



## Monthly Budget Review for January 2016

The federal budget deficit was \$165 billion for the first four months of fiscal year 2016, the Congressional Budget Office estimates—\$29 billion less than the shortfall recorded in the same span last year. Receipts were 3 percent higher than they were at this time a year ago, and outlays were about the same. If not for shifts in the timing of certain payments (which otherwise would have fallen on a weekend), the deficit for the first four months of fiscal year 2016 would have been \$10 billion larger than it was last year.

If lawmakers enact no further legislation affecting spending or revenues this year, the federal government will end fiscal year 2016 with a deficit of \$544 billion, or 2.9 percent of gross domestic product (GDP), CBO estimates, up from \$439 billion, or 2.5 percent of GDP, in 2015. An estimated \$43 billion of this year's projected increase in the deficit will result from a shift in the timing of some payments that the government would ordinarily have made in fiscal year 2017 but that will instead be made in fiscal year 2016, because October 1, 2016—the first day of fiscal year 2017—falls on a weekend. If not for that shift, the projected deficit in 2016 would be \$500 billion, or 2.7 percent of GDP. (For more details about CBO's most recent budget projections, see [The Budget and Economic Outlook: 2016 to 2026](#).)

Budget Totals, October–January (Billions of dollars)			
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	1,046	1,079	33
Outlays	1,240	1,244	4
Deficit	-194	-165	29
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for December 2015 and the <i>Daily Treasury Statements</i> for January 2016.			
FY = fiscal year.			

### Total Receipts: Up by 3 Percent in the First Four Months of Fiscal Year 2016

Receipts through January totaled \$1,079 billion, CBO estimates—\$33 billion more than the amount for the same period last year. The largest changes between last year and this year were in the following categories:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$33 billion (or 4 percent).
  - An increase of \$23 billion (or 3 percent) in amounts withheld from workers' paychecks accounted for the bulk of that gain. Growth in wages and salaries probably explains that increase.
  - Nonwithheld receipts, largely from the last quarterly payments of estimated taxes for 2015, which were due in January, rose by \$9 billion (or 7 percent).
  - Income tax refunds were \$2 billion lower than they had been the previous year. Most tax refunds will be paid from February through April.
- **Corporate income taxes** declined by about \$13 billion (or 12 percent). For most corporations, the first quarterly payment of estimated taxes in the current fiscal year was

Note: The amounts shown 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.

due on December 15, and the amounts paid in that month were about \$8 billion less than the amounts paid in the previous December. That decline may not indicate that corporate profits have dropped, however. Comparing last year's tax payments with this year's has been complicated by the enactment in December 2015 of the Consolidated Appropriations Act, 2016 (Public Law 114-113), and by the enactment in December 2014 of the Tax Increase Prevention Act of 2014 (Division A of Public Law 113-295). Each of those laws retroactively extended, to the beginning of the calendar year in which it was enacted, various provisions that reduced tax liabilities, and they may have affected the timing of tax payments for each calendar year to different degrees.

- **Other receipts** rose by \$12 billion, on net. Remittances from the Federal Reserve to the Treasury increased by about \$19 billion, largely as a result of the recently enacted Fixing America's Surface Transportation Act (Public Law 114-94). That law required the Federal Reserve to remit most of its surplus funds to the Treasury, which the central bank did in late December. Partially offsetting the Federal Reserve's larger remittances was an \$8 billion decline in receipts from miscellaneous fees and fines, CBO estimates. Those receipts were unusually high in the previous year.

Receipts, October–January (Billions of dollars)				
Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	515	532	17	3.4
Payroll Taxes	327	343	16	4.9
Corporate Income Taxes	105	91	-13	-12.5
Other Receipts	<u>100</u>	<u>112</u>	<u>12</u>	12.1
<b>Total</b>	<b>1,046</b>	<b>1,079</b>	<b>33</b>	<b>3.1</b>
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	725	747	23	3.1
Other, net of refunds	<u>117</u>	<u>128</u>	<u>11</u>	9.3
<b>Total</b>	<b>842</b>	<b>875</b>	<b>33</b>	<b>4.0</b>
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

### Total Outlays: Largely Unchanged Over the First Four Months of Fiscal Year 2016

At \$1,244 billion, outlays for the first four months of this fiscal year were about \$4 billion (or less than 1 percent) more than they were during the same period last year, CBO estimates. Outlays for the first four months of fiscal year 2016 would have been larger than spending in the same period last year—by \$43 billion (or 4 percent)—if not for the shift of certain payments from February 2015 to January 2015 because February 1 fell on a weekend. The discussion below reflects adjustments to account for those timing shifts.

Outlays in several major categories increased:

- Spending for **Social Security benefits** rose by \$12 billion (or 4 percent), reflecting typical growth in the number of beneficiaries and the average payment.
- Outlays for **Medicaid** grew by \$6 billion (or 6 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- **Medicare** spending climbed by \$6 billion (or 4 percent), partly because the payment made to prescription drug plans each fall to account for unanticipated spending increases in the preceding

calendar year was larger in fiscal year 2016 than in fiscal year 2015. If not for the large difference in such payments, outlays for Medicare would have increased by \$1 billion (or 1 percent).

- Payments to the Treasury from the government-sponsored enterprises (GSEs) **Fannie Mae and Freddie Mac** decreased by \$4 billion, primarily because the GSEs were less profitable in the first quarter of fiscal year 2016 than in the same period a year earlier. 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.
- Outlays for **net interest on the public debt** increased by \$7 billion (or 9 percent). Most of that increase stems from higher inflation, which reduces the principal of Treasury Inflation-Protected Securities.

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

Outlays, October–January (Billions of dollars)					
Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
Social Security Benefits	287	299	12	12	4.1
Medicare <sup>b</sup>	200	187	-13	6	3.6
Medicaid	<u>113</u>	<u>120</u>	<u>6</u>	<u>6</u>	5.6
<b>Subtotal, Largest Mandatory Programs</b>	<b>600</b>	<b>605</b>	<b>5</b>	<b>25</b>	<b>4.2</b>
DoD—Military <sup>c</sup>	196	191	-4	1	0.3
Net Interest on the Public Debt	75	82	7	7	8.7
Exchange Subsidies <sup>d</sup>	7	10	3	3	36.8
Net Outlays for GSEs	-7	-3	4	4	n.m.
Other	<u>370</u>	<u>359</u>	<u>-10</u>	<u>4</u>	1.1
<b>Total</b>	<b>1,240</b>	<b>1,244</b>	<b>4</b>	<b>43</b>	<b>3.6</b>

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 \$1,201 billion through the first four months of fiscal year 2015.

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.

### Estimated Surplus in January 2016: \$50 Billion

The federal government recorded a surplus of \$50 billion in January 2016, CBO estimates—compared with an \$18 billion deficit in January 2015. But those results were affected by shifts in the timing of payments (which otherwise would have fallen on a weekend or on New Year’s Day) from both January 2015 and 2016 into the previous month and from February into January in 2015. If not for those shifts, the federal government would have recorded a surplus of \$5 billion this January, \$3 billion more than a surplus of \$2 billion for last January. (The amount shifted into December 2015 was unusually large because it included nearly \$26 billion in Social Security benefits that would have been paid on January 3, which fell on a Sunday.)

CBO estimates that receipts in January 2016 totaled \$313 billion—\$6 billion (or 2 percent) more than those in the same month last year. Individual income taxes and payroll taxes together rose by \$7 billion (or

3 percent). That increase would have been larger if not for the fact that January 2016 had one fewer business day than January 2015. Receipts from all other sources fell by \$1 billion, on net.

Budget Totals for January (Billions of dollars)					
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	Estimated Change With Adjustments for Timing Shifts <sup>a</sup>	
				Billions of Dollars	Percent
Receipts	307	313	6	6	2.1
Outlays	<u>324</u>	<u>263</u>	<u>-61</u>	<u>4</u>	1.2
Deficit (-) or Surplus	-18	50	68	3	n.m.
Sources: Congressional Budget Office; Department of the Treasury.					
FY = fiscal year; n.m. = not meaningful.					
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 \$2 billion surplus in January 2015 and a \$5 billion surplus in January 2016.					

Total spending in January 2016 was \$263 billion, CBO estimates—\$61 billion less than it was in January 2015. Adjusted for timing shifts, outlays increased by \$4 billion (or 1 percent). (The changes discussed below reflect adjustments to account for those shifts.)

Spending in several major categories of the budget increased:

- Outlays for **net interest on the public debt** increased by \$5 billion (or 31 percent), mainly as a result of differences in inflation, which cause changes in the principal of Treasury Inflation-Protected Securities. (Those adjustments, which are based on the change in the consumer price index for all urban consumers recorded two months earlier, were negative in both 2015 and 2016.)
- Spending for **student loans** increased by \$5 billion.
- Spending for **Social Security benefits** rose by \$2 billion (or 3 percent).
- Outlays for the **Department of Justice** and for the military activities of the **Department of Defense** each increased by \$1 billion.

The spending increases in January were partially offset by spending reductions for some other major components of the budget, CBO estimates, including the following:

- Payments for **refundable tax credits** were \$7 billion (or 82 percent) lower than those outlays last year. The share of those annual payments made in January varies greatly from year to year—the vast majority of those payments are usually made from February through April.
- Spending for the **Department of Veterans Affairs** fell by \$2 billion (or 13 percent).

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

#### Actual Deficit in December 2015: \$14 Billion

The Treasury reported a deficit of \$14 billion for December—\$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*. The difference occurred because outlays were higher than CBO expected, particularly for international assistance programs and the Department of Health and Human Services (see the [Monthly Budget Review for December 2015](#)).

This document was prepared by Amy Petz, Joshua Shakin, and Adam Wilson. It is available at [www.cbo.gov/publication/51222](http://www.cbo.gov/publication/51222).