Congressional Budget Office

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Monthly Budget Review for March 2017

The federal budget deficit was $522 billion for the first six months of fiscal year 2017, the Congressional Budget Office estimates—$63 billion more than the shortfall recorded during the same span last year. But that result was slightly 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 six months of fiscal year 2017 would have been $61 billion* larger than that recorded for the same period last year.

Budget Totals, October–March
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	1,476	1,474	–2
Outlays	1,936	1,996	61
Deficit (–)	–459	–522	–63

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

FY = fiscal year.

Total Receipts: Down Slightly in the First Six Months of Fiscal Year 2017

Receipts through March totaled $1,474 billion, CBO estimates—$2 billion less than the amount for the same period last year. That slight decrease is the net effect of the following changes, which largely offset one another:

- **Individual income and payroll (social insurance) taxes** together rose by $46 billion (or 4 percent).
  - Amounts withheld from workers' paychecks rose by $56 billion (or 5 percent). That change largely reflects increases in wages and salaries.
  - Nonwithheld payments of income and payroll taxes fell by $4 billion (or 3 percent). Much of that decline occurred in January, when taxpayers made their last quarterly payment of estimated taxes for the 2016 tax year. Most taxpayers will not make their final payment of income taxes for 2016 until this month, when individual tax returns are due.
  - Individual income tax refunds increased by $3 billion (or 2 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.

[*Value corrected on April 7, 2017]

- **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 (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.
- **Corporate income taxes** fell by $22 billion (or 18 percent). Most of that decline occurred in March as a result of the changes in due dates for certain corporate income tax returns that were mandated under the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (P.L. 114-41). Starting this year, most corporations are required to file their tax returns in mid-April rather than mid-March. Corporate income tax receipts are thus expected to be higher in April than they would have been if that due date had not been changed.

Receipts, October–March
Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Billions of Dollars	Percent
Individual Income Taxes	675	696	22	3.2
Payroll Taxes	523	547	25	4.7
Corporate Income Taxes	122	100	–22	–18.1
Other Receipts	157	130	–27	–17.0
Total	**1,476**	**1,474**	**–2**	**–0.2**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,170	1,225	56	4.8
Other, net of refunds	28	18	–10	–34.1
Total	**1,198**	**1,244**	**46**	**3.9**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 3 Percent in the First Six Months of Fiscal Year 2017

Outlays for the first six months of fiscal year 2017 totaled $1,996 billion, CBO estimates—$61 billion (or 3 percent) more than they were during the same period last year. The discussion below reflects small net adjustments to remove the effects of timing shifts.

The largest increases in outlays were the following:

- Outlays for the three largest mandatory spending programs increased by a total of $34 billion (or 4 percent).
  - **Social Security benefits** increased by $13 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending grew by $11 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 $9 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 $28 billion (or 22 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 six months of fiscal year 2016 were negative, but those made to date in 2017 have been positive.

- Spending by the **Department of Homeland Security**, which is included in the “Other” category in the table below, rose by $3 billion (or 13 percent), primarily because of increased spending for flood insurance resulting from damage caused by floods in Louisiana, Texas, and West Virginia last 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 $5 billion (or 32 percent). Spending climbed largely because 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 $4 billion (or 5 percent), mostly because of increases in the number of veterans receiving disability payments and in the health care services provided to veterans.

Outlays in some areas of the budget declined:

- The government received $9 billion more in payments from **Fannie Mae and Freddie Mac** than it did last year. The two entities make quarterly payments to the Treasury each December and March. Those payments are recorded as offsets to spending and thus lower net outlays.
- Outlays for the **Department of Education,** which are included in “Other” in the table below, fell by $4 billion (or 10 percent), mostly because of decreased spending for student loans and Pell grants.

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

Outlays, October–March

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	449	463	13	13	3.0
Medicare[b]	279	293	13	11	3.9
Medicaid	181	191	9	9	5.1
Subtotal, Largest Mandatory Spending Programs	**910**	**946**	**36**	**34**	**3.7**
DoD—Military[c]	284	284	–1	–1	–0.4
Net Interest on the Public Debt	124	152	28	28	22.2
Other	617	615	–2	–2	–0.3
Total	**1,936**	**1,996**	**61**	**58**	**3.0**

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 or holiday. If not for those timing shifts, total outlays would have been $1,994 billion in the first six 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 March 2017: $173 Billion

In CBO's estimation, the federal government realized a deficit of $173 billion in March 2017—$65 billion more than the deficit in March 2016.

CBO estimates that receipts in March 2017 totaled $217 billion—$11 billion (or 5 percent) less than those in the same month last year. Net collections of corporate income taxes fell by $21 billion as a result of the change in the filing deadlines for those tax returns. Individual income tax refunds increased by $8 billion (or 13 percent), largely because a change in law delayed the Internal Revenue Service's processing of refunds from tax returns that claimed the earned income tax credit or the additional child tax credit; many refunds that would have been processed in February were instead processed in March. Partly offsetting those decreases in revenue was an increase of $18 billion (or 8 percent) in withholding of individual income and payroll taxes that reflects increases in wages and salaries and, to a lesser extent, calendar differences between 2017 and 2016.

Budget Totals for March

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	228	217	–11	–11	–4.6
Outlays	336	391	55	11	3.3
Deficit (–)	–108	–173	–65	–22	20.0

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 or holiday. If not for those timing shifts, the budget would have shown a deficit of $130 billion in March 2017.

Total spending in March 2017 was $391 billion, CBO estimates—$55 billion more than spending in March 2016. If not for shifts this year in the timing of certain payments from April to March, outlays would have increased by $11 billion (or 3 percent). (The changes discussed below reflect adjustments to account for those shifts.)

Among the larger changes in outlays were these:

- Spending for the government's three largest mandatory spending programs increased by a total of $7 billion: Outlays for **Medicare** rose by $4 billion (or 8 percent), **Social Security benefits** by $3 billion (or 3 percent), and **Medicaid** spending by $1 billion (or 4 percent).
- Outlays for **net interest on the public debt** increased by $7 billion (or 30 percent).
- The government received $6 billion more in payments from **Fannie Mae and Freddie Mac** than it did last year, resulting in lower net outlays.
- Payments for the **earned income tax credit** and the **additional child tax credit** combined were $4 billion (or 25 percent) higher than those made last year. The increase was most likely caused by the delay in February in processing refunds.

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

Actual Deficit in February 2017: $192 Billion

The Treasury Department reported a deficit of $192 billion for February—the same amount as CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for February 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 Amy Petz prepared the report with guidance from Mark Booth, Theresa Gullo, and Jeffrey Holland. It was reviewed by Mark Hadley, edited by Bo Peery, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/52543).