Congressional Budget Office

January 9, 2017

Monthly Budget Review for December 2016

The federal budget deficit was $207 billion for the first three months of fiscal year 2017, the Congressional Budget Office estimates—$8 billion less than the shortfall recorded during the same period last year. But that result was affected by shifts in the timing of certain payments that otherwise would have been due on a weekend or holiday. If not for those shifts, outlays in the first quarter of this year would have been $33 billion greater than those in the same quarter last year, rather than $34 billion less, and the deficit would have risen by about $58 billion.

Budget Totals, October–December
(Billions of Dollars)

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	766	740	-25
Outlays	981	948	-34
Deficit (–)	–216	-207	8

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2016 and the *Daily Treasury Statements* for December 2016.

FY = fiscal year.

Total Receipts: Down by 3 Percent in the First Quarter of Fiscal Year 2017

Receipts through December totaled $740 billion, CBO estimates—$25 billion less than the sum collected in the same period last year. The largest year-over-year changes were the following:

- **Remittances from the Federal Reserve** to the Treasury, which are included in “Other Receipts” in the table below, fell by about $24 billion, largely because the Fixing America’s Surface Transportation Act (Public Law 114-94) required the Federal Reserve to remit most of its surplus account to the Treasury in fiscal year 2016. The central bank remitted the required amount, $19 billion, in a onetime payment in December 2015.
- **Individual income and payroll (social insurance) taxes** together rose by $12 billion (or 2 percent).
    - Amounts withheld from workers’ paychecks rose by $16 billion (or 3 percent). That change reflects increases in wages and salaries.
    - Nonwithheld payments of income and payroll taxes were about the same as last year.
    - Income tax refunds increased by $3 billion (or 14 percent), reducing net receipts.
- **Corporate income taxes** fell by about $10 billion (or 12 percent). For most corporations, the first quarterly estimated payment of those taxes in the current fiscal year was due on December 15.

Note: The amounts shown in this report include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not add up to totals because of rounding.

Receipts, October–December
(Billions of Dollars)

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	352	351	-1	-0.2
Payroll Taxes	241	254	13	5.5
Corporate Income Taxes	85	75	-10	-11.7
Other Receipts	88	61	-28	-31.3
Total	**766**	**740**	**-25**	**-3.3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	557	574	16	2.9
Other, net of refunds	35	31	-4	-10.7
Total	**593**	**605**	**12**	**2.1**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Down by 4 Percent in the First Quarter of Fiscal Year 2017

Outlays for the first three months of fiscal year 2017 were $948 billion, $34 billion less than they were during the same period last year, CBO estimates. If not for shifts in the timing of certain payments, outlays would have been $33 billion (or 4 percent) greater. (Those timing shifts decreased outlays in the first quarter of fiscal year 2017 and increased them in the first quarter of fiscal year 2016.) The discussion below reflects adjustments to remove the effects of those timing shifts.

The largest increases in outlays were the following:

- Outlays for the three largest mandatory spending programs increased by a total of $18 billion (or 4 percent):
  - **Medicare** spending rose by $7 billion (or 5 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
  - **Social Security benefits** increased by $6 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - Outlays for **Medicaid** rose by $5 billion (or 6 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- Outlays for **net interest on the public debt** increased by $14 billion (or 23 percent), largely because of differences in the rate of inflation. To account for inflation, the Treasury Department adjusts the principal of its inflation-protected securities each month. (It uses the change in the consumer price index for all urban consumers that was recorded two months earlier to make that adjustment.) The adjustments made in the first three months of fiscal year 2016 were negative, but those made in early 2017 were positive.
- Spending for the **Commodity Credit Corporation** in the Department of Agriculture, which is included in "Other" in the table below, rose by $3 billion (or 27 percent), mostly because of higher payments for agricultural support programs.
- Outlays recorded for the **Department of Homeland Security** and for **international assistance programs**, which are included in the "Other" category below, increased by $2 billion each (or 18 percent and 38 percent, respectively). The latter increase occurred

largely because some annual payments that were made near the end of fiscal year 2015 were not made at the end of fiscal year 2016, but rather at the beginning of fiscal year 2017.

Outlays in some areas of the budget declined:

- The government received $3 billion more in payments from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac**, resulting in lower net outlays. The GSEs make a quarterly payment to the Treasury each December.
- Outlays for **student loans** fell by $2 billion.

For other programs and activities, spending increased or decreased by smaller amounts.

Outlays, October–December
(Billions of Dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	250	230	-19	6	2.8
Medicare[b]	142	128	-15	7	4.8
Medicaid	91	96	5	5	5.6
Subtotal, Largest Mandatory Spending Programs	**483**	**454**	**-29**	**18**	**4.0**
DoD—Military[c]	153	149	-4	1	0.5
Net Interest on the Public Debt	62	76	14	14	22.7
Other	283	268	-15	0	0.0
Total	**981**	**948**	**-34**	**33**	**3.5**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or holiday. If not for those timing shifts, total first-quarter outlays would have been $969 billion in fiscal year 2017 and $936 billion in fiscal year 2016.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in December 2016: $26 Billion

The federal government incurred a deficit of $26 billion in December 2016, CBO estimates—$12 billion more than the deficit in December 2015. If not for the shifts in payments in both years, the deficit for this December would have been $7 billion, compared with a surplus of $31 billion last December.

CBO estimates that receipts in December 2016 totaled $319 billion—$31 billion (or 9 percent) less than those in the same month last year. Remittances from the Federal Reserve to the Treasury declined by $23 billion, largely because the central bank remitted a onetime payment of $19 billion in December 2015. Corporate income taxes also declined by $5 billion in December, when most corporations made their final quarterly estimated payment for tax year 2016.

Budget Totals for December
(Billions of Dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	350	319	-31	-31	-8.8
Outlays	364	345	-19	6	2.0
Deficit	-14	-26	-12	-37	-121.7

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or holiday. If not for those timing shifts, the budget would have shown a deficit of $7 billion in December 2016 and a surplus of $31 billion in December 2015.

Total spending in December 2016 was $345 billion, CBO estimates—$19 billion less than spending in December 2015. If not for timing shifts, outlays in December would have been $6 billion (or 2 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

Among the larger changes in outlays were these:

- Spending for the government's three largest entitlement programs rose by a total of $8 billion (or 5 percent).
  - **Medicare** spending climbed by $3 billion (or 7 percent), some of which reflects the payment made to prescription drug plans each fall to account for unanticipated increases in spending in the preceding calendar year.
  - Outlays for **Medicaid** increased by $3 billion (or 11 percent).
  - **Social Security benefits** rose by $1 billion (or 2 percent).
- Outlays for **net interest on the public debt** increased by $4 billion (or 21 percent).
- The government received $3 billion more in payments from the GSEs **Fannie Mae and Freddie Mac**, resulting in lower net outlays.
- Outlays recorded for **veterans' benefits** fell by $2 billion (or 22 percent).

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in November 2016: $137 Billion

The Treasury Department reported a deficit of $137 billion for November—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for November 2016*.

This document was prepared by Elizabeth Cove Delisle, Nathaniel Frentz, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov/publication/52362.