Congressional Budget Office

September 8, 2017

Monthly Budget Review for August 2017

The federal budget deficit was $675 billion for the first 11 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 11-month period would have been $97 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*. The deficit for 2017 is likely to be smaller than CBO projected in June because the budget typically shows a surplus in September as a result of substantial receipts from quarterly payments of individual and corporate income taxes.

Budget Totals, October–August
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change
Receipts	2,910	2,966	56
Outlays	3,529	3,642	112
Deficit (–)	–619	–675	–56

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

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First 11 Months of Fiscal Year 2017
Receipts totaled $2,966 billion during the first 11 months of fiscal year 2017, CBO estimates—$56 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 $80 billion (or 3 percent).
  - Amounts withheld from workers' paychecks rose by $103 billion (or 5 percent). That change largely reflects increases in wages and salaries.
  - Nonwithheld payments of income and payroll taxes fell by $9 billion (or 2 percent). Much of that decline occurred in April, when taxpayers' final payments for 2016 were lower than their final payments of taxes for 2015.
  - Individual income tax refunds rose by $10 billion (or 4 percent), further reducing net receipts.
  - Receipts from unemployment insurance taxes (one kind of payroll tax) declined by $3 billion (or 5 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.

- **Remittances from the Federal Reserve to** the Treasury, which are included in the "Other Receipts" category in the table below, fell by $33 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. Additional reductions in remittances this year have stemmed from higher short-term interest rates, which have increased the central bank's payments of interest on reserves to depository institutions.

- **Fees and fines** rose by $8 billion, partly as a result of larger than usual penalty payments.

- **Corporate income tax payments** rose by less than $1 billion.

Receipts, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,386	1,421	35	2.5
Payroll Taxes	1,022	1,067	45	4.4
Corporate Income Taxes	233	234	1	0.2
Other Receipts	269	244	–25	–9.2
Total	**2,910**	**2,966**	**56**	**1.9**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,079	2,181	103	4.9
Other, net of refunds	329	307	–22	–6.8
Total	**2,408**	**2,489**	**80**	**3.3**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 3 Percent in the First 11 Months of Fiscal Year 2017

Outlays for the first 11 months of fiscal year 2017 totaled $3,642 billion, CBO estimates—$112 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 $154 billion (or 4 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 $48 billion (or 3 percent).
  - **Social Security benefits** increased by $26 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending rose by $16 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 $6 billion (or 2 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 44 percent) because the department revised upward, by $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 11 months of the fiscal year would have fallen by $2 billion (or 2 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 $24 billion (or 9 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 11 months of fiscal year 2016 totaled $18.2 billion, whereas those made to date in 2017 have totaled $34.3 billion.

- Spending for military activities of the **Department of Defense** rose by $10 billion (or 2 percent).

- Spending by the **Department of Veterans Affairs** (also included in the “Other” category) 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.

- 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 $7 billion (or 25 percent). Spending climbed largely because the premiums for those plans were higher than last year.

- Payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum decreased by $7 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. Those outlays are included in “Other” in the table below.

Outlays in other areas of the budget declined significantly.

- The government received $13 billion more in payments from **Fannie Mae and Freddie Mac** this year 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.

- Outlays for the **Department of Agriculture** (also included in the “Other” category) decreased by $10 billion, primarily because the department made downward revisions in August 2017 to the estimated net subsidy costs of loans and loan guarantees issued in prior years, whereas in August 2016, it made upward revisions.

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

Outlays, October–August
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	829	855	26	26	3.2
Medicare[b]	523	518	–6	16	3.0
Medicaid	338	343	6	6	1.7
Subtotal, Largest Mandatory Spending Programs	**1,690**	**1,716**	**26**	**48**	**2.8**
DoD—Military[c]	508	514	6	10	2.0
Net Interest on the Public Debt	264	288	24	24	8.9
Other	1,067	1,124	57	72	6.8
Total	**3,529**	**3,642**	**112**	**154**	**4.4**

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 $3,683 billion in the first 11 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 August 2017: $109 Billion

In CBO's estimation, the federal government incurred a deficit of $109 billion in August 2017— $2 billion more than the deficit last year.

CBO estimates that receipts in August 2017 totaled $226 billion—$5 billion (or 2 percent) less than those in the same month last year. The decrease is explained by a $3 billion decline in Federal Reserve remittances and a $2 billion (or 1 percent) decline in withholding of individual income and payroll taxes. That decline in withholding—a reversal of steady gains in recent months—probably occurred because there was one fewer Monday this August than last (typically more withheld tax payments are made on Monday than on any other day of the week).

Budget Totals for August
Billions of Dollars

	Actual, FY 2016	Preliminary, FY 2017	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	231	226	–5	–2.1
Outlays	338	336	–3	–0.8
Deficit (–)	–107	–109	–2	2.0

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in August 2017 was $336 billion, CBO estimates—$3 billion less than spending in August 2016. According to CBO's estimates, the largest changes in outlays were the following:

- Outlays for **Social Security benefits** and **Medicaid** increased by $3 billion and $2 billion, respectively.
- Spending by the **Department of Veterans Affairs** rose by $2 billion.
- Spending for military activities of the **Department of Defense** increased by $2 billion.
- Outlays for the **Department of Agriculture** fell by $10 billion, primarily because the department made downward revisions in August 2017 to the estimated net subsidy costs of loans and loan guarantees issued in prior years, whereas in August 2016, it made upward revisions.

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

Actual Deficit in July 2017: $43 Billion

The Treasury Department reported a deficit of $43 billion for July—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for July 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, Amy Petz, and Joshua Shakin prepared the report with guidance from Christi Hawley Anthony, Mark Booth, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine and Mark Hadley, edited by Elizabeth Schwinn, and prepared for publication by Darren Young. An electronic version is available on CBO's website (www.cbo.gov/publication/53078).