



MONTHLY BUDGET REVIEW

Fiscal Year 2001

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for October and the *Daily Treasury Statements* for November

December 8, 2000

The deficit for the first two months of fiscal year 2001 was \$36 billion, CBO estimates, \$17 billion less than for the same period last year. After adjusting for the shift of certain payments from October into September 2000 (because October 1 fell on a weekend), the improvement in the deficit so far this year was smaller—about \$10 billion.

OCTOBER RESULTS

(In billions of dollars)

| | Preliminary | | Difference |
|-------------|-------------|--------|------------|
| | Estimate | Actual | |
| Receipts | 135 | 135 | * |
| Outlays | 147 | 146 | -1 |
| Deficit (-) | -12 | -11 | * |

SOURCES: Department of the Treasury; Congressional Budget Office.

NOTE: * = less than \$500 million.

The Treasury reported a deficit of \$11.3 billion in October, slightly less than CBO had projected on the basis of the *Daily Treasury Statements*. Both revenues and outlays came very close to what CBO had expected.

ESTIMATES FOR NOVEMBER

(In billions of dollars)

| | Actual FY2000 | Preliminary FY2001 | Estimated Change |
|-------------|------------------|-----------------------|---------------------|
| Receipts | 121 | 126 | 5 |
| Outlays | 148 | 151 | 3 |
| Deficit (-) | -27 | -25 | 2 |

SOURCES: Department of the Treasury; Congressional Budget Office.

The deficit in November was about \$25 billion, CBO estimates, almost identical to the \$27 billion deficit incurred last November. Both revenues and outlays exceeded last year's figures by small amounts. Receipts from individual and corporate income taxes and social insurance taxes were higher than in November 1999, but Federal Reserve payments and estate and gift taxes were lower. Outlays for Social Security benefits and Medicare combined were about \$3 billion higher this November than last; defense spending was higher as well. Payments to farmers by the Commodity Credit Corporation were about \$4 billion lower.

BUDGET TOTALS THROUGH NOVEMBER

(In billions of dollars)

| | October-November | | Estimated Change |
|-------------|------------------|--------|---------------------|
| | FY2000 | FY2001 | |
| Receipts | 242 | 261 | 19 |
| Outlays | 296 | 298 | 2 |
| Deficit (-) | -53 | -36 | 17 |

SOURCES: Department of the Treasury; Congressional Budget Office.

CBO estimates that the deficit for the first two months of fiscal year 2001 was \$36 billion—about \$17 billion less than in the same period last year. Receipts for those two months were about \$19 billion higher than last year, while outlays were up by only about \$2 billion. But the outlay figures for 2001 reflect 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. Adjusted for that timing shift, the year-over-year improvement in the two-month deficit figure was about \$10 billion.

RECEIPTS THROUGH NOVEMBER

(In billions of dollars)

| Major Source | October-November | | Percentage Change |
|-------------------|------------------|-----------|----------------------|
| | FY2000 | FY2001 | |
| Individual Income | 121 | 137 | 13.0 |
| Corporate Income | 4 | 4 | 6.9 |
| Social Insurance | 93 | 99 | 6.2 |
| Other | <u>25</u> | <u>22</u> | -11.0 |
| Total | 242 | 261 | 7.8 |

SOURCES: Department of the Treasury; Congressional Budget Office.

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.

For the first two months of fiscal year 2001, total receipts were up by 7.8 percent compared with the same period last year. Receipts from individual income taxes accounted for most of the increase, rising by \$16 billion, or 13 percent, over that period. Receipts from corporate income taxes were up by \$0.3 billion, or 6.9 percent, but few corporations make estimated payments in those two months. Social insurance tax receipts grew by \$6 billion, or 6.2 percent—slightly less than the 6.7 percent growth rate for fiscal year 2000.

Other sources of revenue fell by almost \$3 billion, or 11 percent. Receipts from the Federal Reserve accounted for most of that decline. Legislation enacted in 1999 required the Federal Reserve to boost its payments to the Treasury by \$4 billion in fiscal year 2000. However, the Federal Reserve has reduced its payments in the first two months of fiscal year 2001 by \$2.2 billion. CBO anticipates further reductions in such payments in the coming weeks.

OUTLAYS THROUGH NOVEMBER (In billions of dollars)

| Major Category | October-November | | Percentage Change | |
|---------------------------------|------------------|-----------|-------------------|-----------------------|
| | FY2000 | FY2001 | Actual | Adjusted ^a |
| Defense—Military | 44 | 43 | -1.7 | 4.9 |
| Social Security | | | | |
| Benefits | 65 | 68 | 5.8 | 5.8 |
| Medicare | 35 | 38 | 8.1 | 8.1 |
| Medicaid | 18 | 21 | 11.3 | 11.3 |
| Other Programs and Activities | <u>94</u> | <u>89</u> | -5.3 | -0.7 |
| Subtotal | 256 | 259 | 1.2 | 4.0 |
| Net Interest on the Public Debt | <u>39</u> | <u>38</u> | -2.6 | -2.6 |
| Total | 296 | 298 | 0.7 | 3.1 |

SOURCES: Department of the Treasury; Congressional Budget Office.

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

CBO estimates that outlays were 0.7 percent higher for the first two months of fiscal year 2001 than for the same period last year. After adjusting for the payments that were shifted from October 2000 into September, the growth rate comes to about 3.1 percent.

Spending for the government's major health care programs grew rapidly in October and November. After posting year-over-year increases of 8.7 percent during the first nine months of fiscal year 2000 and 10.3 percent during the last three months, Medicaid outlays rose by more than 11 percent in the first two months of this fiscal year. Spending for Medicare, which grew by 3.3 percent in fiscal year 2000, increased by over 8 percent so far this year.

Outlays for Social Security benefits and defense grew by about 6 percent and 5 percent, respectively, in the past two months, while spending for other programs and activities declined. That decrease occurred primarily because emergency payments to farmers from the Commodity Credit Corporation (CCC) for the 2000 crop were made in September 2000, whereas similar payments last year were made in October and November. The CCC's outlays totaled \$13.3 billion in October and November last year; this year, they amounted to less than \$8 billion. But that drop was offset by the fact that the CCC's outlays in September 2000 were almost \$6 billion more than in the previous September.