



# MONTHLY BUDGET REVIEW

## Fiscal Year 2012

### A Congressional Budget Office Analysis

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

March 7, 2012

The federal government incurred a budget deficit of \$578 billion in the first five months of fiscal year 2012, CBO estimates—\$63 billion less than the shortfall recorded for the same period last year. Without shifts in the timing of certain payments and in the recording of tax refunds, however, the deficit would have been close to \$600 billion. Later this month, CBO will issue new budget projections for 2012 and the following 10 years.

#### JANUARY RESULTS

The Treasury reported a deficit of \$27 billion for January, the same as CBO's estimate based on the *Daily Treasury Statements*.

\$13 billion (or 9 percent) as a result of higher wages and salaries and the extra business day this February. Revenues from all other sources rose by small amounts, boosting receipts by about \$6 billion.

#### ESTIMATES FOR FEBRUARY (Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	111	105	-5
Outlays	333	334	1
Deficit (-)	-223	-229	-6

Sources: Department of the Treasury; CBO.

CBO estimates that the deficit for February 2012 was \$229 billion, about \$6 billion more than the deficit for the same month a year earlier.

Receipts in February 2012 were about \$5 billion (or 5 percent) lower than those in February 2011, CBO estimates. The decline resulted primarily from an increase of \$25 billion (or 47 percent) in refunds of individual income taxes. Roughly three-quarters of that increase stemmed from shifts in the timing and recording of refunds and from the additional day in February this year: A delay in processing refunds caused some to be paid in February that would, in past years, have been disbursed in January; February 2012 included one more business day than February 2011; and some refund payments that ordinarily would have been recorded in March were reported at the end of February.

Higher withheld income and payroll taxes partially offset the increase in refunds; withheld taxes rose by

Outlays in February 2012 were \$1 billion higher than they were in February 2011. Outlays for the earned income tax credit and child tax credit were \$5 billion higher than they were a year ago, largely because of the timing shifts that also affected receipts. Outlays were also higher in February than they were a year earlier for Social Security benefits (up by \$4 billion), military activities (by \$3 billion), and homeland security (by \$1 billion). In contrast, outlays were \$6 billion lower than they were a year ago for the Making Work Pay credit, which expired last year and therefore has resulted in hardly any outlays in 2012. Finally, spending was lower for net interest on the public debt (down by \$3 billion), Medicaid (by \$2 billion), and unemployment insurance (by \$1 billion).

#### BUDGET TOTALS THROUGH FEBRUARY (Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	869	895	26
Outlays	1,510	1,473	-37
Deficit (-)	-641	-578	63

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$578 billion for the first five months of fiscal year 2012. Compared with the budget figures at the same point last year, revenues this year were \$26 billion higher and outlays \$37 billion lower, CBO estimates.

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 FEBRUARY**  
(Billions of dollars)

Major Source	Actual FY 2011	Preliminary FY 2012	Percentage Change
Individual Income	423	428	1.1
Social Insurance	328	324	-1.2
Corporate Income	38	59	55.6
Other	<u>80</u>	<u>84</u>	5.2
<b>Total</b>	<b>869</b>	<b>895</b>	<b>3.0</b>

  

<b>Memorandum:</b>			
Combined Individual Income and Social Insurance Taxes			
Withheld	734	745	1.6
Other	<u>17</u>	<u>7</u>	-61.8
<b>Total</b>	<b>751</b>	<b>752</b>	<b>0.1</b>

Sources: Department of the Treasury; CBO.

Receipts for the first five months of fiscal year 2012 totaled \$895 billion—3 percent more than the amount for the same span last year, CBO estimates. Increases in corporate income taxes (up by \$21 billion, or 56 percent) explain most of the overall increase.

The increase in corporate tax receipts resulted from payments that were \$5 billion higher and refunds that were \$16 billion lower than the amounts for the same period last year. Corporate refunds were unusually high in the first quarter of fiscal year 2011, whereas this year, they have returned to a level more consistent with the amounts paid in prior years.

Withheld and nonwithheld individual income taxes rose by \$19 billion and \$7 billion, respectively, suggesting higher wage and nonwage incomes. But income tax receipts were up by only \$5 billion because the amount of refunds increased by \$21 billion, much of which is attributable to the earlier recording of payments normally reported in March.

Receipts from social insurance taxes declined by \$4 billion. The two percentage-point reduction in the Social Security payroll tax rate (which has been in effect for all of this fiscal year but only for part of last year) reduced receipts by about \$25 billion more this year than it did last year through February. Largely offsetting that reduction was an increase in receipts because of growth in wages and salaries and the effects of adjustments to the allocation of receipts in previous years between social insurance and individual income taxes.

Other revenues increased by \$4 billion. That net change reflects higher estate and gift taxes (up by \$5 billion) and higher excise taxes (up by \$3 billion), partially offset by a \$4 billion reduction in receipts from the Federal Reserve.

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

Major Category	Actual FY 2011	Preliminary FY 2012	Percentage Change	
			Actual	Adjusted <sup>a</sup>
Defense–Military	281	270	-4.0	-2.6
Social Security				
Benefits	297	311	4.7	4.7
Medicare <sup>b</sup>	185	176	-4.5	3.4
Medicaid	119	99	-16.8	-16.8
Unemployment				
Benefits	55	44	-20.9	-20.9
Other Activities	<u>474</u>	<u>463</u>	-2.3	0.2
<b>Subtotal</b>	<b>1,411</b>	<b>1,363</b>	<b>-3.4</b>	<b>-1.2</b>
Net Interest on the				
Public Debt	100	101	0.2	0.2
Payments to GSEs	<u>-1</u>	<u>10</u>	n.m.	n.m.
<b>Total</b>	<b>1,510</b>	<b>1,473</b>	<b>-2.5</b>	<b>-0.4</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.

Spending was 2.5 percent lower in the first five months of this year than it was in the same span last year; but adjusted for shifts in the timing of certain payments, outlays were about the same in both periods.

Outlays for Medicaid fell by \$20 billion (or 17 percent) because legislated increases in the federal government's share of the program's costs expired in July 2011. Spending for unemployment benefits fell by \$12 billion (or 21 percent) because fewer claims were filed in recent months. Adjusted for timing shifts, defense spending declined by \$7 billion (or about 3 percent).

In contrast, net payments to the government-sponsored enterprises Fannie Mae and Freddie Mac increased by \$11 billion, as compared with those in the first five months of fiscal year 2011. Adjusted for timing shifts, outlays for Social Security benefits and Medicare also were higher, by \$14 billion (or 5 percent) and \$6 billion (or 3 percent), respectively.

Expenditures for "Other Activities" were about the same as they were in the same period last year, adjusted for timing shifts. Net outlays to stabilize corporate credit unions rose by \$13 billion, mostly because outlays in 2011 were reduced by loan repayments from credit unions. Spending by the Department of Homeland Security increased by \$4 billion (or 19 percent). But education spending dropped by \$15 billion (or 34 percent), largely because of a decline in spending from funding provided in the American Recovery and Reinvestment Act.