Monthly Budget Review for December 2015

The federal budget deficit was $212 billion for the first three months of fiscal year 2016, the Congressional Budget Office estimates. That deficit was $36 billion larger than the one recorded during the same period last year. Receipts and outlays were both higher than last year's amounts, by 4 percent and 7 percent, respectively. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend or on New Year's Day), the deficit for the three-month period would have been $9 billion larger than it was last year.

Budget Totals, October–December
(Billions of dollars)

	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	739	766	26
Outlays	916	978	62
Deficit	-177	-212	-36

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

Note: FY = fiscal year.

Total Receipts: Up by 4 Percent in the First Three Months of Fiscal Year 2016

Receipts through December totaled $766 billion, CBO estimates—$26 billion more than the amount for the same period last year. The largest changes between last year and this year were in the following categories:

- Individual income taxes and payroll (social insurance) taxes together rose by $26 billion (or 5 percent).
  - An increase of $22 billion (or 4 percent) in amounts withheld from workers' paychecks accounted for the bulk of that gain. The main reason is probably that total wage and salary income has grown at about that annual rate in recent quarters.
  - Nonwithheld receipts, mainly from filings of tax returns for 2014 by people who had received filing extensions, rose by $5 billion (or 12 percent). They are a very small fraction of receipts at this point in the year.
  - Those increases were slightly offset by income tax refunds, which were $1 billion (or 5 percent) higher than they had been the previous year.

- **Corporate income taxes** declined by about $12 billion (or 13 percent). For most corporations, the first quarterly estimated payment of those taxes in the current fiscal year was due on December 15, and the amounts paid in that month were about $8 billion less than the amounts paid in the previous December. That may not indicate, however, that corporate profits have dropped. Comparing last year's tax payments with this year's has been complicated by the enactment in the middle of last month of the Consolidated Appropriations Act, 2016 (Public Law 114-113), and by the enactment in the middle of December 2014 of the Tax Increase Prevention Act of 2014 (Division A of Public Law 113-295). Each of those acts retroactively extended, to the beginning of the calendar year in which it was enacted, various provisions that reduced tax liabilities, and they may have affected the timing of tax payments for each calendar year to different degrees.

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.

- **Other receipts** rose by $12 billion, on net. That increase is more than explained by remittances from the Federal Reserve to the Treasury, which increased by about $18 billion, largely because of the recently enacted FAST Act (Public Law 114-94). That law requires the Federal Reserve to remit most of its surplus account to the Treasury and to reduce dividends paid to large member banks on their capital stock in the Federal Reserve. Somewhat offsetting the Federal Reserve's larger remittances was a $7 billion decline in receipts from miscellaneous fees and fines, CBO estimates. Those receipts were unusually high in the previous year.

Receipts, October–December
(Billions of dollars)

			Estimated Change	
Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Billions of Dollars	Percent
Individual Income Taxes	338	354	16	4.8
Payroll Taxes	229	239	10	4.5
Corporate Income Taxes	97	85	-12	-12.6
Other Receipts	76	88	12	16.2
Total	**739**	**766**	**26**	**3.6**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	536	558	22	4.1
Other, net of refunds	30	35	4	14.2
Total	**567**	**593**	**26**	**4.6**

Sources: Congressional Budget Office; Department of the Treasury.

Note: FY = fiscal year.

Total Outlays: Up by 7 Percent in the First Three Months of Fiscal Year 2016

Outlays for the first three months of fiscal year 2016 were $978 billion, about $62 billion higher than they were during the same period last year, CBO estimates. That increase would have been smaller—$36 billion, or 4 percent—if not for the shift of certain payments from January to December in each of the past two years. (The amount shifted into December 2015 was abnormally large because it included nearly $26 billion in Social Security benefits that normally would have been paid on January 3.) The discussion below reflects adjustments to account for those timing shifts.

Outlays in several major categories increased:

- **Social Security benefits** rose by $11 billion (or 5 percent), reflecting typical recent growth in the number of beneficiaries and their average benefits.
- **Medicare** spending increased by $6 billion (or 5 percent), partly because the payment made to prescription drug plans each fall to account for unanticipated spending increases in the preceding calendar year was larger in 2015 than in 2014.
- Outlays for **Medicaid** rose by $7 billion (or 8 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** decreased by $4 billion, primarily because the GSEs were less profitable in the first quarter of fiscal year 2016 than in the same period a year earlier. 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.

- Spending for the **Commodity Credit Corporation** in the Department of Agriculture (which is included in "Other" in the table below) rose by $4 billion (or 49 percent). Because the 2014 farm bill terminated certain commodity programs, and because payments under most new programs authorized by that legislation begin in fiscal year 2016, spending was unusually low in fiscal year 2015.
- Spending for the **Department of Veterans Affairs** (which is also included in "Other") grew by $4 billion (or 10 percent), largely because of increases in the number of veterans receiving disability payments and in the average amount of those payments.

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

Outlays, October–December
(Billions of dollars)

Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	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	214	251	37	11	5.0
Medicare[b]	136	142	6	6	4.6
Medicaid	84	91	7	7	8.4
Subtotal, Largest Mandatory Programs	**434**	**484**	**50**	**24**	**5.5**
DoD—Military[c]	154	153	-1	-1	-0.4
Net Interest on the Public Debt	60	63	3	3	5.0
Exchange Subsidies[d]	5	8	2	2	40.0
Net Outlays for GSEs	-7	-3	4	4	n.m.
Other	270	273	3	3	1.2
Total	**916**	**978**	**62**	**36**	**4.0**

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 or holiday. If not for those timing shifts, outlays would have been $897 million through the first three months of fiscal year 2015 and $933 million through the first three months of fiscal year 2016.

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.

Estimated Deficit in December 2015: $11 Billion

The federal government incurred a deficit of $11 billion in December 2015, CBO estimates—compared with a $2 billion surplus in December 2014. If not for the shifts in payments from January to December in both 2015 and 2016 (because the regular payment dates fell on weekends or New Year's Day), the federal government would have recorded a surplus of $34 billion this December, $13 billion more than the surplus of $21 billion for last December.

CBO estimates that receipts in December 2015 totaled $350 billion—$15 billion (or 4 percent) more than those in the same month last year. Individual income taxes and payroll taxes together rose by $7 billion (or 3 percent). Remittances from the Federal Reserve rose by $20 billion because of the central bank's remittance of most of its surplus account, as the FAST Act requires. Corporate income taxes fell by $7 billion (or 9 percent), on net. Receipts from miscellaneous fees and fines also declined by $6 billion, CBO estimates, primarily because in December 2014, the government reclassified a $6 billion settlement, calling it positive receipts rather than negative outlays and thus boosting both outlays and revenues recorded for that month by that amount.

Budget Totals for December
(Billions of dollars)

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	Billions of Dollars	Percent
Receipts	335	350	15	15	4.3
Outlays	333	361	28	1	0.5
Deficit (-) or Surplus (+)	2	-11	-13	13	62.6

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 holiday. Without those timing shifts, the budget would have shown a $21 billion surplus in December 2014 and a $34 billion surplus in December 2015.

Total spending in December 2015 was $361 billion, CBO estimates—$28 billion more than it was in December 2014. Adjusted for timing shifts, it was $1 billion (or less than 1 percent) more. (The changes discussed below reflect adjustments to account for those shifts.) Among the larger changes in outlays were these:

- Outlays for the **Department of Justice** declined by $7 billion, primarily because of the December 2014 reclassification of settlement receipts described above.
- Spending rose for two of the government's largest entitlement programs: for **Social Security** by $4 billion (or 6 percent) and for **Medicaid** by $1 billion (or 3 percent).
- The government received $4 billion less in **payments from the GSEs Fannie Mae and Freddie Mac**, resulting in higher net outlays. The GSEs make quarterly payments to the Treasury each December.
- Outlays for **net interest on the public debt** increased by $3 billion (or 17 percent).
- Spending for military activities of the **Department of Defense** fell by $3 billion (or 6 percent).

Actual Deficit in November 2015: $65 Billion

The Treasury Department reported a deficit of $65 billion for November—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for November 2015*.

This document was prepared by David Rafferty and Joshua Shakin. It is available at www.cbo.gov/publication/51108.