Congressional Budget Office

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Monthly Budget Review for January 2017

The federal budget deficit was $159 billion for the first four months of fiscal year 2017, the Congressional Budget Office estimates—$1 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 four months of fiscal year 2017 would have been $40 billion larger than that recorded for the same period last year.

In the absence of changes to laws governing federal spending, and assuming that full-year appropriations equal the annualized funding provided in the current part-year continuing resolution (Public Law 114-254), the deficit in fiscal year 2017 will total $559 billion (or 2.9 percent of gross domestic product), CBO estimates.

Budget Totals, October–January
(Billions of Dollars)

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	1,079	1,084	5
Outlays	1,240	1,243	4
Deficit (–)	–160	–159	1

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

FY = fiscal year.

Total Receipts: Up by Less Than 1 Percent in the First Four Months of Fiscal Year 2017

Receipts through January totaled $1,084 billion, CBO estimates—$5 billion more than the amount for the same period last year. That slight increase is the net effect of the following changes, which largely offset one another:

- **Individual income and payroll (social insurance) taxes** together rose by $37 billion (or 4 percent).
  - Amounts withheld from workers' paychecks rose by $43 billion (or 6 percent). That change largely reflects increases in wages and salaries. Also, there was one more Monday in the period this year than there was last year, which boosted receipts.
  - Nonwithheld payments of income and payroll taxes fell by $3 billion (or 2 percent).
  - Income tax refunds rose by $4 billion (or 20 percent), reducing net receipts. Most tax refunds will be paid between February and May.
- **Remittances from the Federal Reserve** to the Treasury, which are included in "Other Receipts" in the table below, fell by $25 billion, largely because the Fixing America's Surface Transportation Act (P.L. 114-94) required the Federal Reserve to remit most of its

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.

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 $9 billion (or 10 percent). Almost half of that decline occurred in December, when most corporations made their last quarterly estimated payment for tax year 2016.

Receipts, October–January
(Billions of Dollars)

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	533	551	18	3.4
Payroll Taxes	343	362	19	5.5
Corporate Income Taxes	92	83	–9	–9.9
Other Receipts	112	89	–23	–20.5
Total	**1,079**	**1,084**	**5**	**0.5**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	748	790	43	5.7
Other, net of refunds	128	122	–6	–4.5
Total	**876**	**912**	**37**	**4.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by Less Than 1 Percent in the First Four Months of Fiscal Year 2017

Outlays for the first four months of fiscal year 2017 were $1,243 billion, CBO estimates—$4 billion 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 $45 billion (or 4 percent) greater. 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 $22 billion (or 4 percent):
  - **Social Security benefits** increased by $9 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending rose by $7 billion (or 4 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
  - Outlays for **Medicaid** rose by $6 billion (or 5 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 $16 billion (or 19 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 four 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 $4 billion (or 27 percent), primarily because of increased spending for flood insurance resulting from damage caused by floods in Louisiana, West Virginia, and Texas this past summer.
- Outlays recorded for the **Commodity Credit Corporation** in the Department of Agriculture and 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 each (or 26 percent and 28 percent, respectively). The former increased mostly because payments for agricultural support programs were higher than last year. The latter rose largely because more people purchased insurance through the marketplaces and the premiums for those plans were higher than last year.
- Spending for **veterans' benefits,** which are included in "Other" in the table below, and for military activities of the **Department of Defense** increased by $2 billion each (or 3 percent and 1 percent, respectively).

Outlays in some areas of the budget declined:

- 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 almost $3 billion each.

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

Outlays, October–January
(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	299	307	9	9	2.9
Medicare[b]	186	172	–14	7	3.8
Medicaid	120	126	6	6	5.0
Subtotal, Largest Mandatory Spending Programs	**605**	**605**	**0**	**22**	**3.6**
DoD—Military[c]	191	188	–2	2	0.9
Net Interest on the Public Debt	82	97	16	16	19.0
Other	362	352	–10	6	1.6
Total	**1,240**	**1,243**	**4**	**45**	**3.6**

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 $1,284 billion in the first four 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 Surplus in January 2017: $49 Billion

In CBO's estimation, the federal government realized a surplus of $49 billion in January 2017—$6 billion less than the surplus in January 2016. If not for the shifts in payments in both years, the surplus for this January would have been $30 billion, compared with a surplus of $10 billion last January.

CBO estimates that receipts in January 2017 totaled $343 billion—$30 billion (or 9 percent) more than those in the same month last year. That difference stems primarily from a $26 billion (or 14 percent) increase in the amounts of individual income and payroll taxes withheld. The percentage increase was larger than is typical in part because January included one more business day this year than last. Another possible explanation is that the proportion of year-end bonuses and other wage payments that was delayed until January, which varies from year to year, was greater than average. The amounts withheld in December and January combined rose by 7 percent.

Budget Totals for January
(Billions of Dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	314	343	30	30	9.5
Outlays	258	294	36	10	3.4
Surplus	55	49	–6	19	192.9

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 surplus of $30 billion in January 2017 and a surplus of $10 billion in January 2016. (The amount shifted from January 2016 into December 2015 was unusually large because it included nearly $26 billion in Social Security benefits that were due on January 3, which fell on a Sunday.)

Total spending in January 2017 was $294 billion, CBO estimates—$36 billion more than spending in January 2016. If not for timing shifts, outlays in January would have been $10 billion (or 3 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 mandatory spending programs rose by a total of $5 billion (or 3 percent).
  - **Social Security benefits** rose by $2 billion (or 3 percent).
  - Outlays for **Medicaid** and **Medicare** increased by $1 billion each (or 3 percent each).
- Outlays for **net interest on the public debt** and for the **Department of Homeland Security** increased by $2 billion each (or 9 percent and 57 percent, respectively). The latter increase is largely attributable to larger payments for flood insurance.

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

Actual Deficit in December 2016: $137 Billion

The Treasury Department reported a deficit of $28 billion for December—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for December 2016*.

This document was prepared by Nathaniel Frentz and Dawn Sauter Regan. It is available at www.cbo.gov/publication/52403.