



MONTHLY BUDGET REVIEW

Fiscal Year 2012

A Congressional Budget Office Analysis

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

May 7, 2012

The federal government incurred a budget deficit of \$721 billion in the first seven months of fiscal year 2012, CBO estimates—\$149 billion less than the shortfall reported during the same period last year. Without shifts in the timing of certain payments, however, the deficit so far this year would have been only \$92 billion smaller. Revenues were 6 percent higher and outlays slightly lower than they were at this point in 2011.

MARCH RESULTS

The Treasury reported a deficit of \$198 billion for March, about \$2 billion more than CBO's estimate, which was based on the *Daily Treasury Statements*.

ESTIMATES FOR APRIL

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	290	319	30
Outlays	330	261	-69
Surplus/Deficit (-)	-40	58	99

Sources: Department of the Treasury; CBO.

The Treasury realized a surplus of \$58 billion in April 2012, CBO estimates, in contrast with the \$40 billion deficit reported for the same month last year. The results in both years were influenced by shifts in the timing of certain payments; adjusted for those shifts, the surplus in April 2012 would have been \$27 billion, compared with a deficit of \$13 billion in April 2011.

Receipts this April were \$30 billion (or 10 percent) higher than collections last April, CBO estimates. The largest boost to net receipts came from a \$14 billion decline in the amount of refunds issued. Refunds were lower, in large part, because some that ordinarily would have been recorded in April were made in prior months. Withheld income and payroll taxes rose by \$10 billion (or 7 percent), while nonwithheld receipts from those sources, largely from filings of income tax returns for tax year 2011, rose by just \$2 billion (or 1 percent). In addition, net corporate income tax receipts were \$3 billion higher, and all other receipts \$1 billion higher, on net, in April 2012 than in April 2011.

Outlays were \$69 billion lower this April than they were in the same month last year, by CBO's estimate. But that difference is distorted by shifts in the timing of payments that would ordinarily occur in March or May. Absent those shifts, outlays would have been \$11 billion lower in April 2012 than they were in April 2011.

Part of the decline in outlays occurred because last April the government recorded a \$5 billion upward revision to its estimate of costs related to the Treasury's purchase of mortgage-backed securities; this year, a downward revision was made in March. Adjusted for timing shifts, defense spending fell by \$4 billion. Outlays also declined for Medicaid (by \$2 billion) and for education, family assistance, the Postal Service, and unemployment compensation (by \$1 billion each). In contrast, outlays for Social Security benefits grew by \$4 billion.

BUDGET TOTALS THROUGH APRIL

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	1,309	1,384	74
Outlays	2,179	2,105	-75
Deficit (-)	-870	-721	149

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$721 billion for the first seven months of fiscal year 2012—\$149 billion less than the deficit reported for the same period last year. Total receipts through the first seven months of the fiscal year were \$74 billion (or 6 percent) higher than receipts recorded during the same period last year. However, they were roughly \$20 billion below the amounts CBO anticipated when it prepared its most recent budget projections in March.

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 APRIL

(Billions of dollars)

Major Source	Actual FY 2011	Preliminary FY 2012	Percentage Change
Individual Income	631	664	5.1
Social Insurance	476	486	2.2
Corporate Income	80	112	39.9
Other	<u>123</u>	<u>122</u>	-0.3
Total	1,309	1,384	5.7
Memorandum:			
Combined Individual Income and Social Insurance Taxes			
Withheld	1,031	1,057	2.5
Other	<u>75</u>	<u>93</u>	23.2
Total	1,107	1,150	3.9

Sources: Department of the Treasury; CBO.

Through April, total receipts from individual income taxes were up by \$32 billion (or about 5 percent) compared with collections during the same period last year. Withheld individual income taxes rose by \$21 billion (or 4 percent), reflecting growth in wages. Nonwithheld payments rose by \$9 billion (or 4 percent), and refunds declined by about \$2 billion, further boosting net receipts. Nonwithheld payments during the tax-filing season (February through April)—largely representing final payments for the 2011 tax year—increased by \$3 billion (or 2 percent) over the prior year’s payments, less than CBO had expected in its March baseline projections.

Social insurance receipts for the first seven months of the fiscal year grew by \$10 billion, mostly because collections of unemployment taxes rose by \$7 billion as states replenished their recession-depleted trust funds. Withheld payroll taxes grew by only \$4 billion (or 1 percent), less than the increase in wages, in large part because the 2 percentage-point reduction in the Social Security payroll tax, which took effect on January 1, 2011, was not in effect during the first three months of fiscal year 2011 (October to December 2010). Had the payroll tax cut had been in effect in comparable months in both years, withheld collections would have grown by an additional \$25 billion this year.

Corporate taxes paid so far this fiscal year, largely reflecting corporations’ activity in 2011, increased by \$32 billion (or 40 percent). Those receipts are running below CBO’s March baseline estimate because final payments made in March for tax year 2011 and estimated payments made in April for 2012 were lower than expected. Receipts from other sources of revenue were about the same as last year, on net.

OUTLAYS THROUGH APRIL

(Billions of dollars)

Major Category	Actual FY 2011	Preliminary FY 2012	Percentage Change	
			Actual	Adjusted ^d
Defense–Military	400	380	-5.0	-2.9
Social Security				
Benefits	417	439	5.3	5.3
Medicare ^b	280	257	-8.1	2.5
Medicaid	168	142	-15.2	-15.2
Unemployment				
Benefits	76	60	-20.9	-20.9
Other Activities	<u>691</u>	<u>677</u>	-2.1	0.8
Subtotal	2,031	1,955	-3.8	-0.9
Net Interest on the Public Debt	<u>148</u>	<u>150</u>	1.1	1.1
Total	2,179	2,105	-3.4	-0.8

Sources: Department of the Treasury; CBO.

- Excludes the effects of payments shifted because of weekends or holidays and of prepayments of deposit insurance premiums.
- Medicare outlays are net of offsetting receipts.

Spending for the first seven months of fiscal year 2012 was about the same as it was during the same period last year, after the shifts in the timing of certain payments are taken into account. (The year-over-year changes discussed below reflect adjustments for those shifts.)

Outlays for some programs declined. Spending for Medicaid fell by \$26 billion (or 15 percent) because legislated increases in the federal government’s share of the program’s costs expired in July 2011. Outlays for unemployment benefits dropped by \$16 billion (or 21 percent) because fewer claims were filed in recent months. Defense spending decreased by about \$11 billion (or 3 percent), CBO estimates.

In contrast, outlays for Social Security benefits increased by \$22 billion (or 5 percent). As compared with spending during the first seven months of fiscal year 2011, net spending for Medicare was up by \$7 billion (or 2.5 percent), by CBO’s estimate.

Expenditures in the broad category “Other Activities” increased by \$5 billion (or 1 percent) compared with such spending in the first seven months of fiscal year 2011. Outlays for the Troubled Asset Relief Program rose by \$18 billion, mostly because of a change in the estimated cost of earlier transactions. Net payments to Fannie Mae and Freddie Mac increased by \$12 billion. In contrast, education spending dropped by \$20 billion (or 35 percent), CBO estimates, largely because of a decline in spending from funding provided in the American Recovery and Reinvestment Act.