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Monthly Budget Review for May 2015

The federal government ran a budget deficit of \$368 billion for the first eight months of fiscal year 2015, CBO estimates. That deficit was \$68 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 4 percent, respectively. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the eight-month period would have been \$33 billion less this year than it was in fiscal year 2014.

Budget Totals, October–May (Billions of dollars)			
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	1,937	2,103	166
Outlays	2,373	2,471	98
Deficit (-)	-436	-368	68

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

Note: FY = fiscal year.

Total Receipts: Up by 9 Percent in the First Eight Months of Fiscal Year 2015

Receipts for the first eight months of fiscal year 2015 totaled \$2,103 billion, CBO estimates—\$166 billion (or 9 percent) more than receipts in the same period last year. 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 \$138 billion (or 9 percent).
 - The amounts withheld from workers' paychecks accounted for an increase of \$76 billion (or about 5 percent). Most of that increase probably stemmed from growth in wages and salaries (as measured in the national income and product accounts), which also rose by 5 percent from October through April.
 - Nonwithheld receipts rose by \$64 billion (or 17 percent). The bulk of the increase came from payments made during the tax-filing season (February through April), which increased by \$45 billion (or 18 percent); most of those were final payments of taxes owed for 2014.
 - Income tax refunds, also largely representing the settlement of 2014 taxes, were \$217 billion, slightly more than they were last year.
 - Receipts from unemployment insurance taxes were down by \$2 billion (or 4 percent).
- **Corporate income taxes** rose by \$19 billion (or 11 percent), probably reflecting higher taxable profits for 2014.

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.

Major Program or Category	Receipts, October–May (Billions of dollars)			Estimated Change	
	Actual, FY 2014	Preliminary, FY 2015	Billions of Dollars	Percent	
Individual Income Taxes	903	1,015	112	12.4	
Payroll Taxes	694	720	25	3.7	
Corporate Income Taxes	165	184	19	11.3	
Other Receipts	<u>175</u>	<u>184</u>	<u>10</u>	5.5	
Total	1,937	2,103	166	8.6	
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	1,395	1,471	76	5.5	
Other, net of refunds	<u>202</u>	<u>264</u>	<u>62</u>	30.4	
Total	1,597	1,735	138	8.6	

Sources: Congressional Budget Office; Department of the Treasury.
Note: FY = fiscal year.

Total Outlays: Up by 6 Percent (Adjusted for Timing Shifts) in the First Eight Months of Fiscal Year 2015

Outlays for the first eight months of fiscal year 2015 were \$2,471 billion, \$98 billion more than they were during the same period last year, CBO estimates. That increase would have been larger—\$133 billion (or 6 percent)—if not for the shift of certain payments from June 2014 to May 2014 because June 1 fell on a weekend. (The discussion below reflects adjustments to account for those timing shifts.)

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 \$39 billion (or 20 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 \$27 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 \$24 billion (or 4 percent).

Major Program or Category	Outlays, October–May (Billions of dollars)			Estimated Change With Adjustments for Timing Shifts ^a	
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	556	581	24	24	4.4
Medicare ^b	348	358	10	27	8.1
Medicaid	<u>191</u>	<u>230</u>	<u>39</u>	<u>39</u>	20.3
Subtotal, Largest Mandatory Programs	1,095	1,168	73	90	8.4
DoD—Military ^c	390	374	-16	-11	-2.9
Net Interest on the Public Debt	177	161	-16	-16	-9.1
Exchange Subsidies ^d	5	16	12	12	n.m.
Net Outlays for GSEs	-57	-11	46	46	n.m.
Other	<u>763</u>	<u>762</u>	<u>-1</u>	<u>12</u>	1.6
Total	2,373	2,471	98	133	5.7

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. If not for those timing shifts, outlays would have been \$2,338 billion through the first eight months of fiscal year 2014.

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

- Outlays for **net interest on the public debt** declined by \$16 billion (or 9 percent), mostly because low inflation led to a reduction in the principal of inflation-protected securities. (Those adjustments to the principal of such securities are based on the consumer price index for all urban consumers.)
- Total spending for military activities of the **Department of Defense** fell by \$11 billion (or 3 percent). Nearly all of that change was in outlays for procurement and military personnel.
- Payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum increased by \$11 billion. Because the proceeds from spectrum auctions are recorded in the budget as offsetting receipts, which are treated as reductions in outlays, that increase in payments has resulted in lower outlays. They are included in the “Other” category in the table above.
- Outlays for **unemployment benefits** (also included in the “Other” category in the table above) declined by \$9 billion (or 27 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, on net boosting outlays by \$44 billion.

Estimated Deficit in May 2015: \$85 Billion

The federal government recorded a deficit of \$85 billion in May 2015, CBO estimates—\$45 billion less than the deficit in May 2014. If not for the effects of timing shifts that occurred in May 2014, the deficit in May 2015 would have been \$9 billion (or 10 percent) smaller than it was in the same month last year.

CBO estimates that receipts in May totaled \$211 billion—\$11 billion (or 6 percent) more than last year. Receipts from individual income taxes and payroll taxes account for most of that change; together, they rose by \$9 billion (or 5 percent). The rise in individual income taxes and payroll taxes consisted of increases in both withheld and nonwithheld taxes, which rose by \$7 billion and \$3 billion, respectively.

Budget Totals for May (Billions of dollars)					Estimated Change With Adjustments for Timing Shifts ^a
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Billions of Dollars	
Receipts	200	211	11	11	5.6
Outlays	330	296	-33	2	0.7
Deficit (-)	-130	-85	45	9	-9.7

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. If not for those timing shifts, the budget would have shown a \$95 billion deficit in May 2014.

Total spending in May 2015 was \$296 billion, CBO estimates—\$33 billion less than in May 2014. If not for the effects of timing shifts, outlays in May would have been \$2 billion more than they were in the same month last year. (The changes discussed below reflect adjustments to account for those shifts.) Among the larger changes in outlays were the following:

- Spending for the government’s three largest entitlement programs increased by a total of \$9 billion. **Medicare** spending rose by \$3 billion (or 8 percent); **Social Security** spending, by \$3 billion (or 4 percent); and **Medicaid** spending, by \$3 billion (or 11 percent).
- Outlays for the **Federal Housing Administration** increased by \$2 billion.
- Outlays for **refundable tax credits for premiums for health insurance purchased through exchanges** increased by \$1 billion.
- Receipts from **spectrum auctions** totaled \$11 billion, reducing outlays by that amount.

Actual Surplus in April 2015: \$157 Billion

The Treasury Department reported a surplus of \$157 billion for April—about \$2 billion larger than CBO estimated, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for April 2015](#).

This document was prepared by Elizabeth Cove Delisle, Nathaniel Frentz, and Joshua Shakin. It is available at www.cbo.gov/publication/50272.