

CBO: Revenues Up 1 Percent So Far in FY2004, Outlays Up 6 Percent

February 15, 2004

The Congressional Budget Office (CBO) released its [Monthly Budget Review](#) on February 6, which shows the budget deficit continuing to worsen.

Based on preliminary budget figures through January, CBO estimates that overall federal revenues rose by just over 1 percent in the first 4 months of fiscal year 2004 (compared with the first four months of fiscal year 2003).

Individual income taxes were down 3 percent compared with the prior year, mostly due to continued tax cuts. Payroll taxes were up by only 1 percent, reflecting the [sluggish growth in wages and salaries](#), especially under the Social Security payroll tax cap of \$87,900 a year.

Corporate income taxes surged by 38 percent, sparked by a large increase in corporate profits over the last year and some timing shifts in tax due dates. However, corporate income taxes only accounted for 7.5 percent of all federal revenues during the first 4 months of the fiscal year.

TOTAL RECEIPTS (Billions of dollars)			
Major Source	Actual FY2003	Preliminary FY2004	Percentage Change
Individual Income	306	298	-2.9
Corporate Income	34	47	38.0
Social Insurance	227	230	1.1
Other	<u>47</u>	<u>49</u>	3.1
Total	615	623	1.3

Sources: Department of the Treasury; CBO.

Outlays have increased by just under 6 percent so far this fiscal year. The fastest growth was in defense spending (up 15 percent) and Medicaid spending (up 9 percent).

Medicare spending grew by only 3 percent, although CBO expects it to grow by 7 percent for the whole year.

The biggest reduction in spending was net interest, which fell by 5 percent. Interest continues to fall as the Treasury refinances the U.S. debt at lower rates.

However, with the national debt increasing by roughly \$400 billion a year, [interest spending will surge](#) when interest rates start to rise in the coming years.

TOTAL OUTLAYS
(Billions of dollars)

Major Category	Actual FY2003	Preliminary FY2004	Percentage Change
Defense--Military	123	142	15.2
Social Security Benefits	153	159	4.0
Medicare	95	97	2.7
Medicaid	53	57	9.3
Other Programs and Activities	<u>233</u>	<u>244</u>	4.7
Subtotal	657	700	6.6
Net Interest on the Public Debt	<u>56</u>	<u>53</u>	-5.0
Total	713	753	5.7

Sources: Department of the Treasury; CBO.

Links:

Congressional Budget Office [Monthly Budget Review](#) (February 6, 2004)

Centrists.Org [The Fourth Entitlement: Interest](#) (December 1, 2003)

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