



MONTHLY BUDGET REVIEW

Fiscal Year 2000

A Congressional Budget Office Analysis

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

July 11, 2000

CBO estimates that the government recorded a total budget surplus of about \$177 billion for the first nine months of fiscal year 2000, substantially above the \$94 billion surplus recorded at the same point last year. Revenue growth continues to be strong, stimulated by the robust economy, and it now appears that the total budget surplus for the year will be well in excess of \$200 billion. CBO will release new, detailed budget projections next week.

MAY RESULTS (In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	144	146	2
Outlays	148	150	2
Deficit (-)	-4	-4	*

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$0.5 billion.

The Treasury reported a deficit of \$3.6 billion in May, the same amount that CBO had projected on the basis of the *Daily Treasury Statements*. Revenues were almost \$2 billion more than originally estimated, mostly because of higher receipts from individual income taxes. Outlays were also about \$2 billion higher than estimated, largely because of greater spending for net interest and miscellaneous programs.

ESTIMATES FOR JUNE (In billions of dollars)

	Actual FY1999	Preliminary FY2000	Estimated Change
Receipts	200	215	15
Outlays	146	158	12
Surplus	54	56	3

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the surplus in June was close to \$56 billion, about \$3 billion more than in June 1999. That increase is smaller than it would have been without two quirks of the calendar. In 1999, Memorial Day fell on

the last day of May, pushing several billion dollars of receipts from withheld taxes into June. And this year, July 1 fell on a weekend, so almost \$11 billion in payments usually made on the first of the month were made at the end of June instead. After adjusting for those shifts in the timing of revenues and outlays, the surplus was \$16 billion to \$17 billion more in June 2000 than in June 1999, primarily because of revenue growth.

The strong growth of revenues in June resulted mainly from individual income taxes, especially nonwithheld taxes. Those nonwithheld receipts, which largely represented quarterly payments of estimated taxes, grew by 16 percent from the June 1999 level. Withheld taxes also grew strongly, by about 10 percent (after adjusting for the Memorial Day timing shift). Quarterly estimated payments by corporations, however, were only about 5 percent above last June's level—much slower growth than the 15 percent rate recorded during the first eight months of this fiscal year.

BUDGET TOTALS THROUGH JUNE (In billions of dollars)

	October-June		Estimated Change
	FY1999	FY2000	
Receipts	1,379	1,533	154
Outlays	1,284	1,356	72
Surplus	94	177	82

SOURCES: Department of the Treasury; Congressional Budget Office.

The estimated surplus for the first nine months of fiscal year 2000 was \$177 billion, almost twice the size of the surplus for the same period last year. Receipts were about \$154 billion higher than in fiscal year 1999, but outlays were only \$72 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 JUNE

(In billions of dollars)

Major Source	October-June		Percentage Change
	FY1999	FY2000	
Individual Income	670	767	14.5
Corporate Income	137	155	12.6
Social Insurance	461	493	7.0
Other	<u>111</u>	<u>119</u>	6.7
Total	1,379	1,533	11.2

SOURCES: Department of the Treasury; Congressional Budget Office.

By CBO's calculation, total receipts for the first three quarters of the fiscal year were 11 percent higher than for the same period last year. (In comparison, revenues grew at an average rate of 7.7 percent a year from 1994 through 1999.) Individual and corporate income taxes have shown the largest rates of increase in 2000—14.5 percent and 12.6 percent, respectively. Receipts from social insurance taxes and other sources both grew by about 7 percent.

Receipts for the first nine months of fiscal year 2000 were more than \$50 billion higher than CBO projected in its January baseline. Economic growth has been stronger than expected, boosting taxable income. The increase in receipts is likely to expand further as the fiscal year continues because it is very unlikely that economic growth will slow quickly enough to offset the strength to date.

OUTLAYS THROUGH JUNE

(In billions of dollars)

Major Category	October-June		Percentage Change	
	FY1999	FY2000	Actual	Adjusted ^a
Defense—Military	194	209	7.7	6.5
Social Security				
Benefits	286	299	4.6	4.6
Medicare	158	166	5.2	3.2
Medicaid	80	87	8.8	8.8
Other Programs and Activities	<u>390</u>	<u>420</u>	7.7	6.4
Subtotal	1,108	1,181	6.6	5.7
Net Interest on the Public Debt	<u>177</u>	<u>175</u>	-0.7	-0.7
Total	1,284	1,356	5.6	4.8

SOURCES: Department of the Treasury; Congressional Budget Office.

a. Excludes the effects of payments that were shifted from July 2000 to June because July 1 was a Saturday.

CBO estimates that outlays were 5.6 percent higher in the first nine months of fiscal year 2000 than in the same period last year. After adjusting for the shift of July 1 payments, however, spending rose by about 4.8 percent for the nine-month period. Through the first four months of this year (October through January), the rate of increase was 4.1 percent; thus, despite a relatively slow June, outlays have been growing faster in recent months than they did in the early part of the year. The 4.8 percent growth rate for the year to date is well above the rate for 1999 (3.0 percent) or for the 1994-1999 period (3.1 percent).

The Congress has just taken action that will increase total outlays for fiscal year 2000. The recently passed military construction appropriation act (H.R. 4425) includes \$11 billion in new funding for 2000 for defense, aid to victims of natural disasters, and other programs, which will add about \$2 billion in outlays for the current fiscal year. (Much of the spending from that new funding will occur in fiscal years 2001 and 2002.) The act will also shift about \$10 billion in payments that are now scheduled to be made in 2001 into 2000. Those payments include certain salaries, veterans' benefits, Supplemental Security Income benefits, foreign aid, and payments to defense contractors that had previously been shifted from 2000 into 2001.