



Monthly Budget Review for July 2014

The federal government ran a budget deficit of \$462 billion for the first 10 months of fiscal year 2014, CBO estimates—\$146 billion less than the shortfall recorded over the same span last year. Through the end of July, revenues were about 8 percent higher and outlays were about 1 percent higher than they were at the same point last year. On the basis of the revenue and spending totals thus far this fiscal year, CBO expects that the annual deficit will be in the vicinity of \$500 billion, slightly larger than the \$492 billion that it projected in April. CBO will publish new budget projections later in August, including an updated estimate of the deficit for fiscal year 2014.

Budget Totals, October–July (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	2,287	2,469	182
Outlays	2,895	2,931	36
Deficit (-)	-607	-462	146
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for June 2014 and the <i>Daily Treasury Statements</i> for July 2014.			
Note: FY = fiscal year.			

Total Receipts: Up by 8 Percent in the First 10 Months of Fiscal Year 2014

Receipts for the first 10 months of fiscal year 2014 totaled \$2,469 billion, CBO estimates—\$182 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 \$124 billion, or 7 percent.
 - Increases in amounts withheld from workers' paychecks—\$97 billion (or 6 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 \$30 billion (or 7 percent) because of increased payments made for the 2013 and 2014 tax years. Those increases were slightly offset by income tax refunds that were up by \$2 billion (or 1 percent).
- **Receipts from corporate income taxes** rose by \$31 billion (or 15 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 12 percent).

- **Receipts from the Federal Reserve** rose by \$22 billion (or 34 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.

Receipts, October–July (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,090	1,144	53	4.9
Social Insurance Taxes	790	861	71	9.0
Corporate Income Taxes	213	244	31	14.6
Other Receipts	<u>194</u>	<u>220</u>	<u>26</u>	13.6
Total	2,287	2,469	182	7.9
Memorandum:				
Combined Individual Income and Social Insurance Taxes				
Withheld taxes	1,630	1,727	97	6.0
Other, net of refunds	<u>251</u>	<u>278</u>	<u>27</u>	10.7
Total	1,881	2,005	124	6.6
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Total Outlays: Up by 1 Percent in the First 10 Months of Fiscal Year 2014

Outlays for the first 10 months of fiscal year 2014 were \$2,931 billion, by CBO’s estimate—\$36 billion (or 1 percent) more than they were in the same period last year. That difference would have been \$40 billion if not for the fact that some deposit insurance premiums that would ordinarily have been paid in 2013 were prepaid in 2010.

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

- Spending for **Social Security** benefits rose by \$31 billion (or 5 percent).
- Outlays for two low-income health care programs—**Medicaid** and the **subsidies for health insurance** purchased through the exchanges created under the Affordable Care Act (ACA) (which are included in “Other Activities” in the table below)—were \$37 billion (or 17 percent) higher in 2014 than they were for the same period in 2013, largely because some of the ACA’s provisions took effect in January 2014.
- The net cost of **student loans** (also included in “Other Activities”) increased by \$20 billion because the Department of Education made upward revisions this June, and downward revisions last June, in the estimated net subsidy recorded for loans and loan guarantees issued in prior years.
- Net outlays also 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 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 net receipts from those two large payments has been partially offset by the larger quarterly payments made by Fannie Mae and Freddie Mac this year.

By CBO's estimates, decreases in spending for some other major programs during the first 10 months of fiscal year 2014 partially offset the increases mentioned above:

- Total spending for military activities of the **Department of Defense** fell by \$29 billion (or 6 percent).
- Outlays for **unemployment benefits** declined by \$21 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.
- Net outlays of the **Federal Deposit Insurance Corporation** (FDIC, included in "Other Activities" in the table below) declined by \$14 billion for two 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 \$14 billion (or 28 percent), mostly because outlays for flood insurance and disaster relief were smaller than they were in the first 10 months of fiscal year 2013.

Outlays, October–July (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	507	477	-29	-29	-5.8
Social Security Benefits	667	698	31	31	4.7
Medicare ^c	412	419	7	7	1.6
Medicaid	221	249	28	28	12.8
Unemployment Insurance	62	41	-21	-21	-33.8
Other Activities	<u>901</u>	<u>892</u>	<u>9</u>	<u>5</u>	-0.6
Subtotal	2,769	2,776	7	10	0.4
Net Interest on the Public Debt	216	227	11	11	5.0
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	2,895	2,931	36	40	1.4

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 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 Deficit in July 2014: \$96 Billion

By CBO's estimates, the federal government recorded a deficit of \$96 billion in July 2014—slightly less than the deficit of July 2013.

CBO estimates that receipts in July 2014 totaled \$210 billion—\$10 billion (or 5 percent) more than those in the same month last year. Much of the revenue gain occurred because the Federal Reserve remitted to the Treasury about \$4 billion more in July this year than it did a year ago, mostly because of the central bank's larger portfolio and the higher yield on it.

Budget Totals for July (Billions of dollars)				
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Receipts	200	210	10	5.1
Outlays	<u>298</u>	<u>306</u>	<u>8</u>	2.9
Deficit(-)	-98	-96	2	-1.7
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Total spending in July 2014 was \$306 billion, CBO estimates—\$8 billion (or 3 percent) more than outlays in the same month of 2013. Among the larger changes in outlays this July, compared with those last July, were the following:

- Outlays for **Medicaid** increased by \$8 billion (or 36 percent), principally because most provisions of the Affordable Care Act—notably those expanding eligibility to a larger group of low-income people—had not yet taken effect in July 2013.
- Spending for **Social Security** rose by \$3 billion (or 4 percent).
- Outlays for **net interest in the public debt** rose by \$3 billion (or 14 percent).
- Outlays for **Medicare** (net of offsetting receipts) increased by \$2 billion (or 4 percent).
- Spending for military activities of the **Department of Defense** fell by \$4 billion (or 7 percent).
- Outlays for **unemployment benefits** declined by \$3 billion (or 44 percent).

Surplus in June 2014: \$71 Billion

The Treasury Department reported a surplus of \$71 billion for June—\$1 billion more than CBO estimated in the [Monthly Budget Review for June 2014](#) on the basis of the *Daily Treasury Statements*.

This document was prepared by Barbara Edwards, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov/publication/45629