MONTHLY BUDGET REVIEW

Fiscal Year 2011

A Congressional Budget Office Analysis

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

April 7, 2011

The federal government incurred a budget deficit of $830 billion in the first six months of fiscal year 2011, CBO estimates—$113 billion more than the shortfall recorded in the same period last year. Outlays and revenues are both higher than they were last year at this time, by 11 percent and 7 percent, respectively.

FEBRUARY RESULTS
(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	110	111	1
Outlays	333	333	0
Deficit (-)	-223	-223	0

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of $223 billion for February, about what CBO estimated last month.

ESTIMATES FOR MARCH
(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	153	150	-3
Outlays	219	339	121
Deficit (-)	-65	-189	-124

Sources: Department of the Treasury; CBO.

The deficit in March was $189 billion, CBO estimates—$124 billion more than the deficit recorded in the same month last year. That difference stems mostly from a revision to the projected cost of the Troubled Asset Relief Program (TARP). Specifically, the Treasury reported a reduction in outlays for that program of $115 billion in March 2010, reflecting a significant decline in its estimated net costs. CBO expects the Treasury to record another, smaller downward revision in TARP outlays in April 2011.

Receipts in March were about $3 billion (or 2 percent) lower than receipts in March 2010, CBO estimates. A decline in collections from individual income, payroll, and estate and gift taxes was partially offset by an increase in corporate receipts and remittances from the Federal Reserve.

In particular, receipts from individual income and payroll taxes combined were $9 billion (or 7 percent) less than those last March. Withheld income and payroll taxes fell by $3 billion (or 2 percent), for two reasons: Legislation enacted in December 2010 lowered Social Security taxes paid by individuals this year; and compared with March of last year, March 2011 had one fewer Monday, which is generally the day with the largest volume of withheld payments. CBO estimates that were it not for those factors, withheld receipts would have risen in March. Individual income tax refunds (which are recorded as a reduction in revenues) were $8 billion higher than refunds last March. That increase largely reflects a delay in the filing and processing of some tax returns that would normally have been handled in February. Nonwithheld individual income and payroll taxes rose by $2 billion.

Net corporate receipts in March were higher than CBO anticipated, up by $7 billion over the amount collected in March 2010, despite the retroactive bonus depreciation and full expensing provisions enacted late last year; March is the month when most corporations made final tax payments based on their 2010 liability. Estate and gift taxes declined by $3 billion because of the temporary expiration of the estate tax in 2010.

Aside from the TARP adjustment, outlays were $6 billion higher this March than in the same month last year. In particular, outlays for several programs were a total of $9 billion higher because of revisions to the estimated subsidy costs of loans and loan guarantees. Spending was also higher for Medicare ($3 billion), net interest on the public debt ($3 billion), Social Security ($2 billion), and education programs ($2 billion). In contrast, net payments to Fannie Mae and Freddie Mac and outlays for unemployment benefits were lower by $13 billion and $5 billion, respectively.

BUDGET TOTALS THROUGH MARCH
(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	954	1,019	66
Outlays	1,671	1,850	179
Deficit (-)	-717	-830	-113

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of $830 billion for the first six months of fiscal year 2011. Revenues rose by $66 billion in the first half of the year, but outlays were up by $179 billion.

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 MARCH
(Billions of dollars)

Major Source	Actual FY 2010	Preliminary FY 2011	Percentage Change
Individual Income	394	476	21.0
Social Insurance	409	389	-4.7
Corporate Income	54	54	0.5
Other	98	100	2.0
Total	**954**	**1,019**	**6.9**
Memorandum:			
Combined Individual Income and Social Insurance Taxes			
Withheld	848	894	5.5
Other	-45	-29	n.m.
Total	802	866	7.9

Sources: Department of the Treasury; CBO.
Note: n.m. = not meaningful.

Total receipts were about 7 percent higher in the first half of this fiscal year than in the first half of 2010, largely as a result of increases in individual income taxes. Receipts from social insurance taxes, however, declined by about 5 percent because of the temporary reduction in payroll taxes that took effect in January.

Receipts from income and social insurance taxes combined rose by $63 billion in the first half of the fiscal year. Taxes withheld from paychecks increased by $47 billion, reflecting higher wages and salaries; the increase would have been greater but for the temporary payroll tax reduction. Other receipts from individual and social insurance taxes were $16 billion more than the amounts collected in the first half of last fiscal year. That increase was the result of a number of factors. Nonwithheld individual income and payroll tax receipts rose by about $5 billion (or 5 percent); most of that increase stemmed from higher payments for calendar year 2010 liabilities. Refunds of individual income taxes were about $6 billion (or 4 percent) lower than refunds in the first half of last year. And receipts of unemployment insurance taxes rose by $5 billion, as states endeavored to replenish their trust funds.

Net receipts from corporate income taxes in the first half of the fiscal year were essentially unchanged from last year, and collections from other, smaller categories of receipts rose slightly, on net. Increases in receipts from the Federal Reserve (up $4 billion), excise taxes (up $3 billion), customs duties (up $2 billion), and other miscellaneous receipts (up $1 billion) were largely offset by a $9 billion decline in estate and gift taxes.

The next several weeks will provide important information about receipts this year. Final payments for 2010 individual income tax returns are due this month, and individuals and corporations alike will make quarterly estimated payments of income taxes in April.

OUTLAYS THROUGH MARCH
(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change: Actual	Percentage Change: Adjusted[a]
Defense–Military	335	341	1.7	1.7
Social Security Benefits	344	357	3.7	3.7
Medicare[b]	218	226	3.8	3.8
Medicaid	133	145	8.7	8.7
Unemployment Benefits	86	67	-22.0	-22.0
Other Activities	529	588	11.1	1.7
Subtotal	**1,646**	**1,724**	**4.8**	**1.7**
Net Interest on the Public Debt	109	123	12.8	12.8
TARP	-109	4	n.m.	n.m.
Payments to GSEs	25	-2	-107.5	-107.5
Total	**1,671**	**1,850**	**10.7**	**7.5**

Sources: Department of the Treasury; CBO.
Note: TARP = Troubled Asset Relief Program;
GSE = government-sponsored enterprise;
n.m. = not meaningful.
a. Excludes the effects of prepayments of deposit insurance premiums.
b. Medicare outlays are net of proprietary receipts.

Outlays for the first half of fiscal year 2011 were $179 billion higher than outlays during the same period last year, CBO estimates. That increase is almost entirely explained by adjustments to the expected cost of the TARP and advance payments made to the Federal Deposit Insurance Corporation in fiscal year 2010 that would have been made in future years. Excluding those adjustments and prepayments (which were recorded as negative outlays), total spending has grown by $15 billion (or less than 1 percent) in 2011.

The pace of spending is partly attributable to a $30 billion drop in outlays associated with the American Recovery and Reinvestment Act (ARRA). The phase-out and conclusion of additional spending for Medicaid and unemployment benefits and lower expenditures for the State Fiscal Stabilization Fund accounted for over half of that decline.

Smaller cash infusions and slightly larger dividend receipts reduced net payments to Fannie Mae and Freddie Mac by $27 billion. Unemployment benefits so far this year are $19 billion less than those in the same period last year, reflecting fewer claims and lower average benefits.

In contrast, net interest on the public debt increased by $14 billion (or 13 percent). Expenditures for Medicaid rose by 9 percent, and spending for Medicare and Social Security increased by 4 percent each. Defense spending increased by less than 2 percent, well below the average annual increase experienced in recent years.

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