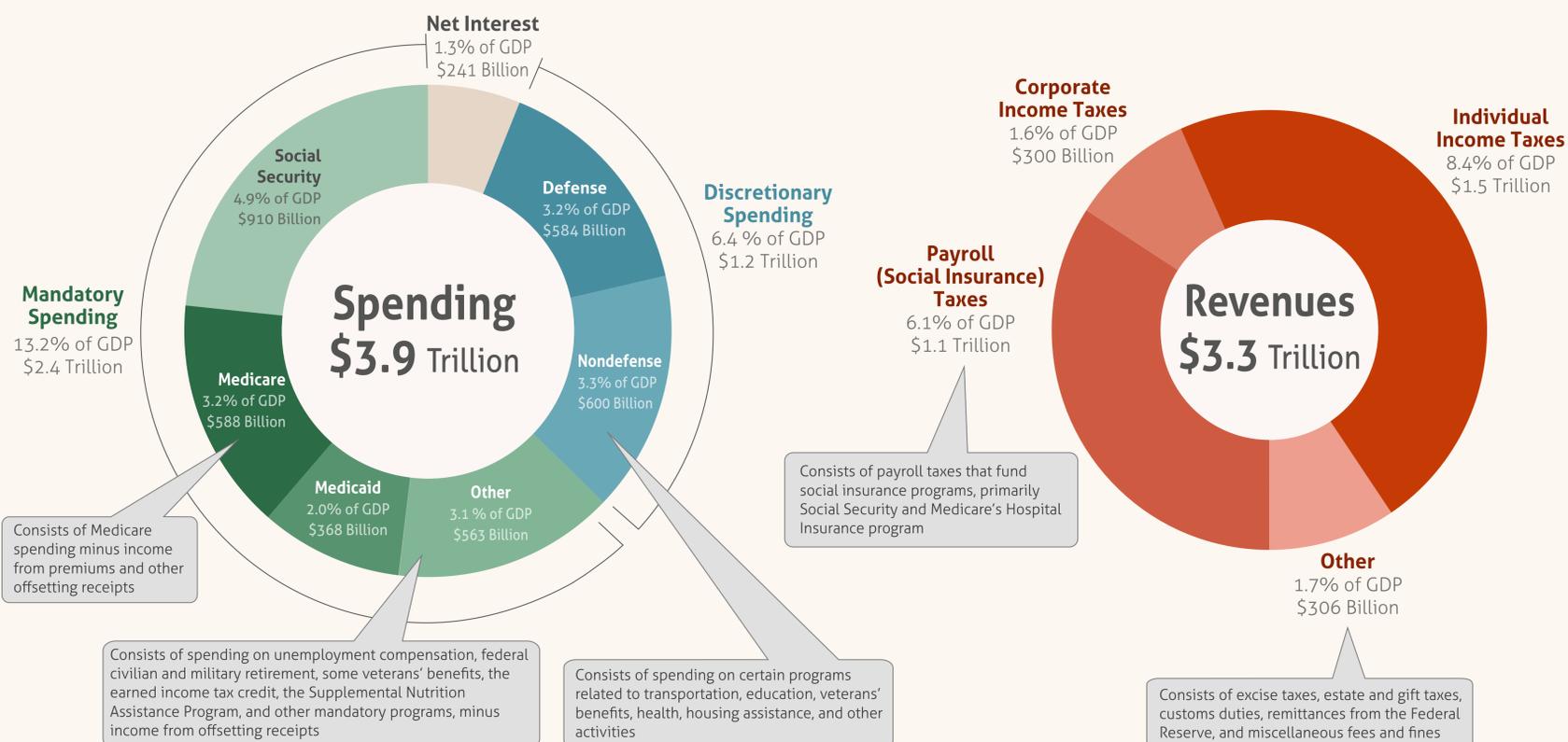


The FEDERAL BUDGET IN 2016

In 2016, the budget deficit rose for the first time in a number of years, totaling \$587 billion—about one-third more than the \$438 billion shortfall recorded in 2015. As a percentage of GDP, the deficit increased from 2.4 percent in 2015 to 3.2 percent, the first such increase since 2009.

Debt held by the public reached 77 percent of GDP at the end of 2016, marking the highest ratio since 1950. Such a high level of debt (and the increases projected under current law) could have serious negative consequences for the nation, including increasing federal spending on interest payments, restraining economic growth in the long term, giving policymakers less flexibility to respond to unexpected challenges, and eventually increasing the risk of a fiscal crisis.

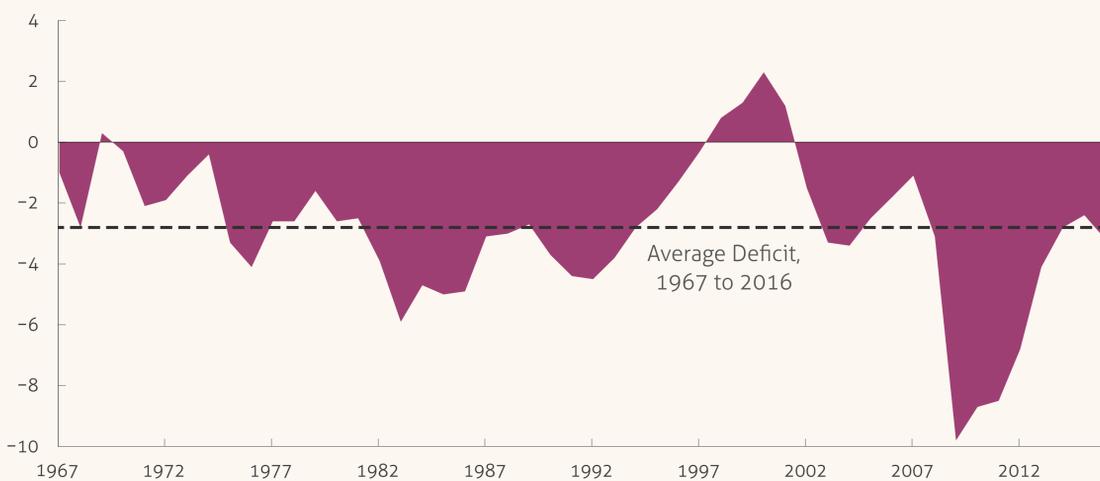


CATEGORIES of the BUDGET

Category	Description
Mandatory Spending	Consists primarily of benefit programs for which laws set eligibility rules and benefit formulas
Discretionary Spending	Consists of spending that lawmakers control through annual appropriation acts
Net Interest	Consists of the government's interest payments on debt held by the public, offset by interest income the government receives
Revenues	Consists of funds collected from the public that arise from the government's exercise of its sovereign powers

Federal Deficits, 1967 to 2016

Percentage of Gross Domestic Product



Annual Deficit or Surplus = Revenues - Outlays

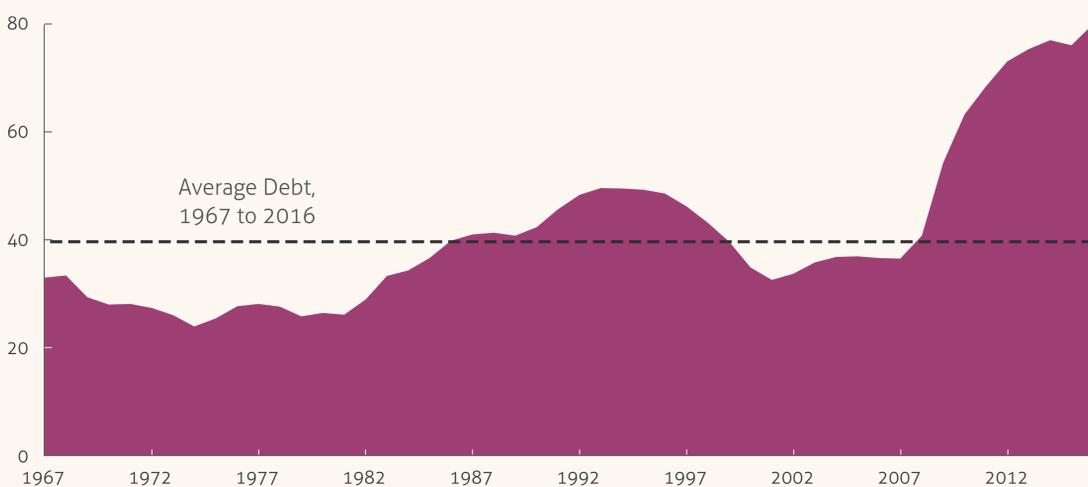
To fund government spending in years of deficits, the government borrows from individuals, businesses, or other countries by selling them Treasury securities.

DEFICITS and the DEBT

2.8%	Deficit as a percentage of GDP, on average, over the past 50 years
3.2%	Deficit as a percentage of GDP in 2016
40%	Debt held by the public as a percentage of GDP, on average, over the past 50 years
77%	Debt held by the public as a percentage of GDP at the end of 2016

Federal Debt, 1967 to 2016

Percentage of Gross Domestic Product



Debt

Debt held by the public is roughly equal to the sum of annual deficits and surpluses. Other factors, such as borrowing to fund student loans and other federal credit programs, can also affect debt held by the public.