



Monthly Budget Review for April 2015

The federal government ran a budget deficit of \$285 billion for the first seven months of fiscal year 2015, CBO estimates. That deficit was \$22 billion smaller than the one recorded during the same period last year. Revenues and outlays were both higher than the amounts recorded during the same period in fiscal year 2014—by 9 percent and 7 percent, respectively.

| Budget Totals, October–April (Billions of dollars) | | | |
|---|-----------------|----------------------|------------------|
| | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change |
| Receipts | 1,737 | 1,892 | 155 |
| Outlays | 2,043 | 2,177 | 133 |
| Deficit (-) | -306 | -285 | 22 |

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

Note: FY = fiscal year.

Total Receipts: Stronger Than Expected

Receipts for the first seven months of fiscal year 2015 totaled \$1,892 billion, CBO estimates—\$155 billion more than receipts in the same period last year. That increase is roughly \$40 billion larger than what CBO expected when it published its March 2015 report *Updated Budget Projections: 2015 to 2025*. Larger income tax payments from individuals and (to a lesser extent) from corporations explain the bulk of the difference from CBO's expectations in March. Those payments primarily reflect larger amounts owed for 2014 than CBO had expected.

The largest increases in receipts relative to last year were in the following categories:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$128 billion (or 9 percent).
 - An increase of \$70 billion (or about 6 percent) in the amounts withheld from workers' paychecks accounted for more than half of that gain. Growth in wages and salaries probably explains that increase.
 - Nonwithheld receipts rose by \$59 billion (or 16 percent). The bulk of the increase came from payments made during the tax-filing season (February through April), most of which were final payments for 2014; they increased by \$44 billion (or 17 percent).
 - Income tax refunds, also largely representing the settlement of 2014 taxes, were \$202 billion, about what they were last year.

- **Corporate income taxes** rose by \$17 billion (or 11 percent), probably reflecting higher taxable profits for 2014. CBO had anticipated that those receipts would rise only slightly.

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–April (Billions of dollars) | | | | |
|---|--------------------|-------------------------|------------------------|------------|
| Major Program or Category | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change | |
| | | | Billions of Dollars | Percent |
| Individual Income Taxes | 823 | 928 | 105 | 12.8 |
| Payroll Taxes | 603 | 625 | 23 | 3.7 |
| Corporate Income Taxes | 157 | 174 | 17 | 10.7 |
| Other Receipts | <u>154</u> | <u>165</u> | <u>10</u> | 6.7 |
| Total | 1,737 | 1,892 | 155 | 8.9 |
| Memorandum: | | | | |
| Combined Individual Income and Payroll Taxes | | | | |
| Withheld taxes | 1,233 | 1,303 | 70 | 5.6 |
| Other, net of refunds | <u>192</u> | <u>251</u> | <u>58</u> | 30.2 |
| Total | 1,426 | 1,554 | 128 | 9.0 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | |
| Note: FY = fiscal year. | | | | |

Total Outlays: Up by 7 Percent in the First Seven Months of Fiscal Year 2015

Outlays for the first seven months of fiscal year 2015 were \$2,177 billion, \$133 billion more than they were during the same period last year, CBO estimates. Outlays in several major categories increased:

- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** decreased by \$46 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 half of fiscal year 2015 than in the first half 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. Those payments have also been smaller because the GSEs themselves received fewer payments from financial institutions in 2015 to settle allegations of fraud in connection with residential mortgages and certain other securities.
- Outlays for **Medicaid** rose by \$36 billion (or 22 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 \$23 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 incentive payments were made to health care providers in December to adopt and use electronic health records.
- Spending for **Social Security benefits** rose by \$21 billion (or 4 percent).

| Outlays, October–April (Billions of dollars) | | | | |
|---|--------------------|-------------------------|-------------------------------|------------|
| Major Program or Category | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change ^a | |
| | | | Billions of Dollars | Percent |
| Social Security Benefits | 486 | 507 | 21 | 4.4 |
| Medicare ^b | 289 | 312 | 23 | 8.1 |
| Medicaid | <u>165</u> | <u>201</u> | <u>36</u> | 21.7 |
| Subtotal, Largest Mandatory Programs | 939 | 1,020 | 81 | 8.6 |
| DoD—Military ^c | 341 | 329 | -13 | -3.7 |
| Net Interest on the Public Debt | 148 | 132 | -16 | -11.1 |
| Exchange Subsidies ^d | 3 | 15 | 12 | n.m. |
| Net Outlays for GSEs | -57 | -11 | 46 | n.m. |
| Other | <u>669</u> | <u>692</u> | <u>23</u> | 3.4 |
| Total | 2,043 | 2,177 | 133 | 6.5 |

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. Although there were shifts in the timing of certain payments in both 2014 and 2015, the net effect on spending through April was zero in both years.

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 seven months of fiscal year 2015 were partially offset by spending reductions for some other major components of the budget, including the following:

- Outlays for **net interest on the public debt** declined by \$16 billion (or 11 percent), mostly because downward adjustments made to the principal of inflation-protected securities to account for inflation were unusually large this year. (Those adjustments are based on the consumer price index for all urban consumers.)
- Total spending for military activities of the **Department of Defense** fell by \$13 billion (or 4 percent).
- Outlays for **unemployment benefits** (included in the “Other” category in the table above) declined by \$9 billion (or 28 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.

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

Estimated Surplus in April 2015: \$155 Billion

The federal government recorded a surplus of \$155 billion in April 2015, CBO estimates—\$48 billion more than the surplus in April 2014.

CBO estimates that receipts in April totaled \$472 billion—\$58 billion (or 14 percent) more than last year. Receipts from individual income taxes and payroll taxes account for most of that change; together, they rose by \$53 billion (or 15 percent). Much of that increase was in nonwithheld taxes—mostly payments for taxes for the previous calendar year, which were up by \$41 billion (or 18 percent). Corporate income taxes—which, for most corporations, included the first estimated payment of tax liabilities for the current calendar year—rose by \$2 billion (or 6 percent).

| Budget Totals for April (Billions of dollars) | | | | |
|---|--------------------|-------------------------|-------------------------------|---------|
| | Actual, FY 2014 | Preliminary, FY 2015 | Estimated Change ^a | |
| | | | Billions of Dollars | Percent |
| Receipts | 414 | 472 | 58 | 13.9 |
| Outlays | 307 | 317 | 10 | 3.2 |
| Deficit (-) | 107 | 155 | 48 | 44.7 |
| Sources: Congressional Budget Office; Department of the Treasury. | | | | |
| Note: FY = fiscal year. | | | | |
| a. Although there were shifts in the timing of certain payments in both 2014 and 2015, the net effect on spending through April was zero in both years. | | | | |

Total spending in April 2015 was \$317 billion, CBO estimates—\$10 billion more than in April 2014. Among the larger changes in outlays were the following:

- Spending for the government’s three largest entitlement programs increased by a total of \$8 billion. **Medicaid** spending rose by \$4 billion (or 17 percent); **Social Security** spending, by \$3 billion (or 4 percent); and **Medicare** spending, by less than \$1 billion (or 1 percent).
- Outlays for the **Federal Housing Administration** increased by \$3 billion.
- Outlays for **refundable tax credits for premiums for health insurance purchased through exchanges** increased by \$2 billion.
- Total spending for military activities of the **Department of Defense** decreased by \$3 billion (or 6 percent), largely in the areas of procurement and operations and maintenance.
- Net receipts of the **Federal Deposit Insurance Corporation** increased by \$2 billion; the federal budget classifies that change as a decrease in outlays.

Actual Deficit in March 2015: \$53 Billion

The Treasury Department reported a deficit of \$53 billion for March—about \$9 billion higher than CBO estimated, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for March 2015](#).

The difference occurred because spending was \$9 billion higher than CBO had anticipated. The largest components of that difference were outlays for the Department of the Treasury, for the refundable portions of the Earned Income Tax Credit and the Child Tax Credit, and for the Departments of Education, Defense (specifically, in its operations and maintenance accounts), and Health and Human Services.

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