



## Monthly Budget Review for August 2014

The federal government ran a budget deficit of \$589 billion for the first 11 months of fiscal year 2014, the Congressional Budget Office (CBO) estimates—\$166 billion less than the shortfall recorded over the same period last year. Through the end of August, revenues were about 8 percent higher and outlays were about 1 percent higher than they were at the same point last year. In CBO’s most recent budget projections, the agency estimated that the deficit for fiscal year 2014 (which will end on September 30, 2014) will total \$506 billion, about \$170 billion less than last year’s deficit. (See [An Update to the Budget and Economic Outlook: Fiscal Years 2014 to 2024](#), which CBO published in August.)

Budget Totals, October–August (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	2,473	2,663	190
Outlays	<u>3,228</u>	<u>3,252</u>	<u>24</u>
Deficit (-)	-755	-589	166
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for July 2014 and the <i>Daily Treasury Statements</i> for August 2014.			
Note: FY = fiscal year.			

### Total Receipts: Up by 8 Percent in the First 11 Months of Fiscal Year 2014

Receipts through August of this fiscal year totaled \$2,663 billion, CBO estimates—\$190 billion more than the amount for the same period last year. The largest increases were the following:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$131 billion, or 6 percent.
  - Increases in amounts withheld from workers’ paychecks—\$104 billion (or 6 percent)—accounted for the bulk of that gain. Growth in wages and salaries explains most of the increase in withheld receipts, but about one-third of the increase in those receipts derived from changes in law. In particular, the tax rates in effect from October 2013 through December 2013 (the first quarter of fiscal year 2014) were higher than those in effect during that span the year before because of two changes that took effect in January 2013: the expiration of the 2 percentage-point cut in payroll taxes and an increase in tax rates for income above certain thresholds.
  - Nonwithheld receipts rose by \$31 billion (or 7 percent), largely reflecting the difference between estimated payments made this year for the 2013 and 2014 tax years and the estimated payments made during the same period last year. Those increases were slightly offset by income tax refunds that were up by \$2 billion (or 1 percent) and receipts from unemployment insurance taxes that were down by \$2 billion (or 3 percent).
- **Receipts from corporate income taxes** rose by \$31 billion (or 14 percent), probably because of growth in taxable profits in calendar years 2013 and 2014. Receipts from April through August—largely representing corporations’ first two quarterly estimated tax payments for the 2014 tax year—increased by about \$14 billion (or 12 percent).

- **Receipts from the Federal Reserve** (included in “Other Receipts” in the table below) rose by \$23 billion (or 32 percent). The increase was attributable mostly to the larger size of the central bank’s portfolio of securities and to a higher yield on that portfolio.

Receipts, October–August (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,176	1,233	57	4.9
Payroll Taxes	868	941	73	8.4
Corporate Income Taxes	216	247	31	14.3
Other Receipts	<u>212</u>	<u>241</u>	<u>29</u>	13.6
<b>Total</b>	<b>2,473</b>	<b>2,663</b>	<b>190</b>	<b>7.7</b>
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,784	1,887	104	5.8
Other, net of refunds	<u>260</u>	<u>287</u>	<u>27</u>	10.3
<b>Total</b>	<b>2,044</b>	<b>2,174</b>	<b>131</b>	<b>6.4</b>
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

### Total Outlays: Up by 1 Percent in the First 11 Months of Fiscal Year 2014

Outlays through August of this fiscal year were \$3,252 billion, by CBO’s estimate—\$24 billion (or 1 percent) more than they were in the same period last year. That increase would have been larger if not for shifts in the timing of certain payments. Without such shifts, spending would have increased by \$44 billion (still about 1 percent).

Outlays increased for several major programs or categories of spending, CBO estimates:

- Spending for **Social Security** benefits rose by \$34 billion (or 5 percent).
- Outlays for two low-income health care programs—**Medicaid** and the **subsidies for health insurance** purchased through the exchanges created under the Affordable Care Act (ACA) (which are included in “Other Activities” in the table below)—were \$40 billion (or 17 percent) higher in 2014 than they were during the same period in 2013, largely because some of the ACA’s provisions took effect in January 2014.
- The net cost of **student loans** (also included in “Other Activities”) increased by \$20 billion because the Department of Education made upward revisions this June, and downward revisions last June, in the estimated net subsidy recorded for loans and loan guarantees issued in prior years.
- Net outlays also increased because payments made by **Fannie Mae and Freddie Mac** to the U.S. Treasury were \$14 billion less than they were last year. (Such payments are recorded in the budget as offsetting receipts; that is, as reductions in outlays.) Because of a revaluation of certain tax assets that significantly increased the net worth of Fannie Mae, that government-sponsored enterprise made a onetime payment of roughly \$50 billion to the Treasury in fiscal year 2013. Freddie Mac made a payment for a similar reason early in fiscal year 2014, but that payment was only half the amount that Fannie Mae paid in the previous fiscal year. The difference in net receipts from those two large payments has been partially offset by the larger quarterly payments made by Fannie Mae and Freddie Mac this year.

By CBO's estimates, decreases in spending for some other major programs during the first 11 months of fiscal year 2014 partially offset the increases mentioned above:

- Total spending for military activities of the **Department of Defense** fell by \$29 billion (or 5 percent).
- Outlays for **unemployment benefits** declined by \$23 billion (or 34 percent), mostly because fewer people have received those benefits since the Emergency Unemployment Compensation program expired at the end of December 2013.
- Net outlays of the **Federal Deposit Insurance Corporation** (FDIC, included in "Other Activities" in the table below) declined by \$15 billion for two reasons: First, insured financial institutions did not pay premiums to FDIC during the first half of fiscal year 2013 because they had prepaid those premiums in fiscal year 2010. (Such payments are recorded in the budget as offsetting receipts.) Second, in June 2013, FDIC refunded excess insurance premiums that had previously been paid by certain institutions, whereas no such refunds were paid in 2014.
- Spending by the **Department of Homeland Security** (also included in "Other Activities") fell by \$14 billion (or 26 percent), mostly because outlays for flood insurance and disaster relief were smaller than they were in the first 11 months of fiscal year 2013.

Outlays, October–August (Billions of dollars)					
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
DoD—Military <sup>b</sup>	560	531	-29	-29	-5.2
Social Security Benefits	735	768	34	34	4.6
Medicare <sup>c</sup>	473	465	-8	9	1.9
Medicaid	244	273	29	29	11.8
Unemployment Insurance	67	44	-23	-23	-34.3
Other Activities	<u>1,000</u>	<u>991</u>	<u>-9</u>	<u>-6</u>	-0.6
<b>Subtotal</b>	<b>3,079</b>	<b>3,072</b>	<b>-7</b>	<b>13</b>	<b>0.4</b>
Net Interest on the Public Debt	240	252	12	12	5.2
Troubled Asset Relief Program	-9	-4	5	5	n.m.
Net Outlays for GSEs	<u>-82</u>	<u>-68</u>	<u>14</u>	<u>14</u>	n.m.
<b>Total</b>	<b>3,228</b>	<b>3,252</b>	<b>24</b>	<b>44</b>	<b>1.4</b>

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; n.m. = not meaningful; GSEs = the government-sponsored enterprises Fannie Mae and Freddie Mac.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have fallen on weekends or holidays and the effects of prepayments of deposit insurance premiums.

b. Excludes a small amount of spending by DoD on civil programs.

c. Medicare outlays are net of offsetting receipts.

### Estimated Deficit in August 2014: \$129 Billion

CBO estimates that the federal government incurred a deficit of \$129 billion in August 2014—\$19 billion less than the shortfall in August 2013. Because September 1 fell on a weekend in 2013 and September 1, 2014, was the Labor Day holiday, in both years certain payments that ordinarily would have been made in September were instead made in August. Without those shifts in the timing of payments, the deficit for August 2014 would have been \$3 billion smaller than it was in August a year ago, CBO estimates.

By CBO's estimates, receipts in August 2014 totaled \$194 billion—\$8 billion (or 5 percent) more than those in the same month last year. A \$6 billion (or 4 percent) increase in amounts withheld from workers' paychecks accounted for the largest part of that gain.

Budget Totals for August (Billions of dollars)					
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
Receipts	185	194	8	8	4.6
Outlays	<u>333</u>	<u>322</u>	<u>-11</u>	<u>6</u>	1.9
Deficit	-148	-129	19	3	-2.5
Sources: Congressional Budget Office; Department of the Treasury.					
a. Adjusted amounts exclude the effects of shifting payments that otherwise would have fallen on weekends or holidays.					
Note: FY = fiscal year.					

Total spending in August 2014 was \$322 billion, CBO estimates—\$11 billion (or 3 percent) less than outlays in the same month of 2013. However, outlays would have been \$6 billion (or 2 percent) higher than they were during August 2013 if not for the effects of timing shifts. Among the larger changes in outlays this August, compared with those last August (with adjustments, when applicable, to account for the timing shifts), were the following:

- Outlays for **unemployment benefits** declined by \$2 billion (or 42 percent).
- Spending for **Social Security** rose by \$3 billion (or 4 percent).
- Outlays for **net interest on the public debt** rose by \$1 billion (or 6 percent).
- Outlays for **Medicare** (net of offsetting receipts) increased by \$1 billion (or 3 percent).

### Deficit in July 2014: \$95 Billion

The Treasury Department reported a deficit of \$95 billion for July—\$1 billion less than CBO estimated in the [Monthly Budget Review for July 2014](#) on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Cove Delisle and Joshua Shakin. It is available at [www.cbo.gov/publication/45694](http://www.cbo.gov/publication/45694)