



Monthly Budget Review for July 2013

The federal government’s budget deficit was slightly more than \$600 billion in the first 10 months of fiscal year 2013, CBO estimates, almost \$370 billion less than the shortfall recorded for the same period last year. Revenues have risen by about 14 percent, accounting for much of the decline in the deficit. The results through July suggest that total outlays and revenues for the fiscal year will both be slightly less than CBO projected in May, when it estimated a deficit of \$642 billion for the year.

Budget Totals, October–July (Billions of dollars)			
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change
Receipts	2,009	2,287	278
Outlays	2,983	2,893	-90
Deficit (-)	-974	-606	368

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for June 2013 and the *Daily Treasury Statements* for July 2013.

Receipts From October Through July: Up by 14 Percent Compared With Collections During the Same Period in Fiscal Year 2012

Receipts for the first 10 months of fiscal year 2013 totaled \$2,287 billion, CBO estimates—\$278 billion more than receipts for the same period last year.

Receipts, October–July (Billions of dollars)				
Major Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	928	1,090	162	17.4
Social Insurance Taxes	711	790	79	11.1
Corporate Income Taxes	182	213	31	16.7
Other Receipts	<u>187</u>	<u>193</u>	<u>7</u>	3.5
Total	2,009	2,287	278	13.8
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld	1,479	1,630	151	10.2
Other ^a	<u>161</u>	<u>250</u>	<u>90</u>	55.7
Total	1,640	1,880	241	14.7

Sources: Congressional Budget Office; Department of the Treasury.

a. Includes nonwithheld income and payroll taxes, net of refunds, and unemployment insurance receipts.

Note: The amounts shown in this report include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not add up to totals because of rounding.

Compared with receipts in the first 10 months of fiscal year 2012:

- **Individual income taxes and social insurance (payroll) taxes** together increased by \$241 billion (or 15 percent).

Taxes withheld from workers' paychecks rose by \$151 billion (or 10 percent), mainly because of higher wages and salaries, the expiration of the payroll tax cut in January 2013, and increases (beginning in January) in tax rates on income above certain thresholds.

Nonwithheld receipts rose by \$91 billion (or 27 percent). About three-quarters of that increase occurred during the tax-filing season (February through April), mainly because final payments for the 2012 tax year were much larger than the final payments that were made last year for 2011. Some of the growth in nonwithheld receipts also reflects an increase in estimated payments for the current tax year (made in the spring and summer) and some payments for the 2012 tax year (such as quarterly estimated payments made in January 2013). The next quarterly estimated payments are due in September.

- **Net corporate income taxes** were higher by \$31 billion (or 17 percent), probably because of growth in taxable profits in calendar year 2012 and in the first half of calendar year 2013.

Outlays From October Through July: Down by 4 Percent (Adjusted for Timing Shifts) Compared With Spending During the Same Period in Fiscal Year 2012

Outlays for the first 10 months of fiscal year 2013 were \$90 billion less than spending during the same period last year, CBO estimates. That decrease would have been larger without shifts in the timing of certain payments and collections, which occurred mostly because the scheduled dates for some payments fell on weekends. (Outlays for defense, Medicare, veterans' programs, and deposit insurance were affected.) Without such shifts, CBO estimates, spending would have declined by \$116 billion (or 4 percent).

Outlays, October–July (Billions of dollars)					
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Defense—Military	540	507	-32	-36	-6.7
Social Security Benefits	633	667	34	34	5.4
Medicare ^b	386	413	27	12	3.0
Medicaid	208	220	12	12	5.7
Unemployment Insurance	82	62	-20	-20	-24.4
Other Activities	<u>907</u>	<u>889</u>	<u>-18</u>	<u>-25</u>	-2.8
Subtotal	2,756	2,758	2	-24	-0.8
Net Interest on the Public Debt	222	216	-5	-5	-2.4
Net Outlays Related to GSEs	<u>5</u>	<u>-82</u>	<u>-87</u>	<u>-87</u>	n.m.
Total	2,983	2,893	-90	-116	-3.8

Sources: Congressional Budget Office; Department of the Treasury.

Note: GSEs = government-sponsored enterprises, Fannie Mae and Freddie Mac;
n.m. = not meaningful.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

b. Medicare outlays are net of offsetting receipts.

Outlays for several major programs or categories of spending were less than those during the first 10 months of last year:

- Net outlays for the government’s activities related to **Fannie Mae** and **Freddie Mac** were \$87 billion less than outlays recorded last year at this time. Through July 2012, the U.S. Treasury had made \$5 billion more in payments to those two entities than it received in dividends. This year, the Treasury has received about \$82 billion in transfers from those entities and has made no payments to them.
- **Defense** spending fell by \$36 billion (or 7 percent).
- Outlays recorded for the **Troubled Asset Relief Program** (included in the category “Other Activities” in the table above) declined by \$33 billion, mainly because adjustments to the estimated cost of the program increased outlays by \$21 billion in 2012 and reduced them by \$13 billion in 2013.
- Outlays for **unemployment benefits** declined by \$20 billion (or 24 percent), mostly because fewer people have been receiving benefits in recent months.

Increases in spending for some other major programs during the first 10 months of the fiscal year partially offset those declines:

- Spending increased for all three of the government’s largest entitlement programs—for **Social Security**, by \$34 billion (or 5 percent); for **Medicare**, by \$12 billion (or 3 percent); and for **Medicaid**, by \$12 billion (or 6 percent).
- In the category “Other Activities,” spending by the **Department of Agriculture** increased by \$15 billion (or 13 percent), primarily because drought led to an increase in crop insurance payments early in the fiscal year, and outlays for the **Federal Emergency Management Agency** were \$10 billion higher, mostly because of Hurricane Sandy.

Estimated Deficit in July 2013: \$96 Billion

The federal government incurred a deficit of \$96 billion in July 2013, CBO estimates, \$27 billion more than the shortfall in the same month last year. But that comparison is distorted by quirks of the calendar: Because July 1, 2012, fell on a Sunday, certain payments that ordinarily would have been made in July were made earlier, reducing outlays in July 2012 by about \$36 billion. No such payment shift occurred in July 2013. Without that shift in the timing of payments in 2012, the deficit for July 2013 would have been \$10 billion less than the deficit for July 2012.

Budget Totals for July (Billions of dollars)					
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	185	199	15	15	8.1
Outlays	254	296	41	5	1.8
Deficit (-)	-70	-96	-27	10	-9.2

Sources: Congressional Budget Office; Department of the Treasury.

a. Excludes the effects of payments shifted because of weekends or holidays and the effects of prepayments of deposit insurance premiums.

CBO estimates that receipts in July totaled \$199 billion—\$15 billion (or 8 percent) more than those in the same month last year. Compared with receipts in July of last year:

- **Individual income taxes and social insurance (payroll) taxes** together rose by \$17 billion (or 11 percent).

Withheld taxes rose by \$21 billion (or 15 percent), reflecting the expiration of the payroll tax cut in January 2013, along with other tax increases and higher wages and salaries.

Unemployment taxes fell by \$5 billion. Those receipts were unusually high in July 2012, when certain states replenished their trust funds that were depleted in the most recent recession.

- **Miscellaneous receipts** fell by \$4 billion, primarily because such receipts in July 2012 were unusually large—perhaps as a result of forfeitures of assets gained from the prosecution of criminals.

Total spending in July 2013 was about \$296 billion, CBO estimates—roughly \$40 billion more than in July 2012. If not for the effects of the timing shifts last year, the monthly outlays in the two years would have been similar. (The month-over-month changes discussed below reflect adjustments to account for such shifts.) Among the larger changes in outlays, compared with last year:

- Spending for **defense** decreased by \$5 billion; that decline was distributed among operations and maintenance, procurement, and revolving funds.
- Outlays for **student loans** and **energy programs** declined by \$2 billion each.
- Outlays for **unemployment benefits** were down by \$2 billion.
- Spending for **Social Security** and **Medicare** rose by \$3 billion each, and spending for **Medicaid** increased by \$2 billion.
- Outlays for **other programs and activities** differed by smaller amounts, in both directions, from outlays last July.

Actual Surplus in June 2013: \$117 Billion

The Treasury reported a surplus of \$117 billion for June, about \$2 billion more than CBO estimated on the basis of the *Daily Treasury Statements*.

This document was prepared by Elizabeth Cove Delisle, Barbara Edwards, David Rafferty, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov.