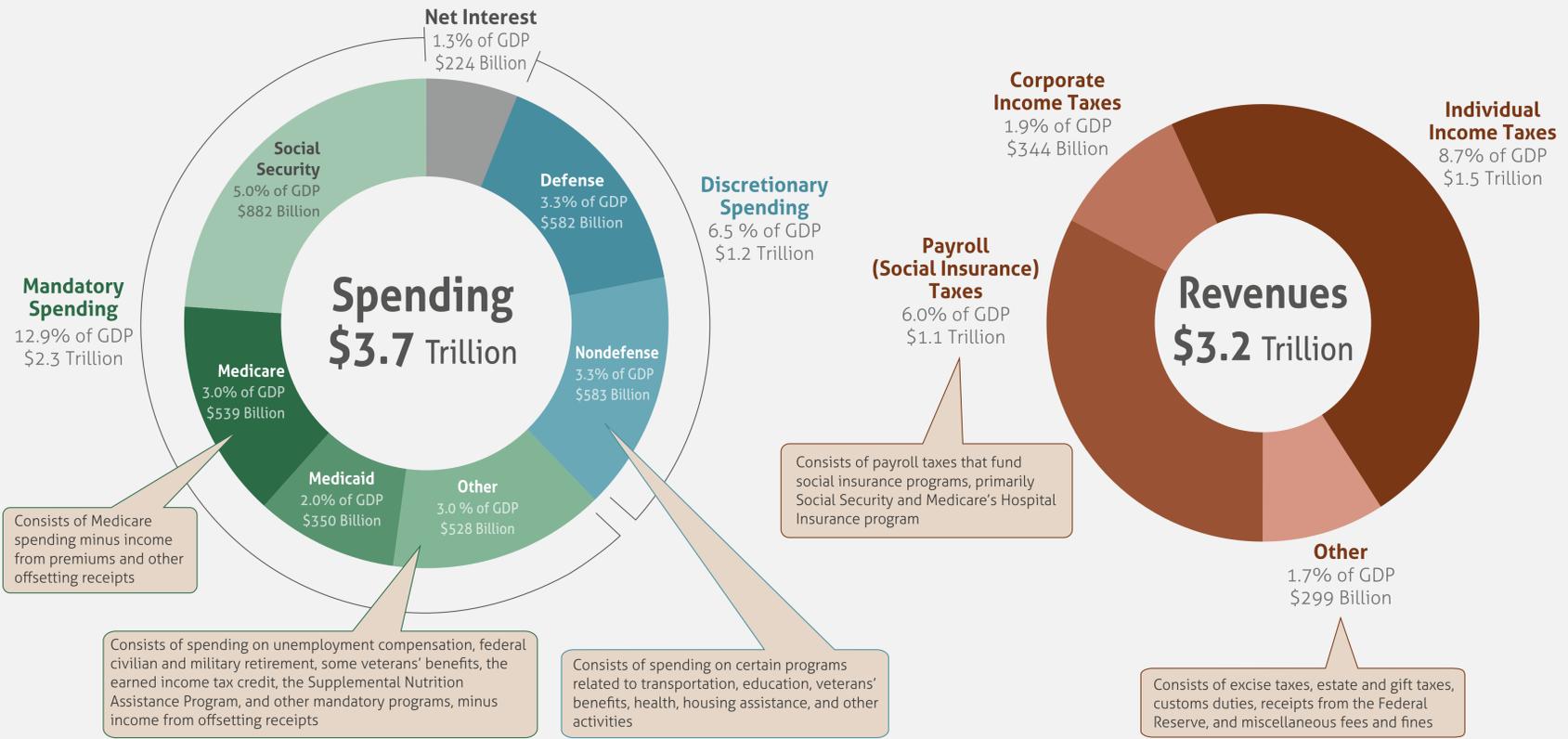


The FEDERAL BUDGET IN 2015

At \$439 billion, the 2015 deficit constituted the smallest since 2007, and at 2.5 percent of gross domestic product, it was below the average deficit (relative to the size of the economy) over the past 50 years.

However, the large deficits recorded during the most recent recession and subsequent weak recovery substantially increased federal debt—in 2015, debt reached 74 percent of GDP, slightly less than the ratio in 2014 but higher than in any other year since 1950.

Such a high level of debt could have serious negative consequences for the nation, including restraining economic growth in the long term, giving policymakers less flexibility to respond to unexpected challenges, and eventually increasing the risk of a financial crisis.



CATEGORIES of the BUDGET

Mandatory Spending

Consists primarily of benefit programs for which laws set eligibility rules and benefit formulas

Discretionary Spending

Consists of spending that lawmakers control through annual appropriation acts

Net Interest

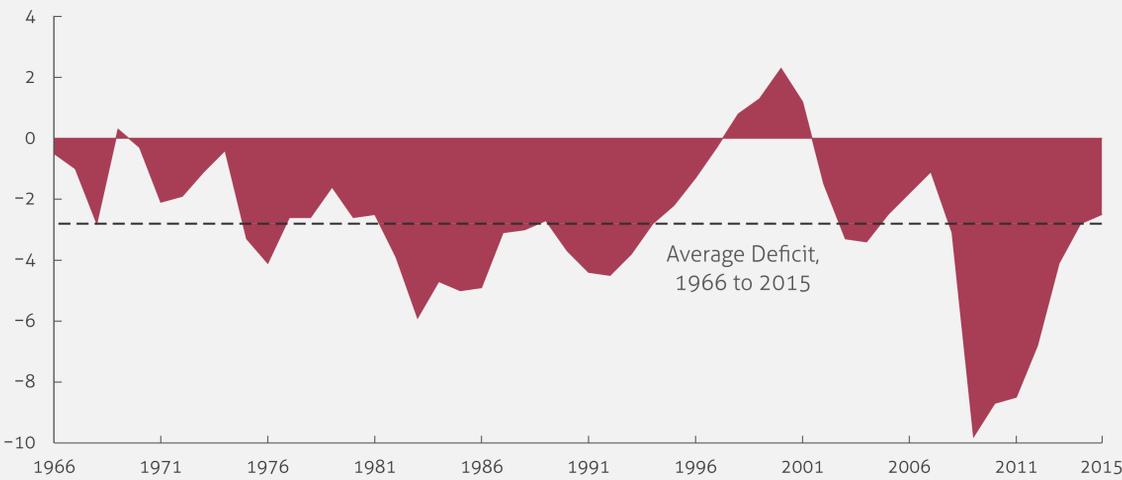
Consists of the government's interest payments on debt held by the public, offset by interest income the government receives

Revenues

Consists of funds collected from the public that arise from the government's exercise of its sovereign powers

Federal Deficits, 1966 to 2015

Percentage of Gross Domestic Product



Annual Deficit or Surplus = Revenues - Outlays

To fund government spending in years of deficits, the government borrows from individuals, businesses, or other countries by selling them Treasury securities.

DEFICITS and the DEBT

2.8%

Deficits as a percentage of GDP, on average, over the past 50 years

2.5%

Deficit in 2015 as a percentage of GDP

39%

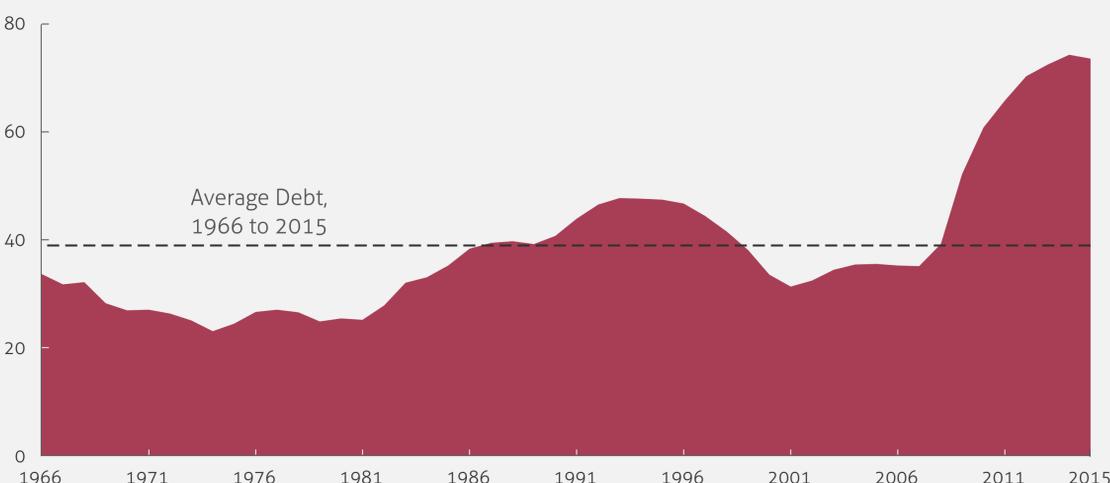
Debt held by the public as a percentage of GDP, on average, over the past 50 years

74%

Debt held by the public as a percentage of GDP at the end of 2015

Federal Debt, 1966 to 2015

Percentage of Gross Domestic Product



Debt

Debt held by the public is roughly equal to the sum of annual deficits and surpluses. Other factors, such as borrowing to fund student loans and other federal credit programs, can also affect debt held by the public.

