



NOVEMBER 6, 2015

## Monthly Budget Review: Summary for Fiscal Year 2015

In fiscal year 2015, which ended on September 30, the federal budget deficit totaled \$439 billion—\$44 billion less than the shortfall in 2014. Fiscal year 2015 was the sixth consecutive year in which the deficit declined as a share of the nation's gross domestic product (GDP). The deficit peaked at 9.8 percent of GDP in 2009; it fell to 2.8 percent in 2014 and to 2.5 percent in 2015.

	Fiscal Year Totals (Billions of dollars)					
	2010	2011	2012	2013	2014	2015
Receipts	2,163	2,303	2,450	2,775	3,020	3,249
Outlays	3,457	3,603	3,537	3,455	3,504	3,688
Deficit						
Amount	-1,294	-1,300	-1,087	-680	-483	-439
Percentage of GDP	-8.7	-8.5	-6.8	-4.1	-2.8	-2.5
Sources: Congressional Budget Office; Office of Management and Budget; Department of the Treasury.						

In 2015, the government's revenues were \$3.2 trillion, \$228 billion (or almost 8 percent) more than receipts in 2014. As a percentage of GDP, revenues rose from 17.6 percent in 2014 to 18.2 percent in 2015, the highest level since 2001 and greater than the average over the past 50 years (17.4 percent) for the second year in a row.

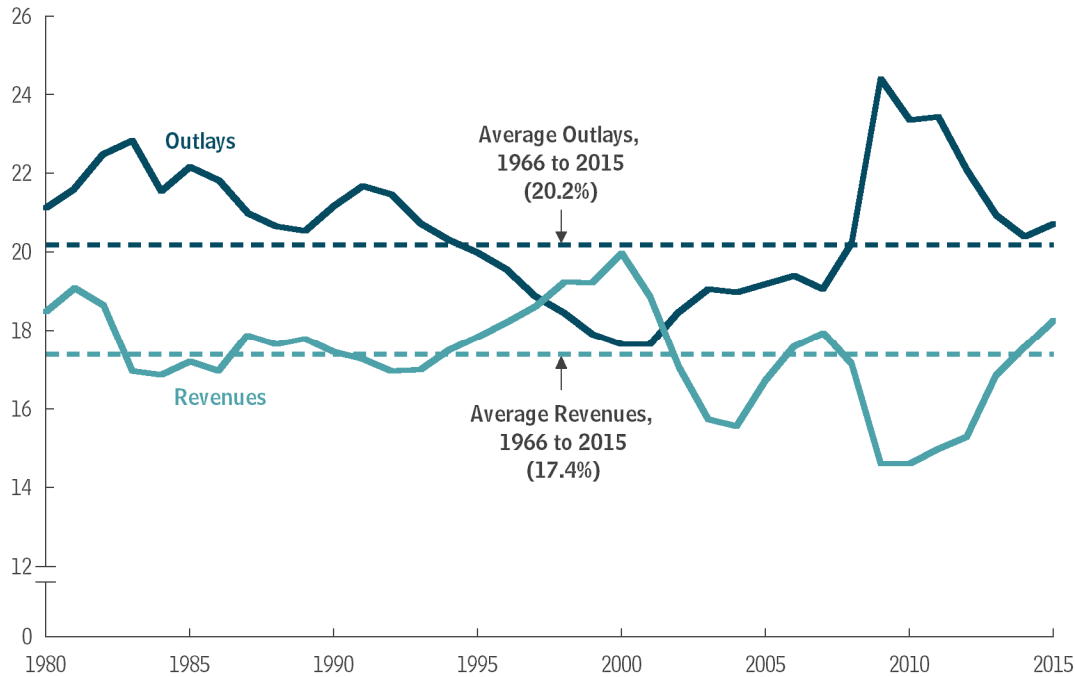
Net spending by the government was \$3.7 trillion in 2015—\$184 billion (or about 5 percent) more than outlays in 2014, and the highest that it has been, in nominal terms, since 2011. Outlays amounted to 20.7 percent of GDP in 2015, compared with 20.4 percent in 2014. The percentage in 2015 was well below the recent peak of 24.4 percent in 2009 but above the 50-year average of 20.2 percent.

### Revenues

Relative to GDP, receipts from all major sources increased from the levels recorded for 2014:

- **Individual income taxes**, the largest revenue source, rose by \$146 billion (or 10 percent), from 8.1 percent of GDP in 2014 to 8.7 percent of GDP in 2015. That percentage of GDP is the highest in any year since 2001.
  - Income taxes withheld from workers' paychecks rose by \$70 billion (or 6 percent), largely the result of higher wages and salaries.
  - Nonwithheld payments of income taxes rose by \$78 billion (or 16 percent), reflecting larger final and estimated tax payments made during fiscal year 2015. Most of those additional payments were for the 2014 tax year, and they probably reflect higher nonwage income, including realizations of capital gains. The increase in nonwithheld receipts was slightly offset by income tax refunds, which were up by \$3 billion (or 1 percent) in 2015.

Federal Revenues and Outlays, 1980 to 2015  
(Percentage of gross domestic product)



Sources: Congressional Budget Office; Bureau of Economic Analysis, Office of Management and Budget, Department of the Treasury.

- **Payroll (social insurance) taxes**, the second-largest revenue source, increased by \$42 billion (or 4 percent), growing only slightly as a share of the economy to near 6.0 percent of GDP. That percentage of GDP is the highest since 2009 but still lower than the percentage in every year between 1984 and 2009, when it ranged between 6.1 percent and 6.6 percent. The increase in payroll tax receipts was mostly the result of higher wages and salaries.
- **Corporate income taxes** rose by \$23 billion (or 7 percent) in 2015, growing from just below to just above 1.9 percent of GDP. That percentage of GDP is the highest since 2008 but below the average of 2.1 percent of GDP over the past 50 years.
- **Receipts from other sources** rose by \$17 billion (or 6 percent), inching up from 1.6 percent to 1.7 percent of GDP, a level last reached in 1985.
  - Miscellaneous fees and fines increased by \$14 billion (or 39 percent) to 0.3 percent of GDP—the highest level on record. More than half of that growth was from new collections from health insurers under the reinsurance and risk-adjustment programs established in the Affordable Care Act (ACA).
  - Excise taxes rose by \$5 billion (or 5 percent); about half of that increase is attributable to growth in payments of an excise tax on health insurance providers that was enacted in the ACA.
  - Customs duties increased by \$1 billion (or 3 percent).
  - Remittances to the Treasury from the Federal Reserve fell by \$3 billion (or 3 percent) from the levels reached in 2014, when they were the highest ever recorded both in nominal terms and as a share of GDP.

Total Receipts (Billions of dollars)				
Major Source	2013	2014	2015	Percentage Change, 2014 to 2015
Individual Income Taxes	1,316	1,395	1,541	10.5
Payroll Taxes	948	1,023	1,065	4.1
Corporate Income Taxes	274	321	344	7.2
Other Receipts	<u>237</u>	<u>282</u>	<u>299</u>	6.1
<b>Total</b>	<b>2,775</b>	<b>3,020</b>	<b>3,249</b>	<b>7.6</b>
Percentage of GDP	16.8	17.6	18.2	n.a.
Sources: Congressional Budget Office; Office of Management and Budget; Department of the Treasury.				
Note: n.a. = not applicable.				

### Outlays

Overall, the government's net outlays increased by 5.2 percent from 2014 to 2015. Outlays increased for several major categories but declined for others.

- Outlays for the three largest entitlement programs—Social Security, Medicare, and Medicaid—rose by \$37 billion (or 4 percent), \$34 billion (or 7 percent), and \$48 billion (or 16 percent), respectively. Medicare spending, which rose by less than 3 percent in 2014, grew more rapidly in 2015. That development occurred in part because spending for Part A (Hospital Insurance) grew by more than 4 percent in 2015, after declining slightly in 2014, and in part because spending for the prescription drug benefit under Part D grew by nearly 17 percent. Medicaid spending grew significantly in 2015, largely because the provisions of the ACA that led to increased enrollment were in effect for only the last nine months of fiscal year 2014 but for all of fiscal year 2015. With that growth, Medicaid spending has risen by almost one-third in the past two years. Combined outlays for the three programs were equal to 48 percent of federal spending and 9.9 percent of GDP in 2015, the highest shares ever.
- Payments made by Fannie Mae and Freddie Mac (referred to as GSEs in the table, below) to the Treasury were \$51 billion less this year than last year, for two reasons. (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 entity made a onetime payment of \$24 billion to the Treasury in fiscal year 2014. In addition, financial institutions made fewer payments to Fannie Mae and Freddie Mac in fiscal year 2015 than in fiscal year 2014 to settle allegations of fraud in connection with residential mortgages and certain other securities; as a result, the two entities' profits were lower in 2015, as were their resulting remittances to the Treasury.
- Outlays for the Department of Education (included in the "Other" category in the table, below) increased by \$30 billion (or 51 percent), mostly because of an \$18 billion upward revision in the estimated net subsidy costs of student loans and loan guarantees issued in past years—a change that was larger than last year's \$1 billion upward revision. If those revisions' effects were excluded, the department's outlays for fiscal year 2015 would have climbed by \$13 billion (or 23 percent), mostly because of an increase in originations of consolidated loans, which tend to have a higher subsidy rate than other types of federal student loans.
- Subsidy payments for health insurance purchased through exchanges created under the ACA increased by \$14 billion.

Total Outlays (Billions of dollars)				
Major Program or Category	2013	2014	2015	Percentage Change, 2014 to 2015
Social Security Benefits	803	840	877	4.4
Medicare <sup>a</sup>	495	509	544	6.8
Medicaid	<u>265</u>	<u>301</u>	<u>350</u>	16.0
<b>Subtotal, Largest Entitlement Programs</b>	<b>1,563</b>	<b>1,650</b>	<b>1,770</b>	<b>7.3</b>
DoD—Military <sup>b</sup>	608	578	563	-2.7
Net Interest on the Public Debt	259	271	260	-4.1
Exchange Subsidies <sup>c</sup>	0	13	27	108.3
Net Outlays for GSEs	-97	-74	-23	n.m.
Other	<u>1,121</u>	<u>1,065</u>	<u>1,090</u>	2.4
<b>Total</b>	<b>3,455</b>	<b>3,504</b>	<b>3,688</b>	<b>5.2</b>
Percentage of GDP	20.9	20.4	20.7	n.a.

Sources: Congressional Budget Office; Office of Management and Budget; Department of the Treasury.

Note: DoD = Department of Defense; GDP = gross domestic product; GSEs = government-sponsored enterprises, Fannie Mae and Freddie Mac; n.a. = not applicable; n.m. = not meaningful.

a. Medicare outlays are net of offsetting receipts.

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

c. Subsidies for health insurance purchased through exchanges established under the Affordable Care Act.

- In contrast, spending for the military activities of the Department of Defense (DoD) fell by \$15 billion (or 3 percent) in 2015, the fourth consecutive year of decline. That drop was largely the result of lower spending on overseas contingency operations, primarily in Afghanistan. Outlays were down across all major categories, except for operation and maintenance, which increased by \$3 billion (or 1.1 percent). Most of the overall decline (\$11 billion) was for the Army. Measured as a share of GDP, military spending by DoD was 3.2 percent in 2015, down from 3.4 percent in 2014 and the lowest share since 2003.
- Payments to the Federal Communications Commission from auctions of licenses to use the electromagnetic spectrum were \$29 billion larger in 2015 than in 2014. The 2015 auction awarded licenses for more bandwidth, which also had more desirable characteristics, thus spurring intense competition among several large telecommunications companies. Because the proceeds from spectrum auctions are recorded in the budget as offsetting receipts, the increase in payments resulted in lower outlays. (That reduction in outlays is included in the “Other” category in the table, above.)
- Net interest on the public debt decreased by \$11 billion (or 4 percent), mostly because low inflation led to a reduction in the principal of inflation-protected securities. (Such adjustments are based on changes in the consumer price index for all urban consumers.)
- Spending for unemployment benefits (included in the “Other” category in the table) decreased by \$11 billion (or 24 percent) from the amount paid in 2014, partly because a falling unemployment rate led fewer people to claim regular benefits and partly because the authority to pay emergency benefits expired at the end of December 2013, the end of the first quarter of fiscal year 2014.

For other programs and activities, spending increased or decreased by smaller amounts, increasing outlays by an additional \$35 billion, on net.

**Estimates for October 2015**

The government recorded a deficit of \$137 billion in October, CBO estimates, about \$16 billion more than the shortfall recorded in the same month last year. However, approximately \$39 billion in payments that normally would have been made in November of this year were instead made in October because November 1 fell on a weekend. A similar shift of about \$43 billion in payments occurred at the same time last year. If not for those timing shifts, the deficit in October 2015 would have been \$20 billion more than it was in October 2014.

This document was prepared by Elizabeth Cove Delisle, David Rafferty, Dawn Sauter Regan, and Joshua Shakin. It is available at [www.cbo.gov/publication/50974](http://www.cbo.gov/publication/50974).