MONTHLY BUDGET REVIEW

Fiscal Year 2012

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for May
and the *Daily Treasury Statements* for June

July 9, 2012

CBO estimates that the Treasury Department will report a deficit of $905 billion for the first nine months of fiscal year 2012, $66 billion less than the $971 billion deficit incurred through June 2011. Outlays are about 1 percent higher and revenues are about 5 percent higher than they were at the same point last year. Those results include adjustments to the estimated cost of the Troubled Asset Relief Program that increased outlays in 2012 by $21 billion and decreased outlays in 2011 by $42 billion. Without those adjustments, the deficit for the first nine months of fiscal year 2012 would have been around $130 billion less than the deficit incurred during the same period in fiscal year 2011.

MAY RESULTS

The Treasury reported a deficit of $125 billion for May, about the same as what CBO had projected on the basis of the *Daily Treasury Statements.*

ESTIMATES FOR JUNE

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	250	260	11
Outlays	293	321	28
Deficit (-)	-43	-60	-17

Sources: Department of the Treasury; CBO.

The deficit in June was $60 billion, CBO estimates, $17 billion more than the shortfall recorded a year ago. Spending last month was influenced by the shift of certain payments from July to June; if not for those timing shifts, the deficit in June 2012 would have been $19 billion less than the shortfall in June 2011.

Receipts in June were $11 billion (or 4 percent) higher than those in June 2011, in CBO's estimation. Net receipts of corporate income taxes—primarily for estimated payments for 2012 tax liabilities—rose by $8 billion (or 17 percent), accounting for about three-fourths of the revenue gain. Together, individual income and payroll tax receipts rose by $2 billion. Increases of about $2 billion in both withheld and nonwithheld taxes were partially offset by a $2 billion increase in refunds of individual income taxes.

Outlays were $28 billion higher this June than they were in the same month last year, mostly because about $36 billion in payments that would ordinarily have been made in July were instead made in June this year (because July 1 fell on a Sunday). In addition, annual revisions to the estimated cost of several credit programs—mostly student loans—reduced outlays by $11 billion less this June than they did in June last year. Absent those effects, outlays would have been $19 billion less in June 2012 than in June 2011.

Net payments to Fannie Mae and Freddie Mac were $9 billion lower this June than in June 2011, as the government provided smaller cash infusions to the two entities. If the effects of shifts in the timing of some payments are excluded, spending for military activities declined by $5 billion. Outlays for Medicaid fell by $4 billion, and spending for unemployment benefits and for net interest on the public debt each fell by $3 billion. In contrast, outlays for Medicare were $1 billion higher than in June 2011.

BUDGET TOTALS THROUGH JUNE

(Billions of dollars)

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	1,734	1,824	90
Outlays	2,705	2,729	24
Deficit (-)	-971	-905	66

Sources: Department of the Treasury; CBO.

By CBO's estimates, the government recorded a deficit of $905 billion for the first nine months of fiscal year 2012, $66 billion less than the deficit recorded during the same period last year. Revenues increased by $90 billion and outlays rose by $24 billion.

Revenues

Receipts in the first three quarters of this fiscal year were 5 percent higher than those in the same period last year. Through June, net receipts from corporate income taxes grew by $42 billion (or 31 percent); higher gross receipts and lower refunds contributed equally to that net increase. The growth in corporate receipts this year is largely attributable to changes in tax rules in recent years—in particular, the rules governing how quickly firms may deduct the cost of their investments in equipment.

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 JUNE
(Billions of dollars)

Major Source	Actual FY 2011	Preliminary FY 2012	Percentage Change
Individual Income	815	841	3.2
Social Insurance	626	643	2.7
Corporate Income	134	176	31.2
Other	159	164	3.5
Total	**1,734**	**1,824**	**5.2**
Memorandum:			
Combined Individual Income and Social Insurance Taxes			
Withheld	1,306	1,336	2.3
Other	135	148	9.7
Total	1,441	1,484	3.0

Sources: Department of the Treasury; CBO.

OUTLAYS THROUGH JUNE
(Billions of dollars)

Major Category	Actual FY 2011	Preliminary FY 2012	Percentage Change Actual	Percentage Change Adjusted[a]
Defense–Military	506	491	-3.0	-3.2
Social Security Benefits	538	568	5.6	5.6
Medicare [b]	344	362	5.2	3.9
Medicaid	216	188	-13.0	-13.0
Unemployment Benefits	95	75	-21.3	-21.3
Other Activities	843	822	-2.5	-2.5
Subtotal	**2,542**	**2,505**	**-1.5**	**-1.6**
Net Interest on the Public Debt	202	200	-0.6	-0.6
TARP	-39	23	n.m.	n.m.
Total	**2,705**	**2,729**	**0.9**	**0.7**

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; 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.

Through June, receipts of individual income taxes grew by $26 billion (or 3 percent). Growth in wages boosted withholding by $18 billion (or 2 percent). Nonwithheld payments also increased—by $11 billion (or 4 percent). Those gains were partially offset by an increase of $3 billion (or 1 percent) in refunds.

Receipts from social insurance taxes rose by $17 billion (or 3 percent) in the first three quarters of fiscal year 2012. Withholding for payroll taxes grew by about $12 billion (or 2 percent). The current reduction of 2 percentage points in the payroll tax was not in effect for the first quarter of fiscal year 2011 (October through December 2010); if it had been in effect during that time, the year-over-year increase in withholding for payroll taxes would have been $25 billion larger, CBO estimates. Collections of state unemployment taxes rose by $6 billion (or 13 percent) as states replenished their trust funds, depleted by the recent recession.

Receipts from other sources increased, on net, by about $6 billion. Estate and gift taxes rose by $4 billion, as did excise taxes; customs duties and miscellaneous fees and fines together increased by $3 billion. Those gains were partially offset by a decline of $5 billion in receipts from the Federal Reserve. That decline stemmed from lower interest rates and a shift to lower-yielding, less risky assets in its portfolio, which resulted in smaller profits and hence smaller remittances to the Treasury.

Outlays

Outlays through June were about 1 percent higher than spending in the same period last year. However, if adjustments recorded in the budget for the estimated cost of credit programs (mainly the Troubled Asset Relief Program) are excluded, the government's outlays decreased by almost 2 percent compared with spending during the first nine months of fiscal year 2011.

Outlays for Medicaid fell by $28 billion (or 13 percent) because legislated increases in the federal share of the program's costs expired in July 2011. Outlays for unemployment benefits dropped by $20 billion (or 21 percent), mostly because fewer people have been receiving benefits in recent months. Defense spending decreased by about $16 billion (or 3 percent); payments to military personnel were close to last year's amount, but other defense outlays fell by about 4 percent.

Expenditures in the broad category "Other Activities" have decreased by $21 billion (or 3 percent) so far this year. In particular, spending for education programs dropped by $27 billion (or 36 percent), CBO estimates, largely because of a decline in spending from the American Recovery and Reinvestment Act. (Most of that spending occurred before 2012.)

In the other direction, outlays recorded for the Troubled Asset Relief Program rose by $62 billion, mainly because adjustments to the estimated costs of earlier transactions reduced outlays by $42 billion in 2011 and increased them by $21 billion in 2012. Payments for Social Security benefits increased by $30 billion (or 6 percent), and after accounting for timing shifts, net spending for Medicare was up by $14 billion (or 4 percent). Outlays for veterans' programs, also part of the "Other Activities" category, increased by $6 billion (or 7 percent).

Prepared by Elizabeth Cove Delisle, Barbara Edwards, David Rafferty, Dawn Sauter Regan, and Joshua Shakin.
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