Congressional Budget Office

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Monthly Budget Review for July 2017

The federal budget deficit was $568 billion for the first 10 months of fiscal year 2017, the Congressional Budget Office estimates—$56 billion more than the shortfall recorded during the same span last year. Both receipts and outlays were higher than they were last year, but outlays rose much more. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the 10-month period would have been $98 billion larger than the amount recorded in that period last year.

CBO's most recent estimate of the 2017 deficit is $693 billion (compared with a $585 billion shortfall in 2016), as discussed in the agency's June 2017 report *An Update to the Budget and Economic Outlook: 2017 to 2027*.

Budget Totals, October–July
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	2,679	2,738	60
Outlays	3,191	3,307	116
Deficit (–)	–512	–568	–56

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

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First 10 Months of Fiscal Year 2017

Receipts totaled $2,738 billion during the first 10 months of fiscal year 2017, CBO estimates—$60 billion more than the amount collected during the same period last year. The changes between last year and this year were as follows:

- **Individual income taxes** and **payroll (social insurance) taxes** together rose by $85 billion (or 4 percent).
    - Amounts withheld from workers' paychecks rose by $106 billion (or 6 percent). That change largely reflects increases in wages and salaries.
    - Nonwithheld payments of income and payroll taxes fell by $10 billion (or 2 percent). Much of that decline occurred in April, when taxpayers' final payments for 2016 were lower than their final payments for 2015.
    - Individual income tax refunds rose by $11 billion (or 4 percent), further reducing net receipts.

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.

- **Remittances from the Federal Reserve** to the Treasury, which are included in the "Other Receipts" category in the table below, fell by $30 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. Additionally, higher short-term interest rates have increased the central bank's payments of interest on reserves to depository institutions, further lowering remittances this year.
- **Fees and fines** rose by $5 billion, partly as a result of larger than usual penalty payments.
- **Corporate income tax payments** rose by less than $1 billion.

Receipts, October–July
Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,271	1,313	42	3.3
Payroll Taxes	933	976	43	4.6
Corporate Income Taxes	232	232	*	0.2
Other Receipts	243	217	–25	–10.5
Total	**2,679**	**2,738**	**60**	**2.2**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,888	1,994	106	5.6
Other, net of refunds	317	295	–21	–6.7
Total	**2,204**	**2,289**	**85**	**3.8**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; * = less than $0.5 billion.

Total Outlays: Up by 4 Percent in the First 10 Months of Fiscal Year 2017

Outlays for the first 10 months of fiscal year 2017 totaled $3,307 billion, CBO estimates—$116 billion more than the amount recorded during the same period last year. If not for the shift of certain payments from October 2016 to September 2016, outlays would have been $157 billion (or 5 percent) more than they were last year. The discussion below reflects adjustments to remove the effects of that timing shift.

The largest increases in outlays were the following:

- Outlays for the three largest mandatory spending programs increased by a total of $41 billion (or 3 percent).
  - **Social Security benefits** increased by $24 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending rose by $15 billion (or 3 percent), reflecting typical growth in the number of beneficiaries and in the cost of services for those beneficiaries.
  - **Medicaid** spending grew by $3 billion (or 1 percent), in part because of new enrollees 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 $31 billion (or 48 percent) because the department revised upward, by roughly $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 for the first 10 months of the fiscal year would have fallen by $2 billion (or 3 percent).

- Outlays for the **Department of Housing and Urban Development** (also included in the "Other" category) increased by $29 billion, primarily because the department made upward revisions in June 2017 to the estimated net subsidy costs of loans and loan guarantees issued in prior years, whereas in April 2016, it made downward revisions.

- Outlays for **net interest on the public debt** increased by $25 billion (or 11 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 10 months of fiscal year 2016 totaled $11.5 billion, whereas those made to date in 2017 have totaled $32.5 billion.

The following programs, which are included in the "Other" category in the table below, also showed notable increases:

- Spending by the **Department of Veterans Affairs** 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.

- 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.

Outlays in one area of the budget declined significantly. The government received $13 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, March, and June. Those payments, which are included in the "Other" category in the table below, are recorded as offsets to spending and thus reduce net outlays.

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

Outlays, October–July

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	753	776	24	24	3.1
Medicare[b]	469	462	–7	15	3.1
Medicaid	306	309	3	3	1.0
Subtotal, Largest Mandatory Spending Programs	**1,528**	**1,548**	**20**	**41**	**2.7**
DoD—Military[c]	462	465	3	7	1.4
Net Interest on the Public Debt	236	261	25	25	10.6
Other	965	1,034	68	84	8.7
Total	**3,191**	**3,307**	**116**	**157**	**4.9**

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 $3,348 billion in the first 10 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 July 2017: $45 Billion

In CBO's estimation, the federal government incurred a deficit of $45 billion in July 2017— $68 billion less than the deficit last year. Because July 1 fell on a weekend this year, certain payments scheduled for that date were instead made in June. If not for that shift, the deficit in July 2017 would have been about $24 billion less than the deficit last July.

CBO estimates that receipts in July 2017 totaled $231 billion—$21 billion (or 10 percent) more than those in the same month last year. The bulk of that increase is the result of higher withholding of individual income and payroll taxes, which rose by $17 billion (or 10 percent), reflecting primarily increases in wages and salaries. Another reason for that increase is that there was one more Monday this July than last, and typically more withheld tax payments are made on Monday than on any other day of the week.

Budget Totals for July

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2016	Preliminary, FY 2017	Estimated Change	Billions of Dollars	Percent
Receipts	210	231	21	21	9.8
Outlays	323	276	–47	–3	–1.1
Deficit (–)	–113	–45	68	24	–21.3

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 deficit of $89 billion in July 2017, CBO estimates.

Total spending in July 2017 was $276 billion, CBO estimates—$47 billion less than spending in July 2016. Much of that decrease stemmed from shifts in the timing of certain payments from July to June this year. If not for those shifts, spending would have been only $3 billion less than it was last year. (The changes discussed below reflect adjustments to account for those shifts.)

The largest changes in outlays were the following:

- Outlays for **Social Security benefits** increased by $2 billion.
- **Medicare** spending fell by $3 billion because reconciliation payments typically made to Medicare Advantage plans in July were delayed until August this year. (Reconciliation payments are made annually to account for unanticipated spending increases in the previous calendar year.)

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

Actual Deficit in June 2017: $90 Billion

The Treasury Department reported a deficit of $90 billion for June—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for June 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. Elizabeth Cove Delisle, Dawn Sauter Regan, and Joshua Shakin prepared the report with guidance from Mark Booth, Teri Gullo, Jeffrey Holland, and Sam Papenfuss. It was reviewed by Robert Sunshine and 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/52993).