



Monthly Budget Review for January 2014

The federal government ran a budget deficit of \$184 billion for the first four months of fiscal year 2014, CBO estimates—\$107 billion less than the shortfall recorded in the same span last year. Revenues are higher and outlays are lower than they were at this time a year ago. Without shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the four-month period would have been \$141 billion less this year than it was in fiscal year 2013. If lawmakers enact no further legislation affecting spending or revenues, the federal government will end fiscal year 2014 with a deficit of \$514 billion, or 3.0 percent of gross domestic product (GDP), CBO estimates. That figure compares with a deficit of \$680 billion, or 4.1 percent of GDP, in 2013. (For more details about CBO’s most recent budget projections, see [The Budget and Economic Outlook: 2014 to 2024](#).)

Budget Totals, October–January (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	888	961	73
Outlays	1,178	1,145	-34
Deficit (-)	-290	-184	107

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2013 and the *Daily Treasury Statements* for January 2014.

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

Receipts for the first four months of fiscal year 2014 totaled \$961 billion, by CBO’s estimate, \$73 billion more than those in the same period last year.

- **Individual income taxes and social insurance (payroll) taxes together rose by \$58 billion, or 8 percent.** Increases in amounts withheld from workers’ paychecks (\$44 billion, or 7 percent) accounted for most of that gain. A number of factors contributed to that difference. Wages and salaries have risen, and the tax rates in effect for October through December of 2013 were higher than those in the comparable period in 2012; the higher tax rates reflect the expiration of the 2 percentage-point cut in the payroll tax and the increase in tax rates for income above certain thresholds, both of which occurred in January 2013. Nonwithheld receipts, mainly from filings of 2012 tax returns by people who received filing extensions, increased by \$14 billion.
- **Receipts from corporate income taxes rose by \$8 billion, or 11 percent.** Those receipts included the last quarterly estimated payment due in calendar year 2013 for most corporations.
- **Receipts from the Federal Reserve rose by \$3 billion, or 13 percent.** The increase was due in part to the larger size of the central bank’s portfolio of securities.

Receipts, October–January (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	468	475	7	1.4
Social Insurance Taxes	271	323	52	19.1
Corporate Income Taxes	70	78	8	11.4
Other Receipts	<u>78</u>	<u>85</u>	<u>7</u>	8.7
Total	888	961	73	8.2
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld taxes	646	690	44	6.8
Other, net of refunds	<u>94</u>	<u>108</u>	<u>15</u>	15.5
Total	739	798	58	7.9
Sources: Congressional Budget Office; Department of the Treasury.				

Total Outlays: Down by 6 Percent (Adjusted for Timing Shifts) in the First Four Months of Fiscal Year 2014

Outlays for the first four months of fiscal year 2014 were \$1,145 billion, \$34 billion less than they were in the same period last year, CBO estimates. That decrease would have been almost twice as large if not for a shift in the timing of certain payments from February to January (because February 1 fell on a weekend in 2014). Without those timing shifts, CBO estimates, spending would have declined by \$67 billion (or 6 percent).

Outlays, October–January (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 ^b	217	206	-11	-16	-7.4
Social Security Benefits	262	275	13	13	4.9
Medicare ^c	164	178	14	-4	-2.3
Medicaid	88	92	5	5	5.3
Unemployment Insurance	27	20	-7	-7	-26.5
Other Activities	<u>342</u>	<u>335</u>	<u>-6</u>	<u>-18</u>	-5.2
Subtotal	1,099	1,106	7	-27	-2.5
Net Interest on the Public Debt	84	77	-6	-6	-7.4
Net Outlays for GSEs	<u>-5</u>	<u>-39</u>	<u>-34</u>	<u>-34</u>	n.m.
Total	1,178	1,145	-34	-67	-5.7
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. Excludes a small amount of spending by the department on civil programs.					
c. Medicare outlays are net of offsetting receipts.					

Outlays declined for several major programs or categories of spending, according to CBO's estimates:

- Much of the drop in spending occurred because payments from **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 \$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 \$16 billion (or 7 percent).
- Spending for **Medicare** declined by \$4 billion (or 2 percent), mostly because a onetime intragovernmental transfer of \$4 billion was made in October (the first month of the fiscal year) rather than in September (the last month of fiscal year 2013). Without that shift in the timing of payments, spending for Medicare would have remained nearly the same as it was last year.
- Outlays for **unemployment benefits** declined by \$7 billion (or 27 percent).
- Spending by the **Department of Agriculture** (included in “Other Activities”) decreased by \$9 billion (or 14 percent), largely because of reduced spending for crop insurance and for the Supplemental Nutrition Assistance Program (formerly called Food Stamps).
- Spending by the **Department of Homeland Security** (also included in “Other Activities”) fell by \$7 billion (or 33 percent), mostly because less has been spent this year for flood insurance and disaster relief.
- Outlays for **net interest on the public debt** declined by \$6 billion (or 7 percent).
- For several **other programs and activities**, spending declined by smaller amounts.

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

- Spending for **Social Security** rose by \$13 billion (or 5 percent), and
- Spending for **Medicaid** rose by \$5 billion (or 5 percent).

Estimated Deficit in January 2014: \$10 Billion

The federal government incurred a deficit of \$10 billion in January 2014, CBO estimates—a \$13 billion difference from the \$3 billion surplus realized in January 2013. Because February 1 fell on a weekend in 2014, and January 1 is a holiday, certain payments that ordinarily would have been made in February this year were instead made in January, and certain payments that would ordinarily be made in January were made in December in both 2012 and 2013. Without those shifts in the timing of payments, the federal government would have realized an \$8 billion surplus in January 2014 and a \$15 billion deficit in January 2013—a \$23 billion difference. CBO estimates that receipts in January totaled \$296 billion—\$24 billion (or 9 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes rose by \$20 billion.** Amounts withheld from workers' paychecks rose by \$12 billion (or 7 percent). Contributing to the increase were people's shifting of income from January 2013 into the last quarter of calendar year 2012 in anticipation of higher individual income tax rates in 2013 (which lowered withheld amounts in January 2013), and higher wages and salaries. Receipts from nonwithheld individual income and payroll taxes, which included estimated payments of individual income taxes for the last quarter of calendar year 2013, were \$8 billion (or 11 percent) higher in January 2014 than they were in the same month a year ago.
- **Receipts from the Federal Reserve rose by \$3 billion.** The increase was due in part to the larger portfolio of securities held by the central bank.

Budget Totals for January (Billions of dollars)					
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	272	296	24	24	8.9
Outlays	269	306	37	1	0.4
Surplus or Deficit (-)	3	-10	-13	23	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.					

Total spending in January 2014 was \$306 billion, CBO estimates—\$37 billion more than outlays in the same month in 2013. If not for the effects of timing shifts, outlays in January would have been \$1 billion higher than they were in the same month last year. (The year-over-year changes for January discussed below reflect adjustments to account for those shifts.) Among the larger changes in outlays, compared with outlays last year, were the following:

- Spending for three of the government’s largest entitlement programs increased by a total of \$7 billion: for **Social Security**, by \$3 billion (or 5 percent); **Medicaid**, by \$2 billion (or 11 percent); and **Medicare**, by \$1 billion (or 3 percent).
- **Net interest on the public debt** increased by \$2 billion.
- Spending for military activities of the **Department of Defense** decreased by \$4 billion (or 7 percent).
- Outlays by the **Department of Agriculture** were down by \$2 billion, as were those by the **Federal Emergency Management Agency**.
- **Unemployment benefits** were down by \$3 billion.

Actual Surplus in December 2013: \$53 Billion

The Treasury Department reported a surplus of \$53 billion for December—about \$9 billion more than CBO estimated on the basis of the *Daily Treasury Statements*. CBO’s estimate of outlays was \$8 billion too high, and its estimate of revenues was \$1 billion too low. Outlays were lower than expected for Medicare, military activities of the Defense Department, and net interest on the public debt. In addition, the Treasury received a penalty payment of roughly \$2 billion from JPMorgan Chase that CBO had not anticipated.

This document was prepared by Barbara Edwards, Dawn Sauter Regan, Joshua Shakin, and Adam Wilson. It is available at <http://www.cbo.gov/publication/45091>.