



MONTHLY BUDGET REVIEW

Fiscal Year 1997

A Congressional Budget Office Analysis

Based on the September Treasury Statement

November 6, 1997

The deficit for fiscal year 1997 was \$90 billion lower than CBO projected in March, largely because of higher-than-estimated receipts. It is expected that the 1998 deficit will be somewhat higher than the 1997 level of \$23 billion but remain well below 1 percent of GDP.

SEPTEMBER RESULTS

(In billions of dollars)

	September 1996	September 1997	Change
Receipts	157.7	174.8	17.1
Outlays	122.4	125.5	3.1
Surplus	35.3	49.3	14.0

Source: Department of the Treasury

- September receipts were up \$17.1 billion from the previous year, boosted in part by one extra collection day this year.
- Since outlays in September were only \$3.1 billion above last year's level, the surplus for the month was \$14.0 billion higher than a year ago.

FISCAL YEAR RESULTS

(In billions of dollars)

	1996	1997	Change
Receipts	1,452.8	1,579.0	126.2
Outlays	1,560.2	1,601.6	41.4
Deficit	107.4	22.6	-84.8

Source: Department of the Treasury

- The \$49.3 billion surplus in September brought the fiscal year to a close with a deficit of only \$22.6 billion, the lowest level since 1974. As a percentage of GDP, the deficit was only 0.3 percent, the lowest level since 1970.
- The actual outcomes for 1997 were quite close to our October 3 estimates which were based on the daily Treasury statement for September.

CBO ESTIMATES FOR FY 1997

(In billions of dollars)

	CBO March	CBO August	FY Actual
Receipts	1,510	1,578	1,579
Outlays	1,622	1,612	1,602
Deficit	112	34	23

Source: Congressional Budget Office
Department of the Treasury

- The 1997 deficit was \$90 billion lower than CBO projected in March and \$12 billion lower than projected in August. Higher-than-projected receipts accounted for three-quarters of the lower deficit from the March estimate, while lower-than-projected outlays accounted for almost all of the lower deficit from the August estimate.

FISCAL YEAR RECEIPTS

(In billions of dollars)

Major Source	1996	1997	Percent Change
Individual income	656.4	737.4	12.3%
Corporate income	171.8	182.3	6.1%
Social insurance	509.4	539.4	5.9%
Other	115.1	119.8	4.1%
Total	1,452.8	1,579.0	8.7%

Source: Department of the Treasury

- Receipts in 1997 were up \$126 billion, or 8.7 percent, from the 1996 level. As a percentage of GDP, receipts were 19.8 percent, just above 1981 level of 19.7 percent.
- The primary source of higher receipts in 1997 was the individual income and payroll tax collections.

CBO RECEIPT ESTIMATES

(In billions of dollars)

	CBO March	CBO August	FY Actual
Individual income	676	735	737
Corporate income	179	185	182
Social insurance	534	539	539
Other	120	119	120
Total	1,510	1,578	1,579

Source: Congressional Budget Office
Department of the Treasury

- Receipts in 1997 were \$69 billion higher than CBO projected in March, and \$1 billion higher than estimated in August. Higher-than-projected individual income taxes accounted for 88 percent of the higher receipts from the March estimate, reflecting the surprisingly strong economy and stock market.

FISCAL YEAR OUTLAYS

(In billions of dollars)

Major Category	1996	1997	Percent Change
Defense-Military	253.3	258.3	2.0%
Social Security benefits	343.3	358.3	4.4%
Medicare and Medicaid	288.6	305.5	5.8%
Net interest on the public debt	245.9	250.8	2.0%
Other	429.2	428.7	-0.1%
Total	1,560.2	1,601.6	2.7%

Source: Department of the Treasury

- Outlays in 1997 were up \$41 billion, or 2.7 percent, from the 1996 level. As a percentage of GDP, outlays were 20.1 percent, the lowest level since 1974.
- The relatively slow growth in outlays is partly attributable to \$11 billion for spectrum auction proceeds and \$14 billion in offsetting collections for deposit insurance. Absent these offsetting receipts, outlay growth in 1997 over 1996 was 3.7 percent, 1.0 percentage points higher than the 2.7 percent growth shown above.

CBO OUTLAY ESTIMATES

(In billions of dollars)

	CBO March	CBO August	FY Actual
Defense-Military	254	258	258
Social Security benefits	359	358	358
Medicare and Medicaid	310	307	305
Net interest on the public debt	253	251	251
Other	446	438	429
Total	1,622	1,612	1,602

Source: Department of the Treasury

- Outlays in 1997 were \$20 billion lower than CBO projected in March and \$11 billion lower than estimated in August. The shortfalls from the March and August outlay estimates were widely spread among a number of different spending programs, including agriculture, energy, housing, welfare and unemployment assistance, and the Postal Service. Medicare and Medicaid outlays also were \$4 billion lower than projected in March, and the 5.8 percent growth rate for these programs in 1997 was down from the 7.2 percent growth rate in 1996.

BORROWING FROM THE PUBLIC

(In billions of dollars)

	FY 1996	FY 1997	Change
Deficit	107.4	22.6	-84.8
Other borrowing needs:			
Loan financing	12.0	20.6	8.6
Operating cash balance	6.3	-0.6	-6.9
Other Items	3.9	-4.4	-8.3
Borrowing from the public	129.7	38.2	-91.5

Source: Department of the Treasury

- Borrowing from the public in 1997 was \$38 billion, over \$90 billion less than was borrowed in 1996 and the lowest level of borrowing since 1974. The amount of borrowing in 1997 exceeded the deficit largely because of federal loan financing.

CBO ESTIMATES FOR OCTOBER

(In billions of dollars)

	October 1996	October 1997	Estimated Change
Receipts	99.7	114.0	14.3
Outlays	139.5	153.0	13.5
Deficit	39.8	39.0	-0.8

Source: Congressional Budget Office

- Daily Treasury statements for October indicate that receipts for the month were about \$114 billion, up \$14 billion from last year's level.
- Outlays in October are estimated to be about \$153 billion, up \$13.5 billion from last year. About \$8 billion in November payments were made at the end of October because November 1 was on a weekend.
- The estimated deficit of \$39 billion in October is down slightly from last year's level.

FY 1998 PROJECTIONS

(In billions of dollars)

	Budget Resolution	OMB Estimate	CBO Estimate
Receipts	1,602	1,632	1,635
Outlays	1,692	1,690	1,691
Deficit	90	58	57

Source: Congressional Budget Office

- The deficit for 1998 is expected to be moderately higher than the 1997 deficit but still well below 1 percent of GDP. CBO and OMB projected similar deficit levels for 1998 in September. New estimates will not be made for several months.