



MONTHLY BUDGET REVIEW

Fiscal Year 2013

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for October and the *Daily Treasury Statements* for November

December 7, 2012

The federal budget deficit was \$292 billion for the first two months of fiscal year 2013, \$57 billion more than the shortfall recorded in October and November of last year, CBO estimates. Without shifts in the timing of certain payments in each year, however, the deficit for the two-month period would have been about \$8 billion *lower* this year than in fiscal year 2012.

OCTOBER RESULTS

(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	183	184	1
Outlays	297	304	8
Deficit (-)	-113	-120	-7

Sources: Department of the Treasury; CBO.

The U.S. Treasury reported a deficit of \$120 billion for October, about \$7 billion more than CBO's estimate based on the *Daily Treasury Statements*. That difference occurred in part because spending was higher than projected for the crop insurance program, which experienced both unexpectedly high payments for drought losses and delays in collections from private insurance companies. Outlays for the Departments of Homeland Security, Justice, and the Treasury also exceeded CBO's estimates.

ESTIMATES FOR NOVEMBER

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	152	161	9
Outlays	290	334	44
Deficit (-)	-137	-172	-35

Sources: Department of the Treasury; CBO.

The deficit in November was \$172 billion, CBO estimates, \$35 billion more than in the same month last year. However, spending this year was significantly influenced by the shift of certain payments from December to November (because December 1 fell on a weekend); if not for those shifts, the deficit in November 2012 would have been only \$1 billion greater than the shortfall in November 2011.

CBO estimates that receipts in November 2012 totaled \$161 billion—\$9 billion (or 6 percent) more than receipts in November 2011. Net receipts from individual income and payroll taxes rose by \$7 billion (or 5 percent), primarily because of an increase of \$6 billion (or 5 percent) in withheld taxes. Receipts from the Federal Reserve and from corporate income taxes rose by \$2 billion and by a net of \$1 billion, respectively.

Outlays were \$44 billion higher in November than during the same month last year, CBO estimates. Without the shift in the timing of certain payments, the spending increase would have been much smaller—about \$10 billion. Outlays for Social Security benefits were \$4 billion higher than in November 2011; outlays for Medicare (adjusted for the timing shift) and for net interest on the public debt were higher by \$2 billion each. Spending increased by smaller amounts for several other programs. In contrast, outlays for unemployment benefits were \$2 billion lower than in November 2011.

BUDGET TOTALS THROUGH NOVEMBER

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	315	346	30
Outlays	551	638	87
Deficit (-)	-236	-292	-57

Sources: Department of the Treasury; CBO.

The Treasury will record a deficit of \$292 billion for the first two months of fiscal year 2013, CBO estimates—\$57 billion more than the shortfall recorded in the same period last year. Revenues rose by \$30 billion (or 10 percent), but outlays increased by \$87 billion (or 16 percent).

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 NOVEMBER

(Billions of dollars)

Major Source	Actual FY 2012	Preliminary FY 2013	Percentage Change
Individual Income	157	178	12.9
Social Insurance	121	124	2.5
Corporate Income	4	4	-4.6
Other	<u>33</u>	<u>40</u>	21.5
Total	315	346	9.6

Memorandum:

Combined Individual Income and Social Insurance Taxes			
Withheld	270	291	7.9
Other	<u>9</u>	<u>11</u>	24.2
Total	279	302	8.4

Sources: Department of the Treasury; CBO.

Most of the gain in revenues (compared with receipts in October and November last year) stemmed from increases in net receipts from individual income and payroll (social insurance) taxes, which rose by \$23 billion, or 8 percent.

Increases in amounts withheld from workers' paychecks (\$21 billion, or 8 percent) accounted for most of the year-over-year gain, partly because wages and salaries were higher and partly because October 2012 had two more days on which tax payments were received than October 2011 did. Nonwithheld receipts, mainly from filings of 2011 tax returns by people who had received filing extensions, increased by \$2 billion.

Other revenues rose by \$7 billion (or 22 percent). Receipts from the Federal Reserve accounted for about \$4 billion of that increase, primarily because of higher yields on the securities it holds. In addition, excise tax receipts rose by \$2 billion in the first two months of the fiscal year, compared with the same period a year ago. Receipts from corporate income taxes, which are quite small at this point in the year, have been slightly less than they were at the same time last year.

OUTLAYS THROUGH NOVEMBER

(Billions of dollars)

Major Category	Actual FY 2012	Preliminary FY 2013	Percentage Change	
			Actual	Adjusted ^a
Defense–Military	111	118	5.8	-1.9
Social Security				
Benefits	122	130	6.8	6.8
Medicare ^b	63	101	59.9	8.1
Medicaid	41	44	9.1	9.1
Unemployment				
Benefits	17	13	-21.6	-21.6
Other Activities	<u>153</u>	<u>185</u>	20.8	4.2
Subtotal	506	590	16.7	3.6
Net Interest on the Public Debt	<u>45</u>	<u>48</u>	5.3	5.3
Total	551	638	15.8	3.7

Sources: Department of the Treasury; CBO.

- Excludes the effects of payments shifted because of weekends or holidays.
- Medicare outlays are net of offsetting receipts.

If shifts in the timing of certain payments were excluded, spending in the first two months of fiscal year 2013 would have been about \$22 billion (or 4 percent) more than outlays in the same period last year. (The year-over-year changes discussed below reflect adjustments for those calendar-related shifts.)

Expenditures for each of the three largest entitlement programs were higher than in the same period last year. Outlays for Social Security benefits increased the most—by \$8 billion (or 7 percent). Spending for Medicare rose by \$6 billion (or 8 percent) and outlays for Medicaid rose by \$4 billion (or 9 percent).

Outlays for net interest on the public debt were \$2 billion (or 5 percent) higher, reflecting both the growing debt held by the public and higher payments for inflation-indexed securities.

In contrast, spending for unemployment benefits declined—by \$4 billion (or 22 percent)—mostly because fewer people have been receiving benefits in recent months. Outlays for defense were \$2 billion (or 2 percent) less than in the same period last year.

Expenditures in the broad category “Other Activities,” increased by \$7 billion (or 4 percent) compared with such spending in the first two months of fiscal year 2012. Spending increased for the Departments of Agriculture and Justice, and for several other programs. Spending for housing and energy programs fell by about \$1 billion each.