Congressional Budget Office

February 7, 2018

Monthly Budget Review for January 2018

The federal budget deficit was $174 billion for the first four months of fiscal year 2018, the Congressional Budget Office estimates, $16 billion more than the shortfall recorded during the same period last year. Revenues and outlays were higher, by 4 percent and 5 percent, respectively, than during the first four months of fiscal year 2017.

As was the case last year, this year's outlays were affected by shifts in the timing of certain payments that otherwise would have been due on a weekend. If not for those shifts, outlays and the deficit through January would have been slightly larger, both this year and last year—but the year-to-year changes would not have been very different.

Budget Totals, October–January
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	1,085	1,131	46
Outlays	1,243	1,306	62
Deficit (–)	–159	–174	–16

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2017 and the *Daily Treasury Statements* for January 2018.

FY = fiscal year.

Total Receipts: Up by 4 Percent in the First Four Months of Fiscal Year 2018

Receipts totaled $1,131 billion during the first four months of fiscal year 2018, CBO estimates—$46 billion more than during the same period last year. That increase resulted from changes in receipts from the following sources:

- Individual income and payroll (social insurance) taxes together rose by $68 billion (or 8 percent).
  - Amounts withheld from workers' paychecks rose by $65 billion (or 8 percent). That change largely reflects increases in wages and salaries. Payments of withheld taxes also may have been boosted, on net, by the anticipation of or by responses to the tax legislation that was enacted in December.
  - Nonwithheld payments of income and payroll taxes rose by $4 billion (or 3 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.

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.

- o Income tax refunds were up by $1 billion (or 4 percent), reducing net receipts. Most tax refunds will be paid from February through May.

- Corporate income taxes fell by about $13 billion (or 15 percent). Most of that decline occurred in December, when most corporations made their final quarterly estimated payments for tax year 2017.

- Revenues from other sources fell by $9 billion (or 11 percent), largely as a result of reduced income from fees and fines.

Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	550	606	56	10.2
Payroll Taxes	362	374	12	3.4
Corporate Income Taxes	85	72	–13	–14.8
Other Receipts	88	79	–9	–10.8
Total	**1,085**	**1,131**	**46**	**4.3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	790	855	65	8.2
Other, net of refunds	122	126	3	2.8
Total	**912**	**980**	**68**	**7.5**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 5 Percent in the First Four Months of Fiscal Year 2018

Outlays for the first four months of fiscal year 2018 were $1,306 billion, $62 billion higher than they were during the same period last year, CBO estimates. If not for the shift of certain payments from October to September (which also occurred last year) because the first of the month fell on a weekend, outlays so far this year would have been $65 billion (or 5 percent) larger. The discussion below reflects adjustments to account for those timing shifts.

The largest increases in outlays were in the following categories:

- Outlays for **net interest on the public debt** increased by $13 billion (or 14 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 by using the change in the consumer price index for all urban consumers that was recorded two months earlier. That adjustment was $6 billion in the first four months of fiscal year 2017 but nearly $16 billion early in the current fiscal year.

- Spending for military programs of the **Department of Defense** rose by $12 billion (or 6 percent).

- Outlays recorded for the **Department of Homeland Security,** which are included in the “Other” category below, increased by $12 billion (or 67 percent), largely because of activities related to disaster relief.

- **Social Security** benefits rose by $11 billion (or 4 percent) because of increases both in the number of beneficiaries and in the average benefit payment.

Medicaid spending has slowed slightly this year, perhaps related to declining unemployment and a number of other factors. For other programs and activities, spending increased or decreased by smaller amounts.

Outlays, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	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	307	319	11	11	3.7
Medicare[b]	172	175	3	5	2.5
Medicaid	126	125	–1	–1	–0.9
Subtotal, Largest Mandatory Spending Programs	**605**	**618**	**13**	**15**	**2.4**
DoD—Military[c]	187	198	11	12	6.2
Net Interest on the Public Debt	97	111	13	13	13.7
Other	354	378	25	24	6.6
Total	**1,243**	**1,306**	**62**	**65**	**5.0**

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. If not for those timing shifts, outlays would have been $1,285 billion in fiscal year 2017 and $1,349 billion in fiscal year 2018.

b. Medicare outlays are net of offsetting receipts.

c. Excludes a small amount of spending by DoD on civil programs.

Estimated Surplus in January 2018: $51 Billion

The federal government realized a surplus of $51 billion in January 2018, CBO estimates—$1 billion smaller than the surplus in January 2017. Surpluses in January are boosted by the shift of certain payments, ordinarily made on the first of the month, from January to December because January 1 is a holiday.

CBO estimates that receipts in January 2018 totaled $362 billion—$18 billion (or 5 percent) more than those in the same month last year. Withholding of individual income and payroll taxes rose by $20 billion (or 9 percent); that percentage increase was larger than is typical, in part because January included one more business day this year than last. Although the Internal Revenue Service issued new withholding tables on January 11 to reflect the new tax law, many employers had not begun to use them in January (all employers must begin using the new tables by February 15).

Collections of fees and fines declined by $8 billion, largely because 2017 was the final year for collections from health insurers through the transitional reinsurance program of the Affordable Care Act. (Corresponding outlays for the program are expected largely to end this year.) Revenues from all other sources were up by $6 billion, mostly reflecting higher nonwithheld payments of income taxes by individuals.

Budget Totals for January

Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]	
				Billions of Dollars	Percent
Receipts	344	362	18	18	5.2
Outlays	293	311	18	19	5.9
Surplus	51	51	–1	–1	–2.6

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 January 1, a holiday. If not for those timing shifts, the budget would have shown a surplus of $32 billion in January 2017 and $31 billion in January 2018, CBO estimates.

Total spending in January 2018 was $311 billion, CBO estimates—$18 billion more than the sum in January 2017. If not for timing shifts, outlays in January would have been $19 billion (or 6 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

The largest changes in outlays were as follows:

- **Social Security** benefits rose by $4 billion (or 5 percent).
- **Net interest on the public debt** rose by $4 billion (or 18 percent).
- **Medicare** benefits rose by $3 billion (or 7 percent).
- Spending for military programs of the **Department of Defense** rose by $2 billion (or 5 percent).
- Outlays recorded for the **Department of Homeland Security** rose by $2 billion (or 37 percent), largely for disaster relief.

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

Actual Deficit in December 2017: $23 Billion

The Treasury Department reported a deficit of $23 billion for December—$3 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for December 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, available at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Nathaniel Frentz, Dawn Regan, and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Mark Booth, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/53549.