U.S. DEPARTMENT OF THE TREASURY

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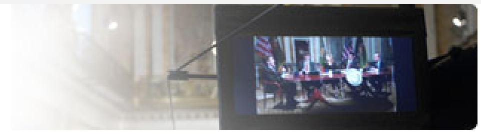

Joint Statement of Jacob J. Lew, Secretary of The Treasury, and Shaun Donovan, Director of The Office of Management and Budget, on Budget Results For Fiscal Year 2016

10/14/2016

Receipts by Source
Outlays by Agency

WASHINGTON, D.C. – U.S. Treasury Secretary Jacob J. Lew and Office of Management and Budget (OMB) Director Shaun Donovan today released details of the fiscal year (FY) 2016 final budget results. The deficit in FY 2016 was $587 billion, $28 billion less than forecast in President Obama's FY 2017 Budget and $12 billion less than forecast in the FY 2017 Mid-Session Review (MSR). As a percentage of Gross Domestic Product (GDP), the deficit was 3.2 percent[1], about two-thirds lower than the deficit in FY 2009 and equal to the average of the last 40 years.

Under the President's leadership, there has been remarkable economic and fiscal progress, showing that investments in growth and opportunity are also compatible with putting the Nation's finances on a strong and sustainable path. While the FY 2016 deficit is the result of a number of factors, the deficit would have been meaningfully lower if Congress had paid for business tax cuts it passed at the end of the 2015. The President's 2017 Budget continues our progress, making critical investments needed to accelerate innovation and sustain economic growth including in research, education, training, and infrastructure while adhering to the discretionary funding levels in last year's bipartisan budget agreement and putting the Nation on a more sustainable fiscal path. The Budget supports growth and opportunity and achieves the key goal of fiscal sustainability by stabilizing Federal debt as a share of the economy and putting it on a declining path for the next decade. It does so by ending the harmful spending cuts known as sequestration, paying for all new investments and obtaining nearly $3 trillion in deficit reduction primarily from health, tax, and immigration reforms.

"The Obama Administration's agenda has spurred durable economic growth and the longest streak of job growth on record, while sharply reducing the deficit to a sustainable level," said Treasury Secretary Lew. "We have built a solid foundation for continued investment in economic growth and opportunity for all, while maintaining fiscal discipline and using fiscal space appropriately to grow the economy."

"The President has consistently put forward a budget that demonstrates investments in growth and opportunity are compatible with putting the Nation's finances on a strong and sustainable path. We have achieved remarkable fiscal progress under the President's leadership: As a share of the economy, the deficit in 2016 was about two-thirds lower than its 2009 level. The President's policies in his 2017 Budget would drive the deficit down to 2.3 percent of GDP in 2017 and keep it below 3 percent of GDP over the next ten years," said OMB Director Donovan. "And, the deficit in 2016 would have been meaningfully lower if Congress hadn't passed unpaid-for business tax cuts at the end of 2015."

Summary of Fiscal Year 2016 Budget Results

Year-end data from the *September 2016 Monthly Treasury Statement of Receipts and Outlays of the United States Government* show that the deficit for FY 2016 was $587 billion, an increase of $148 billion from the prior year. Outlays rose by 5 percent from FY 2015, while receipts rose by less than 1 percent, largely due to the pattern of tax collections following the expiration and subsequent extension of certain tax provisions last year. As a percentage of GDP, the deficit rose to 3.2 percent, up from 2.5 percent in FY 2015.

The FY 2016 deficit was $28 billion, or 5 percent, less than the estimate in the FY 2017 Budget, and $12 billion, or 2 percent, less than estimated in the FY 2017 Mid-Session Review (MSR), a supplemental update to the Budget published in July.

Table 1. Total Receipts, Outlays, and Deficit (in billions of dollars)

	Receipts	Outlays	Deficit
FY 2015 Actual	3,249	3,688	-439
Percentage of GDP	18.1%	20.6%	2.5%
FY 2016 Estimates:			
2017 Budget	3,336	3,951	-616
2017 Mid-Session Review	3,276	3,876	-600
FY 2016 Actual	3,267	3,854	-587
Percentage of GDP	17.8%	20.9%	3.2%

Note: Detail may not add to totals due to rounding.

Government receipts totaled $3,267 billion in FY 2016. This was $18 billion higher than in FY 2015, an increase of less than 1 percent. As a percentage of GDP, receipts equaled 17.8 percent, 0.4 percentage point lower than in FY 2015. The low rate of growth in receipts relative to GDP can be attributed to the expiration of numerous individual and corporation income tax preferences in January 2015, which boosted FY 2015 collections, and the subsequent retroactive extension of these provisions in legislation enacted in December 2015, which reduced FY 2016 collections. Sources of receipts other than individual and corporation income taxes grew by 4.2 percent over FY 2015.

Outlays for FY 2016 were $3,854 billion, $166 billion greater than in FY 2015, a 5 percent increase. As a percentage of GDP, outlays were 20.9 percent, 0.3 percentage point higher than in the prior year. Contributing to the dollar increase over FY 2015 was higher spending for Social Security; Medicare and Medicaid; and interest on the public debt. A portion of these increases stemmed from the fact that October 1, 2016 fell on a weekend, which accelerated the monthly benefit payments for certain programs into September, resulting in 13 monthly payments for these programs in FY 2016. Outlays also rose because receipts from the sale of spectrum licenses and dividends from government-sponsored enterprises Fannie Mae and Freddie Mac, which are recorded as offsets to spending, were lower in FY 2016 than in FY 2015 by $22 billion and $9 billion respectively.

Total Federal borrowing from the public increased by $1,052 billion during FY 2016 to $14,168 billion. The increase in borrowing included $587 billion in borrowing to finance the deficit, along with $464 billion related to other transactions that increased the Government's financing requirements, such as changes in cash balances and net disbursements for Federal credit programs. Nearly half of these other financing requirements resulted from the reinvestment of certain deposit fund balances that had been disinvested during the debt issuance suspension period that ended in early November of 2015. As a percentage of GDP, borrowing from the public increased from 73.3 percent of GDP at the end of FY 2015 to 77.0 percent of GDP at the end of FY 2016. Total borrowing from the public net of financial assets and liabilities increased by $587 billion during FY 2016 to $12,580 billion, or 68.4 percent of GDP. (This measure of net borrowing, as reported in the Monthly Treasury Statement, is not affected by changes in deposit fund balances and other financing requirements. It also excludes the Federal Government's holdings of Fannie Mae and Freddie Mac preferred stock. If those stock holdings were included, net borrowing as a percentage of GDP would be reduced further by roughly 1 percentage point.)

Below are explanations of the differences between estimates in the MSR and the year-end actual amounts for receipts by source and outlays by agency.

Fiscal Year 2016 Receipts

Total receipts for FY 2016 were $3,266.7 billion, $9.5 billion lower than the MSR estimate of $3,276.2 billion. This net decrease in receipts was the result of lower-than-estimated collections of deposits of earnings by the Federal Reserve, other miscellaneous receipts, excise taxes, and customs duties, partially offset by higher-than-estimated collections of net individual and corporation income tax receipts. Table 2 displays actual receipts and estimates from the Budget and the MSR by source.

- **Individual income taxes** were $1,546.1 billion, $1.5 billion higher than the MSR estimate. This increase was the net effect of higher withheld payments of individual income tax liability of $2.9 billion, higher nonwithheld payments of $1.4 billion, and higher-than-estimated refunds of $2.8 billion.

- **Corporation income taxes** were $299.6 billion, $1.4 billion higher than the MSR estimate. This difference reflected higher-than-expected payments of 2016 corporation income tax liability of $1.0 billion and lower-than-estimated refunds of $0.4 billion.

- **Social insurance and retirement receipts** were $1,115.1 billion, $0.4 billion lower than the MSR estimate. This reduction is primarily attributable to lower-than-estimated deposits by States to the unemployment insurance trust fund of $0.6 billion.

- **Excise taxes** were $95.0 billion, $1.9 billion below the MSR estimate.

- **Estate and gift taxes** were $21.4 billion, $0.3 billion higher than the MSR estimate.

- **Customs duties** were $34.8 billion, $1.6 billion below the MSR estimate.

- **Miscellaneous receipts** were $154.7 billion, $8.8 billion below the MSR estimate. Lower-than-expected deposits of earnings by the Federal Reserve System accounted for $4.8 billion of this decrease relative to the MSR. The remaining receipts in this category, which consist of various fees, penalties, forfeitures, and fines, were also lower than MSR estimates.

Fiscal Year 2016 Outlays

Total outlays were $3,854.1 billion for FY 2016, $21.9 billion below the MSR estimate. Table 3 displays actual outlays by agency and major program as well as estimates from the Budget and the MSR. The largest changes in outlays from the MSR were in the following areas:

Department of Agriculture — Outlays for the Department of Agriculture were $138.2 billion, $6.5 billion lower than the MSR estimate. Outlays for the Farm Service Agency (FSA) were $2.3 billion lower than projected in the MSR, primarily due to higher commodity prices than anticipated, particularly for cotton and peanuts. Earlier-than-anticipated loan repayments also contributed to the FSA difference. Higher commodity prices also resulted in lower-than-anticipated outlays of nearly $1.0 billion for the Risk Management Agency's crop insurance revenue-based policies. Outlays for the Supplemental Nutrition Assistance Program were $2.0 billion lower than the MSR estimate due to slower-than-expected outlay of benefits and State administrative expenses obligated in the latter part of September.

Department of Commerce — Outlays for the Department of Commerce were $9.2 billion, $1.1 billion less than the 2017 MSR estimate.

The difference is primarily attributable to four main factors. Large contracts for the Census Bureau were awarded and obligated later in FY 2016 than anticipated, delaying outlays. The launch of two major weather satellites by the National Oceanic and Atmospheric Administration (NOAA) was delayed, resulting in lower outlays for launch costs and on-orbit support. Outlays of NOAA funding for spectrum relocation were slower than anticipated. Finally, later-than-anticipated deposit of spectrum receipts into the Wireless Innovation Fund administered by the National Institute of Standards and Technology (NIST) delayed outlays from this account.

Department of Education — Outlays for the Department of Education were $77.0 billion, $1.3 billion higher than the MSR estimate. This difference was primarily driven by outlays in two higher education programs — student loans and Pell Grants — and the Special Education account. Specifically, outlays in the Pell Grant Program were $0.5 billion above the MSR estimate due to faster-than-expected disbursement patterns. Additionally, because of changes in the mix of activity in the Federal Direct Student Loan Program, $0.4 billion less in negative subsidy receipts for the FY 2016 loan cohort were recorded in FY 2016 than estimated in the MSR. The Department updated the data underlying its assumptions about payments made through State guaranty agencies since the MSR, which generated a $0.4 billion increase in cost to the Federal Student Loan Reserve Fund.

Department of Health and Human Services — Outlays for the Department of Health and Human Services were $1,103.0 billion, $5.5 billion lower than the MSR estimate.

- Medicare outlays were roughly $4.6 billion higher than the MSR estimate. The difference was primarily the result of higher-than-anticipated Medicare Part A benefit spending during the latter half of the year.
- Outlays for Medicaid were $0.9 billion lower than the MSR estimate, and outlays for CHIP were $0.8 billion lower than the MSR estimate. The differences for both programs were primarily the result of lower-than-anticipated benefit spending during the second half of the year.
- Outlays for the Risk Adjustment Program were $1.4 billion lower than in the MSR due to changes in the timing of payments, and additional funds will outlay in early FY 2017.
- Several factors contributed to the National Institutes of Health's (NIH) and Public Health and Social Services Emergency Fund's (PHSSEF) lower-than-predicted outlays for FY 2016. First, the MSR anticipated that requested Zika supplemental funding would be obligated in FY 2016 and would thus generate FY 2016 outlays. However, Zika supplemental appropriations were not enacted until September 29, and thus there were no outlays from the supplemental for NIH and PHSSEF in FY 2016. In addition, due to the uncertainty about the likelihood of Zika supplemental funding, NIH slowed obligation of base funds to preserve contingency options for funding Zika work, which had a marginal effect on other NIH outlays. Separately, in the PHSSEF, outlays were lower than expected due to slower-than-anticipated contracting processes.

Department of Housing and Urban Development — Outlays for the Department of Housing and Urban Development were $26.4 billion, $1.3 billion lower than the MSR estimate.

This difference was driven primarily by slower-than-expected drawdowns of Community Development Block Grant (CDBG) Disaster Recovery funds for Hurricane Sandy; delays in finalizing CDBG agreements with States and localities; an increase in Federal Housing Administration mortgage loan volume in the last quarter, which generated more negative subsidy receipts than anticipated; and slower-than-expected drawdowns of Homeless Assistance Grants, including those associated with new or reallocated Continuum of Care projects.

Department of Justice – Outlays for the Department of Justice were $29.5 billion, $2.5 billion lower than the MSR estimate.

Most of the variance is attributable to slower-than-expected outlays of funds made available for 9/11 victims compensation, pursuant to Public Law 114-113 (Consolidated Appropriations Act, 2016). Another contributor was slower-than-expected spending by States of funds for crime victims. The remainder of the variance is due to other factors, including lower-than-expected net outlays in the Working Capital Fund resulting from unanticipated receipts to the fund.

Department of Labor — Outlays for the Department of Labor were $41.4 billion, $2.9 billion lower than the MSR estimate. Outlays for the Employment and Training Administration were $2.2 billion below the MSR estimate, primarily due to differences in the Unemployment Insurance (UI) program. UI outlays were $1.7 billion less than projected due to lower actual claim filing and benefit durations, both of which decreased the total number of weeks claimed, thereby reducing outlays. In addition, net outlays for the Pension Benefit Guaranty Corporation (PBGC) were $1.1 billion lower than the MSR estimate, with the difference about evenly split between actual benefits that were lower than PBGC anticipated and actual premiums that were higher than projected in the MSR.

Department of the Treasury — Outlays for the Department of the Treasury were $526.1 billion, $4.8 billion higher than the MSR estimate. The increase was more than accounted for by lower-than-expected receipts of interest paid by non-budgetary credit financing accounts, somewhat offset by lower outlays for interest paid to credit financing accounts, the Refundable Premium Tax Credit and Cost Sharing Reductions and interest on the public debt.

- Net outlays for intragovernmental interest transactions with non-budgetary credit financing accounts were $10.8 billion higher than projected, including $7.3 billion in lower-than-projected interest paid to credit financing accounts and $18.2 billion in lower-than-anticipated receipts of interest from credit financing accounts. (Interest received from credit financing accounts is reported in Treasury's aggregate offsetting receipts.)
- Interest on the public debt, which is paid to the public and to trust funds and other Government accounts, was $1.1 billion lower than the MSR estimate. The difference was due largely to lower-than-projected interest paid to the public on inflation-indexed securities and other marketable Treasury securities.
- Outlays for refundable tax credit programs and other Internal Revenue Code-based programs administered by Treasury and the Internal Revenue Service were $2.8 billion lower than estimated in the MSR, mostly because of lower-than-expected outlays for Treasury's Refundable Premium Tax Credit and Cost Sharing Reductions program. Outlays for this program were lower due to reconciliation of Cost Sharing Reduction advance payments for the 2014 and 2015 benefit years, and higher-than-expected outlay reclassification amounts due to either reconciled payments of the advance Premium Tax Credit where the taxpayer has an income tax liability or where the taxpayer reconciled excess advance Premium Tax Credit.

Department of Veterans Affairs — Outlays for the Department of Veterans Affairs (VA) were $174.0 billion, $2.4 billion lower than the MSR estimate.

The difference reflects lower-than-anticipated benefit payments and medical care costs. Outlays for the VA benefits programs were lower than the MSR estimate mainly due to outlays for the disability compensation and pensions program that were $0.4 billion lower than expected and outlays for the readjustment benefits program that were $1.3 billion lower than expected. Outlays for the Veterans Health Administration were $0.7 billion below the MSR estimate primarily because the actual number of Veterans Choice Program appointments and health care claims were lower than the MSR projections.

Other Defense Civil Programs — Outlays for Other Defense Civil Programs were $64.5 billion, $1.6 billion lower than the MSR estimate.
The difference was mostly due to higher earnings on investments held by the Department of Defense Medicare-Eligible Retiree Health Care Fund, which were $1.2 billion higher than expected, reducing net outlays. In addition, private sector contract health care claims received for Medicare-eligible military beneficiaries were $0.5 billion lower than expected. These lower-than-expected retiree health care outlays were partially offset by slightly higher-than-expected outlays for other programs.

Office of Personnel Management — Outlays for the Office of Personnel Management (OPM) were $91.3 billion, $1.9 billion lower than the MSR estimate.
Net outlays for the Employees and Retired Employees Health Benefits funds were $0.8 billion lower than expected, mainly due to a greater inflow of premium income and less disbursements than anticipated in the MSR. Net outlays in the OPM Revolving Fund were $0.6 billion lower than the MSR estimate, mostly due to a backlog of background investigations funded by payments to the Revolving Fund. In addition, Congressional inaction on the United States Postal Service (USPS) reform proposal resulted in $0.4 billion in lower outlays for USPS contributions to the Postal Service Retiree Health Benefits Fund.

Social Security Administration — Outlays for the Social Security Administration were $976.8 billion, $1.8 billion lower than the MSR estimate. The difference is primarily attributable to lower-than-expected outlays for the Old Age and Survivors and Disability Trust Fund programs and the Supplemental Security Income program.

Federal Deposit Insurance Corporation — Net outlays for the Federal Deposit Insurance Corporation were -$10.8 billion, $3.8 billion lower than the MSR estimate.
The difference is primarily attributable to lower-than-expected payments related to the corporation’s resolution of failed insured depository institutions through the Deposit Insurance Fund, which was partially a result of better-than-expected capital positions among banking institutions.

United States Postal Service — Outlays for the United States Postal Service (USPS) were $0.4 billion, $1.4 billion higher than the MSR estimate. Outlays were higher than the MSR estimate due largely to Congressional inaction on the Budget proposal for Postal reform. The Budget proposed to provide USPS with short-term cash relief in 2016, including permanently extending the temporary rate increase that lapsed in April, and to make longer-term structural reforms to address USPS's financial imbalance.

Undistributed Offsetting Receipts — Undistributed Offsetting Receipts were -$241.4 billion, $5.2 billion lower than the MSR estimate, increasing net outlays.

Receipts from spectrum auctions deposited into the Public Safety Trust Fund were $8.4 billion, $4.5 billion lower than the MSR estimate. The difference was due in large part to delays in the issuance of certain spectrum licenses associated with the Advanced Wireless Services 3 (AWS-3) spectrum auction and unanticipated delays in spectrum clearing through the Federal Communications Commission’s current Broadcast Incentive Auction.

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[1] The estimates of GDP used in the calculations of the deficit and borrowing relative to GDP reflect the revisions to historical data released by the Bureau of Economic Analysis (BEA) in July 2016. GDP for FY 2016 is based on the economic forecast for the 2017 Mid-Session Review, adjusted for the BEA revisions.