



MONTHLY BUDGET REVIEW

Fiscal Year 1997

A Congressional Budget Office Analysis

Based on the June Treasury Statement

August 6, 1997

Continuing strong growth in receipts and a slowdown in outlay growth will produce a budget deficit below \$40 billion for fiscal year 1997.

JUNE RESULTS

(In billions of dollars)

| | June 1996 | June 1997 | Change |
|----------|--------------|--------------|--------|
| Receipts | 152.0 | 173.4 | 21.4 |
| Outlays | 117.7 | 118.8 | 1.2 |
| Surplus | 34.3 | 54.5 | 20.2 |

Source: Department of the Treasury

- June receipts of \$173.4 billion were up \$21.4 billion from a year ago, boosted in part by an extra collection day this year.
- June outlays of \$118.8 billion essentially were unchanged from last year, largely because of \$5.2 billion of spectrum auction offsetting receipts.
- The June surplus of \$54.5 billion was \$20.2 billion higher than a year ago.

FISCAL YEAR TO DATE

(In billions of dollars)

| | October-June FY 1996 | October-June FY 1997 | Change |
|----------|-------------------------|-------------------------|--------|
| Receipts | 1,091.2 | 1,191.5 | 100.3 |
| Outlays | 1,165.2 | 1,202.4 | 37.2 |
| Deficit | 74.0 | 10.9 | -63.1 |

Source: Department of the Treasury

- Receipts through June were up \$100.0 billion--9.2 percent--from last year.
- Outlays through June, in contrast, were up only \$37.2 billion--3.2 percent--from last year's comparable level.
- The cumulative deficit through June was only \$10.9 billion, down sharply from the \$74 billion deficit last year for the same period.

FY 1997 PROJECTIONS

(In billions of dollars)

| | Budget Resolution | May Estimate | Latest Estimate |
|----------|----------------------|-----------------|--------------------|
| Receipts | 1,469 | 1,555 | 1,578 |
| Outlays | 1,622 | 1,622 | 1,612 |
| Deficit | 153 | 67 | 34 |

Source: Congressional Budget Office

- Receipts for the fiscal year are now estimated to be \$1,578 billion, up \$23 billion from our May estimate.
- Estimated outlays for the fiscal year have been lowered \$10 billion from our May estimate to \$1,612 billion.
- The deficit for 1997 is now expected to be \$34 billion, the lowest level since 1974. As a percentage of GDP, the deficit would be only 0.4 percent, matching the 1974 level.

RECEIPTS THROUGH JUNE

(In billions of dollars)

| Major Source | FY 1996 | FY 1997 | Percent Change |
|-------------------|----------------|----------------|-------------------|
| Individual income | 491.8 | 559.7 | 13.8% |
| Corporate income | 128.7 | 139.0 | 8.0% |
| Social insurance | 385.8 | 405.0 | 5.0% |
| Other | 84.9 | 87.8 | 3.5% |
| Total | 1,091.2 | 1,191.5 | 9.2% |

Source: Department of the Treasury

- Individual income tax collections in June were quite robust, up 22 percent from the June level a year ago. Large gains were shown in both withheld and estimated quarterly payments.

- Individual income tax receipts for the fiscal year are now expected to be up 12 percent and corporate income taxes up 8 percent.
- Growth in total receipts is expected to decline somewhat in the fourth quarter, bringing the growth rate for the fiscal year down to 8.6 percent from the 9.2 percent rate for the first three quarters.

OUTLAYS THROUGH JUNE
(In billions of dollars)

| Major Category | FY 1996 | FY 1997 | Percent Change |
|---------------------------------|----------------|----------------|----------------|
| Defense-Military | 188.1 | 192.9 | 2.5% |
| Social Security benefits | 256.4 | 267.6 | 4.4% |
| Medicare and Medicaid | 214.6 | 227.7 | 6.1% |
| Net interest on the public debt | 183.2 | 187.5 | 2.4% |
| Other | 323.0 | 326.7 | 1.2% |
| Total | 1,165.2 | 1,202.4 | 3.2% |

Source: Department of the Treasury

- With little change in the level of June outlays compared to last year, the year-over-year growth rate of total outlays through June dropped to 3.2 percent. Outlay growth in the fourth quarter is expected to pick up a bit to bring the growth rate for the fiscal year to 3.3 percent.
- The 3.3 percent growth rate for the year is down from the 4 percent rate we estimated in May. While combined spending by the Defense, Education, and Transportation Departments will be about \$8 billion higher than previously estimated, and outlays for the earned income tax credit \$1 billion higher, other spending will be about \$19 billion lower. Lower outlays are now estimated for Medicaid grants, welfare assistance payments, unemployment benefits, net interest on the public debt, and various programs in the Departments of Agriculture, Energy, and Housing and Urban Development. In addition, estimates of net receipts have been increased for deposit insurance, spectrum auction proceeds, and rents and royalties on outer continental shelf lands.
- To date, \$10.3 billion in offsetting receipts have been credited for spectrum auction proceeds, with

\$5.2 billion being posted in June. All of the June receipts and a large portion of the previously recorded receipts were for the "C-block" auction held last year in which winning bids totaled \$10.2 billion. Actual payments will be made over time, and the auction proceeds are being recorded on a net present-value basis under credit reform accounting procedures. So far, actual cash collections for the C-block auction have been less than \$1 billion; about \$7 billion in net receipts are only credit accounting transactions. Recent press reports indicate that winning C-block bidders are having trouble financing their obligations and that as much as 80 percent of the bids may not be collected. The FCC is currently considering options to avoid defaults and is expected to make a decision soon.

CBO ESTIMATES FOR JULY 1997
(In billions of dollars)

| | July 1996 | July 1997 | Estimated Change |
|----------|-----------|-----------|------------------|
| Receipts | 103.9 | 109.0 | 5.1 |
| Outlays | 130.7 | 134.5 | 3.8 |
| Deficit | 26.9 | 25.5 | -1.4 |

Source: Congressional Budget Office

- Receipts in July, based on daily Treasury statements, are estimated to be \$109.0 billion, \$5.1 billion (4.9 percent) above last year's level. This will lower the growth rate for the year through July to 8.8 percent.
- Outlays are estimated to be \$134.5 billion in July, up 2.9 percent from the \$130.7 billion level posted a year ago.
- The estimated deficit of \$25.5 billion in July will be \$1.4 billion lower than the monthly deficit a year ago. This will raise the cumulative deficit through July to \$36.4 billion, close to the level expected for the fiscal year. A deficit around \$40 billion will be recorded in August and a surplus of roughly equal size will be posted in September.