



For Immediate Release
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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 2014**

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) 2014 final budget results, which show significant and continued progress in reducing the deficit. The deficit in FY 2014 fell to \$483 billion, \$197 billion less than the FY 2013 deficit and \$165 billion less than forecast in President Obama’s FY 2015 Budget. As a percentage of Gross Domestic Product (GDP), the deficit fell to 2.8 percent¹, the lowest level since 2007 and less than the average of the last 40 years. In dollar terms, the FY 2014 deficit is the lowest since 2008.

In his FY 2015 Budget, the President provided a roadmap for making investments to accelerate economic growth, expand opportunity for all hard-working Americans, and ensure our national security, while continuing to improve the Nation's long-term fiscal outlook. Under the President’s leadership, the deficit has been cut by about two-thirds as a share of the economy. While making investments to grow the economy and expand opportunity, the Budget continues this progress, bringing deficits down as a share of the economy to about 2 percent of GDP by the end of the next decade. It also stabilizes debt as a share of the economy by 2015 and puts it on a declining path after that. Looking forward, the Administration remains committed to working with Congress to establish spending levels for FY 2015 in comprehensive full-year appropriations legislation that appropriately funds national security requirements, while also funding critical domestic priorities that promote economic growth, opportunity, and innovation.

“The President’s balanced approach to deficit reduction has made our tax code more fair, reduced spending and made critical investments to help drive U.S. competitiveness and growth,”

¹ Estimates of GDP reflect the revisions to historical data released by the Bureau of Economic Analysis (BEA) in July 2014. GDP for FY 2014 is based on the economic forecast for the 2015 Mid-Session Review, adjusted for the BEA revisions.

said Treasury Secretary Lew. “The President’s policies and a strengthening U.S. economy have resulted in a reduction of the U.S. budget deficit of approximately two-thirds – the fastest sustained deficit reduction since World War II.”

“This economic and fiscal progress underscores what is possible if we continue to invest in growth and opportunity,” said OMB Director Donovan. “To build a more durable economy, Congress needs to act on the President’s proposals that would put our debt and deficits on a sustainable trajectory, while making critical investments in areas such as education, innovation and infrastructure that will create jobs, economic growth, and opportunity for all Americans.”

Summary of Fiscal Year 2014 Budget Results

Year-end data from the *September 2014 Monthly Treasury Statement of Receipts and Outlays of the United States Government* show that the deficit for FY 2014 was \$483 billion, the lowest deficit since 2008. It represents a decrease of \$197 billion, or 29 percent, from the prior year. As a percentage of GDP, the deficit fell to 2.8 percent, down from 4.1 percent in FY 2013, the lowest since 2007.

The FY 2014 deficit of \$483 billion was \$165 billion, or 26 percent, less than the estimate in the FY 2015 Budget, and \$100 billion, or 17 percent, less than estimated in the FY 2015 Mid-Session Review (MSR).

Table 1. Total Receipts, Outlays, and Deficit (in billions of dollars)			
	Receipts	Outlays	Deficit
FY 2013 Actual	2,774	3,454	-680
Percentage of GDP	16.7%	20.8%	4.1%
FY 2014 Estimates:			
2015 Budget	3,002	3,651	-649
2015 Mid-Session Review	2,993	3,576	-583
FY 2014 Actual	3,021	3,504	-483
Percentage of GDP	17.5%	20.3%	2.8%

The significant decrease in the deficit from the previous year was due to a combination of higher receipts and stable outlays in FY 2014. Government receipts totaled \$3,021 billion in FY 2014. This was \$247 billion higher than in FY 2013, an increase of 9 percent. As a percentage of GDP, receipts equaled 17.5 percent, 0.8 percentage points higher than in FY 2013. The increase in receipts from FY 2013 can be attributed to a stronger economy and the expiration of certain tax provisions. Growth in wages and salaries made collections of individual and payroll taxes strong throughout the year. Another contributor to the increase was the expiration of the temporary cut in payroll taxes and the increase in tax rates on income above certain thresholds, which went into effect in January 2013. Corporation income tax collections also increased in FY 2014 due to growth in taxable profits. Federal Reserve deposits of earnings also increased, primarily because of higher yields on a larger portfolio.

Outlays for FY 2014 were \$3,504 billion, \$50 billion above those in FY 2013, a 1 percent increase. As a percentage of GDP, outlays were 20.3 percent, half a percentage point lower than

the prior year's 20.8 percent. Spending was lower than the previous year for many agencies and programs such as the Department of Defense; the unemployment insurance program; the Federal Deposit Insurance Corporation; flood insurance and disaster relief; crop insurance and the Supplemental Nutrition Assistance Program; and housing programs. However, higher spending relative to FY 2013 year for Social Security, Medicare, Medicaid, and student loans, along with lower dividend receipts from the government-sponsored enterprises Fannie Mae and Freddie Mac, contributed to the overall net increase.

Total Federal borrowing from the public increased by \$798 billion during FY 2014 to \$12,779 billion, or 74.2 percent of GDP. The increase in borrowing included \$483 billion in borrowing to finance the deficit and \$314 billion in borrowing related to other transactions that affected the Government's financing requirements, such as disbursements for direct student loans and other Federal credit programs. Total borrowing from the public net of financial assets and liabilities increased by \$483 billion during FY 2014 to \$11,554 billion, or 67.1 percent of GDP. (This measure of net borrowing, as reported in the Monthly Treasury Statement, 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 one percentage point.)

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

Fiscal Year 2014 Receipts

Total receipts for FY 2014 were \$3,020.8 billion, \$27.9 billion higher than the MSR estimate of \$2,993.0 billion. This net increase in receipts was primarily attributable to higher-than-estimated collections of individual and corporation income taxes, deposits of earnings of the Federal Reserve System, and other miscellaneous receipts, which were only partially offset by lower-than-estimated collections of social insurance and retirement receipts and customs duties. Table 2 displays actual receipts and estimates from the Budget and the MSR by source.

- Individual income taxes were \$1,394.6 billion, \$8.4 billion higher than the MSR estimate. Withheld and nonwithheld payments of individual income tax liability were higher than the MSR estimate by \$1.6 billion and \$7.0 billion, respectively.
- Corporation income taxes were \$320.7 billion, \$9.3 billion higher than the MSR estimate. This difference reflected higher-than-expected payments of 2014 corporation income tax liability of \$9.7 billion that were partially offset by higher-than-estimated refunds.
- Social insurance and retirement receipts were \$1,023.9 billion, \$3.8 billion lower than the MSR estimate. This reduction was primarily attributable to lower-than-estimated deposits by States to the unemployment insurance trust fund of \$3.0 billion. Reductions in other sources of social insurance and retirement receipts – primarily Social Security and Medicare payroll taxes – accounted for the remaining reduction in this source of receipts relative to the MSR estimate.

- Excise taxes were \$93.4 billion, \$0.7 billion greater than the MSR estimate.
- Estate and gift taxes were \$19.3 billion, \$1.7 billion greater than the MSR estimate.
- Customs duties were \$33.9 billion, \$0.4 billion below the MSR estimate.
- Miscellaneous receipts were \$135.0 billion, \$12.0 billion greater than the MSR estimate. Higher-than-expected deposits of earnings by the Federal Reserve System accounted for \$4.4 billion of this increase relative to the MSR. Civil penalties assessed under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 accounted for \$5.7 billion of the remaining increase in this source of receipts.

Fiscal Year 2014 Outlays

Total outlays were \$3,504.2 billion for FY 2014, \$71.8 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 \$141.8 billion, \$8.5 billion lower than the MSR estimate.

Outlays for the Supplemental Nutrition Assistance Program were \$2.0 billion lower than the MSR estimate as a result of lower-than-expected participation. Outlays for the Risk Management Agency were \$2.0 billion lower than the MSR estimate, mostly due to fewer crop losses than anticipated reducing outlays for the crop insurance program. Net outlays for the Rural Utilities Service were lower than the MSR estimate by \$1.8 billion, partially because fewer deposits were made from borrowers into their cushion of credit accounts and therefore the estimate of resulting payments from those deposits was overstated. Forest Service outlays were lower than projected in the MSR by \$0.6 billion primarily because wildfire costs were less than the ten-year average used for the MSR estimates.

- **Department of Commerce** — Outlays for the Department of Commerce were \$6.7 billion, \$1.7 billion less than the MSR estimate.

A total of \$1.2 billion in spectrum auction proceeds from the Federal Communication Commission's H block auction were deposited into the Public Safety Trust Fund in FY 2014, \$0.6 billion more than the MSR estimate, which assumed receipts would be split over fiscal years 2014 and 2015. The remainder of the difference in outlays is the result of lower-than-expected outlays for infrastructure projects, FirstNet operations, and disaster funding. In addition, fee collections for the Patent and Trademark Office were higher than forecast in the MSR.

- **Department of Defense** — Outlays for the Department of Defense were \$578.0 billion, \$5.8 billion lower than the MSR estimate.

Most of this difference was from \$4.0 billion of lower-than-expected net outlays for procurement, due in part to slower contractor payments as procurement spending declines. Outlays for Army operations and maintenance were also lower than expected, at \$1.4 billion less than the MSR estimate, due to lower-than-expected requirements for operations in Afghanistan. The Department also had lower-than-expected outlays for family housing, military personnel, and working capital funds. These decreases in spending were partially offset by higher-than-expected outlays for military construction, research and development, and Navy and Air Force operations and maintenance.

- **Department of Energy** — Outlays for the Department of Energy (DOE) were \$23.6 billion, \$2.1 billion lower than the MSR estimate.

The difference from the MSR was partially due to DOE's test sale of up to five million barrels of sour crude oil from the Strategic Petroleum Reserve in order to assess the system's capabilities in the event of a disruption. This sale, resulting in receipts of \$0.5 billion, was unanticipated at the time of the MSR. Outlays for fossil energy research and development were about \$0.4 billion below the MSR estimate because of delays in development of the ongoing carbon capture and sequestration demonstration projects. Outlays for the National Nuclear Security Administration (NNSA) were \$0.4 billion lower than the MSR estimate because market fluctuations resulted in lower-than-expected contractor pension funding requirements and because Congress deferred a release of funds pending NNSA reporting on an efficiencies plan, and deferred approval of a reprogramming request. The remainder of the overall difference from the MSR was due to slower-than-expected spending across a number of areas.

- **Department of Health and Human Services** — Outlays for the Department of Health and Human Services were \$936.0 billion, \$16.4 billion lower than the MSR estimate.

Outlays for Medicaid were \$8.0 billion lower than the MSR estimate, accounting for about half of the difference in the agency as a whole. The difference was primarily the result of lower-than-anticipated benefits spending during the second half of the year. Outlays for the Children's Health Insurance Program were \$2.2 billion lower than MSR, primarily due to lower-than-projected enrollment. Outlays for the Pre-Existing Condition Insurance Plan Program were about \$0.4 billion below projections in part due to proactive measures to lower spending. Additionally, mandatory fee outlays for Program Management in the Centers for Medicare and Medicaid Services (CMS) were \$0.8 billion lower than projected in the MSR. Net outlays for Medicare benefits were approximately \$1.6 billion (-0.3 percent) lower than the MSR estimate. This was driven by spending under Part A, which was \$3.6 billion (-1.3 percent) lower than in the MSR, and spending under Part D, which was \$0.8 billion (-1.3 percent) lower than in the MSR. These decreases were partially offset by higher Medicare Part B spending (\$1.3 billion, or 0.5 percent), lower refunds (\$0.6 billion, or 4.3 percent) and lower premium collections (\$1.1 billion, or 1.5 percent) compared to the MSR.

- **Department of Homeland Security** — Outlays for the Department of Homeland Security were \$43.3 billion, \$3.9 billion lower than the MSR estimate.

Nearly all of the difference from the MSR was in the Federal Emergency Management Agency (FEMA), and largely attributable to three programs: the National Flood Insurance Program, grants to State and local governments, and the Disaster Relief Fund. Flood insurance claims payments last year were lower than projected due to a decline in major flood disasters. Spending for grants to State and local governments was lower than projected primarily because FEMA obligated grant awards later than usual in FY 2014. Lastly, spending for Hurricane Sandy recovery was lower than expected and there were fewer disasters overall than predicted. Lower spending within Customs and Border Protection due to hiring challenges also contributed to the overall difference for the Department.

- **Department of the Interior** — Outlays for the Department of the Interior were \$11.3 billion, \$1.5 billion lower than the MSR estimate.

About one third of the difference from the MSR is attributable to lower construction outlays than originally estimated, particularly with respect to Hurricane Sandy projects. Another \$0.3 billion is due to the lower-than-anticipated acceptance rate for land purchase offers in the Cobell Land Buyback Program. Most of the remainder is connected to delays in outlays for programs that are funded through the collection of excise taxes on firearms and ammunition, which has seen an unprecedented increase recently. States have faced challenges in identifying the additional funds to match these grants, so the programs have built up temporary balances, which were not accounted for in the MSR estimates.

- **Department of Labor** — Outlays for the Department of Labor were \$57.2 billion, \$15.6 billion lower than the MSR estimate.

The majority of this difference (\$13 billion) was due to Congressional inaction on the MSR proposal to reinstate the Emergency Unemployment Compensation program. In addition, regular Unemployment Insurance benefits were lower than projected due to decreasing unemployment rates and State benefit reductions that were not fully accounted for in the MSR estimates.

- **Department of Transportation** — Outlays for the Department of Transportation were \$76.2 billion, \$4.0 billion lower than the MSR estimate.

A significant portion of the difference was due to post-MSR grant spending in surface transportation programs generally not keeping pace with the spending rates recorded earlier in the fiscal year. Approximately \$0.8 billion of the Department's lower spending can be attributed to Federal Aid Highway spending, a \$43 billion program with multi-year funding availability. Within the Federal Aviation Administration (FAA), outlays were lower due to some annual contracts being obligated later in the fiscal year, which will result in outlays for those contracts occurring in the following fiscal year. Further, grants in the FAA Airport Improvement Program were obligated more slowly than expected to airport sponsors, slowing FY 2014 outlays.

- **Department of the Treasury** — Outlays for the Department of the Treasury were \$446.9 billion, \$4.3 billion higher than the MSR estimate.

The increase in outlays was mostly due to higher-than-expected net outlays from interest transactions with credit financing accounts and payments associated with claims and judgments. These effects were offset by lower-than-expected payments by the Internal Revenue Service (IRS) to individual taxpayers, lower interest payments on the public debt, and higher-than-expected collections by the Federal Financing Bank.

- Net outlays for intragovernmental interest transactions with non-budgetary credit financing accounts were \$7.1 billion higher than projected, including \$6.3 billion in lower-than-projected interest paid to credit financing accounts and \$13.4 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.)
 - Payments by the Fiscal Service's Claims, Judgments, and Relief Acts account were \$1.5 billion higher than the MSR estimate due to the Judgment Fund processing larger claims than forecast.
 - Outlays for refundable tax credit programs and other Internal Revenue Code-based programs administered by Treasury and the Internal Revenue Service were \$1.9 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. This program makes payments to qualified health plans on behalf of eligible families enrolled in coverage through the Marketplaces. This is a new program so there is a higher level of uncertainty in estimating outlays.
 - Interest on the public debt – which is paid on debt held by Government accounts as well as the public – was \$1.0 billion lower than the MSR estimate. The difference was due largely to lower-than-projected interest paid to trust funds and other Government accounts, somewhat offset by higher-than-projected interest paid to the public on inflation-indexed securities
 - Net outlays for intragovernmental transactions with Treasury's Federal Financing Bank were \$0.9 billion lower than the MSR estimates.
- **Environmental Protection Agency** — Outlays for the Environmental Protection Agency were \$9.4 billion, \$1.0 billion higher than the MSR estimate.

This difference was due to the enactment in August of the Highway and Transportation Funding Act (P.L. 113-159), which directed that \$1.0 billion of balances of the Leaking Underground Storage Tank trust fund be transferred to the Highway Trust Fund.

- **General Services Administration** — Outlays for the General Services Administration were -\$0.8 billion, \$1.4 billion higher than the MSR estimate.

Outlays were higher than estimated in the MSR due to lower-than-expected receipts from reimbursable agreements in the Federal Buildings Fund and lower-than-estimated business volume with agency partners.

- **International Assistance Programs** — Outlays for International Assistance Programs were \$18.6 billion, \$1.1 billion lower than the MSR estimate.

This difference is largely due to net outlays for Department of State Foreign Military Sales (FMS) that were more than \$1 billion lower than the MSR estimate, with roughly half of the difference due to lower-than-anticipated spending on FMS contracts and half due to higher-than-anticipated receipts.

- **Office of Personnel Management** — Outlays for the Office of Personnel Management were \$87.9 billion, \$5.8 billion lower than the MSR estimate.

This difference is primarily attributable to Congressional inaction on the proposal for reform of the United States Postal Service (USPS). The MSR proposal included a \$2.5 billion payment in FY 2014 from the Civil Service Retirement and Disability Fund to USPS to refund excess Federal Employees Retirement System contributions to USPS. The proposal also contained a provision requiring the Postal Service Retiree Health Benefit Fund (PSRHBF) to outlay the Government's \$3.2 billion share of annuitant health insurance premiums to former Postal Service employees.

- **Social Security Administration** — Outlays for the Social Security Administration were \$905.8 billion, \$1.7 billion lower than the MSR estimate. The difference is primarily attributable to lower-than-expected outlays for the Supplemental Security Income program.

- **Federal Deposit Insurance Corporation** — Outlays for the Federal Deposit Insurance Corporation (FDIC) were -\$11.7 billion, \$5.1 billion lower than the MSR estimate.

The difference was primarily attributable to lower-than-expected payments related to FDIC's resolution of failed insured depository institutions through its Deposit Insurance Fund, which was partially a result of improved capital positions in the banking sector.

- **United States Postal Service** — Outlays for the United States Postal Service (USPS) were -\$2.5 billion, \$1.4 billion higher than the MSR estimate of -\$3.9 billion.

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, beginning in FY 2014, and to make longer-term structural reforms to address USPS's financial imbalance.

- **Railroad Retirement Board** — Outlays for the Railroad Retirement Board were \$3.5 billion, \$1.4 billion lower than the MSR estimate.

The difference from the MSR was due largely to the National Railroad Retirement Investment Trust's unrealized gains and losses on investments in private securities. Actual returns to the Trust were much higher than projected due to favorable market conditions.

- **Tennessee Valley Authority** — Outlays for the Tennessee Valley Authority (TVA) were -\$1.4 billion, \$2.3 billion lower than the MSR estimate.

The \$2.3 billion difference from the MSR was the result of higher-than-expected TVA revenues, cost reductions beyond those assumed in the MSR, and changes in capital investment plans, which collectively helped the agency reduce its debt in FY 2014. TVA revenues increased due to favorable weather, while expenditures were reduced by aggressive cost reductions in operations and maintenance and by lower interest expenses. In addition, the TVA Board's decision to build a combined-cycle natural gas plant instead of retrofitting its Paradise fossil plant shifted the timing for capital expenditures at the site from FY 2014 to FY 2015.

- **Allowances** — The MSR included \$3.9 billion in outlays for allowances, which are placeholders used when budget estimates cannot be distributed to the usual agency accounts. The majority of allowance outlays reflected the Administration's July 8 request for emergency funding to address the urgent humanitarian situation on the Nation's southwest border due to the significant increase in the migration of unaccompanied children and adults traveling with children, and for emergency wildfire suppression activities. This request, for \$4.5 billion in emergency supplemental budget authority, was not enacted.
- **Undistributed Offsetting Receipts** — Undistributed offsetting receipts were \$244.9 billion, \$3.8 billion lower than the MSR estimate, increasing net outlays. Receipts for employer share, employee retirement were \$79.3 billion, \$2.6 billion lower than the MSR estimate. This difference was largely due to Congressional inaction on the MSR proposal for Postal reform. In addition, rents and royalties on the Outer Continental Shelf lands were \$0.7 billion less than the MSR estimate.