Monthly Budget Review for March 2014

The federal government ran a budget deficit of $413 billion for the first six months of fiscal year 2014, CBO estimates—$187 billion less than the shortfall recorded in the same span last year. Revenues were about 10 percent higher; and outlays, about 4 percent lower.

Budget Totals, October–March
(Billions of dollars)

	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	1,197	1,320	123
Outlays	1,797	1,733	-64
Deficit (-)	-600	-413	187

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

Note: FY = fiscal year.

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

Receipts for the first six months of fiscal year 2014 totaled $1,320 billion, CBO estimates—$123 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 $92 billion, or 9 percent.
    - Increases in amounts withheld from workers' paychecks—amounting to $73 billion (or 7 percent)—accounted for most of that gain. Besides growth in wages and salaries, changes in law contributed to the increases: In 2013, the tax rates in effect for October through December were higher than those in effect during those months in 2012 because of two changes that occurred in January 2013—namely, the expiration of the 2 percentage-point payroll tax cut and increases in tax rates for income above certain thresholds.
    - Nonwithheld receipts, mainly from payments of 2013 taxes, increased by $17 billion (or 15 percent).
    - Refunds declined by $1 billion (or 1 percent), further boosting net receipts.
    - All told, receipts from social insurance taxes rose by 14 percent, whereas receipts from individual income taxes were up by about 6 percent. About half the difference between those percentage increases resulted from quarterly adjustments made by the Treasury to the past allocations of revenues between the two sources.
- Receipts from **corporate income taxes** rose by $17 billion (or 16 percent). That increase probably reflects growth in taxable profits in calendar year 2013.
- **Receipts from the Federal Reserve** rose by $12 billion (or 32 percent). The increase resulted in part from the larger size of the central bank's portfolio of securities and a higher

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.

yield on its portfolio. Almost all of those gains occurred in the second quarter of the fiscal year. Gains would also have been recorded for the first quarter if the Federal Reserve had not realized capital gains on sales of Treasury securities in the first quarter of the prior fiscal year.

Receipts, October–March
(Billions of dollars)

Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	555	587	31	5.7
Social Insurance Taxes	430	490	60	14.0
Corporate Income Taxes	100	117	17	16.5
Other Receipts	111	126	15	13.6
Total	**1,197**	**1,320**	**123**	**10.3**
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld taxes	994	1,067	73	7.3
Other, net of refunds	-9	10	19	n.m.
Total	**985**	**1,077**	**92**	**9.3**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; n.m. = not meaningful.

Total Outlays: Down by 3 Percent (Adjusted for Timing Shifts) in the First Six Months of Fiscal Year 2014

Outlays for the first six months of fiscal year 2014 were $1,733 billion, $64 billion less than they were in the same period last year, CBO estimates. The decline would have been slightly smaller—$60 billion (or 3 percent)—if not for prepayments of deposit insurance premiums that lowered collections in the first half of fiscal year 2013.

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, negative outlays.) Two reasons account for the increase. First, because of a revaluation of certain tax assets that significantly increased its net worth, Freddie Mac 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, they were required to make quarterly payments ($33 billion through March in fiscal year 2014) to the Treasury in amounts related to the increase in their net worth beginning in January 2013.

- Total spending for military activities of the **Department of Defense** fell by $23 billion (or 7 percent).

- Outlays for **unemployment benefits** declined by $12 billion (or 30 percent).

- Spending by the **Department of Agriculture** (included in "Other Activities" in the table below) decreased by $11 billion (or 12 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 $11 billion (or 35 percent), mostly because spending for flood insurance and disaster relief was lower.

Outlays, October–March
(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]	315	292	-23	-23	-7.3
Social Security Benefits	397	415	18	18	4.6
Medicare[c]	245	246	1	1	0.6
Medicaid	129	142	13	13	10.1
Unemployment Insurance	39	27	-12	-12	-29.9
Other Activities	576	552	-24	-20	-3.5
Subtotal	**1,700**	**1,674**	**-26**	**-22**	**-1.3**
Net Interest on the Public Debt	123	122	-1	-1	-0.8
TARP	-11	-6	5	5	n.m.
Net Outlays for GSEs	-15	-57	-42	-42	n.m.
Total	**1,797**	**1,733**	**-64**	**-60**	**-3.4**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; GSEs = the government-sponsored enterprises Fannie Mae and Freddie Mac; TARP = Troubled Asset Relief Program
n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments because they 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.

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

- Spending for **Social Security** benefits rose by $18 billion (or 5 percent).
- Spending for **Medicaid** rose by $13 billion (or 10 percent).
- Outlays of the **Troubled Asset Relief Program (TARP)** rose by $5 billion, mainly because revisions to the estimated cost of the program decreased outlays by $13 billion in 2013 and by $8 billion in 2014.

For several **other programs and activities** (included in “Other Activities” in the table above), spending increased by smaller amounts.

Estimated Deficit in March 2014: $36 Billion

The federal government incurred a deficit of $36 billion in March 2014, CBO estimates—$71 billion less than the $107 billion deficit incurred in March 2013. Because March 1 fell on a weekend in 2014, certain payments that ordinarily would have been made in March this year were made in February. Without those shifts in the timing of payments, and prepayments of deposit insurance premiums that lowered collections in fiscal year 2013, the deficit in March 2014 would have been $34 billion smaller than it was in the same month last year.

CBO estimates that receipts in March totaled $215 billion—$29 billion (or 16 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes** rose by $24 billion. Amounts withheld from workers' paychecks rose by $17 billion (or 9 percent). Higher wages and salaries contributed to the increase. Nonwithheld receipts, mostly for 2013 taxes, were up by $4 billion. Refunds declined by $3 billion (or 5 percent), further boosting net receipts.
- **Corporate income taxes** rose by $3 billion (or 9 percent). Those receipts included the final payments of 2013 tax liabilities for most corporations.
- **Receipts from the Federal Reserve**, largely representing earnings on its portfolio, rose by $3 billion.

Budget Totals for March
(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Billions of Dollars	Percent
Receipts	186	215	29	29	15.5
Outlays	293	251	-42	-6	-1.9
Deficit (-)	-107	-36	71	34	-32.8

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments because they otherwise would have fallen on weekends or holidays and the effects of prepayments of deposit insurance premiums.

Total spending in March 2014 was $251 billion, CBO estimates, which was $42 billion less than outlays in the same month in 2013. If not for the effects of timing shifts, outlays in March would have been $6 billion (or 2 percent) lower than they were in the same month last year. Among the larger changes in outlays, compared with those in March last year, were the following (which reflect adjustments to account for the timing shifts):

- Spending by the Treasury for **refundable tax credits** decreased by $5 billion (or 26 percent).
- Spending for two of the government's largest benefit programs increased by a total of $8 billion. That total consisted of $3 billion (a 4 percent increase) for **Social Security** and $5 billion (a 23 percent increase) for **Medicaid**.
- **Net interest on the public debt** increased by $2 billion (or 10 percent).
- Spending for military activities of the **Department of Defense** decreased by $7 billion (or 12 percent).
- Outlays by the **Federal Emergency Management Agency** were down by $2 billion; and outlays for **unemployment benefits** were also down by $2 billion.

Actual Deficit in February 2014: $194 Billion

The Treasury Department reported a deficit of $194 billion for February—$1 billion less than the sum CBO estimated in the *Monthly Budget Review for February 2014* on the basis of the *Daily Treasury Statements*.

This document was prepared by Barbara Edwards, Dawn Sauter Regan, Joshua Shakin, and Adam Wilson. It is available at www.cbo.gov/publication/45237.