



MONTHLY BUDGET REVIEW

Fiscal Year 2011

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for July and the *Daily Treasury Statements* for August

September 8, 2011

The federal budget deficit totaled \$1.23 trillion through the first 11 months of fiscal year 2011, CBO estimates—\$28 billion less than the deficit incurred in the same period last year. Revenues were about 7.6 percent higher through August than they were at the same point last year, and outlays were 3.7 percent higher. In its most recent budget projections, published in August in *The Budget and Economic Outlook: An Update*, CBO estimated that the deficit for fiscal year 2011 (which will end on September 30, 2011) will total \$1.28 trillion, about \$10 billion less than last year's shortfall.

JULY RESULTS (Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	159	159	0
Outlays	292	288	-3
Deficit (-)	-132	-129	3

Sources: Department of the Treasury; CBO.

The Treasury Department reported a deficit of \$129 billion for July, \$3 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. Spending for a number of programs fell short of CBO's estimates.

ESTIMATES FOR AUGUST (Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	164	170	6
Outlays	255	302	47
Deficit (-)	-91	-132	-41

Sources: Department of the Treasury; CBO.

The deficit in August amounted to \$132 billion, CBO estimates, \$41 billion more than the shortfall recorded for the same month a year ago. Much of that increase occurred because August 1, 2010, fell on a weekend and certain payments ordinarily made on the first of the month were instead made in July of that year. Adjusted for that shift, the deficit was \$13 billion larger in August 2011 than it was in August 2010.

Receipts were about \$6 billion (or 4 percent) higher in August 2011 than they were in the same month last year, CBO estimates. Receipts from withheld individual

income and payroll taxes rose by \$7 billion (or 5 percent), despite a temporary reduction in the payroll tax rate that took effect in January 2011. However, much of that rise in withheld taxes occurred because August 2011 included one more business day than August 2010. In all, revenues from other sources were about \$1 billion lower in August 2011 than they were a year earlier, mostly because of a \$2 billion decline in receipts from the Federal Reserve.

Outlays were \$47 billion higher in August than in the same month last year, CBO estimates, but that increase would have been only \$19 billion (or 7 percent) without the shift in the timing of 2010 payments mentioned above. Spending by the Department of Education was \$8 billion higher than in August 2010, when downward adjustments were made to the estimated subsidy costs of loans and loan guarantees provided in previous years. Smaller changes in spending for many other programs last month boosted outlays by another \$15 billion, on net. In contrast, outlays for unemployment benefits were \$4 billion lower last month than they were in August 2010.

BUDGET TOTALS THROUGH AUGUST (Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	1,917	2,063	146
Outlays	3,176	3,295	118
Deficit (-)	-1,260	-1,232	28

Sources: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of \$1.23 trillion for the first 11 months of fiscal year 2011, \$28 billion less than the deficit for the same period last year. Revenues grew by \$146 billion (or 7.6 percent), and outlays rose by \$118 billion (or 3.7 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 AUGUST
(Billions of dollars)

Major Source	Actual FY 2010	Preliminary FY 2011	Percentage Change
Individual Income	791	977	23.5
Social Insurance	797	752	-5.7
Corporate Income	142	142	0
Other	185	192	3.4
Total	1,917	2,063	7.6

Memorandum:

Combined Individual Income and Social Insurance Taxes

Withheld	1,520	1,578	3.9
Other	69	150	118.0
Total	1,589	1,729	8.8

Sources: Department of the Treasury; CBO.

The growth in revenues over the first 11 months of the fiscal year reflects a significant increase in receipts from individual income taxes, which was partially offset by a net reduction in other receipts. Withheld income and social insurance (payroll) taxes rose by \$59 billion (or almost 4 percent). That gain would have been even larger had payroll taxes paid by employees not been reduced starting in January 2011. Nonwithheld income and payroll taxes also rose (by \$48 billion, or 17 percent); the bulk of that increase resulted from higher final payments made with 2010 individual income tax returns that were filed earlier this year. The gains in withheld and nonwithheld individual income taxes can be attributed, at least in part, to increases in both wages and nonwage income. Receipts from unemployment insurance taxes grew by \$11 billion through August as states replenished trust funds that had been substantially depleted because of high unemployment. Revenues also rose because refunds of individual income taxes were down by about \$22 billion (or 9 percent) during the past 11 months.

Receipts from corporate income taxes were about the same through August as they were in the first 11 months of fiscal year 2010. Revenue increases stemming from higher profits offset revenue reductions resulting from tax legislation enacted in 2010, particularly provisions that accelerated businesses' deductions for depreciation.

Revenues from other sources increased by a total of about \$6 billion (or 3 percent) in the first 11 months of the year. Receipts to the Treasury from the Federal Reserve grew by \$9 billion, primarily because of the larger portfolio of Treasury securities held by the Federal Reserve. Customs duties and excise taxes each rose by about \$4 billion. Gains from those sources were partly offset by a decline of about \$11 billion in estate and gift taxes, which stemmed from the temporary repeal of the estate tax for calendar year 2010.

OUTLAYS THROUGH AUGUST
(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change	
			Actual	Adjusted ^a
Defense–Military	605	614	1.5	1.5
Social Security				
Benefits	637	659	3.5	3.5
Medicare ^b	412	428	4.0	4.0
Medicaid	250	255	2.1	2.1
Unemployment				
Benefits	148	113	-23.8	-23.8
Other Activities	981	1,014	3.3	-1.4
Subtotal	3,033	3,084	1.7	0.1
Net Interest on the				
Public Debt	210	247	17.6	17.6
TARP	-108	-39	n.m.	n.m.
Payments to GSEs	41	3	-93.3	-93.3
Total	3,176	3,295	3.7	2.2

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; n.m. = not meaningful; GSE = government-sponsored enterprise.

- a. Excludes the effects of prepayments of deposit insurance premiums.
b. Medicare outlays are net of offsetting receipts.

Outlays totaled \$3.3 trillion in the first 11 months of the fiscal year, CBO estimates, \$118 billion more than in the same period last year. About \$46 billion of that rise stemmed from last year's prepayments of premiums to the Federal Deposit Insurance Corporation (FDIC), which were recorded as negative outlays. Another \$55 billion of the increase occurred because downward adjustments to the estimated net cost of credit programs (mainly the Troubled Asset Relief Program) have been smaller in 2011 than in 2010. Otherwise, total spending has risen only slightly.

Outlays for net interest on federal debt held by the public grew faster than any other category of spending—by nearly 18 percent (or \$37 billion)—mainly because of substantial growth in that debt over the past 11 months. Outlays for the largest entitlement programs rose more slowly: Medicare, by 4.0 percent; Social Security, by 3.5 percent; and Medicaid, by 2.1 percent. Defense spending increased by only 1.5 percent.

Those increases were partially offset by declines in two large categories of spending: Net payments to Fannie Mae and Freddie Mac were \$38 billion lower than at the same point last year, and spending for unemployment benefits was \$35 billion lower. Outlays for the category "Other Activities" also fell: by 1.4 percent, with last year's prepayments of premiums to the FDIC excluded. Lower spending for deposit insurance and a variety of other programs more than offset higher spending for veterans' programs and food and nutrition assistance.