



MONTHLY BUDGET REVIEW

Fiscal Year 1999

A Congressional Budget Office Analysis

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

May 7, 1999

Fiscal year 1999 revenues through April are very close to CBO's expectations, and outlays for a number of programs are slightly lower than anticipated. In particular, spending for Medicare remains below last year's level. CBO is not revising its projection of the 1999 surplus (\$111 billion) at this time. But if current trends continue, it is unlikely to lower that estimate and may increase the estimate slightly when it issues a new forecast on July 1.

MARCH RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	129.3	130.3	1.1
Outlays	149.3	152.7	3.4
Deficit (-)	-20.1	-22.4	2.3

SOURCES: Department of the Treasury and Congressional Budget Office.

The actual March deficit of \$22.4 billion reported by the Treasury Department was \$2.3 billion more than CBO's preliminary estimate, which was based on daily Treasury statements for the month. Actual receipts and outlays were both greater than preliminary estimates, but the deficit was larger because the difference in outlays exceeded that in receipts. Most of the outlay difference occurred because the Department of Education apparently overstated its actual outlays by about \$1.5 billion and because defense outlays were \$1.6 billion higher than CBO anticipated.

ESTIMATES FOR APRIL (In billions of dollars)

	Actual 1998	Preliminary 1999	Estimated Change
Receipts	261.0	266.5	5.5
Outlays	136.4	151.1	14.7
Surplus	124.6	115.4	-9.2

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that the surplus for April was \$115 billion, about \$9 billion less than for the same month last year. But the April results this year reflect two

quirks of the calendar that complicate comparisons with last year's figures. First, there were five Fridays in April this year, as opposed to four last year. Because individual income tax refunds are paid on Friday, the extra Friday this year cut net revenue for the month by about \$6 billion. Excluding those extra refunds, revenues this April would be about 4 percent higher than last year.

Second, because May 1 this year fell on a Saturday, about \$10 billion in payments normally made on the first of the month were shifted to April 30. If that shift had not occurred, estimated outlays in April would be about \$4.5 billion—or 3 percent—higher than last year.

BUDGET TOTALS THROUGH APRIL (In billions of dollars)

	October-April		Estimated Change
	FY1998	FY1999	
Receipts	1,025.9	1,080.5	54.7
Outlays	971.1	1,015.1	44.0
Surplus	54.7	65.4	10.7

SOURCES: Department of the Treasury and Congressional Budget Office.

CBO estimates that receipts for the first seven months of fiscal year 1999 were about \$55 billion higher than for the same period last year. Outlays were up by an estimated \$44 billion. The cumulative surplus for the seven-month period is estimated to be about \$65 billion this year compared with \$55 billion last year. But the year-over-year improvement is actually much greater than those figures indicate. After adjusting for the calendar quirks that shifted both tax refunds and additional spending into April, the 1999 surplus so far is about \$27 billion greater than the surplus at the same time last year.

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 APRIL

(In billions of dollars)

Major Source	October-April		Percentage Change
	FY1998	FY1999	
Individual Income	512.3	544.6	6.3
Corporate Income	103.3	95.3	-7.8
Social Insurance	332.4	351.8	5.8
Other	<u>77.9</u>	<u>88.9</u>	14.2
Total	1,025.9	1,080.5	5.3

SOURCES: Department of the Treasury and Congressional Budget Office.

Receipts are up by 5.3 percent for the first seven months of the fiscal year compared with the same period last year. That increase would have been 5.9 percent without the extra refunds in April this year. The 5.3 percent rate of increase is very near the 5.1 percent rate that CBO expected for the period. Thus, 1999 receipts are likely to be quite close to CBO's current estimate of \$1,815 billion.

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 nearly offset by a shortfall in corporate income tax receipts. That pattern is likely to continue for the rest of the year. It is consistent with economic developments over the past several months—wages have been higher than forecast, but profits have been somewhat lower.

OUTLAYS THROUGH APRIL

(In billions of dollars)

Major Category	October-April		Percentage Change	
	FY1998	FY1999	Actual	Adjusted ^a
Defense—Military	147.3	152.4	3.5	1.8
Social Security				
Benefits	215.4	222.0	3.1	3.1
Medicare	125.2	125.2	0	-2.5
Medicaid	59.1	62.5	5.7	5.7
Net Interest on the				
Public Debt	146.5	137.9	-5.9	-5.9
Other	<u>277.8</u>	<u>315.1</u>	13.5	11.7
Total	971.1	1,015.1	4.5	3.5

SOURCES: Department of the Treasury and Congressional Budget Office.

a. Excludes the effects of payments that were shifted from May 1 to April 30, 1999, because May 1 was a Saturday.

CBO estimates that outlays were 4.5 percent higher in the first seven months of fiscal year 1999 than in the same period last year. After accounting for this year's shift of May payments into April, those outlays are running about 3.5 percent above last year's level.

Social Security spending continues to grow at an annual rate of about 3 percent; Medicaid outlays are up by nearly 6 percent compared with last year; and net interest payments have declined by almost 6 percent.

The shift of May 1 payments described above results in artificially high rates of increase in other types of spending. After adjusting for that shift, Medicare spending is really about \$3 billion, or 2.5 percent, below last year's outlays. Similarly, defense spending is up by less than 2 percent, and spending for various other federal programs has grown by about 12 percent, compared with the first seven months of fiscal year 1998.

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 accordance with the recently adopted Congressional budget resolution, CBO will update its economic and budget forecast on July 1. The continued slow pace of Medicare spending, along with outlays in a number of other areas that are slightly lower than anticipated, suggests that total outlays for 1999 may fall a bit short of CBO's current estimate of \$1,704 billion. That trend, combined with the revenue results to date, indicates that CBO is unlikely to lower its estimate of the 1999 surplus in July and may raise the estimate slightly.