



Monthly Budget Review for August 2013

The federal government ran a budget deficit of roughly \$750 billion for the first 11 months of fiscal year 2013, CBO estimates—a reduction of more than \$400 billion from the shortfall recorded for the same period last year. Revenues have risen significantly, accounting for more than two-thirds of the decline in the deficit. The deficit for all of fiscal year 2013 is expected to be smaller than the 11-month figure, as revenues are likely to outpace outlays in September.

Budget Totals, October–August (Billions of dollars)			
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change
Receipts	2,188	2,472	284
Outlays	3,352	3,225	-127
Deficit (-)	-1,164	-753	411
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for July 2013 and the <i>Daily Treasury Statements</i> for August 2013.			

Receipts From October Through August: Up by 13 Percent Compared With Collections During the Same Period in Fiscal Year 2012

Receipts for the first 11 months of fiscal year 2013 totaled \$2,472 billion, CBO estimates—\$284 billion more than receipts for the same period last year.

Receipts, October–August (Billions of dollars)				
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,015	1,176	160	15.8
Social Insurance Taxes	778	868	90	11.6
Corporate Income Taxes	186	216	30	16.0
Other Receipts	<u>208</u>	<u>212</u>	<u>4</u>	2.0
Total	2,188	2,472	284	13.0
Memorandum:				
Combined Individual Income and Social Insurance Taxes				
Withheld Taxes	1,623	1,783	160	9.9
Other, Net of Refunds	<u>170</u>	<u>260</u>	<u>90</u>	53.2
Total	1,793	2,044	251	14.0
Sources: Congressional Budget Office; Department of the Treasury.				

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.

- **Individual income and social insurance (payroll) taxes** together increased by \$251 billion (or 14 percent).

Taxes withheld from workers' paychecks rose by \$160 billion (or 10 percent), mainly because of the expiration of the payroll tax cut in January 2013, higher wages and salaries, and increases (beginning in January) in tax rates for income above certain thresholds.

Nonwithheld taxes rose by \$91 billion (or 27 percent). About three-fourths of that increase occurred during the tax-filing season (February through April), mainly because final payments for the 2012 tax year were much larger than their counterparts last year. Some of the growth in nonwithheld receipts also reflects an increase in estimated payments for the current tax year (made in the spring and the summer) and some payments made at other times for the 2012 tax year (such as the quarterly payments made in January 2013). The large percentage increase—53 percent—in other receipts of individual income and social insurance taxes (which are net of refunds) occurred because last year's refunds offset much more of the payments than this year's have.

- **Net corporate income taxes** were higher by \$30 billion (or 16 percent), probably because of growth in taxable profits in calendar year 2012 and the first half of calendar year 2013.

The next quarterly estimated payments by individuals and most corporations are due in mid-September.

Outlays From October Through August: Down by 4 Percent (Adjusted for Timing Shifts) Compared With Spending During the Same Period in Fiscal Year 2012

Outlays for the first 11 months of fiscal year 2013 were \$127 billion less than spending during the same period last year, CBO estimates. Adjusted for shifts in the timing of certain payments and collections, mostly because the scheduled dates for some payments fell on a weekend, that decrease amounts to \$129 billion, or 4 percent.

Outlays, October–August (Billions of dollars)					
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Defense—Military	601	559	-42	-46	-7.6
Social Security Benefits	724	735	11	38	5.4
Medicare ^b	445	473	28	10	2.3
Medicaid	230	244	14	14	6.1
Unemployment Insurance	89	67	-22	-22	-24.5
Other Activities	<u>1,017</u>	<u>989</u>	<u>-28</u>	<u>-35</u>	-3.5
Subtotal	3,106	3,067	-39	-41	-1.3
Net Interest on the Public Debt	241	240	-1	-1	-0.5
Net Outlays Related to GSEs	<u>5</u>	<u>-82</u>	<u>-87</u>	<u>-87</u>	n.m.
Total	3,352	3,225	-127	-129	-3.9

Sources: Congressional Budget Office; Department of the Treasury.

Note: GSEs = government-sponsored enterprises, Fannie Mae and Freddie Mac;
n.m. = not meaningful.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

b. Medicare outlays are net of offsetting receipts.

Outlays for several major programs or categories of spending were less than what was spent during the first 11 months of last year:

- Net transfers for the government’s activities related to **Fannie Mae** and **Freddie Mac** were \$87 billion less than such outlays recorded last year at this time. Through August 2012, the Treasury had made \$5 billion more in payments to those two entities than it received in dividends. This year, the Treasury has received about \$82 billion in transfers from those entities (primarily from Fannie Mae) and has not made any payments to them.
- **Defense** spending fell by \$46 billion (or 8 percent), because of both the effects of sequestration and the declining pace of operations in Afghanistan.
- Outlays recorded for the **Troubled Asset Relief Program** (included in the category “Other Activities” in the above table) declined by \$33 billion, mainly because adjustments to the estimated cost of the program increased outlays by \$21 billion in 2012 and reduced them by \$13 billion in 2013.
- Outlays for **unemployment benefits** declined by \$22 billion (or 24 percent), mostly because fewer people have been receiving benefits in recent months.

Increases in spending for some other major programs during the first 11 months of fiscal year 2013 partially offset those declines:

- For all three of the government’s largest entitlement programs, spending increased—for **Social Security**, by \$38 billion (or 5 percent); for **Medicare**, by \$10 billion (or 2 percent); and for **Medicaid**, by \$14 billion (or 6 percent).
- Spending by the **Department of Agriculture** increased by \$17 billion (or 13 percent), primarily because drought led to an increase in crop insurance payments early in the fiscal year.
- Outlays for the **Federal Emergency Management Agency** were \$10 billion higher, mostly because of Hurricane Sandy.

Estimated Deficit in August 2013: \$146 Billion

The federal government realized a deficit of \$146 billion in August 2013, CBO estimates, in contrast with the \$191 billion deficit incurred in the same month last year—a difference of \$45 billion. But that decrease was affected by shifts in the timing of certain payments and collections, which occurred mostly because the scheduled dates for some payments fell on a weekend or a holiday. The first day of September fell on a weekend in both years, and September 3 (the payment date for some Social Security benefits) was Labor Day, so certain payments that ordinarily would have been made in September were instead made earlier, increasing outlays by about \$58 billion in August 2012 and by \$35 billion in August 2013. Adjusted for those shifts, the reduction in the deficit for August shrinks to \$21 billion.

Budget Totals for August (Billions of dollars)					
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	179	185	6	6	3.3
Outlays	369	331	-39	-15	-5.0
Deficit (-)	-191	-146	45	21	-16.1

Sources: Congressional Budget Office; Department of the Treasury.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

CBO estimates that receipts in August totaled \$185 billion—\$6 billion (or 3 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes** together rose by \$9 billion (or 6 percent), a rise in withheld taxes explaining the change. The increase reflects mainly the expiration of the payroll tax cut in January 2013, along with other tax increases and higher wages and salaries. The rise in withholding would have been greater (and more comparable to increases in recent months) but for the fact that August 2013 had one fewer business day than August 2012.
- **Federal Reserve receipts** fell by \$3 billion (or 28 percent), primarily because they are recorded on Wednesdays and August 2013 had one fewer Wednesday than August 2012.

Total spending in August 2013 was \$331 billion, CBO estimates—\$39 billion less than outlays in the same month in 2012. However, outlays would have declined by \$15 billion if not for the effects of timing shifts. (The month-over-month changes presented below reflect adjustments to account for those shifts.) The largest changes in outlays from amounts in August a year ago were these:

- Outlays for **housing loans and loan guarantees** decreased by \$11 billion, mostly because a change in the estimated subsidy costs for loans and loan guarantees that had been made in previous years boosted outlays in August 2012 by \$9 billion.
- Spending for **defense** decreased by \$9 billion. That decline was spread across operations and maintenance, procurement, and research.
- Outlays for **unemployment benefits and Medicare** were down by \$2 billion and \$1 billion, respectively.
- In contrast, outlays for **net interest on the public debt** increased by \$4 billion.
- Expenditures for **Social Security** rose by \$4 billion, while outlays for **Medicaid** increased by \$1 billion.

Actual Deficit in July 2013: \$98 Billion

The Treasury Department reported a deficit of \$98 billion for July, about \$2 billion more than CBO estimated on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Cove Delisle and Barbara Edwards. It is available at www.cbo.gov.