



July 8, 2016

## Monthly Budget Review for June 2016

The federal budget deficit was \$397 billion for the first nine months of fiscal year 2016, the Congressional Budget Office estimates—\$81 billion more than the shortfall recorded during the same period last year. Both revenues and outlays were higher, but outlays rose much more.

Budget Totals, October–June (Billions of dollars)			
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change
Receipts	2,447	2,470	23
Outlays	2,763	2,867	104
Deficit	-316	-397	-81
Sources: Congressional Budget Office; Department of the Treasury. Based on the <i>Monthly Treasury Statement</i> for May 2016 and the <i>Daily Treasury Statements</i> for June 2016. FY = fiscal year.			

### Total Receipts: Up by 1 Percent in the First Nine Months of Fiscal Year 2016

Receipts for the first nine months of fiscal year 2016 totaled \$2,470 billion, CBO estimates—just \$23 billion more than in the same period last year. The changes between last year and this year were as follows:

- **Individual income taxes and payroll (social insurance) taxes** together rose by \$39 billion (or 2 percent).
  - Amounts withheld from workers' paychecks increased by \$61 billion (or 4 percent), most likely because of growth in wages and salaries.
  - Overall, nonwithheld receipts declined by \$5 billion (or 1 percent). Although those receipts rose by \$12 billion during the first half of the fiscal year, they have since declined. Over the more recent period from April through June, those receipts fell by \$18 billion (or 5 percent)—mostly because final payments for 2015 made during the tax-filing season this year were less than final payments for 2014 made during the same period last year; payments of estimated taxes for the current year have also declined.
  - Income tax refunds increased by \$15 billion (or 7 percent), reducing net receipts.
  - Receipts from unemployment insurance taxes (one kind of payroll tax) were down by \$2 billion.
  
- **Corporate income taxes** in the first nine months of the fiscal year decreased by \$32 billion (or 12 percent) relative to amounts in the same period last year. About two-thirds of the decline occurred over the period from April through June, when most firms began making tax payments reflecting taxable profits in 2016. The other one-third of the decline occurred between October and March, when firms made payments of taxes that largely reflected taxable profits for the 2015 tax year. The specific reasons for the decreases will become

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.

clearer as detailed information from corporate income tax returns becomes available over the next two years.

The decrease since April may in part reflect lower taxable profits earned so far this calendar year, compared with the amounts earned during the same period last year. In addition, some of the recent decline in receipts probably stems from the enactment in December of the Consolidated Appropriations Act, 2016, which extended—retroactively and prospectively—tax rules that allow businesses with large amounts of investment to accelerate their deductions for those investments. Since that law’s enactment, businesses now know that those tax rules will be in effect for all of 2016; as a result, many are making lower payments of estimated taxes in 2016 than they made in 2015, when the rules had temporarily expired.

- **Other receipts** rose by \$17 billion, on net. Remittances from the Federal Reserve to the Treasury increased by \$24 billion, largely because of the Fixing America’s Surface Transportation Act (Public Law 114-94), which required the Federal Reserve to remit most of its surplus account to the Treasury. The central bank remitted that additional amount (\$19 billion) in late December. All other receipts decreased by \$7 billion, on net.

Receipts, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,167	1,171	4	0.3
Payroll Taxes	816	850	35	4.2
Corporate Income Taxes	255	224	-32	-12.5
Other Receipts	<u>208</u>	<u>225</u>	<u>17</u>	8.0
<b>Total</b>	<b>2,447</b>	<b>2,470</b>	<b>23</b>	<b>1.0</b>
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,650	1,711	61	3.7
Other, net of refunds	<u>334</u>	<u>311</u>	<u>-23</u>	-6.8
<b>Total</b>	<b>1,983</b>	<b>2,022</b>	<b>39</b>	<b>1.9</b>
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

### Total Outlays: Up by 4 Percent in the First Nine Months of Fiscal Year 2016

At \$2,867 billion, outlays for the first nine months of this fiscal year were \$104 billion (or 4 percent) higher than they were during the same period last year, CBO estimates. The largest increases were in the following categories:

- Outlays for **net interest on the public debt** increased by \$23 billion (or 12 percent), mostly because of differences in the rate of inflation. The principal of Treasury inflation-protected securities is adjusted each month to account for inflation using the change in the consumer price index for all urban consumers that was recorded two months earlier. In total, those adjustments were negative in fiscal year 2015 but positive in 2016.
- Outlays increased by \$22 billion because payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum totaled roughly \$30 billion through June 2015, compared with \$8 billion so far in 2016. Because proceeds from those auctions are recorded in the budget as offsetting receipts (that is, as reductions in outlays), the lower payments in 2016 resulted in higher outlays. Those effects are included in the “Other” category in the table below.

- Spending for **Social Security benefits** rose by \$22 billion (or 3 percent), reflecting typical growth in the number of beneficiaries and in the average payment.
- **Medicare** spending climbed by \$17 billion (or 4 percent), partly because the payments made to prescription drug plans each autumn to account for unanticipated increases in spending in the preceding calendar year were larger in fiscal year 2016 than in fiscal year 2015. Without that change, Medicare outlays would have increased by \$12 billion (or 3 percent).
- Outlays for **Medicaid** grew by \$12 billion (or 4 percent), largely because of new enrollees added through expansions of coverage authorized by the Affordable Care Act.
- Spending by the **Department of Veterans Affairs**, included in the “Other” category below, increased by \$7 billion (or 6 percent), mostly because of increases in the number of veterans receiving disability payments and in the average amount of those payments.

Outlays in some areas of the budget declined:

- Outlays for the **Department of Housing and Urban Development**, included in the “Other” category below, decreased by \$11 billion, primarily because the department made downward revisions in April 2016, but upward revisions in April 2015, to the estimated net subsidy costs of loans and loan guarantees issued in prior years.
- Spending by the **Department of Defense** dropped by \$6 billion (or 1 percent), mostly in the area of operation and maintenance.

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

Outlays, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	655	677	22	3.4
Medicare <sup>a</sup>	402	419	17	4.3
Medicaid	<u>260</u>	<u>272</u>	<u>12</u>	4.4
<b>Subtotal, Largest Mandatory Programs</b>	<b>1,316</b>	<b>1,367</b>	<b>51</b>	<b>3.9</b>
DoD—Military <sup>b</sup>	423	417	-6	-1.4
Net Interest on the Public Debt	185	207	23	12.3
Marketplace Subsidies <sup>c</sup>	19	23	4	20.4
Net Outlays for GSEs	-14	-10	4	n.m.
Other	<u>834</u>	<u>862</u>	<u>28</u>	3.3
<b>Total</b>	<b>2,763</b>	<b>2,867</b>	<b>104</b>	<b>3.8</b>

Sources: Congressional Budget Office; Department of the Treasury.  
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 marketplaces established under the Affordable Care Act.

### Estimated Surplus in June 2016: \$10 Billion

The federal government realized a surplus of \$10 billion in June 2016, CBO estimates—\$40 billion less than the surplus in June 2015.

CBO estimates that receipts in June 2016 totaled \$331 billion—\$12 billion (or 3 percent) less than receipts in the same month last year. That decrease is largely explained by lower amounts of corporate income taxes, which were down by \$11 billion (or 15 percent).

Budget Totals for June (Billions of dollars)				
	Actual, FY 2015	Preliminary, FY 2016	Estimated Change	
			Billions of Dollars	Percent
Receipts	343	331	-12	-3.5
Outlays	292	321	28	9.7
Surplus	50	10	-40	-79.7
Sources: Congressional Budget Office; Department of the Treasury. FY = fiscal year.				

Total spending was \$321 billion in June 2016, CBO estimates—\$28 billion more than in June 2015. Among the largest changes in outlays were the following:

- Outlays increased by \$19 billion because the **Federal Communications Commission** received no payments this June from auctions of licenses to use the electromagnetic spectrum. Proceeds from those auctions are recorded in the budget as reductions in outlays, so the decrease in payments resulted in higher outlays.
- Outlays for **net interest on the public debt** increased by \$5 billion (or 22 percent).
- Spending rose by \$2 billion each for two of the government's largest entitlement programs: a 4 percent increase for **Medicare** and a 3 percent increase for **Social Security**.
- The government received \$2 billion less in **payments from the GSEs Fannie Mae and Freddie Mac**, resulting in higher net outlays. The GSEs make quarterly payments to the Treasury each June.
- Outlays for **student loans** dropped by \$3 billion (or 18 percent), almost entirely because the Department of Education revised upward by more than \$6 billion the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change smaller than last June's \$9 billion upward revision. If the effects of those revisions were excluded, June outlays for student loans would have decreased by less than \$1 billion.

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

### Actual Deficit in May 2016: \$53 Billion

The Treasury reported a deficit of \$53 billion for May—the same as CBO estimated last month, on the basis of the *Daily Treasury Statements*, in its [Monthly Budget Review for May 2016](#).

This document was prepared by Nathaniel Frentz, Amy Petz, Dawn Sauter Regan, and Joshua Shakin. It is available at [www.cbo.gov/publication/51766](http://www.cbo.gov/publication/51766).