Congressional Budget Office

December 7, 2017

Monthly Budget Review for November 2017

The federal budget deficit was $198 billion for the first two months of fiscal year 2018, the Congressional Budget Office estimates, $15 billion more than the one recorded during the same period last year. Revenues and outlays alike were 6 percent higher than in October and November 2016. As was the case last year, this year's outlays were reduced by the shift of certain payments from October to September because October 1 fell on a weekend. Otherwise, outlays and the deficit through November would have been larger, both this year and last year—but the year-to-year differences would not have been very different. Outlays so far this year would have been $41 billion (rather than $39 billion, still about 6 percent) larger than those in the same period last year, and the deficit would have risen by $18 billion.

Budget Totals, October–November
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	422	445	23
Outlays	604	643	39
Deficit (–)	–183	–198	–15

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

FY = fiscal year.

Total Receipts: Up by 6 Percent in the First Two Months of Fiscal Year 2018

Receipts totaled $445 billion during the first two months of fiscal year 2018, CBO estimates—$23 billion more than during the same period last year. The changes between last year and this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by $24 billion (or 6 percent).
  - Amounts withheld from workers' paychecks rose by $24 billion (or 7 percent). That change reflects increases in wages and salaries.
  - Nonwithheld payments of income and payroll taxes, as well as individual income tax refunds, were all about the same as during the comparable period last year. Those payments are all generally very small at this point in the fiscal year.
- **Corporate income taxes** fell by about $2 billion (from $3 billion in the first two months of fiscal year 2017 to about $1 billion so far this year). Because corporate income tax receipts in October and November generally represent a small percentage of the year's total, the results for those two months are not a significant indicator of receipts for the whole fiscal year. The first quarterly estimated payment of those taxes in the current fiscal year, for most corporations, is not due until December 15.
- Receipts from **other sources,** on net, rose by $2 billion (or 4 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.

Receipts, October–November
Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	213	228	14	6.8
Payroll Taxes	165	174	9	5.6
Corporate Income Taxes	3	1	–2	–69.1
Other Receipts	40	42	2	4.0
Total	**422**	**445**	**23**	**5.5**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	360	384	24	6.8
Other, net of refunds	18	18	–1	–4.1
Total	**378**	**402**	**24**	**6.3**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 6 Percent in the First Two Months of Fiscal Year 2018

Outlays for the first two months of fiscal year 2018 were $643 billion, $39 billion higher than they were during the same period last year, CBO estimates. If not for the shift of certain payments from October to September (which also occurred in 2016) because October 1 fell on a weekend, outlays so far this year would have been $41 billion (or 6 percent) larger. The discussion below reflects adjustments to account for those timing shifts.

The largest increases in outlays were in the following categories:

- Outlays for the three largest mandatory spending programs increased by 3 percent:
  - **Social Security benefits** rose by $5 billion (or 3 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending increased by $2 billion (or 2 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
  - **Medicaid** outlays rose by $3 billion (or 5 percent), largely because new enrollees were added through expansions of coverage authorized by the Affordable Care Act.
- Outlays for **net interest on the public debt** increased by $10 billion (or 21 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 by using the change in the consumer price index for all urban consumers that was recorded two months earlier. That adjustment was $6 billion in the first two months of fiscal year 2017 but nearly $17 billion early in this fiscal year.
- Spending for military programs of the **Department of Defense** rose by $7 billion (or 7 percent), mostly in the area of operation and maintenance.
- Outlays recorded for the **Department of Homeland Security,** which are included in the "Other" category below, increased by $8 billion, to an amount nearly double that for the same period last year, largely because of activities related to disaster relief.

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

Outlays, October–November

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	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	153	159	5	5	3.3
Medicare[b]	81	80	*	2	1.7
Medicaid	61	64	3	3	4.9
Subtotal, Largest Mandatory Spending Programs	**295**	**303**	**8**	**10**	**3.1**
DoD—Military[c]	95	102	6	7	7.3
Net Interest on the Public Debt	50	61	10	10	20.8
Other	163	177	14	13	7.5
Total	**604**	**643**	**39**	**41**	**6.3**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; * = between -$500 million and zero.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $645 billion in fiscal year 2017 and $686 billion in fiscal year 2018.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in November 2017: $134 Billion

The federal government incurred a deficit of $134 billion in November 2017, CBO estimates—$2 billion less than the deficit in November 2016.

CBO estimates that receipts in November 2017 totaled $210 billion—$10 billion (or 5 percent) more than those in the same month last year. Withholding of individual income and payroll taxes rose by $12 billion (or 7 percent); that growth reflects increases in wages and salaries and, to a lesser extent, an additional business day in November 2017 compared with November 2016. Corporate income taxes declined by $3 billion.

Budget Totals for November

Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	200	210	10	4.9
Outlays	337	344	8	2.2
Deficit	–137	–134	2	–1.6

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in November 2017 was $344 billion, CBO estimates—$8 billion more than the sum in November 2016.

The largest changes in outlays were as follows:

- Outlays for **net interest on the public debt** increased by $8 billion (or 30 percent).
- Outlays recorded for the **Department of Homeland Security** rose by $4 billion (or 105 percent), largely for disaster relief.
- **Medicare** spending fell by $2 billion (or 4 percent), largely because certain reconciliation payments for Medicare prescription drugs were smaller in November 2017 than those made in November 2016. Reconciliation payments account for unanticipated spending increases in the preceding calendar year.
- **Social Security benefits** rose by $3 billion (or 4 percent).

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

Actual Deficit in October 2017: $63 Billion

The Treasury Department reported a deficit of $63 billion for October—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: Summary for Fiscal Year 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, Amber Marcellino, 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/53363.