



Monthly Budget Review for September 2015

The federal government ran a budget deficit of \$435 billion fiscal year 2015, the Congressional Budget Office estimates—\$48 billion less than the shortfall recorded in fiscal year 2014, and the smallest deficit recorded since 2007. Relative to the size of the economy, that deficit—at an estimated 2.4 percent of gross domestic product (GDP)—was slightly below the average experienced over the past 50 years, and 2015 was the sixth consecutive year in which the deficit declined as a percentage of GDP since peaking at 9.8 percent in 2009. By CBO’s estimate, revenues were about 8 percent higher and outlays were about 5 percent higher in 2015 than they were in the previous fiscal year. CBO’s deficit estimate is based on data from the *Daily Treasury Statements*; the Treasury Department will report the actual deficit for fiscal year 2015 later this month.

A deficit of \$435 billion would be \$9 billion larger than the shortfall that CBO projected in its August 2015 report, [An Update to the Budget and Economic Outlook: Fiscal Years 2015 to 2025](#). Outlays exceeded the projection by \$8 billion and revenues fell short by \$2 billion, according to CBO’s current estimates.

| Fiscal Year Totals (Billions of dollars) | | | |
|---|-----------------|----------------------|------------------|
| | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change |
| Receipts | 3,020 | 3,249 | 229 |
| Outlays | 3,504 | 3,685 | 181 |
| Deficit (-) | -483 | -435 | 48 |

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for August 2015 and the *Daily Treasury Statements* for September 2015.
Note: FY = fiscal year.

Total Receipts: Up by 8 Percent in Fiscal Year 2015

Receipts for fiscal year 2015 totaled \$3,249 billion, CBO estimates—\$229 billion (or 8 percent) more than the total for fiscal year 2014. The largest increases were in the following categories:

- **Individual income taxes and payroll (social insurance) taxes** combined rose by \$188 billion (or 8 percent).
 - Increases in amounts withheld from workers’ paychecks—\$115 billion (or 6 percent)—accounted for the bulk of that gain. Growth in wages and salaries probably explains the increase in withheld receipts.
 - Other receipts rose by \$75 billion (or 13 percent), reflecting payments made for both the 2014 and 2015 tax years. Most of those payments were for individual income taxes and probably reflect growth in nonwage income.
 - Income tax refunds rose by \$2 billion (or 1 percent), slightly offsetting the increases in withheld and nonwithheld receipts.

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.

- Receipts from **corporate income taxes** rose by \$24 billion (or 7 percent), probably reflecting higher taxable profits in calendar years 2014 and 2015.
- Receipts from **miscellaneous fees and fines** rose by \$15 billion (or 42 percent). A little over half of that amount was from new collections from health insurers under the reinsurance and risk adjustment programs established in the Affordable Care Act (ACA).

In August, CBO projected receipts totaling \$3,251 billion, about \$2 billion more than the amount now anticipated. Revenues in 2015 from all sources were close to the August projections. Receipts from corporate income taxes and individual income taxes were slightly lower than previously projected, and receipts from payroll taxes were slightly higher.

| Total Receipts (Billions of dollars) | | | | |
|---|--------------------|-------------------------|------------------------|------------|
| Major Program or Category | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change | |
| | | | Billions of Dollars | Percent |
| Individual Income Taxes | 1,395 | 1,538 | 144 | 10.3 |
| Payroll Taxes | 1,024 | 1,068 | 44 | 4.3 |
| Corporate Income Taxes | 321 | 344 | 24 | 7.3 |
| Other Receipts | <u>281</u> | <u>299</u> | <u>18</u> | 6.3 |
| Total | 3,020 | 3,249 | 229 | 7.6 |
| Memorandum: Combined Individual Income and Payroll Taxes | | | | |
| Withheld taxes | 2,054 | 2,169 | 115 | 5.6 |
| Other, net of refunds | <u>365</u> | <u>437</u> | <u>73</u> | 19.9 |
| Total | 2,419 | 2,606 | 188 | 7.8 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | |
| Note: FY = fiscal year. | | | | |

Total Outlays: Up by 5 Percent in Fiscal Year 2015

Outlays for fiscal year 2015 were \$3,685 billion, by CBO's estimate—\$181 billion (or 5 percent) more than they were in fiscal year 2014. Outlays in several major programs or categories of spending increased, CBO estimates:

- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** were lower by \$51 billion. Because those payments are recorded in the budget as offsetting receipts (which are treated as reductions in outlays), that decrease in payments resulted in higher outlays. One reason that the GSEs' payments to the Treasury were lower in fiscal year 2015 than last year is that Freddie Mac made a onetime payment of about \$24 billion in the first quarter of fiscal year 2014 after a revaluation of certain tax assets significantly increased its net worth. 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 **Medicaid** rose by \$49 billion (or 16 percent), largely for two reasons: First, the provisions of the ACA that led to increased enrollment were in effect for the last nine months of fiscal year 2014 but were in effect for all of fiscal year 2015. Second, enrollment has steadily increased beyond the 2014 levels during fiscal year 2015.
- Spending for **Medicare** increased by \$35 billion (or 7 percent). In part, that increase resulted from the estimated 2.8 percent growth in enrollment. Higher spending in 2015 also

reflects growth in the number or cost of services furnished to Medicare beneficiaries, although data are not yet available to quantify how much is attributable to changes in hospital admissions, visits to physicians, prescription drugs, or other health care services.

- Spending for **Social Security benefits** rose by \$37 billion (or 4 percent).
- 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 increased by \$13 billion (or 22 percent). That increase is attributable mostly to 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. Those subsidies first began in January 2014, and so were in effect for only nine months of fiscal year 2014, whereas they were in place for all of fiscal year 2015.

| Total Outlays (Billions of dollars) | | | | |
|---|--------------------|-------------------------|------------------------|------------|
| Major Program or Category | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change | |
| | | | Billions of Dollars | Percent |
| Social Security Benefits | 840 | 877 | 37 | 4.4 |
| Medicare ^a | 509 | 544 | 35 | 6.9 |
| Medicaid | <u>301</u> | <u>350</u> | <u>49</u> | 16.1 |
| Subtotal, Largest Mandatory Programs | 1,650 | 1,771 | 121 | 7.3 |
| DoD—Military ^b | 578 | 562 | -16 | -2.7 |
| Net Interest on the Public Debt | 271 | 260 | -11 | -4.1 |
| Exchange Subsidies ^c | 13 | 27 | 14 | 109 |
| Net Outlays for GSEs | -74 | -23 | 51 | n.m. |
| Other | <u>1,065</u> | <u>1,086</u> | <u>21</u> | 2.0 |
| Total | 3,504 | 3,685 | 181 | 5.2 |

Sources: Congressional Budget Office; Department of the Treasury.

Note: DoD = Department of Defense; FY = fiscal year; GSEs = the government-sponsored enterprises Fannie Mae and Freddie Mac; 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.

The spending increases in fiscal year 2015 were partially offset by reductions in outlays for some other major components of the budget, CBO estimates, including the following:

- 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. (The reduction in outlays is included in the “Other” category in the table above.)

- Spending for military activities of the **Department of Defense** fell by \$16 billion (or 3 percent). Most of that change resulted from a decline in outlays for overseas contingency operations, primarily in Afghanistan.
- Outlays for **unemployment benefits** (also included in the “Other” category in the table above) declined by \$12 billion (or 24 percent), 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.
- Outlays for **net interest on the public debt** declined by \$11 billion (or 4 percent), mostly because low inflation led to a reduction in the principal of inflation-protected securities. (Those adjustments to the principal of such securities are based on the consumer price index for all urban consumers.)

For many other programs and activities, spending increased or decreased by smaller amounts, increasing outlays by an additional \$32 billion, on net. Among the other agencies or programs with the largest increases in outlays were the **Department of Veterans Affairs**, the nonmilitary activities of the **Department of Defense**, and the **transitional reinsurance program**. Under the transitional reinsurance program, payments are made to insurance plans in the individual insurance market whose enrollees incur particularly high costs for medical claims.

Estimated Surplus in September 2015: \$95 Billion

The federal government realized a surplus of \$95 billion in September 2015, CBO estimates—\$11 billion smaller than the surplus in September 2014. Because September 1, 2014, was the Labor Day holiday, certain payments that ordinarily would have been made in September were instead made in August. Without those shifts in the timing of payments, the surplus for September 2015 would have been \$8 billion larger than last September’s.

CBO estimates that receipts in September totaled \$366 billion—\$15 billion (or 4 percent) more than the amount a year ago. The largest increase in receipts was in payroll taxes, which rose by \$8 billion (or 10 percent). The next largest increases were in excise taxes, which rose by \$3 billion (or 15 percent), and in remittances from the Federal Reserve, which also rose by \$3 billion (or 36 percent)

| Budget Totals for September (Billions of dollars) | | | | | |
|--|--------------------|-------------------------|---------------------|--|---------|
| | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change | Estimated Change With Adjustments for Timing Shifts ^a | |
| | | | | Billions of Dollars | Percent |
| Receipts | 351 | 366 | 15 | 15 | 4.3 |
| Outlays | 245 | 271 | 26 | 7 | 2.8 |
| Surplus | 106 | 95 | -11 | 8 | 8.8 |

Sources: Congressional Budget Office; Department of the Treasury.
Note: FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or a holiday. Without those timing shifts, the budget would have shown an \$87 billion surplus in September 2014.

Total spending in September 2015 was \$271 billion, CBO estimates—\$26 billion more than the sum in September 2014. Adjusted for timing shifts, outlays in September were \$7 billion (or 3 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to account for those shifts.) Among the larger changes in outlays were the following:

- Outlays for the **Department of Education** increased by \$8 billion, mostly because of an increase in originations of consolidated loans; such loans tend to have a higher subsidy rate than other types of federal student loans.

- Spending for two of the government’s three largest mandatory programs increased by a total of \$5 billion. **Social Security** spending increased by \$3 billion (or 4 percent) and outlays for **Medicare** rose by \$2 billion (or 4 percent).
- **Medicaid** spending fell by \$3 billion (or 9 percent).
- Outlays for the **risk adjustment program** established by the ACA totaled \$2 billion. (September 2015 was the first time payments were made to the health insurance companies from that program.) Under the risk adjustment program, resources are transferred from health insurance plans that attract a relatively small proportion of high-risk enrollees (people with serious chronic conditions, for example) to plans that attract a relatively large proportion of such people. Payments are collected by the government from companies whose plans attract a disproportionate share of healthier enrollees in the individual and small-group markets (such collections are recorded in the budget as revenues). Those collections are then paid to companies that attract some enrollees who are not as healthy as some others and therefore would be expected to have larger medical claims (such payments are classified as outlays).

Actual Deficit in August 2015: \$64 Billion

The Treasury Department reported a deficit of \$64 billion for August—about \$2 billion larger than CBO estimated, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for August 2015](#).

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