



# MONTHLY BUDGET REVIEW

## Fiscal Year 2011

### A Congressional Budget Office Analysis

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

January 9, 2012

The federal budget deficit was \$320 billion in the first quarter of fiscal year 2012, CBO estimates, \$49 billion less than the deficit recorded in the same period in fiscal year 2011. But \$26 billion of that difference resulted from shifts in the timing of certain payments because the regular payment dates fell on weekends or holidays; otherwise, the deficit would have declined by only \$23 billion. Receipts were up by 4 percent, compared with those in the same period a year before. Adjusted for timing shifts, outlays were essentially unchanged. Later this month, CBO will issue new budget projections spanning the period from 2012 through 2022.

#### NOVEMBER RESULTS

The U.S. Treasury reported a deficit of \$137 billion for November 2011, \$2 billion less than CBO's estimate for the month based on the *Daily Treasury Statements*.

#### ESTIMATES FOR DECEMBER

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	237	239	2
Outlays	315	323	8
Deficit (-)	-78	-84	-6

Sources: Department of the Treasury; CBO.

The deficit in December 2011 was \$84 billion, CBO estimates, \$6 billion more than the deficit a year earlier. Without shifts in the timing of certain payments, the deficit in December 2011 would have been just \$1 billion more than it was in December 2010.

CBO estimates that receipts in December 2011 were \$2 billion (or 1 percent) higher than those a year earlier. Net receipts of corporate income taxes rose by \$7 billion (or 16 percent), primarily because quarterly estimated payments in December 2011 were higher than those a year before, which were unusually weak because of changes in depreciation rules enacted late that year. Receipts from nonwithheld individual income and payroll taxes and unemployment insurance taxes increased by a total of \$2 billion.

Those gains were largely offset by a drop of \$7 billion (or 4 percent) in withholding for individual income and payroll taxes. That decline occurred because the payroll tax rate was reduced in 2011 and because December 2011 had one fewer working day than December 2010.

Outlays in December 2011 were \$8 billion greater than those in December 2010, CBO estimates. The shifting of payments because of weekends and holidays affected spending in both years, but it boosted outlays by \$5 billion more in December 2011 than in December 2010. Without those timing shifts, outlays in December 2011 would have been \$3 billion higher than they were in December 2010.

Net payments to Fannie Mae and Freddie Mac climbed by \$11 billion because the housing agencies required significantly larger cash infusions from the federal government than they did in December 2010. Spending increased by smaller amounts in several other areas. In contrast, Medicaid outlays were \$7 billion less than those in December 2010, when the federal government was temporarily reimbursing states at a higher matching rate. Unemployment insurance payments fell by \$3 billion.

#### BUDGET TOTALS THROUGH DECEMBER

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	532	554	23
Outlays	901	874	-26
Deficit (-)	-369	-320	49

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$320 billion for the first quarter of fiscal year 2012, \$49 billion less than the deficit in the first quarter of 2011. Revenues were \$23 billion higher and outlays were \$26 billion lower than the amounts recorded in the first quarter of fiscal year 2011.

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 DECEMBER**  
(Billions of dollars)

Major Source	Actual FY 2011	Preliminary FY 2012	Percentage Change
Individual Income	256	271	5.9
Social Insurance	191	180	-5.7
Corporate Income	36	54	51.2
Other	<u>49</u>	<u>49</u>	-0.1
<b>Total</b>	<b>532</b>	<b>554</b>	<b>4.2</b>
<b>Memorandum:</b>			
Combined Individual Income and Social Insurance Taxes			
Withheld	438	431	-1.5
Other	<u>9</u>	<u>20</u>	115.2
Total	447	451	0.9

Sources: Department of the Treasury; CBO.

Receipts in the first quarter of fiscal year 2012 were about 4 percent more than those a year earlier. Most of the gains stemmed from higher corporate income taxes (which rose by \$18 billion, or 51 percent). Receipts from individual income taxes also increased—by \$15 billion (or 6 percent). Offsetting the gains were lower social insurance (payroll) tax receipts, which declined by \$11 billion (or 6 percent) because the payroll tax rate was reduced in 2011.

The increase in corporate income tax receipts occurred because tax payments rose by \$6 billion and refunds fell by \$13 billion. Corporate refunds were unusually high in the first quarter of fiscal year 2011 in the aftermath of the recession; this year the amount is more comparable with those of the years before the recession.

Altogether, individual income and payroll tax receipts rose by \$4 billion, or about 1 percent. Several factors contributed to that increase: Refunds of individual income taxes declined by \$5 billion; nonwithheld receipts of individual income and payroll taxes rose by \$3 billion; and receipts from unemployment taxes increased by \$2 billion, as states replenished trust funds that had been depleted during the recession. Much of the gain was offset by a \$6 billion (or 1 percent) drop in withholding of individual income and payroll taxes, primarily because the payroll tax rate in effect during the first quarter of fiscal year 2012 was lower than that in the same period a year earlier.

Receipts from estate and gift taxes rose by \$2 billion, and collections from excise taxes increased by \$1 billion, but receipts from the Federal Reserve declined by \$3 billion, as its portfolio has shifted to lower-yielding, less-risky assets.

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

Major Category	Actual FY 2011	Preliminary FY 2012	Percentage Change	
			Actual	Adjusted <sup>a</sup>
Defense–Military	188	174	-7.5	-5.5
Social Security				
Benefits	178	183	3.1	3.1
Medicare <sup>b</sup>	113	100	-11.9	1.1
Medicaid	77	61	-19.8	-19.8
Unemployment				
Benefits	34	25	-25.8	-25.8
Other Activities	<u>252</u>	<u>257</u>	2.0	5.0
<b>Subtotal</b>	<b>842</b>	<b>801</b>	<b>-4.9</b>	<b>-1.8</b>
Net Interest on the Public Debt	60	64	6.2	6.2
Payments to GSEs	<u>-1</u>	<u>10</u>	n.m.	n.m.
<b>Total</b>	<b>901</b>	<b>874</b>	<b>-2.9</b>	<b>-0.1</b>

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.

Without shifts in the timing of certain government payments, first-quarter outlays would have been about the same as those in the same period a year before.

Outlays for Medicaid fell by \$15 billion (or 20 percent) because, by law, the federal government's share of the program's costs dropped in July 2011. Adjusted for the shift in the timing of military paychecks, defense spending was \$10 billion (or 5 percent) lower than in the same period a year before. In addition, spending for unemployment benefits fell by \$9 billion (or 26 percent) because fewer claims were filed.

Those decreases were partially offset by an \$11 billion increase in net payments to the government-sponsored enterprises Fannie Mae and Freddie Mac. Spending for net interest on the public debt increased by \$4 billion (or 6 percent) in the first quarter of fiscal year 2012. Adjusted for timing shifts, outlays for Social Security benefits and Medicare also were higher than in the first quarter of 2011, by \$6 billion (or 3 percent) and \$1 billion (or 1 percent), respectively.

Expenditures for "Other Activities," adjusted for timing shifts, were \$12 billion (or 5 percent) higher than in the first quarter of fiscal year 2011. Net outlays for stabilizing corporate credit unions rose by \$12 billion, mostly because outlays in fiscal year 2011 were reduced by loan repayments from credit unions. In contrast, education spending dropped by \$6 billion (or 26 percent) as spending from the 2009 economic stimulus act waned.