Monthly Budget Review for August 2015

The federal government's budget deficit amounted to $528 billion for the first 11 months of fiscal year 2015, the Congressional Budget Office estimates. That deficit was $61 billion smaller than the one recorded during the same period last year. Revenues and outlays were both higher than last year's amounts, by 8 percent and 5 percent, respectively. Adjusted for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the 11-month period decreased by $42 billion.

In its most recent budget projections, CBO estimated that the deficit for fiscal year 2015 (which will end on September 30, 2015) would total $426 billion, about $59 billion less than the shortfall in fiscal year 2014. (See *An Update to the Budget and Economic Outlook: Fiscal Years 2015 to 2025*, published in August.)

Budget Totals, October–August
(Billions of dollars)

	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	2,669	2,884	215
Outlays	3,258	3,412	153
Deficit (-)	-589	-528	61

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

Note: FY = fiscal year.

Total Receipts: Up by 8 Percent in the First 11 Months of Fiscal Year 2015

Receipts through August of this fiscal year totaled $2,884 billion, CBO estimates—$215 billion (or 8 percent) more than they did during 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 $182 billion (or 8 percent).
  - Increases in amounts withheld from workers' paychecks—$116 billion (or 6 percent)—accounted for the bulk of that gain. Growth in wages and salaries probably explains the increase in withheld receipts.
  - Nonwithheld receipts rose by $72 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 $4 billion (or 7 percent), also slightly offsetting those increases.

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 $22 billion (or 9 percent), probably reflecting higher taxable profits in calendar years 2014 and 2015. Receipts since April—largely representing corporations' first two quarterly payments of estimated taxes for the 2015 tax year—increased by $7 billion (or 6 percent).

Receipts, October–August
(Billions of dollars)

Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,233	1,379	146	11.8
Payroll Taxes	941	977	36	3.8
Corporate Income Taxes	247	269	22	8.8
Other Receipts	247	258	11	4.4
Total	**2,669**	**2,884**	**215**	**8.0**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,888	2,003	116	6.1
Other, net of refunds	287	353	66	23.1
Total	**2,175**	**2,357**	**182**	**8.4**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

Total Outlays: Up by 5 Percent in the First 11 Months of Fiscal Year 2015

Outlays for the first 11 months of fiscal year 2015 were $153 billion higher than they were during the same period last year, CBO estimates. That increase would have been larger—$172 billion (but still about 5 percent)—if not for the shift of certain payments from September 2014 to August 2014. (The discussion below reflects adjustments to account for those 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 resulted in higher outlays. One reason that the GSEs' payments to the Treasury were lower in the first 11 months of fiscal year 2015 than in the same span the year before 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, the two entities' profits are lower so far this year, so their remittances to the Treasury are lower as well.

- Outlays for **Medicaid** rose by $51 billion (or 19 percent), largely because of new enrollees added through the optional expansion of coverage authorized by the Affordable Care Act (ACA). In addition, the provisions of the ACA that led to the increased enrollment will be in place for all of the current fiscal year; because they took effect in January 2014, they were in place for just nine months of fiscal year 2014.

- Spending for **Medicare** increased by $34 billion (or 7 percent). Part of that increase reflects the fact that certain provisions of the ACA that reduced the rate of growth in Medicare spending have been implemented already. Those provisions will continue to constrain Medicare spending, but to roughly the same extent each year, so they are no longer reducing its growth rate. In addition, the increase in 2015 reflects growth in the number or cost of services furnished to Medicare beneficiaries, although data are not yet available to show how much of that growth is attributable to changes in hospital admissions, visits to physicians, prescriptions of expensive new drugs, or other health care services.

- Spending for **Social Security benefits** rose by $34 billion (or 4 percent).
- Outlays for the **Department of Education** (included in the "Other" category in the table below) increased by $23 billion (or 39 percent), mostly because the department revised upward by $18 billion the estimated net subsidy costs of student loans and loan guarantees issued in prior years—a change larger than last year's $1 billion upward revision. If the effects of those revisions were excluded, the department's outlays for the first 11 months of fiscal year 2015 would have increased by $5 billion (or 10 percent).

Outlays, October–August
(Billions of dollars)

Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts[a]: Percent
Social Security Benefits	769	802	34	34	4.4
Medicare[b]	466	499	34	34	7.2
Medicaid	273	324	51	51	18.6
Subtotal, Largest Mandatory Programs	**1,507**	**1,625**	**118**	**118**	**7.8**
DoD—Military[c]	531	510	-21	-16	-3.0
Net Interest on the Public Debt	252	240	-12	-12	-4.8
Exchange Subsidies[d]	11	24	13	13	118.4
Net Outlays for GSEs	-68	-14	54	54	n.m.
Other	1,025	1,026	1	15	1.5
Total	**3,258**	**3,412**	**153**	**172**	**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 $3,240 billion through the first 11 months of fiscal year 2014.

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 11 months of 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 increased by $29 billion. Compared with the 2014 auction, 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, 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 $12 billion (or 5 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 $11 billion (or 25 percent), partly because a falling unemployment rate has 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.
- Spending for military activities of the **Department of Defense** fell by $16 billion (or 3 percent). Most of that change has resulted from a decline in outlays for overseas contingency operations, primarily in Afghanistan.

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

Estimated Deficit in August 2015: $62 Billion

The federal government incurred a deficit of $62 billion in August 2015, CBO estimates—$66 billion less than the deficit in August 2014. If not for the aforementioned shifts in payments from September 2014 to August 2014, as well as shifts in payments from August 2015 to July 2015, the deficit for this August would have been $4 billion less than last August's.

CBO estimates that receipts in August totaled $211 billion—$17 billion (or 9 percent) more than the amount a year ago. Receipts from individual income taxes and payroll taxes rose by $16 billion (or 9 percent), nearly all of which came from increases in the amounts withheld from workers' paychecks.

Budget Totals for August

(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Billions of Dollars	Percent
Receipts	194	211	17	17	8.8
Outlays	323	274	-49	13	4.3
Deficit (-)	-129	-62	66	4	-3.7

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. Without those timing shifts, the budget would have shown a $110 billion deficit in August 2014 and a $106 billion deficit in August 2015.

Total spending in August 2015 was $274 billion, CBO estimates—$49 billion less than the sum in August 2014. Adjusted for timing shifts, outlays in August were $13 billion (or 4 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 $10 billion. **Medicaid** spending rose by $5 billion (or 20 percent); **Medicare** spending, by $2 billion (or 5 percent); and **Social Security** spending, by $3 billion (or 4 percent).
- Outlays for the **transitional reinsurance program** established by the ACA amounted to $7 billion. Under that program, reinsurance payments are made to insurance plans in the individual insurance market whose enrollees incur particularly high costs for medical claims. The program is funded through a per-enrollee assessment paid by most private health insurance plans. August is the first month in which outlays have been recorded for that program.
- Outlays for **net interest on the public debt** increased by $2 billion (or 10 percent), mostly because upward adjustments made to the principal of inflation-protected securities to account for inflation were higher this month than in August of 2014.
- Outlays for military activities of the **Department of Defense** decreased by $5 billion (or 10 percent).

Actual Deficit in July 2015: $149 Billion

The Treasury Department reported a deficit of $149 billion for July—about the same as CBO estimated, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for July 2015*.

This document was prepared by Nathaniel Frentz, Amber Marcellino, and Joshua Shakin. It is available at www.cbo.gov/publication/50808.