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Budget Digest – Week of November 28th

FY2016 Year-End Budget Results

The FY2016 Fiscal Picture. September 30th marked the end of fiscal year (FY) 2016 and the last full fiscal year of the Obama Administration. FY2016 produced more of the same – lackluster economic growth, higher spending, and another large increase in the national debt.

Show Me the Money. The top three sources of revenues in FY2016 were individual income taxes, payroll taxes, and corporate income taxes, respectively. Individual income taxes rose by less than 1 percent versus FY2015 and payroll taxes increased by 5 percent. Corporate income taxes fell by 13 percent, however, dropping to 1.6 percent of gross domestic product (GDP) – well below the 50-year average of 2.1 percent of GDP. Total revenues remained relatively flat from 2015 to 2016.

Houston, We Have a Spending Problem. Meanwhile, total Federal outlays increased by 4.5 percent versus FY2015. Interest on the debt, Social Security, and Federal health care programs – Medicare, Medicaid, Affordable Care Act (ACA) exchanges – represent the largest portions of the Federal budget and spending for each increased from 2015 to 2016. Interest payments on the debt rose a hefty 9 percent, while Medicare and Social Security rose by 4.9 percent and 3.3 percent, respectively.

Notably, the ACA has contributed to significant increases in spending. Over the past three years, Medicaid spending has skyrocketed by nearly 40 percent due to expanded enrollment and higher per-enrollee costs. Additionally, the rise in health insurance premiums has increased ACA subsidy payments.

FY2016 Fiscal Snapshot	
Revenues	$3.3 trillion
Net Spending	$3.9 trillion
Budget Deficit	$587 billion
Total Debt	$19.9 trillion

Unlike discretionary programs, spending for the programs mentioned above is mandatory and occurs automatically. Mandatory spending now consumes two-thirds of the budget and will grow to three-quarters of the budget within 10-years if current policies are maintained.

The Takeaway. The FY2016 results provide further evidence that the Federal Government's fiscal policy remains on an unsustainable path. Deficits continue to grow, adding to the national debt, which now stands at almost $20 trillion. At the same time, the U.S. economy is underperforming, averaging just 2.0 percent real growth over the past six years, well below the U.S. historical average of roughly 3.0 percent. Policymakers should pursue positive, pro-growth solutions and advance sustainable fiscal policies.

Questions? Call 202-226-7270 or email Budget.Republicans@mail.house.gov