July 10, 2017

Monthly Budget Review for June 2017

The federal budget deficit was $520 billion for the first nine months of fiscal year 2017, the Congressional Budget Office estimates—$120 billion more than the shortfall recorded during the same span last year. Receipts and outlays alike were higher than they were last year, but outlays rose much more.

In its most recent budget projections, CBO estimated that the deficit for fiscal year 2017 (which will end on September 30, 2017) would total $693 billion, about $109 billion more than the shortfall in fiscal year 2016. (See *An Update to the Budget and Economic Outlook: 2017 to 2027*, published in June.)

Budget Totals, October–June
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	2,469	2,509	40
Outlays	2,868	3,028	160
Deficit (–)	–399	–520	–120

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

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First Nine Months of Fiscal Year 2017

Receipts totaled $2,509 billion during the first nine months of fiscal year 2017, CBO estimates—$40 billion more than during the same period last year. The main changes between last year and this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by $65 billion (or 3 percent).
  - Amounts withheld from workers' paychecks rose by $89 billion (or 5 percent). That change largely reflects increases in wages and salaries.
  - Nonwithheld payments of income and payroll taxes fell by $10 billion (or 2 percent). Much of that decline occurred in April, when taxpayers' final payments for 2016 were lower than their final payments of taxes for 2015.
  - Individual income tax refunds rose by $11 billion (or 5 percent), further reducing net receipts.
  - Receipts from unemployment insurance taxes (one kind of payroll tax) declined by $2 billion (or 6 percent).
- **Remittances from the Federal Reserve** to the Treasury, which are included in the "Other Receipts" category in the table below, fell by $30 billion, largely because the Fixing

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.

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 late December 2015.

- **Fees and fines** rose by $5 billion, partly as a result of larger than usual penalty payments.
- **Corporate income tax payments** rose very slightly, increasing by $200 million (or 0.1 percent).

Receipts, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,172	1,199	28	2.4
Payroll Taxes	850	888	38	4.4
Corporate Income Taxes	223	224	*	0.1
Other Receipts	224	198	–26	–11.6
Total	**2,469**	**2,509**	**40**	**1.6**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,711	1,800	89	5.2
Other, net of refunds	311	288	–23	–7.4
Total	**2,022**	**2,087**	**65**	**3.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

* = less than $0.5 billion.

Total Outlays: Up by 6 Percent in the First Nine Months of Fiscal Year 2017

Outlays for the first nine months of fiscal year 2017 totaled $3,028 billion, CBO estimates—$160 billion more than during the same period last year. That increase would have been $2 billion smaller if not for the shift of certain payments from October 2016 to September 2016 and from July 2017 to June 2017. 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 $45 billion (or 3 percent).
  - **Social Security benefits** increased by $21 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending grew by $18 billion (or 4 percent), reflecting typical growth in the number of beneficiaries and growth in the cost of services for those beneficiaries.
  - **Medicaid** spending grew by $6 billion (or 2 percent), in part 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 $28 billion (or 13 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 nine months of fiscal year 2016 totaled $4.5 billion, whereas those made to date in 2017 have totaled $30.7 billion.

The following three programs, which are included in the "Other" category in the table below, also showed notable increases:

- Outlays for the **Department of Education** rose by $31 billion (or 51 percent), because the department revised upward, by roughly $39 billion, the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change much larger than last year's $7 billion upward revision. If the effects of those revisions were excluded, outlays for the department for the first nine months of fiscal year 2017 would have fallen by $2 billion (or 3 percent).
- Outlays for the **Department of Housing and Urban Development** rose by $29 billion, primarily because the department made upward revisions in June 2017, but downward revisions in April 2016, to the estimated net subsidy costs of loans and loan guarantees issued in prior years.
- Payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum decreased by $8 billion. Because the proceeds from those auctions are recorded in the budget as offsetting receipts (that is, as reductions in outlays), that decrease in payments has resulted in higher outlays.

Outlays in some areas of the budget declined:

- The government received $13 billion more in payments from **Fannie Mae and Freddie Mac** than it did last year. The two entities made quarterly payments to the Treasury in December, March, and June. Those payments, which are included in the "Other" category in the table below, are recorded as offsets to spending and thus reduce net outlays.

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

Outlays, October–June

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	677	698	21	21	3.1
Medicare[b]	419	439	20	18	4.3
Medicaid	272	278	6	6	2.3
Subtotal, Largest Mandatory Spending Programs	**1,367**	**1,415**	**48**	**45**	**3.3**
DoD—Military[c]	417	423	5	5	1.2
Net Interest on the Public Debt	207	235	28	28	13.4
Other	876	956	79	80	9.1
Total	**2,868**	**3,028**	**160**	**158**	**5.5**

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. If not for those timing shifts, total outlays would have been $3,026 billion in the first nine 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 June 2017: $87 Billion

In CBO's estimation, the federal government realized a deficit of $87 billion in June 2017—a $93 billion difference compared to the $6 billion surplus in June 2016. Because July 1 fell on a weekend this year, certain payments scheduled for that date were instead made in June. If not for that shift, the deficit in June 2017 would have been about $44 billion lower.

CBO estimates that receipts in June 2017 totaled $339 billion—$10 billion (or 3 percent) more than those in the same month last year. Withholding of individual income and payroll taxes rose by $15 billion (or 8 percent); that growth largely reflects increases in wages and salaries. Nonwithheld individual income and payroll taxes increased by $2 billion (or 3 percent) and receipts of corporate income taxes fell by $4 billion (or 6 percent); those payments represent individuals' and corporations' second quarterly payments of estimated taxes for the 2017 tax year. Remittances from the Federal Reserve decreased by $4 billion (or 36 percent), in part because the month included one fewer Wednesday (the day each week when remittances are received by the Treasury) and in part because the central bank paid higher interest rates on reserve balances.

Budget Totals for June

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	330	339	10	10	3.0
Outlays	323	426	103	59	18.3
Deficit (–)	6	–87	–93	-49	n.m.

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year. N.M. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, the budget would have shown a deficit of $43 billion in June 2017, CBO estimates.

Total spending in June 2017 was $426 billion, CBO estimates—$103 billion more than spending in June 2016. Much of that increase stemmed from shifts in the timing of certain payments from July to June this year. If not for those shifts, the increase would have been $59 billion (or 18 percent). (The changes discussed below reflect adjustments to account for those shifts.)

Among the larger changes in outlays were the following:

- Outlays for the **Departments of Education and Housing and Urban Development** increased by $33 billion and $21 billion, respectively, because of upward revisions to the estimated net subsidy costs of loans and loan guarantees issued in prior years, as discussed above.

- The government received $4 billion more in payments from **Fannie Mae and Freddie Mac** than it did last year. Those payments are recorded as offsets to spending and thus reduce net outlays.

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

Actual Deficit in May 2017: $88 Billion

The Treasury Department reported a deficit of $88 billion for May—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for May 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. Nathaniel Frentz and David Rafferty prepared the report with guidance from Mark Booth, Teri Gullo, Jeffrey Holland, and Sam Papenfuss. It was reviewed by Bob Sunshine and Mark Hadley, edited by Elizabeth Schwinn, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/52882).