



MONTHLY BUDGET REVIEW

Fiscal Year 2010

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for March and the *Daily Treasury Statements* for April

May 7, 2010

In the first seven months of fiscal year 2010, the federal government incurred a budget deficit of about \$800 billion, the same as the shortfall at the same point in 2009, CBO estimates. Outlays and revenues alike are lower than they were last year at this time, by 3 percent and 4 percent, respectively. At the end of the spring tax-filing season, receipts of individual income taxes were less than CBO anticipated, but receipts of corporate taxes were greater. Consistent with its most recent baseline projections, CBO continues to expect that revenues and outlays will be higher at the end of fiscal year 2010 than they were the previous year.

MARCH RESULTS

The Treasury reported a deficit of \$65 billion for March, about \$3 billion more than CBO had estimated for that month on the basis of the *Daily Treasury Statements*. The difference occurred largely because outlays were higher than expected for agriculture and defense programs.

Withheld income and payroll taxes rose by about \$6 billion (or 5 percent) relative to receipts last April; most of that change reflects recent growth in wages and salaries. Net corporate income tax receipts were about \$8 billion (or 56 percent) higher than those in April 2009. That figure reflects a \$5 billion (or 19 percent) increase in gross receipts, largely from corporations' first quarterly tax payments for 2010, and a decline in refunds of \$3 billion (or 22 percent).

ESTIMATES FOR APRIL

(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	266	246	-20
Outlays	287	331	44
Deficit (-)	-21	-85	-64

Sources: Department of the Treasury; CBO.

CBO estimates that the deficit in April was \$85 billion, \$64 billion more than the deficit recorded in the same month last year. After adjusting for shifts in the timing of certain payments, the deficit for April 2010 would be \$39 billion more than the shortfall in April 2009.

Outlays were \$44 billion (or 15 percent) higher in April 2010 than they were in April 2009. Certain payments were shifted into April this year because May 1 fell on a weekend, boosting outlays in April by \$25 billion; there were no such shifts in the same month a year ago. Adjusted for that calendar effect, spending was about \$19 billion higher this April than it was in April 2009. Outlays increased by \$4 billion for defense and by \$3 billion for education. Spending for agriculture programs, Social Security benefits, and the Federal Deposit Insurance Corporation also increased by \$2 billion each. Those increases were partially offset by decreases for Medicaid and the Troubled Asset Relief Program (TARP); spending for each declined by \$3 billion.

By CBO's estimate, receipts in April were about \$20 billion (or 8 percent) less than receipts in April 2009. That decline is largely related to individuals' tax liabilities for 2009. Nonwithheld receipts for individual income and payroll taxes—mainly amounts paid with income tax returns filed in April—declined by \$25 billion (or 17 percent); net revenues from individuals' taxes fell by more because refunds of individual income taxes rose by \$11 billion (or 19 percent). The increase in refunds occurred in part because there were five Fridays in April 2009, and most refunds are reported on Fridays.

BUDGET TOTALS THROUGH APRIL

(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	1,256	1,200	-56
Outlays	2,058	2,002	-56
Deficit (-)	-802	-802	0

Sources: Department of the Treasury; CBO.

The decline in nonwithheld individual income tax receipts and the increase in individual refunds were partly offset by higher revenues from other sources.

The Treasury will record a deficit of \$802 billion for the first seven months of fiscal year 2010, CBO estimates, about the same as the deficit recorded for the same period last year.

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 APRIL

(Billions of dollars)

Major Source	Actual FY 2009	Preliminary FY 2010	Percent Change
Individual Income	566	503	-11.3
Corporate Income	71	77	8.4
Social Insurance	528	506	-4.2
Other	90	114	26.6
Total	1,256	1,200	-4.5

Sources: Department of the Treasury; CBO.

Receipts in the first seven months of this fiscal year were about \$56 billion (or 4 percent) lower than those in the same period last year, about twice the size of the decline anticipated by CBO in its 2010 baseline projections. As this year's tax-filing season ends, individual income tax receipts are about \$55 billion (or 6 percent) lower than CBO expected but corporate income tax receipts are about \$30 billion (or 20 percent) higher than anticipated.

Overall, for the first seven months of fiscal year 2010, withheld income and payroll taxes declined by about \$39 billion (or 4 percent) relative to receipts in the first seven months of 2009; that decline resulted from lower wages and salaries in the first half of the fiscal year and from the Making Work Pay credit, which was enacted in the American Recovery and Reinvestment Act (ARRA). Nonwithheld receipts of individual income and payroll taxes decreased by about 15 percent in the first seven months of the year, contributing another \$39 billion to the decrease in total receipts. In addition, refunds of individual income taxes—primarily associated with 2009 tax returns—increased by \$10 billion (or 5 percent). The \$49 billion decline in nonwithheld receipts net of refunds, largely reflecting 2009 tax liabilities, probably results from greater-than-expected declines in nonwage income, such as capital gains, noncorporate business income, interest, and dividends in calendar year 2009.

Increases in revenues from other sources have offset some of the decline in individual income and payroll tax receipts so far this year. In particular, receipts to the Treasury from the Federal Reserve rose by \$26 billion because of the central bank's shift to longer-term, riskier, and thus higher-yielding investments in support of the housing market and the broader economy.

Receipts in March and April suggest that tax revenues may soon begin to rise again. In the past two months, withheld income and payroll taxes have been greater than in the same months last year, presumably reflecting a rebound in wages and salaries and a much smaller impact from the Making Work Pay credit. Net corporate receipts, which were below receipts through February 2009, are now \$6 billion ahead of last year's pace, at

least in part because of larger-than-expected payments for 2009 liabilities and lower-than-expected refunds. CBO currently anticipates that receipts for the rest of the fiscal year will be in line with its March projection, which anticipated both higher withheld income and payroll taxes and higher corporate tax payments than the amounts collected last year.

OUTLAYS THROUGH APRIL

(Billions of dollars)

Major Category	Actual FY 2009	Preliminary FY 2010	Percentage Change	
			Actual	Adjusted ^a
Defense–Military	369	396	7.3	6.1
Social Security				
Benefits	377	402	6.6	6.6
Medicare ^b	243	269	10.7	5.1
Medicaid	142	157	10.4	10.4
Unemployment				
Benefits	59	99	68.8	68.8
Other Activities	587	634	8.0	6.7
Subtotal	1,777	1,957	10.1	8.7
Net Interest on the				
Public Debt	105	129	23.2	23.2
TARP	118	-108	-191.7	-191.7
Payments to GSEs	59	25	-57.7	-57.7
Total	2,058	2,002	-2.7	-4.0

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; GSE = government-sponsored enterprise.

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

Expenditures through April were about \$56 billion (or 3 percent) less than those in the first seven months of 2009, CBO estimates. Net outlays for the TARP, Fannie Mae, Freddie Mac, and federal deposit insurance have dropped sharply; other spending has increased by about \$246 billion compared with outlays in the same period of 2009, an increase of 13 percent (after accounting for shifts in the timing of certain payments).

Outlays for unemployment benefits are \$41 billion (or 69 percent) higher than they were at this time last year. Medicaid expenditures have risen by \$15 billion (or 10 percent), \$8 billion of which stemmed from provisions of ARRA. Adjusted for timing shifts, payments for Social Security benefits and Medicare spending have grown by 7 percent and 5 percent, respectively.

Spending for "Other Activities" rose by \$40 billion (or 7 percent), adjusted for timing shifts. Excluding the \$67 billion decline in net outlays for deposit insurance, other spending grew by \$106 billion (or 19 percent). The largest changes were associated with refundable tax credits; programs of the Department of Education, including the State Fiscal Stabilization Fund; and food and nutrition assistance.