



MONTHLY BUDGET REVIEW

Fiscal Year 1997

A Congressional Budget Office Analysis

Based on the August Treasury Statement

October 3, 1997

Lower-than-estimated outlays in August and September will pull the deficit for fiscal year 1997 down below \$25 billion. Receipts for the fiscal year will be close to CBO's August estimate.

AUGUST RESULTS

(In billions of dollars)

	August 1996	August 1997	Change
Receipts	100.0	103.5	3.5
Outlays	141.8	138.1	-3.7
Deficit	41.8	34.6	-7.2

Source: Department of the Treasury

- August receipts of \$103.5 billion were up only \$3.5 billion from a year ago, held down in part by one fewer collection day this year, and close to our estimate for the month.
- August outlays of \$138.1 billion were \$3.7 billion below last year's level and about \$5 billion lower than estimated for the month. The largest shortfalls in August outlays from expected levels were for the Postal Service fund and the Department of Education.
- The August deficit of \$34.6 billion was down \$7.2 billion from a year ago and over \$5 billion lower than expected.

FISCAL YEAR TO DATE

(In billions of dollars)

	October-August FY 1996	October-August FY 1997	Change
Receipts	1,295.1	1,404.2	109.1
Outlays	1,437.8	1,475.5	37.7
Deficit	142.7	71.3	-71.4

Source: Department of the Treasury

- The cumulative deficit through August was \$71.3 billion, one half of the level last year for the same period.

CBO ESTIMATES FOR SEPTEMBER 1997

(In billions of dollars)

	September 1996	September 1997	Estimated Change
Receipts	157.7	174.7	17.0
Outlays	122.4	126.7	4.3
Surplus	35.3	48.0	12.7

Source: Congressional Budget Office

- Daily Treasury statements for September indicate that receipts for the month were about \$174.7 billion, around \$17 billion above last year's level, boosted in part by one extra collection day this year.
- Outlays are estimated to be \$126.7 billion in September, up \$4.3 billion from a year ago but about \$5 billion lower than expected.
- The range of error around the estimate of a monthly deficit or surplus is about \$2 billion, based on past experience. This means that the actual surplus that will be reported later this month by the Treasury should be somewhere between \$46 billion and \$50 billion.

FY 1997 PROJECTIONS

(In billions of dollars)

	Budget Resolution	August Estimate	Latest Estimate
Receipts	1,469	1,578	1,579
Outlays	1,622	1,612	1,602
Deficit	153	34	23

Source: Congressional Budget Office

- Receipts for the fiscal year will be close to the August CBO estimate of \$1,578 billion. As a percentage of GDP, receipts will be 19.8 percent, just above the 1981 level of 19.7 percent.

- Outlays are now expected to be about \$10 billion lower than CBO estimated in August. The shortfalls from CBO estimated outlays appear to be spread widely among federal spending programs. The largest shortfalls include such programs as Medicare, Medicaid, family support payments, the Postal Service, and Defense-Military. As a percentage of GDP, outlays will be 20.1 percent, the lowest level since 1974.
- The deficit for 1997 is now expected to be about \$23 billion, plus or minus \$2 billion. As a percentage of GDP, the deficit would be only 0.3 percent, the lowest level since 1970.

RECEIPTS THROUGH AUGUST

(In billions of dollars)

Major Source	FY 1996	FY 1997	Percent Change
Individual income	587.7	659.3	12.2%
Corporate income	136.7	145.0	6.0%
Social insurance	466.0	491.8	5.5%
Other	104.6	108.2	3.5%
Total	1,295.1	1,404.2	8.4%

Source: Department of the Treasury

- The primary source of higher receipts in 1997 is the individual income and payroll tax collections, reflecting the surprisingly strong economy.
- Corporate income tax collections in 1997 are up 6.0 percent from last year's level.

OUTLAYS THROUGH AUGUST

(In billions of dollars)

Major Category	FY 1996	FY 1997	Percent Change
Defense-Military	234.4	238.2	1.6%
Social Security benefits	314.3	328.1	4.4%
Medicare and Medicaid	266.7	281.6	5.6%
Net interest on the public debt	225.6	229.7	1.8%
Other	396.8	398.1	0.3%
Total	1,437.8	1,475.5	2.6%

Source: Department of the Treasury

- The softness in August outlays reduced the rate of growth over last year from 3.2 percent through July to 2.6 percent through August.
- Outlay growth has been held down by \$11 billion in spectrum auction receipts and close to \$14 billion in net receipts for deposit insurance programs. Absent these offsetting receipts, outlay growth through August was 3.8 percent.

BORROWING FROM THE PUBLIC

(In billions of dollars)

	October-August		
	1996	1997	Change
Deficit	142.7	71.3	-71.4
Other borrowing needs:			
Loan financing	11.2	17.9	6.6
Operating cash balance	-24.9	-32.1	-7.3
Other Items	6.6	-0.5	-7.1
Borrowing from the public	135.6	56.5	-79.1

Source: Department of the Treasury

- Borrowing from the public through August amounted to \$56.5 billion, \$79 billion below last year's comparable level and \$14.8 billion lower than the cumulative deficit of \$71.3 billion. A reduction in operating cash balances and other factors account for borrowing being less than the cumulative deficit.

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