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Monthly Budget Review for December 2013

The federal government ran a budget deficit of \$182 billion for the first three months of fiscal year 2014, CBO estimates, \$111 billion less than the shortfall recorded in first three months of last year. Revenues are higher and outlays are lower than they were at the same point in fiscal year 2013.

Budget Totals, October–December (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	616	664	48
Outlays	909	846	-62
Deficit (-)	-293	-182	111

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2013 and the *Daily Treasury Statements* for December 2013.

Total Receipts: Up by 8 Percent in the First Quarter of Fiscal Year 2014

Receipts for the first three months of fiscal year 2014 totaled \$664 billion, \$48 billion more than receipts in the same period last year.

Receipts, October–December (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	312	307	-6	-1.9
Social Insurance Taxes	181	225	44	24.3
Corporate Income Taxes	63	69	6	10.1
Other Receipts	<u>59</u>	<u>63</u>	<u>4</u>	6.7
Total	616	664	48	7.9
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld Taxes	475	507	32	6.7
Other, Net of Refunds	<u>19</u>	<u>25</u>	<u>6</u>	34.7
Total	494	532	38	7.7

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 taxes and social insurance (payroll) taxes** together rose by \$38 billion, or 8 percent. Increases in amounts withheld from workers' paychecks (\$32 billion, or 7 percent) accounted for most of that gain, mainly because of the expiration of the 2-percentage-point payroll tax cut in January 2013, higher wages and salaries, and increases (beginning in January) in tax rates for income above certain thresholds. The increases would have been significantly larger if not for an acceleration in the payment of some compensation into December 2012, boosting receipts in that month, because people were anticipating higher tax rates beginning in calendar year 2013. Nonwithheld receipts, mainly from filings of 2012 tax returns by people who had received filing extensions, increased by \$5 billion.
- **Receipts from corporate income taxes** rose by \$6 billion, or 10 percent. Those receipts included most corporations' final estimated quarterly payments for calendar year 2013.

Total Outlays: Down by 7 Percent Compared With Spending During the First Quarter of Fiscal Year 2013

Outlays for the first three months of fiscal year 2014 were \$62 billion less than spending in the same period last year, CBO estimates.

Outlays, October–December (Billions of dollars)					
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
DoD—Military	166	155	-11	-11	-6.9
Social Security Benefits	196	206	10	10	5.2
Medicare ^b	124	121	-3	-3	-2.7
Medicaid	66	68	2	2	3.3
Unemployment Insurance	19	15	-4	-4	-22.1
Other Activities	<u>274</u>	<u>260</u>	<u>-15</u>	<u>-13</u>	-4.8
Subtotal	846	825	-21	-19	-2.3
Net Interest on the Public Debt	68	61	-7	-7	-10.5
Net Outlays for GSEs	<u>-5</u>	<u>-39</u>	<u>-34</u>	<u>-34</u>	n.m.
Total	909	846	-62	-60	-6.8

Sources: Congressional Budget Office; Department of the Treasury.

Note: DoD = Department of Defense; 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 declined for several major programs or categories of spending:

- Much of the drop in spending occurred because payments from the government-sponsored enterprises **Fannie Mae and Freddie Mac** to the Treasury were \$34 billion more than they were last year, for two reasons: First, Freddie Mac made a onetime payment to the Treasury of about \$24 billion because of a revaluation of certain tax assets that significantly increased its net worth. Second, because both Fannie Mae and Freddie Mac were profitable in 2013, the companies were required to make quarterly payments to the Treasury in amounts related to the increase in their net worth. (Those payments are recorded in the budget as offsetting receipts—that is, negative outlays.)
- Total spending for military activities of the **Department of Defense** fell by \$11 billion (or 7 percent).

- Spending for **Medicare** declined by \$3 billion (or 3 percent), mostly because a onetime intragovernmental transfer of \$4 billion was made in October 2013 rather than in September 2013. Without that shift in the timing of payments, spending for Medicare would have increased by \$1 billion (or 1 percent).
- Spending by the **Department of Agriculture** (included in “other activities”) decreased by \$7 billion (or 14 percent).
- Outlays for **net interest on the public debt** declined by \$7 billion (or 11 percent).
- Outlays for **unemployment benefits** declined by \$4 billion (or 22 percent).
- Spending declined by smaller amounts for several **other programs and activities**.

Increases in spending for some other major programs during the first three months of fiscal year 2014 partially offset those declines. In particular, spending increased for two of the government’s largest entitlement programs:

- Spending for **Social Security** rose by \$10 billion (or 5 percent); and
- Spending for **Medicaid** rose by \$2 billion (or 3 percent).

Estimated Surplus in December 2013: \$44 Billion

The federal government realized a surplus of \$44 billion in December 2013, CBO estimates, a \$46 billion difference from the \$1 billion deficit incurred in December 2012. Because December 1 fell on a weekend in both years, certain payments that ordinarily would have been made in December were instead made in November. Without those shifts in the timing of payments (in 2012 and again in 2013), the change in the budget result from December 2012 to December 2013 would have been \$42 billion rather than \$46 billion.

Budget Totals for December (Billions of dollars)					
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	270	283	13	13	4.9
Outlays	271	238	-32	-28	-9.9
Surplus or Deficit (-)	-1	44	46	42	n.m.

Sources: Congressional Budget Office; Department of the Treasury.
 Note: 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.

CBO estimates that receipts in December totaled \$283 billion—\$13 billion (or 5 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes** together rose by \$9 billion (or 5 percent). That increase is entirely explained by a \$9 billion increase in withheld taxes, reflecting the expiration of the payroll tax cut in January 2013, along with other tax increases and higher wages and salaries. The increase relative to last December would have been much larger if the payment of some compensation had not been accelerated from calendar year 2013 to December 2012 because people were anticipating higher tax rates.
- **Receipts from corporate income taxes**, which included the last quarterly estimated payment in calendar year 2013 for most corporations, rose by \$4 billion, or 7 percent.

Total spending in December 2013 was \$238 billion, CBO estimates—\$32 billion less than outlays in the same month in 2012. If not for the effects of timing shifts, that difference would have been slightly smaller—\$28 billion. (The month-over-month changes discussed below reflect adjustments to account for those shifts.) Among the larger changes in outlays, compared with last year, were the following:

- Payments received from **Fannie Mae and Freddie Mac** were \$34 billion larger this December than in December 2012.
- Outlays for **net interest on the public debt** and the **Federal Emergency Management Agency** were down by \$2 billion each.
- Spending for **Medicare and Social Security** increased by \$4 billion and \$3 billion, respectively.
- The government recorded offsetting receipts of \$3 billion in December 2012 from the **sale of stock in American International Group**; no such sale occurred this December.

Outlays for other programs and activities differed by smaller amounts in both directions.

Actual Deficit in November 2013: \$135 Billion

The Treasury Department reported a deficit of \$135 billion for November—about \$4 billion more than CBO estimated on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Delisle, Barbara Edwards, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov/publication/44999.