



Monthly Budget Review for June 2014

The federal government ran a budget deficit of \$366 billion for the first nine months of fiscal year 2014, CBO estimates—\$144 billion less than the shortfall recorded over the same span last year. Through the end of June, revenues were about 8 percent higher and outlays were about 1 percent higher than they were at the same point last year.

Budget Totals, October–June (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	2,087	2,259	172
Outlays	2,597	2,625	28
Deficit (-)	-510	-366	144

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

Note: FY = fiscal year.

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

Receipts for the first nine months of fiscal year 2014 totaled \$2,259 billion, CBO estimates—\$172 billion more than receipts in the same period last year. The largest increases were the following:

- **Individual income taxes and social insurance (payroll) taxes** together rose by \$123 billion, or 7 percent.
 - Increases in amounts withheld from workers' paychecks—\$97 billion (or 7 percent)—accounted for most of that gain. Growth in wages and salaries and changes in law were mostly responsible for the difference. In particular, the tax rates in effect from October 2013 through December 2013 (the first quarter of fiscal year 2014) were higher than those in effect from October 2012 through December 2012 as a result of two changes that took effect in January 2013: the expiration of the 2 percentage-point payroll tax cut and an increase in tax rates for income above certain thresholds.
 - Nonwithheld receipts rose by \$28 billion (or 7 percent), because of payments made for the 2013 and 2014 tax years. Income tax refunds rose by \$1 billion (or 1 percent), slightly offsetting those increases.
- **Receipts from corporate income taxes** rose by \$29 billion (or 14 percent), probably because of growth in taxable profits in calendar years 2013 and 2014. Receipts from April through June—largely representing corporations' first two quarterly estimated tax payments for the 2014 tax year—increased by about \$12 billion (or 11 percent).
- **Receipts from the Federal Reserve** rose by \$18 billion, or 32 percent. The increase was attributable in part to the larger size of the central bank's portfolio of securities and to a higher yield on that portfolio. Almost all gains occurred from January through June.

Receipts, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	992	1,046	54	5.4
Social Insurance Taxes	716	784	69	9.6
Corporate Income Taxes	206	235	29	14.1
Other Receipts	<u>174</u>	<u>194</u>	<u>20</u>	11.5
Total	2,087	2,259	172	8.2
Memorandum:				
Combined Individual Income and Social Insurance Taxes				
Withheld taxes	1,466	1,563	97	6.6
Other, net of refunds	<u>242</u>	<u>268</u>	<u>25</u>	10.5
Total	1,708	1,830	123	7.2
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Total Outlays: Up by 1 Percent in the First Nine Months of Fiscal Year 2014

Outlays for the first nine months of fiscal year 2014 were \$2,625 billion, by CBO's estimates—\$28 billion (or 1 percent) more than they were in the same period last year.

Outlays increased for several major programs or categories of spending, CBO estimates:

- Spending for **Social Security** benefits rose by \$28 billion (or 5 percent).
- Outlays for two low-income health programs—**Medicaid** and the **subsidies for health insurance** purchased through the exchanges created under the Affordable Care Act (included in “Other Activities” in the table below)—were \$27 billion (or 13 percent) higher in 2014 than they were for the same period in 2013, largely because some of that law's provisions took effect in January 2014.
- Outlays for **student loans** (also included in “Other Activities”) increased by \$20 billion because the Department of Education made upward revisions this June, but downward revisions last June, in the estimated net subsidy costs of loans and loan guarantees issued in prior years.
- Spending increased because payments made by **Fannie Mae and Freddie Mac** to the U.S. Treasury were \$14 billion less than they were last year. (Such payments are recorded in the budget as offsetting receipts; that is, as reductions in outlays.) Because of a revaluation of certain tax assets that significantly increased the net worth of Fannie Mae, that government-sponsored enterprise made a onetime payment of roughly \$50 billion to the Treasury in fiscal year 2013. Freddie Mac made a similar payment for a similar reason early in fiscal year 2014, but that payment was only half the amount that Fannie Mae paid in the previous fiscal year. The difference in those two onetime payments accounts for most of the change in outlays.

Decreases in spending for some other major programs during the first nine months of fiscal year 2014 partially offset the above-noted increases:

- Total spending for military activities of the **Department of Defense** fell by \$26 billion (or 6 percent).
- Outlays for **unemployment benefits** declined by \$19 billion (or 34 percent), mostly because fewer people have received those benefits since the Emergency Unemployment Compensation program expired at the end of December 2013.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC, included in “Other Activities” in the table below) declined by \$15 billion for a pair of reasons: First, insured financial institutions did not pay premiums to FDIC during the first half of fiscal year 2013 because they had prepaid those premiums in fiscal year 2010. (Such payments are recorded in the budget as offsetting receipts.) Second, in June 2013, FDIC refunded excess insurance premiums that had previously been paid by certain institutions; no such refund occurred in 2014.
- Spending by the **Department of Homeland Security** (also included in “Other Activities”) fell by \$13 billion (or 29 percent), mostly because outlays for flood insurance and disaster relief were smaller than they were in the first nine months of fiscal year 2013.

Outlays, October–June (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	458	432	-26	-26	-5.6
Social Security Benefits	599	627	28	28	4.7
Medicare ^c	367	372	5	5	1.2
Medicaid	198	218	20	20	10.0
Unemployment Insurance	56	37	-19	-19	-33.9
Other Activities	<u>-816</u>	<u>-810</u>	<u>-7</u>	<u>-3</u>	-0.3
Subtotal	2,494	2,496	1	5	0.2
Net Interest on the Public Debt	194	202	8	8	4.1
Troubled Asset Relief Program	-9	-5	5	5	n.m.
Net Outlays for GSEs	<u>-82</u>	<u>-68</u>	<u>14</u>	<u>14</u>	n.m.
Total	2,597	2,625	28	32	1.2

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; n.m. = not meaningful; GSEs = the government-sponsored enterprises Fannie Mae and Freddie Mac.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have fallen on weekends or holidays and the effects of prepayments of deposit insurance premiums.

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

c. Medicare outlays are net of offsetting receipts.

Estimated Surplus in June 2014: \$70 Billion

By CBO's estimates, the federal government recorded a surplus of \$70 billion in June 2014—\$46 billion less than the surplus of June 2013. Because June 1 fell on a weekend in each year, certain payments that ordinarily would have been made in June were instead made in May. Without those shifts in the timing of payments, CBO estimates, the surplus in June 2014 would have been \$48 billion smaller than it was in the same month a year ago. However, last June's surplus was boosted by a large onetime payment from Fannie Mae (discussed above); absent that payment, this June's surplus would have been slightly larger than that in June 2013.

CBO estimates that receipts in June 2014 totaled \$324 billion—\$37 billion (or 13 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes** rose by \$29 billion (or 14 percent). Amounts withheld from workers' paychecks rose by \$20 billion (or 13 percent). Receipts increased in part because June 2014 had one more business day than June 2013 had. Nonwithheld taxes rose by \$9 billion (or 15 percent), primarily because estimated individual income tax receipts in June 2014 were higher than the payments received in June 2013.
- **Corporate income tax receipts** increased by \$7 billion (or 11 percent), mostly because of higher estimated corporate tax payments, which may reflect larger taxable corporate profits.
- **Receipts from the Federal Reserve** rose by \$1 billion.

Budget Totals for June (Billions of dollars)					
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	287	324	37	37	13
Outlays	170	253	83	85	42
Surplus	117	70	-46	-48	-58

Sources: Congressional Budget Office; Department of the Treasury.
Note: FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have fallen on weekends or holidays and the effects of prepayments of deposit insurance premiums. Without those timing shifts, the surplus would have been \$83 billion in June 2013 and \$35 billion in June 2014.

Total spending in June 2014 was \$253 billion, CBO estimates—\$83 billion more than outlays in the same month of 2013. (Outlays would have been \$85 billion greater than they were during June 2013 if not for the effects of timing shifts.) Among the larger changes in outlays in June, compared with outlays in June 2013 (with each adjusted to account for the timing shifts), were the following:

- Outlays related to **Fannie Mae and Freddie Mac** increased by \$56 billion (or 84 percent), largely because of a payment (noted above) in June 2013 that did not occur in June 2014.
- Outlays for **education** rose by \$20 billion, a difference that stems mostly from a large downward revision (-\$15 billion) in the estimated subsidy costs of loans and loan guarantees issued in prior years that was recorded last June and from a smaller, upward revision (\$5 billion) recorded this June. Excluding the effects of those revisions, June outlays for student loans would have increased by less than \$1 billion.
- Outlays for **Medicaid** increased by \$5 billion (or 25 percent), mostly because some provisions of the Affordable Care Act—notably those expanding eligibility to a larger group of low-income people—had not yet taken effect in June 2013.

- Outlays for **Medicare** (net of offsetting receipts) increased by \$3 billion (or 8 percent) as a result of several factors, including an extra business day in June 2014 and lower-than-average spending in June 2013.
- Spending for **Social Security** rose by \$3 billion (or 4 percent).
- Outlays for the **Federal Deposit Insurance Corporation** were \$8 billion lower in June 2014, largely because in June 2013 FDIC refunded excess insurance premiums that had previously been paid by certain institutions (those refunds are recorded as outlays) and no such transaction took place in June 2014.

Actual Deficit in May 2014: \$130 Billion

The Treasury Department reported a deficit of \$130 billion for May—\$1 billion less than CBO estimated in the [Monthly Budget Review for May 2014](#) on the basis of the *Daily Treasury Statements*.

This document was prepared by Barbara Edwards, Amber Marcellino, David Rafferty, and Joshua Shakin. It is available at www.cbo.gov/publication/45504