Monthly Budget Review for April 2017

The federal budget deficit was $348 billion for the first seven months of fiscal year 2017, the Congressional Budget Office estimates—$5 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 seven months of fiscal year 2017 would have been $77 billion larger than the one recorded for the same period last year.

Budget Totals, October–April
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	1,915	1,928	14
Outlays	2,268	2,276	9
Deficit (–)	–353	–348	5

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

FY = fiscal year.

Total Receipts: Less Than Expected in the First Seven Months of Fiscal Year 2017

Receipts for the first seven months of fiscal year 2017 totaled $1,928 billion, CBO estimates—$14 billion more than the amount for the same period last year. Although receipts grew, they were $60 billion to $70 billion (or 3 percent) smaller than CBO expected when it published its January 2017 report *The Budget and Economic Outlook: 2017 to 2027*.

The bulk of that shortfall reflects smaller-than-anticipated payments of individual and, to a lesser extent, corporate income taxes, mostly for economic activity in 2016. The reason that payments for 2016 activity were smaller than anticipated may be that income growth was weaker than expected in calendar year 2016, or that taxpayers shifted more income than projected from 2016 to later years, expecting legislation to reduce tax rates to be enacted this year. Part of the weakness in receipts may also reflect smaller-than-anticipated payments for economic activity in 2017. The sources of the shortfall will be better understood once data from tax returns start to become available later this year.

The changes between last year and this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by $38 billion (or 2 percent).
  - Amounts withheld from workers' paychecks rose by $61 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.

- Nonwithheld payments of income and payroll taxes fell by $13 billion (or 3 percent). Much of that decline occurred in April, when taxpayers made their final payments of taxes for 2016.
- Individual income tax refunds rose by $9 billion (or 4 percent), further reducing net receipts.
- Receipts from unemployment insurance taxes (one kind of payroll tax) declined by $2 billion (or 10 percent).

- **Remittances from the Federal Reserve** to the Treasury, which are included in “Other Receipts” in the table below, fell by $27 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** rose by $1 billion (or 1 percent).

Receipts, October–April

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	941	946	5	0.6
Payroll Taxes	638	670	32	5.0
Corporate Income Taxes	158	159	1	0.9
Other Receipts	178	153	–25	–14.2
Total	**1,915**	**1,928**	**14**	**0.7**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,348	1,409	61	4.5
Other, net of refunds	231	208	–23	–10.1
Total	**1,579**	**1,617**	**38**	**2.4**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 0.4 Percent in the First Seven Months of Fiscal Year 2017

Outlays for the first seven months of fiscal year 2017 totaled $2,276 billion, CBO estimates—$9 billion (or 0.4 percent) more than the amount during the same period last year. That increase would have been greater (about 4 percent) if not for the shift of certain payments from October 2016 to September 2016 and from May 2016 to April 2016. The discussion below reflects adjustments to remove the effects of timing shifts.

The largest increases in outlays were the following:

- Outlays for each of the three largest mandatory spending programs increased by 3 percent, boosting outlays by a total of $34 billion.
  - **Social Security benefits** increased by $16 billion, reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending grew by $11 billion, reflecting typical growth in the number of beneficiaries and growth in the cost of services for those beneficiaries.
  - **Medicaid** spending grew by $7 billion, 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 $32 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 seven months of fiscal year 2016 were negative, but those made to date in 2017 have been positive.

- 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, which are included in the "Other" category in the table below.

- Outlays for the **Department of Housing and Urban Development** increased by $8 billion, largely because the department made downward revisions in April 2016 to the estimated net subsidy costs of loans and loan guarantees issued in prior years but has made no such revisions yet this year.

- 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 $4 billion (or 25 percent). Spending climbed largely because the premiums for those plans were higher than last year.

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 made quarterly payments to the Treasury in December and March. Those payments are recorded as offsets to spending and thus reduce net outlays.

- Outlays for the **Department of Education,** which are included in "Other" in the table below, fell by $3 billion (or 7 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–April

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	525	541	16	16	3.1
Medicare[b]	347	315	–32	11	3.3
Medicaid	212	220	7	7	3.5
Subtotal, Largest Mandatory Spending Programs	**1,085**	**1,076**	**–9**	**34**	**3.2**
DoD—Military[c]	331	323	–8	1	0.2
Net Interest on the Public Debt	149	181	32	32	21.8
Other	703	696	–7	23	3.4
Total	**2,268**	**2,276**	**9**	**90**	**4.1**

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 $2,227 billion in the first seven months of fiscal year 2016 and $2,317 billion in the first seven 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 April 2017: $179 Billion

In CBO's estimation, the federal government realized a surplus of $179 billion in April 2017—$72 billion more than the surplus in April 2016.

CBO estimates that receipts in April 2017 totaled $455 billion—$17 billion (or 4 percent) more than those in the same month last year. Receipts of corporate income taxes rose by $23 billion as a result of a change in the filing deadlines this year for tax returns by most corporations, from mid-March to mid-April, as mandated by the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (P.L. 114-41).

Individual income and payroll taxes declined by $8 billion, on net. Nonwithheld payments for those taxes, largely final payments of 2016 taxes, declined by $8 billion, and income tax refunds rose by $4 billion, further reducing net receipts. Partly offsetting those decreases in revenue was an increase of $5 billion (or 3 percent) in withholding of individual income and payroll taxes; that increase reflects increases in wages and salaries.

Budget Totals for April

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	438	455	17	17	3.8
Outlays	332	276	–56	29	9.8
Deficit (–)	106	179	72	–12	–8.1

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 $135 billion in April 2017 and $147 billion in April 2016, CBO estimates.

Total spending in April 2017 was $276 billion, CBO estimates—$56 billion less than spending in April 2016. If not for shifts of certain payments from April to March this year, outlays would have increased by $29 billion (or 10 percent). (The changes discussed below reflect adjustments to account for those shifts.)

Among the larger changes in outlays were these:

- Outlays for the **Department of Housing and Urban Development** increased by $10 billion, largely because the department reduced its estimate in April 2016 of the net subsidy costs of loans and loan guarantees issued in prior years but did not do so this April.
- 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 resulted in higher outlays.
- Outlays for **net interest on the public debt** increased by $5 billion (or 20 percent).

Spending for other programs and activities increased or decreased by smaller amounts. Spending for the government's three largest mandatory spending programs collectively was roughly unchanged: Outlays for **Social Security benefits** increased by $2 billion (or 3 percent), but those for **Medicaid** and **Medicare** decreased by $2 billion (or 7 percent) and $300 million (or 1 percent), respectively.

Actual Deficit in March 2017: $176 Billion

The Treasury Department reported a deficit of $176 billion for March—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for March 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. Joshua Shakin, Nathaniel Frentz, Elizabeth Cove Delisle, and Dawn Sauter Regan prepared the report with guidance from Mark Booth, Sam Papenfuss, and Jeffrey Holland. It was reviewed by Mark Hadley and Robert A. Sunshine, edited by Benjamin Plotinsky, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/52692).