



May 6, 2016

Monthly Budget Review for April 2016

The federal budget deficit was \$352 billion for the first seven months of fiscal year 2016, the Congressional Budget Office estimates—\$69 billion more than the shortfall recorded in the same span last year. Outlays were 4 percent higher than they were at this time last year and receipts were 1 percent higher. If not for shifts in the timing of certain payments (which otherwise would have occurred on a weekend), the deficit for the first seven months of fiscal year 2016 would have been \$28 billion larger than it was last year.

| Budget Totals, October–April (Billions of dollars) | | | |
|---|-----------------|----------------------|------------------|
| | Actual, FY 2015 | Preliminary, FY 2016 | Estimated Change |
| Receipts | 1,892 | 1,917 | 25 |
| Outlays | 2,174 | 2,268 | 94 |
| Deficit | -283 | -352 | -69 |

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for March 2016 and the *Daily Treasury Statements* for April 2016.
FY = fiscal year.

Total Receipts: Less Than Expected

Receipts for the first seven months of fiscal year 2016 totaled \$1,917 billion, CBO estimates—\$25 billion more than those in the same period last year. But those receipts were roughly \$50 billion, or 2.5 percent, smaller than CBO expected when it published its March 2016 report [Updated Budget Projections: 2016 to 2026](#).

The bulk of that shortfall reflects payments of individual income taxes—both final payments with tax returns (net of refunds) for 2015 and, to a lesser extent, amounts withheld from paychecks for 2016 taxes. Corporations' estimated payments of income taxes for 2016 also have been smaller than anticipated.

The sources of the shortfall in receipts for final payments of 2015 taxes will be better understood once data from tax returns start to become available later this year. Smaller-than-expected receipts could continue in coming months, further reducing revenues for the fiscal year relative to CBO's March projections.

The changes between last year and this year were as follows:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$27 billion (or 2 percent).
 - Amounts withheld from workers' paychecks accounted for an increase of \$46 billion (or 4 percent). Growth in wages and salaries probably explains that increase.
 - Overall, nonwithheld receipts declined by \$6 billion (or 2 percent). That total stems from a drop of \$16 billion (or 5 percent)—mostly from final payments for 2015—during the tax-filing season from February through April, partially offset by an increase of \$10 billion earlier in the fiscal year.

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.

- Income tax refunds increased by \$8 billion (or 4 percent), reducing net receipts.
 - Receipts from unemployment insurance taxes (one kind of payroll tax) were down by \$5 billion, in part because April 2016 had one fewer business day than April 2015.
- **Corporate income** taxes declined by \$19 billion (or 11 percent). The decline in those receipts reflects taxable profits in both 2015 and 2016. Also, part of the decline probably stems from enactment in December of the Consolidated Appropriations Act, 2016, which extended—retroactively and prospectively—tax rules that allow businesses with large amounts of investment to accelerate their deductions for those investments. As a result of enactment of that law, businesses now know that those tax rules will be in effect for all of 2016 and some of them are expected to reduce their estimated payments relative to those they made in 2015, when the rules had temporarily expired.
- **Other receipts** rose by \$17 billion, on net. Remittances from the Federal Reserve to the Treasury increased by \$23 billion, largely because of the Fixing America’s Surface Transportation Act (Public Law 114-94), which required the Federal Reserve to remit most of its surplus account to the Treasury. The central bank remitted that additional amount (\$19 billion) in late December. All other receipts decreased by \$6 billion, on net.

| Receipts, October–April (Billions of dollars) | | | | |
|---|--------------------|-------------------------|------------------------|------------|
| Major Program or Category | Actual, FY 2015 | Preliminary, FY 2016 | Estimated Change | |
| | | | Billions of Dollars | Percent |
| Individual Income Taxes | 930 | 944 | 14 | 1.5 |
| Payroll Taxes | 625 | 638 | 13 | 2.1 |
| Corporate Income Taxes | 175 | 157 | -19 | -10.7 |
| Other Receipts | <u>161</u> | <u>178</u> | <u>17</u> | 10.3 |
| Total | 1,892 | 1,917 | 25 | 1.3 |
| Memorandum: | | | | |
| Combined Individual Income and Payroll Taxes | | | | |
| Withheld taxes | 1,303 | 1,349 | 46 | 3.6 |
| Other, net of refunds | <u>252</u> | <u>233</u> | <u>-19</u> | -7.7 |
| Total | 1,555 | 1,582 | 27 | 1.7 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | |
| FY = fiscal year. | | | | |

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

At \$2,268 billion, outlays for the first seven months of this fiscal year were \$94 billion (or 4 percent) more than they were during the same period last year, CBO estimates. That difference would have been about \$40 billion smaller if not for the shift of certain payments from May 2016 to April 2016 because May 1 fell on a weekend. The discussion below reflects adjustments to account for that timing shift.

The largest increases were in the following categories:

- Spending for **Social Security** benefits rose by \$18 billion (or 4 percent), reflecting typical growth in the number of beneficiaries and in the average payment amount.
- Outlays for **net interest on the public debt** increased by \$17 billion (or 13 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 recorded two months earlier. Those adjustments were negative in both 2015 and 2016; that is, they reduced outlays in both years, but the reduction in 2016 was smaller than that in 2015.
- **Medicare** spending climbed by \$14 billion (or 5 percent), partly because the payment made to prescription drug plans each autumn to account for unanticipated increases in spending in the preceding calendar year was larger in fiscal year 2016 than in fiscal year 2015. Without that change, Medicare outlays would have increased by \$3 billion (or 1 percent).
- Outlays for **Medicaid** grew by \$11 billion (or 6 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- Spending by the **Department of Veterans Affairs** increased by \$7 billion (or 7 percent), largely because of increases in the number of veterans receiving disability payments and in the average amount of those payments.

Outlays in some areas of the budget declined. For example, outlays for the **Department of Housing and Urban Development** decreased by \$15 billion largely because the department made downward revisions this April, but upward revisions last April, in the estimated net subsidy costs of loans and loan guarantees issued in prior years. In addition, payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum increased by \$8 billion. Because the proceeds from those auctions are recorded in the budget as offsetting receipts (that is, as reductions in outlays), that increase in payments has resulted in lower outlays, which are included in the “Other” category in the table below.

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

| Outlays, October–April (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 | Percent |
| Social Security Benefits | 507 | 525 | 18 | 18 | 3.5 |
| Medicare ^b | 312 | 347 | 35 | 14 | 4.5 |
| Medicaid | <u>201</u> | <u>212</u> | <u>11</u> | <u>11</u> | 5.6 |
| Subtotal, Largest Mandatory Programs | 1,020 | 1,085 | 64 | 43 | 4.2 |
| DoD—Military ^c | 330 | 331 | 1 | -3 | -1.0 |
| Net Interest on the Public Debt | 132 | 149 | 17 | 17 | 13.2 |
| Marketplace Subsidies ^d | 14 | 16 | 2 | 2 | 16.5 |
| Net Outlays for GSEs | -11 | -8 | 3 | 3 | n.m. |
| Other | <u>690</u> | <u>696</u> | <u>6</u> | <u>-9</u> | -1.2 |
| Total | 2,174 | 2,268 | 94 | 53 | 2.5 |

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 \$2,228 billion through the first seven 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 marketplaces established under the Affordable Care Act.

Estimated Surplus in April 2016: \$109 Billion

The federal government realized a surplus of \$109 billion in April 2016, CBO estimates—\$47 billion less than the surplus in April 2015. However, \$40 billion of that difference stems from a timing shift: Because May 1 fell on a weekend this year, certain payments scheduled for that date were instead made in April. Without that shift, the surplus in April 2016 would have totaled \$150 billion, or \$7 billion less than in April 2015.

CBO estimates that receipts in April 2016 totaled \$440 billion—\$31 billion (or 7 percent) less than those in the same month last year. Receipts from individual income taxes and payroll taxes account for most of that change; together, they declined by \$20 billion (or 5 percent). That decrease was largely explained by a decline in nonwithheld taxes—mostly payments for taxes for the previous calendar year, which were down by \$19 billion (or 7 percent). Corporate income taxes—which, for most corporations, included the first estimated payment of taxes for the current calendar year—fell by \$9 billion (or 20 percent).

| Budget Totals for April (Billions of dollars) | | | | | |
|--|--------------------|-------------------------|---------------------|--|---------|
| | Actual, FY 2015 | Preliminary, FY 2016 | Estimated Change | Estimated Change With Adjustments for Timing Shifts ^a | |
| | | | | Billions of Dollars | Percent |
| Receipts | 472 | 440 | -31 | -31 | -6.7 |
| Outlays | 315 | 331 | 16 | -25 | -7.8 |
| Surplus | 157 | 109 | -47 | -7 | -4.4 |

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 surplus of \$150 billion in April 2016.

Total spending in April 2016 was \$331 billion, CBO estimates—\$16 billion more than spending in April 2015. If not for the shift in the timing of payments from May to April 2016, outlays would have decreased by \$25 billion (or 8 percent). (The discussion below reflects adjustments to account for that shift.)

Among the largest changes in outlays were the following:

- Outlays for the **Department of Housing and Urban Development** decreased by \$17 billion because of the downward revisions, discussed above, in the estimated net subsidy costs of loans and loan guarantees issued in prior years.
- Receipts from **spectrum auctions** totaled \$8 billion, reducing outlays by that amount.
- Together, spending for the three largest entitlement programs, **Social Security, Medicare, and Medicaid**, rose by \$6 billion (or 4 percent).
- Outlays for **net interest on the public debt** decreased by \$2 billion (or 9 percent).
- Spending by the **Department of Defense** dropped by \$3 billion (or 6 percent), mostly in the area of operations and maintenance.
- Spending by the **Department of Veterans Affairs** rose by \$2 billion (or 14 percent).

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

Actual Deficit in March 2016: \$108 Billion

The Treasury reported a deficit of \$108 billion for March—\$4 billion more than CBO estimated, on the basis of the *Daily Treasury Statements*, in its [Monthly Budget Review for March 2016](#).

This document was prepared by Nathaniel Frentz, David Rafferty, Amber Marcellino, and Joshua Shakin. It is available at www.cbo.gov/publication/51534.