Congressional Budget Office

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Monthly Budget Review for February 2017

The federal budget deficit was $348 billion for the first five months of fiscal year 2017, the Congressional Budget Office estimates—$5 billion less than the shortfall recorded during the same span last year. But that result was affected by shifts in the timing of certain payments that otherwise would have been due on a weekend. If not for those shifts, the deficit for the first five months of fiscal year 2017 would have been $37 billion larger than that recorded in the same period last year.

Budget Totals, October–February
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	1,248	1,256	7
Outlays	1,601	1,604	3
Deficit (–)	–353	–348	5

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2016 and the *Daily Treasury Statements* for February 2017.

FY = fiscal year.

Total Receipts: Up Slightly in the First Five Months of Fiscal Year 2017

Receipts through February totaled $1,256 billion, CBO estimates—$7 billion (or 0.6 percent) more than the amount for the same period last year. That slight increase is the net effect of the following largely offsetting changes:

- **Individual income and payroll (social insurance) taxes** together rose by $36 billion (or 3 percent).
  - Amounts withheld from workers' paychecks rose by $37 billion (or 4 percent). That change largely reflects increases in wages and salaries.
  - Individual income tax refunds declined by $4 billion. That reduction was probably caused by a delay this year in the Internal Revenue Service's (IRS's) processing of refunds from returns that claimed the earned income tax credit and the additional child tax credit. That delay resulted from changes in processing procedures stemming from provisions of the Consolidated Appropriations Act, 2016 (Public Law 114-113).
  - Nonwithheld payments of income and payroll taxes fell by $4 billion (or 3 percent).
  - Receipts from unemployment insurance taxes (one kind of payroll tax) declined by $2 billion (or 11 percent).

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.

- **Remittances from the Federal Reserve** to the Treasury, which are included in "Other Receipts" in the table below, fell by $26 billion, largely because the Fixing America's Surface Transportation Act (P.L. 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 late December 2015.
- **Corporate income taxes** fell by about $2 billion (or 2 percent). Lower gross payments of taxes, especially of quarterly estimated payments made in December 2016, were largely offset by smaller refunds in February.

Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	598	610	12	2.1
Payroll Taxes	428	451	23	5.4
Corporate Income Taxes	89	87	–2	–1.8
Other Receipts	134	107	–27	–20.0
Total	**1,248**	**1,256**	**7**	**0.6**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	954	991	37	3.9
Other, net of refunds	71	70	–2	–2.1
Total	**1,026**	**1,061**	**36**	**3.5**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up Slightly in the First Five Months of Fiscal Year 2017

Outlays for the first five months of fiscal year 2017 totaled $1,604 billion, CBO estimates—$3 billion (or 0.2 percent) more than they were during the same period last year. If not for shifts in the timing of certain payments from October 2016 to September 2016 because October 1 fell on a weekend, outlays would have been $44 billion (or 3 percent) higher. 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 $26 billion (or 3 percent):
    - **Social Security benefits** increased by $11 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
    - Outlays for **Medicaid** rose by $8 billion (or 5 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
    - **Medicare** spending grew by $7 billion (or 3 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
- Outlays for **net interest on the public debt** increased by $20 billion (or 20 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 five months of fiscal year 2016 were negative, but those made in early 2017 were positive.

- Spending by the **Department of Homeland Security**, which is included in the "Other" category in the table below, rose by $3 billion (or 17 percent), primarily because of increased spending for flood insurance resulting from damage caused by floods in Louisiana, Texas, and West Virginia this past summer.
- Outlays for **subsidies for health insurance** purchased through the marketplaces established under the Affordable Care Act, which are included in "Other" in the table below, rose by about $3 billion (or 25 percent). Spending climbed largely because more people purchased insurance through the marketplaces, and the premiums for those plans were higher than last year.
- Spending for the **Department of Veterans Affairs,** which is included in "Other" in the table below, increased by $3 billion (or 4 percent).

Outlays in some areas of the budget declined:

- Payments for the **earned income tax credit** and the **additional child tax credit** were a total of $7 billion (or 12 percent) lower than those last year. That decline was most likely caused by a delay in the IRS's processing of refunds from tax returns that claimed those credits.
- The government received $3 billion more in payments from **Fannie Mae and Freddie Mac** than it did last year, resulting in lower net outlays. The two entities make quarterly payments to the Treasury each December. Those payments are recorded as offsets to spending.
- Outlays for the **Postal Service** and for **student loans**, which are included in "Other" in the table below, fell by $3 billion each.

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

Outlays, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts[a]: Percent
Social Security Benefits	374	385	11	11	2.9
Medicare[b]	232	218	–14	7	3.1
Medicaid	149	157	8	8	5.3
Subtotal, Largest Mandatory Spending Programs	**755**	**759**	**5**	**26**	**3.5**
DoD—Military[c]	233	230	–3	1	0.5
Net Interest on the Public Debt	100	120	20	20	20.3
Other	514	495	–19	–3	–0.7
Total	**1,601**	**1,604**	**3**	**44**	**2.7**

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. If not for those timing shifts, total outlays would have been $1,645 billion in the first five months of fiscal year 2017.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in February 2017: $192 Billion

In CBO's estimation, the federal government realized a deficit of $192 billion in February 2017—$1 billion less than the deficit in February 2016.

Receipts in February 2017 totaled $171 billion, CBO estimates—$2 billion (or 1 percent) more than those in the same month last year. Individual income tax refunds declined by $8 billion (or 11 percent), in part because of the delay in processing certain tax returns. Net collections of corporate income taxes increased by $6 billion as a result of a reduction in refunds. Partially offsetting those increases in net receipts, withholding of individual income and payroll taxes decreased by $5 billion (or 2 percent). That decline occurred in part because there was one fewer Monday this February, and a disproportionately large share of withheld tax payments are made on Mondays. Receipts from other sources, including unemployment insurance receipts and remittances from the Federal Reserve, also decreased.

Budget Totals for February
Billions of Dollars

			Estimated Change	
	Actual, FY 2016	Preliminary, FY 2017	Billions of Dollars	Percent
Receipts	169	171	2	0.9
Outlays	362	362	1	0.1
Deficit	–193	–192	1	–0.6

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in February 2017 was $362 billion, CBO estimates—$1 billion more than spending in February 2016.

Among the larger changes in outlays were these:

- Payments for the **earned income tax credit** and the **additional child tax credit** combined were $6 billion (or 12 percent) lower than those last year.
- Outlays for **net interest on the public debt** increased by $5 billion (or 26 percent).
- Spending for the government's three largest mandatory spending programs rose by a total of $4 billion (or 3 percent). Outlays for Medicare were about the same, but outlays for **Social Security benefits** and **Medicaid** rose by $2 billion each (or 3 percent and 6 percent, respectively).

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

Actual Surplus in January 2017: $51 Billion*

The Treasury Department reported a surplus of $51 billion for January—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for January 2017*.*

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Elizabeth Cove Delisle and Nathaniel Frentz prepared the report with guidance from Mark Booth, Jeffrey Holland, and Sam Papenfuss. It was reviewed by Robert Sunshine, edited by Christine Bogusz, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/52479).

[* Date corrected on March 9, 2017]