



MONTHLY BUDGET REVIEW

Fiscal Year 1998

A Congressional Budget Office Analysis

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

July 9, 1998

A \$50 billion surplus is estimated for June, \$4 billion lower than the surplus reported for the same month one year ago. The results through June and preliminary estimates for the final quarter suggest that fiscal year 1998 will end with a total surplus near the upper end of the \$43 billion to \$63 billion range that CBO projected in May. Excluding the more than \$100 billion surplus estimated for off-budget items (Social Security and the Postal Service), the government's on-budget activities would show a deficit near the low end of the \$41 billion to \$59 billion range reported last month.

MAY RESULTS^a (In billions of dollars)

	May Estimate	May Actual	Difference
Receipts	95.6	95.3	-0.3
Outlays	133.0	134.1	1.1
Deficit (-)	-37.4	-38.8	1.4

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

The May deficit of \$38.8 billion was \$1.4 billion above CBO's estimate for the month, within the typical \$2 billion error range for monthly estimates.

CBO ESTIMATES FOR JUNE^a (In billions of dollars)

	June 1997	June 1998	Estimated Change
Receipts	173.4	187.2	13.8
Outlays	118.7	136.8	18.1
Surplus	54.6	50.4	-4.2

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

June receipts are estimated to be about \$14 billion higher than a year ago, boosted in part by one more working day this year. Outlays are expected to be about \$18 billion higher than were recorded for June 1997, in large part because last year June 1 fell on a weekend and about \$8 billion in monthly payments were shifted to May.

COMPARISON WITH LAST YEAR^a (By fiscal year, in billions of dollars)

	October-June		Estimated Change
	1997	1998	
Receipts	1,191.5	1,308.4	116.8
Outlays	1,202.6	1,242.0	39.4
Deficit (-) or Surplus	-11.1	66.4	77.4

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

Receipts for the first three quarters of the fiscal year are up \$117 billion over the amount collected last year for the same period, while outlays are up by only \$39 billion. The cumulative net result for October through June is expected to be a surplus of \$66 billion, a \$77 billion improvement over the comparable result last year.

RECEIPTS THROUGH JUNE^a (By fiscal year, in billions of dollars)

Major Source	October-June		Percentage Change
	1997	1998	
Individual Income	559.7	623.4	11.4
Corporate Income	139.0	146.8	5.6
Social Insurance	405.0	439.1	8.4
Other	87.8	99.2	12.9
Total	1,191.5	1,308.4	9.8

SOURCE: Department of the Treasury and Congressional Budget Office.

a. Includes Social Security trust funds and the Postal Service fund, which are off-budget.

Receipts in June were swollen by quarterly payments for nonwithheld individual income taxes and for corporate income taxes. Those payments were somewhat higher than expected, suggesting that September receipts also will be somewhat higher than previously projected.

Receipts through June are up 9.8 percent over the comparable nine-month period one year ago. The rate of growth in receipts over last year has fallen sharply during the past two months. Receipt growth for October through April was 11.1 percent, but only 5.5 percent for May and June combined. The lower revenue growth rate is expected to continue for the July-September quarter, bringing the revenue growth rate for the fiscal year as a whole down to about 8.7 percent, matching last year's rate.

Overall, total receipts for 1998 are now expected to be near the upper end of the \$1,705 billion to \$1,715 billion range that CBO projected in May.

OUTLAYS THROUGH JUNE^a
(By fiscal year, in billions of dollars)

Major Category	October-June		Percentage Change
	1997	1998	
Defense-Military	192.9	191.6	-0.6
Social Security Benefits	267.6	277.9	3.8
Medicare and Medicaid	227.7	235.8	3.6
Net Interest on the			
Public Debt	187.5	187.6	b
Other	<u>326.9</u>	<u>349.1</u>	6.8
Total	1,202.6	1,242.0	3.3

SOURCE: Department of the Treasury and Congressional Budget Office.

- a. Includes Social Security trust funds and the Postal Service fund, which are off-budget
- b. Less than 0.05 percent.

Outlays in June were not affected by the calendar this year. Outlays for the first three quarters are up 3.3 percent over last year's level and are expected to be up 3.5 percent during the final quarter. For the fiscal year as a whole, outlays are now expected to be near the low end of the \$1,652 billion to \$1,662 billion range projected by CBO in May.

FISCAL YEAR 1998 PROJECTIONS
(In billions of dollars)

	OMB May	CBO May
Total Receipts	1,704	1,705 to 1,715
Total Outlays	1,665	1,652 to 1,662
Total Surplus	39	43 to 63
On-budget deficit (-)	-63	-41 to -59
Off-budget surplus	102	102 to 104

SOURCE: Office of Management and Budget and Congressional Budget Office.

Based on results through June and estimates for the next three months, fiscal year 1998 is expected to end with a total surplus near the upper end of the \$43 billion to \$63 billion range projected by CBO in May. The total budget includes the Social Security trust funds and the Postal Service, which are treated as off-budget items. Excluding the more than \$100 billion surplus in the off-budget items, the remaining on-budget component is expected to show a deficit near the lower end of the \$41 billion to \$59 billion range under CBO's May estimates.