# MONTHLY BUDGET REVIEW
## Fiscal Year 2012
## A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for December
and the *Daily Treasury Statements* for January

February 7, 2012

The federal government accumulated a budget deficit of $349 billion in the first four months of fiscal year 2012, CBO estimates, $70 billion less than the shortfall recorded for the same period last year. Without shifts in the timing of certain payments, however, the deficit would have been only $39 billion smaller than the shortfall for the same period last year. If lawmakers enact no further legislation affecting spending or revenues, the federal government will end fiscal year 2012 with a deficit of nearly $1.1 trillion, CBO estimates, compared with $1.3 trillion in 2011. However, enactment of proposals such as pending legislation to extend the payroll tax cut could have a significant impact on the deficit for 2012. (For more details about CBO's most recent budget projections, see *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*.)

### DECEMBER RESULTS

The Treasury reported a deficit of $86 billion for December, $2 billion more than CBO had estimated on the basis of the *Daily Treasury Statements.*

### ESTIMATES FOR JANUARY
(Billions of dollars)

| | Actual FY 2011 | Preliminary FY 2012 | Estimated Change |
|---|---|---|---|
| Receipts | 227 | 235 | 9 |
| Outlays | 276 | 263 | -13 |
| Deficit (-) | -50 | -27 | 22 |

Sources: Department of the Treasury; CBO.

The deficit for January 2012 was $27 billion, CBO estimates, $22 billion less than the deficit for the same month a year earlier. If not for shifts in the timing of some payments, the deficit for January 2012 would have been $18 billion less than the shortfall for January 2011.

Receipts were about $9 billion (or 4 percent) higher in January 2012 than in the same month last year, CBO estimates, largely because of increases in individual income and payroll taxes. Withheld taxes were up by $6 billion (or 4 percent); tax rates were comparable in those two months because the temporary cut in payroll taxes was in effect in January of both years. Receipts from nonwithheld individual income and payroll taxes, which included estimated payments of individual income taxes for the last quarter of calendar year 2011, were $2 billion (or 4 percent) higher in January 2012 than in the same month a year ago. Other sources of revenue contributed a small net gain. Larger refunds of individual income taxes partially offset those revenue increases. (Typically, most refunds are processed between February and April.)

Outlays were $13 billion (or 5 percent) lower in January 2012 than they were in the same month a year earlier. But the shifting of certain payments because of the New Year's holiday reduced outlays in January by $17 billion this year and by $12 billion last year. If not for those effects of the calendar, outlays would have been $9 billion lower than in January of last year.

Outlays for the Department of Education were $7 billion less than in January 2011, because of lower net outlays for the student loan program. Outlays were also lower for refundable tax credits (by $6 billion) and for the Troubled Asset Relief Program (by $3 billion) as well as for Medicaid and unemployment insurance (by $2 billion each).

In contrast, spending for Social Security benefits was $4 billion higher in January 2012 than it was a year earlier, mainly because beneficiaries received a cost-of-living adjustment of 3.6 percent in January. Medicare spending was also $4 billion higher this January.

### BUDGET TOTALS THROUGH JANUARY
(Billions of dollars)

| | Actual FY 2011 | Preliminary FY 2012 | Estimated Change |
|---|---|---|---|
| Receipts | 758 | 791 | 33 |
| Outlays | 1,177 | 1,140 | -37 |
| Deficit (-) | -419 | -349 | 70 |

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of $349 billion for the first four months of fiscal year 2012. Compared with the budget figures at the same point last year, revenues are $33 billion higher and outlays are $37 billion lower, by CBO's estimate.

Note: Unless otherwise indicated, the figures in this report include the Social Security trust funds and the Postal Service fund, which are off-budget. Numbers may not add up to totals because of rounding.

**REVENUES THROUGH JANUARY**
(Billions of dollars)

| Major Source | Actual FY 2011 | Preliminary FY 2012 | Percentage Change |
|---|---|---|---|
| Individual Income | 385 | 398 | 3.3 |
| Social Insurance | 267 | 266 | -0.4 |
| Corporate Income | 40 | 60 | 51.8 |
| Other | 67 | 67 | 0.5 |
| **Total** | **758** | **791** | **4.3** |
| **Memorandum**: | | | |
| Combined Individual Income and Social Insurance Taxes | | | |
| Withheld | 589 | 588 | -0.3 |
| Other | 63 | 76 | 21.2 |
| Total | 652 | 664 | 1.8 |

Sources: Department of the Treasury; CBO.

Receipts were about 4 percent higher in the first four months of fiscal year 2012 than in the same period last year, CBO estimates. Virtually all of that increase stemmed from corporate and individual income taxes, which rose by $20 billion (or 52 percent) and $13 billion (or 3 percent), respectively.

Corporate tax receipts grew because tax payments were $6 billion higher than in the first four months of 2011 and refunds were $14 billion lower. The large drop in corporate tax refunds reflects a return to a level more in keeping with that seen before the recession. (Such refunds were unusually high in the first quarter of fiscal year 2011.)

Receipts from individual income taxes rose by $13 billion (or 3 percent) through January, compared with receipts in the same period a year earlier. Nonwithheld receipts grew by $6 billion (or 8 percent), suggesting continued increases in nonwage income, while refunds declined by $4 billion. Those receipts were further boosted by higher withheld individual income taxes. In contrast, receipts from payroll taxes were slightly lower over the October-January period this year: A $4 billion decline in withheld payroll taxes was roughly offset by a $4 billion increase in unemployment taxes.

Changes in receipts from other sources largely netted out. Receipts from estate and gift taxes and from excise taxes were higher than in the same period of 2011 by $4 billion and $2 billion, respectively. However, receipts from the Federal Reserve were $5 billion lower, reflecting a shift in its portfolio to generally lower-yielding, less-risky assets.

**OUTLAYS THROUGH JANUARY**
(Billions of dollars)

| Major Category | Actual FY 2011 | Preliminary FY 2012 | Percentage Change: Actual | Percentage Change: Adjusted[a] |
|---|---|---|---|---|
| Defense–Military | 234 | 221 | -5.6 | -3.9 |
| Social Security Benefits | 237 | 247 | 4.0 | 4.0 |
| Medicare[b] | 146 | 138 | -5.7 | 4.4 |
| Medicaid | 97 | 79 | -18.3 | -18.3 |
| Unemployment Benefits | 45 | 35 | -23.1 | -23.1 |
| Other Activities | 338 | 328 | -3.1 | 0.4 |
| **Subtotal** | **1,098** | **1,048** | **-4.6** | **-1.8** |
| Net Interest on the Public Debt | 80 | 83 | 3.3 | 3.3 |
| Payments to GSEs | -1 | 10 | n.m. | n.m. |
| **Total** | **1,177** | **1,140** | **-3.2** | **-0.6** |

Sources: Department of the Treasury; CBO.

Note: GSE = government-sponsored enterprise; n.m. = not meaningful.

a. Excludes the effects of payments shifted because of weekends or holidays and of prepayments of deposit insurance premiums.

b. Medicare outlays are net of offsetting receipts.

Spending was about 3 percent lower in the first four months of this year than in the same period last year; but adjusted for shifts in the timing of certain payments, total outlays were about the same in both periods.

Outlays for Medicaid fell by $18 billion (or 18 percent) because legislated increases in the federal government's share of Medicaid costs expired in July 2011. Spending for unemployment benefits fell by $10 billion (or 23 percent) because fewer claims were filed. Adjusted for payment shifts, defense spending declined by $9 billion (or about 4 percent).

In contrast, net payments to the government-sponsored enterprises Fannie Mae and Freddie Mac increased by $11 billion. Adjusted for timing shifts, outlays for Social Security benefits and Medicare also were higher, by $10 billion (or 4 percent) and $6 billion (or 4 percent), respectively. Spending for net interest on publicly held debt rose by $3 billion (or 3 percent).

Expenditures for "Other Activities," adjusted for timing shifts, were about the same as they were in the same period last year. Net outlays to stabilize corporate credit unions rose by $13 billion, mostly because outlays in 2011 were reduced by loan repayments from credit unions. Spending for the Department of Homeland Security increased by $3 billion (or 22 percent). But education spending dropped by $13 billion (or 43 percent), largely because of a decline in spending from funding provided in the American Recovery and Reinvestment Act of 2009.

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This *Monthly Budget Review* and other CBO publications are available at www.cbo.gov.