Congressional Budget Office

Monthly Budget Review for February 2014

The federal government ran a budget deficit of $379 billion for the first five months of fiscal year 2014, CBO estimates, $115 billion less than the shortfall recorded in the same span last year. Revenues are higher and outlays are lower than they were at this time a year ago. Without shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the five-month period would have been $148 billion less this year than it was in fiscal year 2013.

Budget Totals, October–February
(Billions of dollars)

	Actual, FY 2013	Preliminary, FY 2014	Estimated Change
Receipts	1,011	1,104	94
Outlays	1,505	1,483	-21
Deficit (-)	-494	-379	115

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

Note: FY = fiscal year.

Total Receipts: Up by 9 Percent in the First Five Months of Fiscal Year 2014

Receipts for the first five months of fiscal year 2014 totaled $1,104 billion, CBO estimates, $94 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 $69 billion, or 8 percent.**
  - Increases in amounts withheld from workers' paychecks (up by $58 billion, or 7 percent) accounted for most of that gain. A number of factors contributed to the increase, including growth in wages and salaries and changes in law. 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—the expiration of the 2 percentage-point payroll tax cut and increases in tax rates for income above certain thresholds.
  - Nonwithheld receipts, mainly from estimated payments of 2013 taxes made in January 2014, increased by $13 billion, or 12 percent.
  - Partially offsetting those gains was an increase of $2 billion in refunds of individual income taxes.
- **Receipts from corporate income taxes rose by $12 billion, or 17 percent.** Those receipts included the last quarterly estimated payment due in calendar year 2013 for most corporations.
- **Receipts from the Federal Reserve rose by $8 billion, or 27 percent.** The increase was due in part to the larger size of the central bank's portfolio of securities and a higher yield on its portfolio. Almost all of the increase in receipts occurred in January and February.

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.

Gains would also have occurred in the first three months of the fiscal year if receipts in the period from October to December 2012 had not been boosted because the Federal Reserve realized capital gains on sales of Treasury securities.

Receipts, October–February
(Billions of dollars)

Major Program or Category	Actual, FY 2013	Preliminary, FY 2014	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	501	516	15	3.0
Social Insurance Taxes	346	400	54	15.7
Corporate Income Taxes	71	83	12	16.7
Other Receipts	93	106	13	13.6
Total	**1,011**	**1,104**	**94**	**9.3**
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld taxes	809	867	58	7.2
Other, net of refunds	37	49	11	30.6
Total	**846**	**915**	**69**	**8.2**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

Total Outlays: Down by 4 Percent (Adjusted for Timing Shifts) in the First Five Months of Fiscal Year 2014

Outlays for the first five months of fiscal year 2014 were $1,483 billion, $21 billion less than they were in the same period last year, CBO estimates. That decrease would have been larger—$54 billion (or 4 percent)—if not for a shift from March 2014 to February 2014 in the timing of certain payments because March 1 fell on a weekend. (The discussion below reflects adjustments to account for those timing shifts.)

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 $34 billion more than they were last year. There were two reasons for that 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. Second, because both Fannie Mae and Freddie Mac were profitable in 2013, they were required to make quarterly payments to the Treasury in amounts related to the increase in their net worth. (Those payments are recorded in the budget as offsetting receipts—that is, negative outlays.)

- Total spending for military activities of the **Department of Defense** fell by $20 billion (or 8 percent).

- Outlays for **unemployment benefits** declined by $9 billion (or 28 percent).

- Spending by the **Department of Agriculture** (included in "Other Activities" in the table below) decreased by $10 billion (or 12 percent), largely because of reduced spending for crop insurance and for the Supplemental Nutrition Assistance Program (formerly called the Food Stamp program).

- Spending by the **Department of Homeland Security** (also included in "Other Activities") fell by $9 billion (or 34 percent), mostly because spending for flood insurance and disaster relief was lower.

- Outlays for **net interest on the public debt** declined by $3 billion (or 3 percent).

Outlays, October–February
(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	Estimated Change With Adjustments for Timing Shifts[a]: Percent
DoD—Military[b]	261	246	-15	-20	-7.5
Social Security Benefits	329	345	16	16	4.8
Medicare[c]	204	221	17	0	0.1
Medicaid	108	116	8	8	7.5
Unemployment Insurance	33	24	-9	-9	-27.9
Other Activities	474	473	-1	-12	-2.5
Subtotal	**1,409**	**1,425**	**16**	**-17**	**-1.2**
Net Interest on the Public Debt	100	97	-3	-3	-3.1
Net Outlays for GSEs	-5	-39	-34	-34	n.m.
Total	**1,505**	**1,483**	**-21**	**-54**	**-3.6**

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; n.m. = not meaningful.

a. Excludes the effects of payments shifted because of 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 five months of fiscal year 2014 partially offset those declines. In particular, spending increased for two of the government's largest benefit programs:

- Spending for **Social Security** rose by $16 billion (or 5 percent).
- Spending for **Medicaid** rose by $8 billion (or 8 percent).

For several **other programs and activities** (included in "Other Activities" in the table above), spending increased by smaller amounts. After adjustment for timing shifts, spending for Medicare was virtually unchanged.

Estimated Deficit in February 2014: $195 Billion

The federal government incurred a deficit of $195 billion in February 2014, CBO estimates—$9 billion less than the $204 billion deficit incurred in February 2013. Because March 1 and February 1 both fell on a weekend in 2014, certain payments that ordinarily would have been made in March this year were made in February, and certain payments that would have been made in February were made in January. Without those shifts in the timing of payments, the deficit in February 2014 would have been $1 billion larger than it was.

CBO estimates that receipts in February totaled $144 billion—$21 billion (or 17 percent) more than those in the same month last year:

- **Individual income and social insurance (payroll) taxes rose by $11 billion.** Amounts withheld from workers' paychecks rose by $13 billion (or 8 percent). Higher wages and salaries contributed to that increase. But refunds of income taxes were also larger—by $2 billion (or 3 percent).
- **Corporate income taxes rose by $5 billion.** February is one of the months in which those receipts are smallest, and they can vary significantly for onetime reasons.
- **Receipts from the Federal Reserve, largely representing earnings on its portfolio, rose by $5 billion.**

Budget Totals for February
(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2013	Preliminary, FY 2014	Estimated Change	Billions of Dollars	Percent
Receipts	123	144	21	21	17.1
Outlays	326	338	12	13	4.1
Deficit (-)	-204	-195	9	8	-3.8

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

Total spending in February 2014 was $338 billion, CBO estimates, $12 billion more than outlays in the same month in 2013. If not for the effects of timing shifts, outlays in February would have been $13 billion (or 4 percent) higher than they were in the same month last year. Among the larger changes in outlays, compared with outlays in February last year, were the following (which reflect adjustments to account for the timing shifts):

- Spending by the **Treasury** for refundable tax credits increased by $10 billion.
- Spending for two of the government's largest entitlement programs increased by a total of $7 billion. That total consisted of $3 billion (a 5 percent increase) for **Social Security** and $4 billion (an 18 percent increase) for **Medicaid**.
- **Net interest on the public debt** increased by $3 billion.
- Spending for military activities of the **Department of Defense** decreased by $3 billion (or 6 percent).
- Outlays by the **Federal Emergency Management Agency** were down by $2 billion; outlays for **unemployment benefits** were also down by $2 billion.

Actual Deficit in January 2014: $10 Billion

The Treasury Department reported a deficit of $10 billion for January—about the same deficit that CBO estimated in the *Monthly Budget Review for January 2014* on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Cove Delisle, Barbara Edwards, Dawn Sauter Regan, and Joshua Shakin. It is available at http://www.cbo.gov/publication/45174.