax bill just enacted provides for \$41 billion in rebates and tax reductions in the current fiscal year and shifts about \$33 billion in corporate tax payments from September 15 to October 1. All told, CBO now estimates that the surplus for fiscal year 2001 will be in the vicinity of \$200 billion.