



Monthly Budget Review for November 2016

The federal budget deficit was \$179 billion for the first two months of fiscal year 2017, the Congressional Budget Office estimates, \$22 billion less than the one recorded during the same period last year. Revenues were higher than those in the same period last year, by 1 percent, and outlays decreased by 3 percent. But this year's outlays were reduced by the shift of certain payments from October 2016 to September 2016 because October 1 fell on a weekend. Otherwise, outlays so far this year would have been \$25 billion (or about 4 percent) larger than those in October and November last year, and the deficit would have risen by about \$20 billion.

| Budget Totals, October–November (Billions of Dollars) | | | |
|--|-----------------|----------------------|------------------|
| | Actual, FY 2016 | Preliminary, FY 2017 | Estimated Change |
| Receipts | 416 | 421 | 5 |
| Outlays | 617 | 601 | -16 |
| Deficit (-) | -201 | -179 | 22 |

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for October 2016 and the *Daily Treasury Statements* for November 2016.
FY = fiscal year.

Total Receipts: Up by 1 Percent in the First Two Months of Fiscal Year 2017

Receipts through November totaled \$421 billion, CBO estimates—\$5 billion more than the amount for the same period last year. The largest year-over-year changes were the following:

- **Individual income and payroll (social insurance) taxes** together rose by \$13 billion (or 4 percent).
 - Amounts withheld from workers' paychecks rose by \$16 billion (or 5 percent). That change reflects increases in wages and salaries.
 - Nonwithheld payments of income taxes rose slightly—by less than \$1 billion (or just under 1 percent).
 - Income tax refunds were up by \$2 billion (or 12 percent), reducing net receipts.
 - Receipts from unemployment insurance taxes (one kind of payroll tax) declined by \$1 billion (or 12 percent).
- **Corporate income taxes** fell by about \$5 billion (from \$8 billion in the first two months of fiscal year 2016 to about \$2 billion so far this year). Because corporate income tax receipts in October and November generally represent a small percentage of the year's total, the results for those two months are not a significant indicator of receipts for the whole fiscal

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.

year. The first quarterly estimated payment of those taxes in the current fiscal year, for most corporations, is not due until December 15.

| Receipts, October–November (Billions of Dollars) | | | | |
|---|--------------------|-------------------------|------------------------|------------|
| Major Program or Category | Actual, FY 2016 | Preliminary, FY 2017 | Estimated Change | |
| | | | Billions of Dollars | Percent |
| Individual Income Taxes | 203 | 212 | 9 | 4.6 |
| Payroll Taxes | 162 | 166 | 4 | 2.5 |
| Corporate Income Taxes | 8 | 2 | –5 | –68.6 |
| Other Receipts | <u>43</u> | <u>40</u> | <u>–3</u> | –6.0 |
| Total | 416 | 421 | 5 | 1.3 |
| Memorandum: | | | | |
| Combined Individual Income and Payroll Taxes | | | | |
| Withheld taxes | 344 | 360 | 16 | 4.7 |
| Other, net of refunds | <u>22</u> | <u>19</u> | <u>–3</u> | –12.4 |
| Total | 365 | 379 | 13 | 3.7 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | |
| FY = fiscal year. | | | | |

Total Outlays: Down by 3 Percent in the First Two Months of Fiscal Year 2017

Outlays for the first two months of fiscal year 2016 were \$601 billion, \$16 billion lower than they were during the same period last year, CBO estimates. If not for the shift of certain payments from October 2016 to September 2016 because October 1 fell on a weekend this year, outlays so far this year would have been \$25 billion (or 4 percent) larger. The discussion below reflects adjustments to account for that timing shift.

The largest increases in outlays were in the following categories:

- Outlays for the three largest mandatory spending programs increased by 3 percent:
 - **Social Security benefits** rose by \$5 billion (or 3 percent), reflecting typical recent growth in the number of beneficiaries and in the average benefit payment.
 - **Medicare** spending increased by \$4 billion (or 4 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
 - Outlays for **Medicaid** rose by \$2 billion (or 3 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- Outlays for **net interest on the public debt** increased by \$10 billion (or 24 percent), largely because of differences in the rate of inflation. To account for inflation, the Treasury Department adjusts the principal of its inflation-protected securities each month by using the change in the consumer price index for all urban consumers that was recorded two months earlier. That adjustment was negative in the first two months of fiscal year 2016 but positive in early 2017.
- Spending for the **Commodity Credit Corporation** in the Department of Agriculture, which is included in “Other” in the table below, rose by \$3 billion (or 35 percent), mostly because of higher payments for agricultural support programs.
- Outlays recorded for the **Department of Homeland Security** and for **international assistance programs**, which are included in the “Other” category below, increased by \$2 billion (or 32 percent and 81 percent, respectively).

Outlays in some areas of the budget declined:

- Outlays recorded of the **Postal Service** decreased by \$3 billion.
- Outlays for **student loans** fell by \$2 billion (or 23 percent).

For other programs and activities, spending increased or decreased by smaller amounts.

| Outlays, October–November (Billions of Dollars) | | | | | |
|---|--------------------|-------------------------|---------------------|--|------------|
| Major Program or Category | Actual, FY 2016 | Preliminary, FY 2017 | Estimated Change | Estimated Change With Adjustments for Timing Shifts ^a | |
| | | | | Billions of Dollars | Percent |
| Social Security Benefits | 149 | 153 | 5 | 5 | 3.2 |
| Medicare ^b | 98 | 81 | –18 | 4 | 4.0 |
| Medicaid | <u>59</u> | <u>61</u> | <u>2</u> | <u>2</u> | 2.9 |
| Subtotal, Largest Mandatory Spending Programs | 306 | 295 | –11 | 10 | 3.4 |
| DoD—Military ^c | 99 | 95 | –4 | 0 | 0.1 |
| Net Interest on the Public Debt | 41 | 50 | 10 | 10 | 23.6 |
| Other | <u>171</u> | <u>160</u> | <u>–11</u> | <u>5</u> | 2.8 |
| Total | 617 | 601 | –16 | 25 | 4.0 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | | |
| DoD = Department of Defense; FY = fiscal year. | | | | | |
| a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been \$642 billion in fiscal year 2017. | | | | | |
| b. Medicare outlays are net of offsetting receipts. | | | | | |
| c. Excludes a small amount of spending by DoD on civil programs. | | | | | |

Estimated Deficit in November 2016: \$135 Billion

The federal government incurred a deficit of \$135 billion in November 2016, CBO estimates—\$71 billion more than the deficit in November 2015. If not for the shifts in payments from November to October in 2015 (because the regular payment date fell on a weekend), the deficit for this November would have been \$32 billion more than last November's.

CBO estimates that receipts in November 2016 totaled \$200 billion—\$5 billion (or 3 percent) less than those in the same month last year. Individual income taxes and payroll taxes together declined by about \$1 billion and corporate income taxes declined by \$3 billion.

| Budget Totals for November (Billions of Dollars) | | | | | |
|---|--------------------|-------------------------|---------------------|--|---------|
| | Actual, FY 2016 | Preliminary, FY 2017 | Estimated Change | Estimated Change With Adjustments for Timing Shifts ^a | |
| | | | | Billions of Dollars | Percent |
| Receipts | 205 | 200 | -5 | -5 | -2.6 |
| Outlays | 270 | 335 | 65 | 27 | 8.6 |
| Deficit | -65 | -135 | -71 | -32 | 30.8 |

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

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, the budget would have shown a deficit of \$103 billion in November 2015.

Total spending in November 2016 was \$335 billion, CBO estimates—\$65 billion more than the sum in November 2015. If not for timing shifts, outlays in November would have been \$27 billion (or 9 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to account for those shifts.)

Among the larger changes in outlays were these:

- Spending for the government’s three largest entitlement programs rose by 14 percent.
 - **Medicare** spending climbed by \$15 billion (or 34 percent), some of which reflects the payment made to prescription drug plans each autumn to account for unanticipated increases in spending in the preceding calendar year.
 - Outlays for **Medicaid** increased by \$4 billion (or 15 percent).
 - **Social Security benefits** rose by \$2 billion (or 2 percent).
- Outlays for **net interest on the public debt** increased by \$5 billion (or 27 percent).
- Outlays recorded for the **Department of Homeland Security** rose by \$2 billion (or 52 percent), partly for emergency preparedness activities.
- Spending for the **Commodity Credit Corporation** in the Department of Agriculture decreased by \$2 billion (or 39 percent). This year, more payments for agricultural support programs were made in October and fewer in November than were made last year.

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in October 2016: \$44 Billion

The Treasury Department reported a deficit of \$44 billion for October—\$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review: Summary for Fiscal Year 2016](#).

This document was prepared by Nathaniel Frentz, Amy Petz, and Joshua Shakin. It is available at www.cbo.gov/publication/52319.