



# MONTHLY BUDGET REVIEW

## Fiscal Year 2011

### A Congressional Budget Office Analysis

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

December 6, 2010

The federal budget deficit was \$283 billion for the first two months of fiscal year 2011, CBO estimates, \$14 billion less than the shortfall recorded through November of last year. Outlays and revenues alike are higher than they were last year at this time, by about 2 percent and 9 percent, respectively.

#### OCTOBER RESULTS

(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	145	146	1
Outlays	285	286	1
Deficit (-)	-140	-140	*

Sources: Department of the Treasury; CBO.  
Note: \* = between zero and \$500 million.

The Treasury reported a deficit of \$140 billion in October, about the same as CBO's estimate for that month based on the *Daily Treasury Statements*.

#### ESTIMATES FOR NOVEMBER

(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	134	148	14
Outlays	254	291	37
Deficit (-)	-120	-142	-22

Sources: Department of the Treasury; CBO.

The deficit in November was \$142 billion, CBO estimates, \$22 billion more than the deficit in the same month last year. However, if the outlay figures were adjusted for shifts in the timing of certain payments, the deficit for November 2010 would be \$4 billion less than the shortfall in November 2009.

CBO estimates that receipts in November 2010 totaled \$148 billion, \$14 billion (or 11 percent) more than receipts in November 2009. Individual income and payroll taxes combined rose by \$15 billion (or 13 percent), largely because of an \$11 billion (or 8 percent) rise in withheld taxes, the result of both the strengthening economy and the effects of an additional working day in November this year. An increase of \$1 billion in nonwithheld individual income and payroll

taxes and a decline of \$3 billion in individual income tax refunds also contributed to the rise in individual and payroll receipts. The expiration of the estate tax at the end of 2009 reduced receipts by about \$1 billion this November compared with collections in November 2009. Because estate tax payments typically occur about nine months after an individual's death, the reduction in receipts from the expiration of the estate tax first became apparent in October and will continue throughout fiscal year 2011.

Outlays were \$37 billion higher in November than during the same month last year. That increase is mainly attributable to a shift in payment dates. Because November 1, 2009, fell on a weekend, \$27 billion in payments that ordinarily would have been made in November were instead made at the end of October 2009. No such shift occurred this year. Adjusted for that calendar effect, outlays for the month would have been \$11 billion higher than in November 2009. Spending for defense increased by \$7 billion, expenditures for Medicaid increased by \$3 billion, and outlays for Social Security were up by \$2 billion. Those increases were partially offset by net decreases of \$4 billion in spending for federal deposit insurance and \$2 billion in outlays for the Troubled Asset Relief Program.

#### BUDGET TOTALS THROUGH NOVEMBER

(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	269	294	25
Outlays	566	577	11
Deficit (-)	-297	-283	14

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$283 billion for the first two months of fiscal year 2011, \$14 billion less than the deficit recorded for the same period last year. Revenues rose by about \$25 billion (or 9 percent); outlays increased by \$11 billion (or 2 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 2010	Preliminary FY 2011	Percentage Change
Individual Income	109	134	22.9
Corporate Income	-7	-7	0.3
Social Insurance	134	134	0.2
Federal Reserve	12	12	2.9
Other	<u>20</u>	<u>20</u>	-1.9
<b>Total</b>	<b>269</b>	<b>294</b>	<b>9.3</b>

Sources: Department of the Treasury; CBO.

Because few payments of corporate or individual estimated income taxes are made in the first two months of the year, receipts in those months are typically dominated by withheld income and social insurance (payroll) taxes. Individual income and payroll taxes combined rose by \$25 billion (or 10 percent). Withheld income and payroll taxes were about \$17 billion (or 7 percent) higher, reflecting strengthening economic conditions. Individual tax refunds were down by about \$7 billion (or 23 percent) from abnormally high amounts during October and November 2009. State unemployment tax insurance receipts, which are included in payroll taxes, were higher by about \$1 billion because of states' efforts to replenish their trust funds.

Receipts from corporate income taxes, net of refunds, were negative by the same amount for the first two months of this year and last; overall, firms received more in refunds during this period than they paid in taxes, and they will not make significant estimated payments until mid-December. All other receipts combined are running at about the same level for the first two months of the fiscal year as they were in the same period last year. Higher customs duties and miscellaneous receipts offset the roughly \$2 billion reduction in receipts that resulted from the expiration of the estate tax.

**OUTLAYS THROUGH NOVEMBER**

(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change
Defense–Military	113	122	7.9
Social Security			
Benefits	114	118	3.9
Medicare <sup>a</sup>	74	75	1.2
Medicaid	44	48	8.7
Unemployment	24	22	-8.6
Benefits			
Other Activities	<u>156</u>	<u>151</u>	-3.6
<b>Subtotal</b>	<b>526</b>	<b>536</b>	<b>2.0</b>
Net Interest on the			
Public Debt	37	40	7.6
TARP	<u>2</u>	<u>*</u>	-85.0
<b>Total</b>	<b>566</b>	<b>577</b>	<b>2.0</b>

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; \* = Between zero and \$500 million.

a. Medicare outlays are net of proprietary receipts.

CBO estimates that spending for the first two months of fiscal year 2011 totaled \$577 billion, up \$11 billion (or 2 percent) from the same period last year.

Outlays for defense were \$9 billion (or 8 percent) higher than in the same period last year. Spending for procurement and for operations and maintenance fueled most of that growth. In addition, net interest on the public debt grew by \$3 billion (or 8 percent) because the amount of debt has increased as a result of the sizable increase in borrowing during fiscal year 2010.

Compared with spending in the same period last year, monthly expenditures for Social Security and Medicaid were higher by an average of \$2 billion. That increase is similar to the average month-over-month increase for those programs during the final quarter of fiscal year 2010. Medicare payments were up by less than \$1 billion (or 1 percent), and spending for unemployment assistance decreased by \$2 billion (or 9 percent).

Expenditures in the category "Other Activities" fell by \$6 billion (or 4 percent). Net outlays for federal deposit insurance decreased by \$10 billion, compared with spending in the first two months of fiscal year 2010. The decline in outlays stemmed mainly from loan repayments by corporate credit unions and increased recoveries from failed financial institutions. Those declines in outlays were partially offset by slight increases in spending for a variety of federal programs.