



Monthly Budget Review for November 2014

The federal government's budget deficit was \$181 billion for the first two months of fiscal year 2015, \$45 billion less than the shortfall recorded in October and November of last year, CBO estimates. That outcome was affected by shifts in the timing of certain payments. Without those shifts, the deficit would have declined by just \$9 billion.

Budget Totals, October–November (Billions of dollars)			
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	381	403	22
Outlays	<u>607</u>	<u>584</u>	<u>-23</u>
Deficit	-226	-181	45

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

Note: FY = fiscal year.

Total Receipts: Up by 6 Percent in the First Two Months of Fiscal Year 2015

Receipts through November totaled \$403 billion, CBO estimates—\$22 billion more than the amount collected in the same period last year. The largest increases were in the following categories:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$15 billion (or 5 percent).
 - The amounts withheld from workers' paychecks rose by \$13 billion (or 4 percent), which accounted for most of that gain. Growth in wages and salaries probably explains the increase in withheld receipts.
 - Nonwithheld receipts—mainly from 2013 income tax returns for people who had received filing extensions—rose by \$4 billion (or 18 percent). That increase was partially offset by an increase in income tax refunds, which were \$1 billion higher, and by a decline in receipts from unemployment insurance taxes, which were \$1 billion lower than in the year before.
- **Receipts from corporate income taxes**, which generally are small in the first two months of the fiscal year, rose from a total of \$7 billion in October and November of last year to \$13 billion in the current fiscal year. For most corporations, this fiscal year's first quarterly estimated payment is due December 15.

Receipts, October–November (Billions of dollars)				
Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	182	192	10	5.6
Payroll Taxes	149	154	5	3.4
Corporate Income Taxes	7	13	6	91.6
Other Receipts	<u>44</u>	<u>44</u>	<u>0</u>	0.6
Total	381	403	22	5.8
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	314	327	13	4.2
Other, net of refunds	<u>17</u>	<u>19</u>	<u>2</u>	12.5
Total	331	346	15	4.6
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Outlays in October and November: Up by 2 Percent (Adjusted for Timing Shifts) Compared With Spending During the Same Months in Fiscal Year 2014

Outlays for the first two months of fiscal year 2015 were \$23 billion less than they were during the same period last year, CBO estimates. But spending in those months last year was boosted by shifts of certain payments from December to November (because December 1, 2013, fell on a weekend). If not for those shifts, outlays would have been \$13 billion (or 2 percent) higher so far this year. (The discussion below reflects adjustments to account for the timing shifts.)

By CBO's estimate, spending for the three largest mandatory programs increased by over 10 percent:

- Outlays for **Medicare** were \$13 billion (or 17 percent) higher, primarily because of a large payment made to prescription drug plans in November 2014 to account for unanticipated spending increases in calendar year 2014.
- Outlays for **Medicaid** were \$8 billion (or 17 percent) higher, largely because some of the provisions of the Affordable Care Act did not take effect until January 2014.
- Spending for **Social Security benefits** increased by \$6 billion (or 4 percent).

Those increases for the first two months of fiscal year 2015 were partially offset by decreases in spending for some other major programs. Those decreases included the following:

- Outlays recorded for the **Department of Justice** (included in "Other" in the table) declined by \$9 billion because that department recently received proceeds of that amount from a legal settlement with the Bank of America and recorded them as an offset to outlays. However, the Department of the Treasury recently reclassified as revenues (instead of as negative outlays) proceeds from similar settlements received during fiscal year 2014. CBO expects a similar reclassification for settlements in fiscal year 2015, although the timing of that reclassification is uncertain.
- Spending for **defense** fell by \$2 billion (or 2 percent).

Outlays, October–November (Billions of dollars)					
Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Social Security Benefits	137	142	6	6	4.4
Medicare ^b	95	89	-6	13	16.7
Medicaid	<u>45</u>	<u>53</u>	<u>8</u>	<u>8</u>	17.2
Subtotal, Largest Mandatory Programs	276	284	8	26	10.2
DoD – Military ^c	105	98	-7	-2	-2.0
Net Interest on the Public Debt	42	41	-1	-1	-2.7
Exchange Subsidies ^d	0	4	4	4	n.m.
Other	<u>184</u>	<u>157</u>	<u>-27</u>	<u>-14</u>	-8.0
Total	607	584	-23	13	2.3

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; n.m. = not meaningful

a. Adjusted amounts exclude the effects of shifting payments that were scheduled to be made on weekends or holidays. Without those timing shifts, outlays would have been \$571 billion through the first two months of fiscal year 2014.

b. Medicare outlays are net of offsetting receipts.

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

d. Subsidies for health insurance purchased through exchanges established under the Affordable Care Act.

Estimated Deficit in November 2014: \$59 Billion

CBO estimates that the government recorded a deficit of \$59 billion in November 2014—\$76 billion less than the deficit in November 2013. But shifts in the timing of certain payments (because the regular payment dates fell on weekends) boosted spending in November 2013 and reduced it in November 2014. Without those shifts, the November 2014 deficit would have been \$3 billion *more* than the November 2013 deficit.

Budget Totals for November (Billions of dollars)					
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	182	191	8	8	4.5
Outlays	<u>318</u>	<u>249</u>	<u>-68</u>	<u>11</u>	4.0
Deficit	-135	-59	76	-3	3.1

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that were scheduled to be made on weekends or holidays. Without those timing shifts, the deficit would have been \$99 billion in November 2013 and \$102 billion in November 2014.

CBO estimates that receipts in November totaled \$191 billion—\$8 billion (or 4 percent) more than those in the same month last year. Individual income taxes and payroll taxes together increased by \$5 billion (or 2 percent); a \$4 billion increase in withheld taxes explains nearly all of that change.

Spending in November 2014 was \$249 billion, CBO estimates—\$68 billion less than outlays in the same month in 2013. If not for the effects of timing shifts, spending would have been \$11 billion (or 4 percent) higher than in November 2013. (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:

- Outlays for **Medicare Part D** (prescription drugs) increased by \$6 billion (or 115 percent), reflecting the large payment to prescription drug plans discussed above.
- Spending for **Medicaid** rose by \$4 billion (or 21 percent).
- **Social Security** payments rose by \$3 billion (or 4 percent).

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

Deficit in October 2014: \$122 Billion

The Treasury Department reported a deficit of \$122 billion for October—the same amount that CBO estimated in the [Monthly Budget Review for October 2014](#) on the basis of the *Daily Treasury Statements*.

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It is available at www.cbo.gov/publication/49806.