Congressional Budget Office

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Monthly Budget Review for March 2015

The federal government ran a budget deficit of $430 billion for the first half of fiscal year 2015, CBO estimates—$17 billion more than the shortfall recorded in the same span last year. Both revenues and outlays were about 7 percent higher than the amounts recorded in the first six months of fiscal year 2014.

Budget Totals, October–March
(Billions of dollars)

	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	1,323	1,420	98
Outlays	1,736	1,851	115
Deficit (-)	-413	-430	-17

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2015 and the *Daily Treasury Statements* for March 2015.

Note: FY = fiscal year.

Total Receipts: Up by 7 Percent in the First Half of Fiscal Year 2015

Receipts through March totaled $1,420 billion, CBO estimates—$98 billion more than the amount collected in the same period last year. The largest increases in receipts were in the following categories:

- **Individual income taxes and payroll (social insurance) taxes** together rose by $75 billion (or 7 percent).
  - An increase of $59 billion (or about 6 percent) in the amounts withheld from workers' paychecks accounted for the bulk of that gain. Growth in wages and salaries probably explains that increase.
  - Nonwithheld receipts rose by $19 billion (or 14 percent). Those receipts included the last quarterly payment of estimated taxes for 2014, which was due in January; most taxpayers will not make final payments of taxes due for 2014 until this month, when the April 15 deadline for filing tax returns falls.
  - Partially offsetting those changes, refunds of individual income taxes increased by $1 billion (or 1 percent) and receipts from unemployment insurance taxes dropped by $1 billion.
- **Corporate income taxes** rose by $15 billion (or 13 percent), probably reflecting higher taxable profits in calendar year 2014.

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, October–March
(Billions of dollars)

Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	585	642	57	9.7
Payroll Taxes	490	509	18	3.7
Corporate Income Taxes	118	133	15	12.8
Other Receipts	130	137	7	5.5
Total	**1,323**	**1,420**	**98**	**7.4**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,067	1,126	59	5.5
Other, net of refunds	9	25	16	190.2
Total	**1,075**	**1,151**	**75**	**7.0**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

Total Outlays: Up by 7 Percent in the First Six Months of Fiscal Year 2015

Outlays for the first six months of fiscal year 2015 were $1,851 billion, $115 billion more than they were during the same period last year, CBO estimates.

Outlays increased for several major categories of spending:

- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** decreased by $46 billion. Because those payments are recorded in the budget as offsetting receipts, which are treated as reductions in outlays, that decrease in payments has resulted in higher outlays. One reason that the GSEs' payments to the Treasury were lower in the first half of fiscal year 2015 than in the first half of fiscal year 2014 is that Freddie Mac made a onetime payment of about $24 billion in December 2013 after a revaluation of certain tax assets significantly increased its net worth. Those payments have also been smaller because the GSEs themselves received fewer payments from financial institutions in 2015 to settle allegations of fraud in connection with residential mortgages and certain other securities.

- Outlays for **Medicaid** rose by $31 billion (or 22 percent), largely because most of the provisions of the Affordable Care Act that led to increased enrollment in Medicaid went into effect in January 2014 and therefore did not affect the program's spending in the first few months of fiscal year 2014.

- Spending for **Medicare** increased by $23 billion (or 9 percent) because a large payment was made to prescription drug plans in October 2014 to account for unanticipated spending increases in calendar year 2014 and incentive payments were made to health care providers in December to adopt and use electronic health records.

- Spending for **Social Security benefits** rose by $19 billion (or 4 percent).

Outlays, October–March
(Billions of dollars)

Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change[a] Billions of Dollars	Estimated Change[a] Percent
Social Security Benefits	415	434	19	4.5
Medicare[b]	244	268	23	9.4
Medicaid	140	172	31	22.3
Subtotal, Largest Mandatory Programs	**800**	**873**	**73**	**9.1**
DoD – Military[c]	294	284	-10	-3.5
Net Interest on the Public Debt	122	105	-17	-13.7
Exchange Subsidies[d]	2	12	10	n.m.
Net Outlays for GSEs	-57	-11	46	n.m.
Other	576	588	12	2.2
Total	**1,736**	**1,851**	**115**	**6.6**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year; DoD = Department of Defense; GSEs = government-sponsored enterprises, Fannie Mae and Freddie Mac; n.m. = not meaningful.

a. Although there were shifts in the timing of certain payments in both 2014 and 2015, the net effect on spending through March was zero in both years.

b. Medicare outlays are net of offsetting receipts.

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

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

Increases during the first six months of fiscal year 2015 were partially offset by reductions in spending for some other major components of the budget, including the following:

- Outlays for **interest on the public debt** declined by $17 billion (or 14 percent) mostly because downward adjustments made to the principal of inflation-protected securities to account for inflation were unusually large this year. (Those adjustments are based on the consumer price index for all urban consumers.)
- Total spending for military activities of the **Department of Defense** fell by $10 billion (or 4 percent).
- Outlays for **unemployment benefits** (included in the “Other” category in the above table) declined by $8 billion (or 30 percent), mostly because fewer people have received those benefits since the Emergency Unemployment Compensation program expired at the end of December 2013. In addition, benefits for the regular unemployment compensation program have been lower because fewer people are unemployed.

For many other programs and activities, spending increased or decreased by smaller amounts.

Estimated Deficit in March 2015: $44 Billion

The federal government incurred a deficit of $44 billion in March 2015, CBO estimates—$7 billion more than the deficit incurred in March 2014. Because March 1 fell on a weekend in 2014 and 2015, certain payments that ordinarily would have been made in March of both years were instead made in February. Without those shifts in the timing of payments, CBO estimates, the deficit in March would have been $10 billion larger than it was a year ago.

CBO estimates that receipts in March totaled $235 billion—$19 billion (or 9 percent) more than last year. Receipts from individual income taxes and payroll taxes together increased by about $23 billion (or 14 percent): Both withheld and nonwithheld taxes rose, by $14 billion (or 7 percent) and $2 billion (or 15 percent), respectively, and refunds of individual income taxes were $6 billion (or 11 percent) lower than in March of 2014. Partially offsetting those increases, remittances from the Federal Reserve and receipts from miscellaneous fees and fines were together lower by $4 billion than the amounts received last March, CBO estimates.

Budget Totals for March
(Billions of dollars)

	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a] Billions of Dollars	Percent
Receipts	216	235	19	19	8.7
Outlays	253	278	26	28	9.9
Deficit (-)	-37	-44	-7	-10	13.5

Sources: Congressional Budget Office; Department of the Treasury.

Note: n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that were scheduled to be made on weekends or holidays. Without those timing shifts, the budget would have shown a $72 billion deficit in March 2014 and an $82 billion deficit in March 2015.

Total spending in March 2015 was $278 billion, CBO estimates—$26 billion more than outlays in the same month in 2014. (The year-over-year changes for March discussed below reflect adjustments to account for the shifting of certain payments from March to February.)

Among the larger changes in outlays compared with those of last year were the following:

- Spending for the government's three largest entitlement programs increased by a total of $15 billion: **Medicaid**, by $8 billion (or 32 percent); **Medicare**, by $4 billion (or 10 percent); and **Social Security**, by $3 billion (or 4 percent).
- Payments to the Treasury from **Fannie Mae and Freddie Mac** were $15 billion lower (and thus outlays were $15 billion higher) than in March 2014, largely because financial institutions made fewer settlement payments to the government-sponsored enterprises than they did last year.
- Outlays of the **Troubled Asset Relief Program (TARP)** rose by $6 billion, mainly because revisions to the estimated cost of the program decreased outlays by $8 billion in March 2014 and by $2 billion in March 2015.
- Outlays for **interest on the public debt** declined by $8 billion (or 34 percent), mainly because downward adjustments made to the principal of inflation-protected securities to account for inflation were unusually large. (Those adjustments are based on the consumer price index for all urban consumers.)

Actual Deficit in February 2015: $192 Billion

The Treasury Department reported a deficit of $192 billion for February—about the same as CBO estimated, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for February 2015*.

This document was prepared by Elizabeth Cove Delisle, Nathaniel Frentz and Dawn Sauter Regan. It is available at www.cbo.gov/publication/50095.