Congressional Budget Office

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Monthly Budget Review for July 2015

The federal government's budget deficit amounted to $463 billion for the first 10 months of fiscal year 2015, CBO estimates. That deficit was $2 billion larger than the one recorded during the same period last year. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the 10-month period would have declined by $41 billion. On the basis of the government's revenues and spending so far this fiscal year, CBO expects that the annual deficit will total about $425 billion, which would be less than the $486 billion that the agency projected in March. CBO will publish new multiyear budget projections later in August.

Budget Totals, October–July
(Billions of dollars)

	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	2,475	2,671	196
Outlays	2,935	3,134	198
Deficit (-)	-460	-463	-2

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

Note: FY = fiscal year.

Total Receipts: Up by 8 Percent in the First 10 Months of Fiscal Year 2015

During the first 10 months of fiscal year 2015, receipts totaled $2,671 billion, CBO estimates—$196 billion (or 8 percent) more than they did during 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 $167 billion (or 8 percent).
    - An increase of $100 billion (or 6 percent) in the amounts withheld from workers' paychecks accounted for more than half of that gain. Growth in wages and salaries probably explains the increase in withheld receipts.
    - Nonwithheld receipts rose by $71 billion (or 16 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 those increases.
    - Receipts from unemployment insurance taxes, which are one kind of payroll tax, were down by $3 billion (or 5 percent), also slightly offsetting those increases.
- **Corporate income taxes** rose by $22 billion (or 9 percent), probably reflecting higher taxable profits in calendar years 2014 and 2015. Receipts since April—largely representing

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.

corporations' first two quarterly payments of estimated taxes for the 2015 tax year—increased by $7 billion (or 6 percent).

Receipts, October–July
(Billions of dollars)

Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,143	1,277	134	11.7
Payroll Taxes	861	895	34	3.9
Corporate Income Taxes	243	265	22	8.9
Other Receipts	227	234	7	3.2
Total	**2,475**	**2,671**	**196**	**7.9**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,728	1,828	100	5.8
Other, net of refunds	277	344	67	24.1
Total	**2,005**	**2,172**	**167**	**8.3**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

Total Outlays: Up by 5 Percent in the First 10 Months of Fiscal Year 2015

Outlays for the first 10 months of fiscal year 2015 were $198 billion higher than they were during the same period last year, CBO estimates. But the spending this year was boosted by shifts of certain payments from August to July (because August 1 fell on a weekend). If not for those shifts, outlays would have been $155 billion (or 5 percent) higher so far this year. (The discussion below reflects adjustments to account for the timing shifts.)

Outlays in several major categories increased:

- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** were lower by $54 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 10 months of fiscal year 2015 than in the first 10 months 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. In addition, financial institutions have made fewer payments to Fannie Mae and Freddie Mac in 2015 to settle allegations of fraud in connection with residential mortgages and certain other securities; as a result, profits at the two entities are lower so far this year, and therefore remittances to the Treasury are lower as well.

- Outlays for **Medicaid** rose by $46 billion (or 18 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 $32 billion (or 8 percent)—partly because a large payment was made to prescription drug plans in October 2014 (the beginning of fiscal year 2015) to account for unanticipated spending increases in calendar year 2014, and partly because payments were made to health care providers in December to encourage them to adopt and use electronic health records. Excluding those two factors, the underlying growth in Medicare spending has been about 6 percent so far this year.

- Spending for **Social Security benefits** rose by $31 billion (or 4 percent).
- Outlays for **student loans** (included in the "Other" category in the table below) increased by $22 billion (or 44 percent), in part because the Department of Education revised upward by $18 billion the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change larger than last year's $1 billion upward revisions. If the effects of those revisions were excluded, outlays for student loans for the first 10 months of fiscal year 2015 would have increased by $5 billion (or 10 percent).

Outlays, October–July
(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	698	728	31	31	4.4
Medicare[b]	420	475	56	32	7.5
Medicaid	250	295	46	46	18.3
Subtotal, Largest Mandatory Programs	**1,367**	**1,499**	**132**	**108**	**7.9**
DoD—Military[c]	478	472	-6	-10	-2.2
Net Interest on the Public Debt	227	213	-15	-15	-6.4
Exchange Subsidies[d]	9	22	13	13	141.3
Net Outlays for GSEs	-68	-14	54	54	n.m.
Other	922	942	20	5	0.6
Total	**2,935**	**3,134**	**198**	**155**	**5.3**

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. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $3,090 billion through the first 10 months of fiscal year 2015.

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.

The spending increases during the first 10 months of fiscal year 2015 were partially offset by spending reductions 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 increased by $30 billion. Because the proceeds from spectrum auctions are recorded in the budget as offsetting receipts, that increase in payments has resulted in lower outlays. The reduction in outlays is included in the "Other" category in the table above.
- Outlays for **net interest on the public debt** declined by $15 billion (or 6 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.)
- Outlays for **unemployment benefits** (also included in the "Other" category in the table above) declined by $10 billion (or 25 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.

- Total spending for military activities of the **Department of Defense** fell by $10 billion (or 2 percent). Lower outlays for procurement and military personnel accounted for most of that change.

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

Estimated Deficit in July 2015: $149 Billion

The federal government recorded a deficit of $149 billion in July 2015, CBO estimates—$55 billion more than the deficit in July 2014. If not for the aforementioned shifts in payments from August to July, the deficit would have been $11 billion larger this July than it was last July.

CBO estimates that receipts in July totaled $224 billion—$10 billion (or 4 percent) more than last year. Receipts from individual income taxes and payroll taxes rose by $14 billion (or 8 percent), nearly all of which came from increases in the amounts withheld from workers' paychecks. Receipts from all other sources declined by $5 billion, on net, mostly because collections from miscellaneous fees and fines were lower than last year, CBO estimates.

Budget Totals for July
(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Billions of Dollars	Percent
Receipts	214	224	10	10	4.5
Outlays	309	374	64	21	6.8
Deficit (-)	-95	-149	-55	-11	12.1

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. If not for those timing shifts, the budget would have shown a $106 billion deficit in July 2015.

Total spending in July 2015 was $374 billion, CBO estimates—$64 billion more than in July 2014. If not for the effects of timing shifts, outlays in July would have been $21 billion (or 7 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:

- Spending for the government's three largest mandatory programs increased by a total of $8 billion. **Medicaid** spending rose by $4 billion (or 11 percent); **Medicare** spending, by $2 billion (or 4 percent); and **Social Security** spending, by $3 billion (or 4 percent).
- Outlays for **net interest on the public debt** increased by $2 billion (or 10 percent).
- Spending for the **Department of Veterans Affairs** increased by $1 billion (or 9 percent).

Actual Surplus in June 2015: $52 Billion

The Treasury Department reported a surplus of $52 billion for June—about $1 billion more than CBO estimated, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for June 2015*.

This document was prepared by Elizabeth Cove Delisle, Nathaniel Frentz, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov/publication/50720.