Monthly Budget Review for September 2017

The federal government ran a budget deficit of $668 billion in fiscal year 2017, the Congressional Budget Office estimates—$82 billion greater than the shortfall recorded in fiscal year 2016. If not for the shift of certain payments from October to September in both 2016 and 2017 (because the first day of the month fell on a weekend), the deficit would have increased by $121 billion in 2017 (mostly because 2016 outlays would have been smaller).

The 2017 deficit equaled an estimated 3.5 percent of gross domestic product (GDP), up from 3.2 percent in 2016. Fiscal year 2017 was the second consecutive year in which the deficit increased as a percentage of GDP.

By CBO's estimate, revenues were 1 percent higher and outlays were about 3 percent higher in 2017 than they were in the previous fiscal year. CBO's estimates are based on data from the *Daily Treasury Statements* issued by the Department of the Treasury; the department will report the actual deficit for fiscal year 2017 later this month.

A deficit of $668 billion would be about $25 billion smaller than the shortfall that CBO projected in its June 2017 report, *An Update to the Budget and Economic Outlook: 2017 to 2027*, largely because outlays were less than CBO anticipated.

Fiscal Year Totals
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	3,267	3,314	47
Outlays	3,852	3,982	130
Deficit (–)	–586	–668	–82

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

FY = fiscal year.

Total Receipts: Up by 1 Percent in Fiscal Year 2017

Receipts totaled $3,314 billion in fiscal year 2017, CBO estimates—$47 billion more than they did in fiscal year 2016. That relatively small increase reflects the following changes:

- **Individual income and payroll (social insurance) taxes** together rose by $87 billion (or 3 percent).
    - Amounts withheld from workers' paychecks rose by $111 billion (or 5 percent). That change largely reflects increases in wages and salaries.

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.

- o Nonwithheld payments of income and payroll taxes fell by $9 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.
- o Individual income tax refunds rose by $11 billion (or 4 percent), further reducing net receipts.
- o Receipts from unemployment insurance taxes (one kind of payroll tax) declined by $3 billion (or 6 percent).

- **Corporate income tax payments** declined by $3 billion (or 1 percent).
- **Other receipts** declined by $37 billion, as follows:
  - o Remittances from the Federal Reserve to the Treasury fell by $34 billion, most significantly 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 late December 2015. Remittances to the Treasury also were lower this year because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves.
  - o Excise taxes declined by $11 billion (or 12 percent) because of a one-year moratorium in 2017 on a tax on health insurance providers that had begun to be collected in 2014.
  - o Fees and fines rose by $7 billion, partly as a result of larger-than-usual miscellaneous penalty payments.

Total Receipts

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,546	1,585	39	2.5
Payroll Taxes	1,115	1,163	48	4.3
Corporate Income Taxes	300	297	–3	–1.0
Other Receipts	306	269	–37	–12.2
Total	**3,267**	**3,314**	**47**	**1.4**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,252	2,363	111	4.9
Other, net of refunds	409	386	–23	–5.7
Total	**2,661**	**2,748**	**87**	**3.3**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 3 Percent in Fiscal Year 2017

Outlays for fiscal year 2017 totaled $3,982 billion, CBO estimates—$130 billion more than spending during the same period last year. If not for the shift of certain payments from October to September in both 2016 and 2017, outlays would have been $168 billion (or 4 percent) more than they were last year. 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 $58 billion (or 3 percent).
    - Spending for **Social Security benefits** increased by $29 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
    - **Medicare** spending rose by $22 billion (or 4 percent), also reflecting typical growth in the number of beneficiaries and in the cost of services for those beneficiaries.
    - **Medicaid** spending grew by $7 billion (or 2 percent), in part because new enrollees were added through expansions of coverage authorized by the Affordable Care Act.
- Outlays for the **Department of Education** (included in the "Other" category in the table below) rose by $35 billion (or 45 percent) because the department revised upward, by $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 would have increased by $2 billion (or 3 percent).
- Outlays for the **Department of Housing and Urban Development** (also included in the "Other" category) increased by $31 billion (or 117 percent), primarily because in 2017 the department made upward revisions to the estimated net subsidy costs of loans and loan guarantees issued in prior years; in 2016, it had made downward revisions.
- Outlays for **net interest on the public debt** increased by $28 billion (or 10 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 fiscal year 2016 totaled $15.5 billion, whereas those made in 2017 have totaled $33.1 billion.
- Spending by the **Department of Veterans Affairs** (also included in the "Other" category) rose by $9 billion, in part because of typical growth in the number of veterans receiving disability compensation and the amount of those payments, and in part because of continued growth in the number of veterans receiving health benefits through the Veterans Choice Program.
- Spending for military activities of the **Department of Defense** rose by $8 billion (or 1 percent).
- Outlays for **subsidies for health insurance** purchased through the marketplaces established under the Affordable Care Act, which are also included in "Other" in the table below, rose by about $8 billion (or 27 percent). Spending climbed largely because the premiums for those plans rose this year.

Outlays in other areas of the budget declined significantly.

- The government received $14 billion more in payments from **Fannie Mae and Freddie Mac** this year than it did last year. The two entities made quarterly payments to the Treasury in December, March, June, and September. Those payments, which are included in the "Other" category in the table below, are recorded as offsets to spending and thus reduce net outlays.
- Outlays for the **Department of Agriculture** (also included in the "Other" category) decreased by $10 billion, primarily because the department made downward revisions in August 2017 to the estimated net subsidy costs of loans and loan guarantees issued in prior years, whereas in August 2016, it made upward revisions.

Spending for other programs and activities increased or decreased by smaller amounts. Overall, revisions to the net subsidy costs of loans and loan guarantees made in previous years account for about $50 billion of the increase in outlays for fiscal year 2017.

Total Outlays
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	Percent
Social Security Benefits	905	934	29	29	3.2
Medicare[b]	592	595	3	22	3.9
Medicaid	368	375	7	7	1.8
Subtotal, Largest Mandatory Spending Programs	**1,865**	**1,904**	**38**	**58**	**3.1**
DoD—Military[c]	565	570	5	8	1.5
Net Interest on the Public Debt	284	311	28	28	9.7
Other	1,138	1,197	59	75	6.7
Total	**3,852**	**3,982**	**130**	**168**	**4.4**

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 $3,811 billion in fiscal year 2016 and $3,980 billion in fiscal year 2017.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Surplus in September 2017: $6 Billion

In CBO's estimation, the federal government realized a surplus of $6 billion in September 2017—$28 billion less than the surplus last year.

CBO estimates that receipts in September 2017 totaled $348 billion—$9 billion (or 2 percent) less than those in the same month last year. That overall decline was largely the result of an $11 billion decline in excise tax receipts. Those receipts fell because of the current one-year moratorium on a tax imposed on health insurance providers, which normally would have been paid in September. Receipts of corporate income taxes, which included the third quarterly estimated payment for 2017, declined by $4 billion (or 5 percent). Receipts from all other sources rose by $6 billion, on net.

Budget Totals for September
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]	
				Billions of Dollars	Percent
Receipts	357	348	–9	–9	–2.5
Outlays	323	342	19	16	5.8
Surplus	33	6	–28	–25	–34.0

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. If not for those timing shifts, the budget would have shown a surplus of $75 billion in September 2016 and a surplus of $49 billion in September 2017, CBO estimates.

Total spending in September 2017 was $342 billion, CBO estimates—$19 billion more than spending in September 2016. If not for timing shifts, outlays in September would have been $16 billion (or 6 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

According to CBO's estimates, the largest changes in outlays were the following:

- Outlays for **Medicare** increased by $6 billion, largely because reconciliation payments typically made to Medicare Advantage plans in August were delayed until September this year. (Reconciliation payments are made annually to account for unanticipated spending increases in the previous calendar year.)
- Outlays for **net interest on the public debt** increased by $4 billion.
- Outlays for the **Department of Education** increased by $4 billion because of increased spending for student loans.
- Spending for military activities of the **Department of Defense** decreased by $3 billion.

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

Actual Deficit in August 2017: $108 Billion

The Treasury Department reported a deficit of $108 billion for August—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for August 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, Amy Petz, and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Mark Booth, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/53181).