



January 8, 2018

Monthly Budget Review for December 2017

The federal budget deficit was \$228 billion in the first quarter of fiscal year 2018, the Congressional Budget Office estimates—\$18 billion more than the one recorded during the same period last year. Revenues and outlays were higher, by 4 percent and 5 percent, respectively, than during the first quarter of fiscal year 2017.

As was the case last year, this year's outlays were affected by shifts in the timing of certain payments that otherwise would have been due on a weekend or a holiday. If not for those shifts, outlays and the deficit through December would have been slightly larger, both this year and last year—and the year-to-year changes would not have been very different. Outlays so far this year would have been \$49 billion larger (rather than \$47 billion, still about 5 percent), and the deficit would have risen by \$20 billion.

Budget Totals, October–December			
Billions of Dollars			
	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	741	770	29
Outlays	951	998	47
Deficit (–)	–210	–228	–18

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2017 and the *Daily Treasury Statements* for December 2017.
FY = fiscal year.

Total Receipts: Up by 4 Percent in the First Quarter of Fiscal Year 2018

Receipts totaled \$770 billion during the first three months of fiscal year 2018, CBO estimates—\$29 billion more than during the same period last year. Most of changes between last year and this year arose from two sources:

- Amounts withheld from workers' paychecks increased by \$37 billion (or 7 percent), largely because of rising wages and salaries; and
- Corporate income taxes fell by about \$10 billion (or 13 percent); for most corporations, the first quarterly estimated tax payment in this fiscal year was due on December 15. Corporate income taxes also declined relative to the prior year in both June and September 2017, when the last two quarterly estimated payments were due for most corporations.

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.

Receipts from other sources were relatively small, as is usually the case at this point in the fiscal year, and were very similar to the amounts recorded last year. The first quarterly payment of estimated individual income taxes in the current fiscal year is due in the middle of January; refunds of individual income taxes are made mostly from February through April. Payments of both individual and corporate income taxes in 2017 may have been affected by the anticipation of or by responses to the tax legislation that was enacted in December.

Receipts, October–December				
Billions of Dollars				
Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	353	385	32	9.0
Payroll Taxes	252	259	7	2.9
Corporate Income Taxes	76	66	–10	–13.5
Other Receipts	<u>60</u>	<u>60</u>	<u>0</u>	0.4
Total	741	770	29	3.9
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	574	611	37	6.5
Other, net of refunds	<u>31</u>	<u>33</u>	<u>2</u>	5.8
Total	605	644	39	6.5
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

Total Outlays: Up by 5 Percent in the First Quarter of Fiscal Year 2018

Outlays for the first quarter of fiscal year 2018 were \$998 billion, CBO estimates—\$47 billion higher than they were during the same period last year. If not for the shift of certain payments from October to September and January to December (both of which also occurred last year) because the first of the month fell on a weekend or a holiday, outlays so far this year would have been \$49 billion (or 5 percent) larger. The discussion below reflects adjustments to account for those timing shifts.

The largest increases in outlays were in the following categories:

- Outlays for **net interest on the public debt** increased by \$11 billion (or 15 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 \$8 billion in the first quarter of fiscal year 2017 but nearly \$16 billion early in this fiscal year.
- Outlays recorded for the **Department of Homeland Security**, which are included in the “Other” category below, increased by \$10 billion (or 80 percent), largely because of activities related to disaster relief.
- Spending for military programs of the **Department of Defense** rose by \$12 billion (or 8 percent).
- **Social Security** benefits rose by \$8 billion (or 3 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

Medicaid spending has slowed slightly this year, perhaps related to declining unemployment and a number of other factors. For other programs and activities, spending increased or decreased by relatively small amounts.

Outlays, October–December					
Billions of Dollars					
Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Social Security Benefits	230	238	8	8	3.4
Medicare ^b	127	126	–1	1	1.0
Medicaid	<u>96</u>	<u>95</u>	<u>–2</u>	<u>–2</u>	–1.7
Subtotal, Largest Mandatory Spending Programs	453	458	5	7	1.6
DoD—Military ^c	149	161	11	12	7.9
Net Interest on the Public Debt	76	87	11	11	14.7
Other	<u>273</u>	<u>292</u>	<u>19</u>	<u>19</u>	6.9
Total	951	998	47	49	5.1

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, CBO estimates, outlays would have been \$972 billion in fiscal year 2017 and \$1,021 billion in fiscal year 2018.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in December 2017: \$26 Billion

The federal government incurred a deficit of \$26 billion in December 2017, CBO estimates—\$1 billion less than the deficit in December 2016. If not for the shifts in payments in both years, the deficit this December would have been \$2 billion less than the deficit last December.

CBO estimates that receipts in December 2017 totaled \$326 billion—\$7 billion (or 2 percent) more than those in the same month last year. Withholding of individual income and payroll taxes rose by \$14 billion (or 7 percent); that growth reflects increases in wages and salaries. Corporate income taxes declined by \$9 billion (or 12 percent) in December, when most corporations made their final quarterly estimated payment for tax year 2017.

Budget Totals for December					
Billions of Dollars					
	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	319	326	7	7	2.2
Outlays	347	352	6	5	1.7
Deficit (–)	–27	–26	1	2	–20.3

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 holiday. If not for those timing shifts, CBO estimates, the budget would have shown a deficit of \$8 billion in December 2016 and \$6 billion in December 2017.

Total spending in December 2017 was \$352 billion, CBO estimates—\$6 billion more than the sum in December 2016. If not for timing shifts, outlays in December would have been \$5 billion (or 2 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

The largest changes in outlays were as follows:

- **Medicaid** spending fell by \$4 billion (or 12 percent), largely because December 2017 contained two fewer business days than December 2016.
- Spending for military programs of the **Department of Defense** rose by \$4 billion (or 9 percent).
- **Social Security** benefits rose by \$3 billion (or 4 percent).
- The government received \$2 billion less in payments from **Fannie Mae and Freddie Mac**, resulting in higher outlays. The two entities make quarterly payments to the Treasury each December.
- Outlays recorded for the **Department of Homeland Security** rose by \$2 billion (or 44 percent), largely for disaster relief.

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

Actual Deficit in November 2017: \$139 Billion

The Treasury Department reported a deficit of \$139 billion for November—\$4 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for November 2017*.

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series, available at <https://go.usa.gov/xnpcA>. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Nathaniel Frenzt, Amber Marcellino, Amy Petz (formerly of CBO), and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Mark Booth, Theresa Gullo, and Sam Papenfuss. It was reviewed by Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/53443.