



Monthly Budget Review for June 2015

The federal government ran a budget deficit of \$314 billion for the first nine months of fiscal year 2015, CBO estimates. That deficit was \$52 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 8 percent and 5 percent, respectively.

Budget Totals, October–June (Billions of dollars)			
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change
Receipts	2,260	2,447	187
Outlays	2,626	2,762	135
Deficit (-)	-366	-314	52
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for May 2015 and the <i>Daily Treasury Statements</i> for June 2015.			
Note: FY = fiscal year.			

Total Receipts: Up by 8 Percent in the First Nine Months of Fiscal Year 2015

Receipts for the first nine months of fiscal year 2015 totaled \$2,447 billion, CBO estimates—\$187 billion (or 8 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 \$153 billion (or 8 percent).
 - An increase of \$86 billion (or about 5 percent) in the amounts withheld from workers' paychecks accounted for more than half of that gain. Growth in wages and salaries probably explains the increase in withheld receipts.
 - Nonwithheld receipts rose by \$71 billion (or 16 percent), reflecting payments made for both the 2014 and 2015 tax years. Most of those payments were for individual income taxes.
 - Income tax refunds rose by \$2 billion (or 1 percent), slightly offsetting those increases.
 - Receipts from unemployment insurance taxes, which are one kind of payroll tax, were down by \$3 billion (or 6 percent), also slightly offsetting those increases.
- **Corporate income taxes** rose by \$22 billion (or 9 percent), probably reflecting higher taxable profits in calendar years 2014 and 2015. Receipts from April through June—largely representing corporations' first two quarterly payments of estimated taxes for the 2015 tax year—increased by \$7 billion (or 6 percent).

Receipts, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,046	1,168	122	11.6
Payroll Taxes	784	816	31	4.0
Corporate Income Taxes	235	257	22	9.2
Other Receipts	<u>195</u>	<u>208</u>	<u>13</u>	6.4
Total	2,260	2,447	187	8.3
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,563	1,649	86	5.5
Other, net of refunds	<u>267</u>	<u>334</u>	<u>67</u>	25.1
Total	1,830	1,983	153	8.4
Sources: Congressional Budget Office; Department of the Treasury.				
Note: FY = fiscal year.				

Total Outlays: Up by 5 Percent in the First Nine Months of Fiscal Year 2015

Outlays for the first nine months of fiscal year 2015 were \$2,762 billion, \$135 billion (or 5 percent) 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** were lower by \$54 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 three quarters of fiscal year 2015 than in the first three quarters 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 this year because the GSEs themselves received fewer payments from financial institutions in fiscal year 2015 to settle allegations of fraud in connection with residential mortgages and certain other securities.
- Outlays for **Medicaid** rose by \$42 billion (or 19 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 \$31 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 \$28 billion (or 4 percent).
- Outlays for **student loans** (included in the "Other" category in the table below) increased by \$13 billion (or 28 percent), in part because the Department of Education revised upward by \$9 billion the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change larger than last June's \$5 billion upward revision. If the effects of those revisions were excluded, outlays for student loans for the first nine months of fiscal year 2015 would have increased by \$9 billion (or 23 percent).

Outlays, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	627	655	28	4.4
Medicare ^a	372	403	31	8.3
Medicaid	<u>218</u>	<u>260</u>	<u>42</u>	19.3
Subtotal, Largest Mandatory Programs	1,217	1,318	101	8.3
DoD—Military ^b	432	423	-9	-2.1
Net Interest on the Public Debt	202	185	-17	-8.3
Exchange Subsidies ^c	7	18	11	n.m.
Net Outlays for GSEs	-68	-14	54	n.m.
Other	<u>837</u>	<u>832</u>	<u>-5</u>	-0.6
Total	2,626	2,762	135	5.16

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. 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 exchanges established under the Affordable Care Act.

The spending increases during the first nine 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 \$17 billion (or 8 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 \$9 billion (or 2 percent). Lower outlays for procurement and military personnel accounted for most of that change.
- Payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum increased by \$30 billion. Because the proceeds from spectrum auctions are recorded in the budget as offsetting receipts, that increase in payments has resulted in lower outlays. The reduction in outlays is 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 \$10 billion (or 26 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, spending for those other programs and activities rose by \$33 billion.

Estimated Surplus in June 2015: \$51 Billion

The federal government recorded a surplus of \$51 billion in June 2015, CBO estimates—\$20 billion less than the surplus in June 2014.

CBO estimates that receipts in June totaled \$343 billion—\$20 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 \$16 billion (or 7 percent). The rise in individual income taxes and payroll taxes consisted of increases in both withheld and nonwithheld taxes, which rose by \$9 billion and \$8 billion, respectively. Corporate income taxes rose by \$4 billion (or 5 percent).

Budget Totals for June (Billions of dollars)					
	Actual, FY 2014	Preliminary, FY 2015	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	324	343	20	20	6.1
Outlays	253	293	39	4	1.4
Surplus	71	51	-20	16	44.8

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 \$35 billion deficit in June 2014.

Total spending in June 2015 was \$293 billion, CBO estimates—\$39 billion more than in June 2014. If not for the effects of shifts in the timing of certain payments (which otherwise would have fallen on a weekend), outlays in June would have been \$4 billion (or 1 percent) 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:

- Receipts from **spectrum auctions** totaled \$19 billion, reducing outlays by that amount.
- Spending for the government's three largest entitlement programs increased by a total of \$11 billion. **Medicare** spending rose by \$4 billion (or 10 percent); **Medicaid** spending, by \$3 billion (or 13 percent); and **Social Security** spending, by \$3 billion (or 4 percent).
- Payments to the Treasury from the GSEs **Fannie Mae and Freddie Mac** decreased by \$7 billion (increasing outlays by that amount), in part because the GSEs received fewer payments from financial institutions in the first quarter of calendar year 2015 to settle allegations of fraud in connection with residential mortgages and certain other securities.
- Outlays for **education** increased by \$4 billion (or 33 percent), a difference that stems entirely from the upward revisions mentioned above in the estimated net subsidy costs of loans and loan guarantees issued in prior years. If the effects of those revisions were excluded, June outlays for student loans would have decreased by less than \$1 billion.
- Spending for the **Department of Veterans Affairs** increased by \$2 billion (or 16 percent).

Actual Deficit in May 2015: \$82 Billion

The Treasury Department reported a deficit of \$82 billion for May—about \$3 billion smaller than CBO estimated, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for May 2015](#).

This document was prepared by Nathaniel Frentz, Dawn Sauter Regan, Joshua Shakin, and Adam Wilson. It is available at www.cbo.gov/publication/50362.