



## Monthly Budget Review for May 2014

The federal government ran a budget deficit of \$439 billion for the first eight months of fiscal year 2014, CBO estimates—\$188 billion less than the shortfall recorded over the same span last year and the smallest deficit for those months since fiscal year 2008. Compared with the amounts at this point last year, revenues were about 7 percent higher and outlays about 2 percent lower.

Budget Totals, October–May (Billions of dollars)			
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	1,801	1,935	135
Outlays	2,427	2,374	-53
Deficit (-)	-626	-439	188

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

Note: FY = fiscal year.

### Total Receipts: Up by 7 Percent in the First Eight Months of Fiscal Year 2014

Receipts for the first eight months of fiscal year 2014 totaled \$1,935 billion, CBO estimates—\$135 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 \$94 billion, or 6 percent.
  - Increases in amounts withheld from workers' paychecks—\$76 billion (or 6 percent)—accounted for most of that gain. Besides growth in wages and salaries, changes in law contributed to the increases: 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 because of two changes that occurred in January 2013. Namely, the 2 percentage-point payroll tax cut expired, and tax rates for income above certain thresholds increased.
  - Nonwithheld receipts rose by \$19 billion (or 5 percent), reflecting payments made for both the 2012 and 2013 tax years. Income tax refunds fell by \$1 billion (or 1 percent), further boosting receipts.
- **Receipts from corporate income taxes** rose by \$21 billion (or 15 percent), probably reflecting growth in taxable profits in calendar year 2013.
- **Receipts from the Federal Reserve** rose by \$17 billion, or 34 percent. The increase was due in part to the larger size of the central bank's portfolio of securities and a higher yield on the portfolio. Almost all of those gains occurred in January through May. Gains would also have occurred in the first three months of this fiscal year if the Federal Reserve had not realized capital gains on sales of Treasury securities in the October–December 2012 period.

Receipts, October–May (Billions of dollars)				
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	874	904	30	3.4
Social Insurance Taxes	630	694	64	10.2
Corporate Income Taxes	143	164	21	15.0
Other Receipts	<u>154</u>	<u>173</u>	<u>19</u>	12.4
<b>Total</b>	<b>1,801</b>	<b>1,935</b>	<b>135</b>	<b>7.5</b>
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld taxes	1,317	1,394	76	5.8
Other, net of refunds	<u>186</u>	<u>204</u>	<u>18</u>	9.6
<b>Total</b>	<b>1,504</b>	<b>1,598</b>	<b>94</b>	<b>6.3</b>
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

### Total Outlays: Down by 2 Percent (Adjusted for Timing Shifts) in the First Eight Months of Fiscal Year 2014

Outlays for the first eight months of fiscal year 2014 were \$2,374 billion by CBO's estimates, \$53 billion less than they were in the same period last year. That decrease would have been \$2 billion smaller if not for shifts in the timing of certain payments. Without such shifts, spending would have declined by \$51 billion (or 2 percent).

Outlays declined for several major programs or categories of spending, according to CBO's estimates:

- Much of the drop in spending occurred because payments from **Fannie Mae and Freddie Mac** to the Treasury were \$42 billion more than they were last year. (Such payments are recorded in the budget as offsetting receipts—that is, reductions in outlays.) Two factors account for the increase. First, because of a revaluation of certain tax assets that significantly increased the net worth of Freddie Mac, it made a onetime payment of \$24 billion to the Treasury in December 2013. Second, because both Fannie Mae and Freddie Mac were profitable in 2013, beginning in January of that year they were required to make quarterly payments to the Treasury totaling \$33 billion through March 2014 (an amount based on the increase in their net worth).
- Total spending for military activities of the **Department of Defense** fell by \$25 billion (or 6 percent).
- Outlays for **unemployment benefits** declined by \$17 billion (or 33 percent), mostly because fewer people have received those benefits since the Emergency Unemployment Compensation program expired at the end of December 2013.
- Spending by the **Department of Agriculture** (included in “Other Activities” in the table below) fell by \$13 billion (or 11 percent), largely because of reduced spending for crop insurance and for the Supplemental Nutrition Assistance Program.
- Spending by the **Department of Homeland Security** (also included in “Other Activities”) fell by \$13 billion (or 31 percent), mostly because spending for flood insurance and disaster relief was lower.

Increases in spending for some other major programs during the first eight months of fiscal year 2014 partially offset those declines:

- Spending for **Social Security** benefits rose by \$25 billion (or 5 percent).
- Outlays for **Medicaid** rose by \$14 billion (or 8 percent).
- Spending by the **Department of Veterans Affairs** (included in “Other Activities”) increased by \$9 billion (or 10 percent).

Outlays, October–May (Billions of dollars)					
Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
DoD—Military <sup>b</sup>	415	390	-25	-25	-6.1
Social Security Benefits	531	556	25	25	4.7
Medicare <sup>c</sup>	346	348	2	1	0.3
Medicaid	177	191	14	14	8.2
Unemployment Insurance	51	34	-17	-17	-32.9
Other Activities	<u>757</u>	<u>740</u>	<u>-17</u>	<u>-14</u>	-0.7
<b>Subtotal</b>	<b>2,276</b>	<b>2,260</b>	<b>-17</b>	<b>-15</b>	<b>-0.7</b>
Net Interest on the Public Debt	175	177	2	2	0.9
Troubled Asset Relief Program	-10	-5	4	4	n.m.
Net Outlays for GSEs	<u>-15</u>	<u>-57</u>	<u>-42</u>	<u>-42</u>	n.m.
<b>Total</b>	<b>2,427</b>	<b>2,374</b>	<b>-53</b>	<b>-51</b>	<b>-2.1</b>

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 the department on civil programs.

c. Medicare outlays are net of offsetting receipts.

**Estimated Deficit in May 2014: \$131 Billion**

CBO estimates that the federal government incurred a deficit of \$131 billion in May 2014—\$8 billion less than the shortfall in May 2013. Because June 1 fell on a weekend in both years, certain payments that ordinarily would have been made in June were instead made in May. Without those shifts in the timing of payments, the deficit for May 2014 would have been \$9 billion smaller than it was in May a year ago, CBO estimates.

Receipts in May totaled \$200 billion, CBO estimates—\$3 billion (or 2 percent) more than the amount in the same month last year:

- **Individual income and social insurance (payroll) taxes** rose by \$1 billion. Refunds of individual income taxes fell by \$5 billion. The increase in net receipts from that source was partly offset by a \$3 billion decline in revenues from state unemployment insurance taxes, which are included in the federal budget. Income and payroll taxes withheld from workers' paychecks were about the same as the amounts last year, probably because the effects of increases in wages and salaries were offset by the effects of the calendar: There was one fewer business day in May 2014 than in May of last year.
- **Receipts from the Federal Reserve** rose by \$1 billion.

Budget Totals for May (Billions of dollars)					
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
Receipts	197	200	3	3	1.5
Outlays	336	331	-5	-6	-2.1
Deficit	-139	-131	8	9	-8.9

Sources: Congressional Budget Office; Department of the Treasury.

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.

Total spending in May 2014 was \$331 billion, CBO estimates—\$5 billion less than outlays in the same month of 2013. However, outlays would have been \$6 billion lower than they were during May 2013 if not for the effects of timing shifts. Among the larger changes in outlays in May, compared with outlays in that month a year ago (with both adjusted to account for the timing shifts), were the following:

- **Net interest on the public debt** increased by \$6 billion (or 26 percent).
- Outlays for military activities of the **Department of Defense** decreased by \$5 billion (or 11 percent).
- Spending for two of the government's largest benefit programs increased by a total of \$4 billion: \$3 billion (a 4 percent increase) for **Social Security** and \$1 billion (a 6 percent increase) for **Medicaid**.
- Spending for **unemployment benefits** fell by \$3 billion (or 46 percent).
- Outlays for the **Departments of Agriculture, Education, Energy, and Homeland Security** were down by \$1 billion each.
- Spending for **other programs and activities** differed by smaller amounts in both directions but on net was down by \$3 billion.

**Actual Surplus in April 2014: \$107 Billion**

The Treasury Department reported a surplus of \$107 billion for April—\$7 billion less than CBO estimated in the [Monthly Budget Review for April 2014](#) on the basis of the *Daily Treasury Statements*. Most of that difference arose from CBO's estimate of outlays, which was \$6 billion too low because of higher-than-expected outlays by the Department of Education, the Public Health Service, and the Postal Service.

This document was prepared by Barbara Edwards, Amber Marcellino, Joshua Shakin, and Adam Wilson. It is available at <http://www.cbo.gov/publication/45426>.