April 7, 2016

Monthly Budget Review for March 2016

The federal budget deficit was $457 billion for the first six months of fiscal year 2016, the Congressional Budget Office estimates—$18 billion more than the shortfall recorded in the same span last year. Receipts and outlays for the period were both 4 percent higher than the amounts recorded last year.

Budget Totals, October–March
(Billions of dollars)

	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	1,420	1,478	58
Outlays	1,859	1,935	76
Deficit	–439	–457	-18

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2016 and the *Daily Treasury Statements* for March 2016.

FY = fiscal year.

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

Receipts through March totaled $1,478 billion, CBO estimates—$58 billion more than they totaled during the same period last year. The changes between last year and this year were as follows:

- **Individual income taxes and payroll (social insurance) taxes** together rose by $49 billion (or 4 percent).

  - An increase of $43 billion (or 4 percent) in 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 $13 billion (or 8 percent). Those receipts include the last quarterly payment of estimated taxes for 2015, which was due in January; most taxpayers will not make their final payment of taxes for 2015 until this month. (The deadline for filing tax returns is April 18.)
  - Partially offsetting those changes, income tax refunds increased by $6 billion (or 4 percent).

- **Corporate income** taxes declined by about $10 billion (or 7 percent). That decrease may well reflect lower taxable profits in calendar year 2015 than in 2014. Most corporations made final payments of their income taxes for 2015 in March, and they have yet to make quarterly estimated payments for taxes in 2016.

- **Other receipts** rose by $19 billion, on net. That increase is explained primarily by remittances from the Federal Reserve to the Treasury, which increased by about $24 billion, largely because of the Fixing America's Surface Transportation Act (the FAST Act; P.L. 114-94). As a result of that law, which requires the central bank to remit most of its surplus account to the Treasury, the Federal Reserve remitted an additional $19 billion in late December. All other receipts decreased by $5 billion, on net.

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 2015	Preliminary, FY 2016	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	641	676	35	5.4
Payroll Taxes	509	523	14	2.7
Corporate Income Taxes	132	122	–10	–7.5
Other Receipts	138	157	19	13.9
Total	**1,420**	**1,478**	**58**	**4.1**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,126	1,169	43	3.8
Other, net of refunds	24	30	6	24.8
Total	**1,150**	**1,199**	**49**	**4.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 4 Percent in the First Half of Fiscal Year 2016

At $1,935 billion, outlays for the first six months of this fiscal year were about $76 billion (or 4 percent) more than they were during the same period last year, CBO estimates.

The largest increases were in the following categories:

- Outlays for **net interest on the public debt** increased by $20 billion (or 19 percent). Most of that increase stems from differences in the rate of inflation. The principal of Treasury Inflation-Protected Securities is adjusted to account for inflation using the change in the consumer price index for all urban consumers (CPI-U) recorded two months earlier. Those adjustments were negative in both 2015 and 2016; that is, they reduced outlays in both years, but by less in 2016 than in 2015.
- Spending for **Social Security benefits** rose by $16 billion (or 4 percent), reflecting typical growth in the number of beneficiaries and in the average payment.
- **Medicare** spending climbed by $12 billion (or 4 percent).
- Outlays for **Medicaid** grew by $9 billion (or 5 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.

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

Outlays, October–March
(Billions of dollars)

Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	433	449	16	3.7
Medicare[a]	268	279	12	4.4
Medicaid	172	181	9	5.3
Subtotal, Largest Mandatory Programs	**873**	**910**	**37**	**4.2**
DoD—Military[b]	285	285	0	0.0
Net Interest on the Public Debt	105	124	20	18.7
Marketplace Subsidies[c]	12	15	3	28.1
Net Outlays for GSEs	-11	-8	3	n.m.
Other	596	609	13	2.3
Total	**1,859**	**1,935**	**76**	**4.1**

Sources: Congressional Budget Office; Department of the Treasury.

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 the marketplaces established under the Affordable Care Act.

Estimated Deficit in March 2016: $104 Billion

The federal government incurred a deficit of $104 billion in March 2016, CBO estimates—$51 billion more than the deficit incurred in March 2015. But last year, outlays in March were reduced because March 1 fell on a weekend and certain payments scheduled for that date were instead made in February. If that timing shift had not occurred, the deficit in March 2016 would have been only $14 billion greater than the shortfall in March 2015.

CBO estimates that receipts in March 2016 totaled $229 billion—$5 billion (or 2 percent) less than they totaled in the same month last year. Individual income taxes and payroll taxes together declined by $10 billion (or 6 percent). That decline occurred in part because there was one fewer Monday this March, and a disproportionately large share of weekly withheld tax payments are typically made on Monday. Corporate income taxes increased by $3 billion (or 10 percent), reflecting lower refunds. Receipts from all other sources rose by $2 billion, on net.

Budget Totals for March
(Billions of dollars)

	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
Receipts	234	229	-5	-5	-2.1
Outlays	287	334	46	9	2.7
Deficit	–53	–104	-51	-14	15.1

Sources: Congressional Budget Office; Department of the Treasury.

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 deficit of $90 billion in March 2015.

Total spending in March 2016 was $334 billion, CBO estimates—$46 billion more than it was in March 2015. If not for the shift in the timing of payments from March to February 2015, outlays would have increased by $9 billion (or 3 percent). (The discussion below reflects adjustments to account for that shift.)

Spending in several major categories of the budget increased:

- Outlays for **net interest on the public debt** increased by $9 billion (or 55 percent), mainly because the CPI-U increased by 0.2 percent in January 2016 and decreased by 0.5 percent in January 2015, boosting the adjustments to the principal of inflation-protected securities that were made in March 2016, compared with those that were made in March 2015.
- Spending for **Medicare** rose by $4 billion (or 9 percent), and spending for **Social Security benefits** increased by $2 billion (or 3 percent).

The largest decrease in outlays between March 2015 and March 2016 was a reduction of $4 billion (or 23 percent) in spending for **refundable tax credits**. The share of those annual payments made in March varies greatly from year to year; almost all those payments are usually made from February through April.

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

Actual Deficit in February 2016: $193 Billion

The Treasury reported a deficit of $193 billion for February—$1 billion more than CBO estimated, on the basis of the *Daily Treasury Statements*, in its *Monthly Budget Review for February 2016*.

This document was prepared by Elizabeth Cove Delisle, Nathaniel Frentz, Amy Petz, and Joshua Shakin. It is available at www.cbo.gov/publication/51442.