



# MONTHLY BUDGET REVIEW

## Fiscal Year 2013

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for November and the *Daily Treasury Statements* for December

January 8, 2013

The federal budget deficit was \$293 billion for the first three months of fiscal year 2013 (that is, October through December 2012), \$29 billion less than the shortfall recorded in the first quarter of last fiscal year, CBO estimates. Without shifts in the timing of certain payments in both years, however, the deficit for the three-month period would have been about \$60 billion lower this year than in fiscal year 2012.

#### NOVEMBER RESULTS

The U.S. Treasury reported a deficit of \$172 billion for November, the same as CBO's estimate based on the *Daily Treasury Statements*.

#### ESTIMATES FOR DECEMBER

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	240	270	30
Outlays	326	270	-55
Deficit (-)	-86	-1	85

Sources: Department of the Treasury; CBO.

The deficit in December was \$1 billion, CBO estimates, \$85 billion less than in December 2011. In both years, spending was affected by a shift of certain payments from January to December (because January 1 is a holiday), but spending this December also was affected by a shift of certain payments into November (December 1 fell on a weekend); without those shifts, the deficit in December 2012 would have been \$17 billion, \$52 billion less than the shortfall in December 2011. That small deficit is the most favorable budgetary outcome in the month of December since 2007, when the Treasury recorded a surplus.

CBO estimates that receipts in December 2012 were about \$30 billion (or 12 percent) more than receipts in December 2011. Net receipts from individual income and payroll taxes rose by \$21 billion (or 12 percent); an increase of \$24 billion (or 15 percent) in withheld taxes was partly offset by a \$3 billion decline in unemployment insurance taxes. The strong growth in withheld taxes may be attributable in part to an acceleration in the payment of some compensation from calendar year 2013 to 2012 because people were anticipating higher tax rates. In addition, net receipts of corporate income taxes, which included the last quarterly estimated payment due in calendar year 2012, rose by \$6 billion (or 12 percent), and other receipts rose by \$3 billion, on net.

Outlays were \$55 billion lower in December 2012 than in December 2011, CBO estimates. Without the shift in the timing of certain payments, the spending decrease would have been smaller—\$22 billion. Net payments to Fannie Mae and Freddie Mac were \$14 billion lower than in the same month last year because the government did not provide cash infusions to those entities this December. The government recorded receipts of \$3 billion this December from the sale of stock in American International Group; no such sale occurred in December 2011. Outlays for defense (adjusted for the timing shift) were \$5 billion lower than in December 2011, reflecting declines in most major categories of defense spending. In contrast, Social Security benefits were \$4 billion higher than in December 2011. Spending for several other programs varied by smaller amounts.

#### BUDGET TOTALS THROUGH DECEMBER

(Billions of dollars)

	Actual FY 2012	Preliminary FY 2013	Estimated Change
Receipts	555	616	60
Outlays	877	909	31
Deficit (-)	-322	-293	29

Sources: Department of the Treasury; CBO.

The Treasury will record a deficit of \$293 billion for the first quarter of fiscal year 2013, CBO estimates—\$29 billion less than the shortfall in the same period last year. Revenues grew by \$60 billion (or 11 percent), and outlays rose by \$31 billion (or 4 percent). But outlays in the first quarter of last year were unusually low because October 1, 2011, fell on a weekend and certain payments were shifted into the previous fiscal year. If not for those shifts, outlays would have been roughly unchanged and the deficit in the first quarter of fiscal year 2013 would have been \$60 billion less than that recorded during the same period in fiscal year 2012.

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 DECEMBER

(Billions of dollars)

Major Source	Actual FY 2012	Preliminary FY 2013	Percentage Change
Individual Income	270	312	15.6
Social Insurance	180	181	0.8
Corporate Income	56	63	12.7
Other	<u>49</u>	<u>59</u>	19.6
<b>Total</b>	<b>555</b>	<b>616</b>	<b>10.9</b>
<b>Memorandum:</b>			
Combined Individual Income and Social Insurance Taxes			
Withheld	430	475	10.5
Other	<u>20</u>	<u>19</u>	-6.9
Total	450	494	9.7

Sources: Department of the Treasury; CBO.

Most of the first quarter's gain in revenues stemmed from higher individual income and payroll (social insurance) taxes, which together rose by \$44 billion, or 10 percent. Taxes withheld from workers' paychecks rose by \$45 billion (or 10 percent). Nonwithheld receipts rose by \$2 billion (or 8 percent). Those increases were offset by a \$3 billion decline in receipts from unemployment taxes. (Nonwithheld receipts will be greater in January because estimated payments of individual income tax liabilities for the last quarter of calendar year 2012 are due on January 15.)

Net corporate income taxes increased by \$7 billion (or 13 percent) in the first three months of fiscal year 2013, compared with the same period a year before; payments rose by \$6 billion and refunds fell by \$1 billion.

Other revenues rose by \$10 billion in the first quarter of the fiscal year. Receipts from the Federal Reserve rose by about \$6 billion, mostly because receipts in the last quarter of calendar year 2011 were unusually low compared with those both before and since. In addition, excise tax receipts rose by \$2 billion (or 12 percent) and customs duties rose by \$1 billion (or 11 percent).

## OUTLAYS THROUGH DECEMBER

(Billions of dollars)

Major Category	Actual FY 2012	Preliminary FY 2013	Percentage Change	
			Actual	Adjusted <sup>a</sup>
Defense—Military	172	168	-2.6	-5.1
Social Security				
Benefits	183	196	6.7	6.7
Medicare <sup>b</sup>	101	122	20.6	5.3
Medicaid	61	66	7.5	7.5
Unemployment				
Benefits	25	19	-22.9	-22.9
Other Activities	<u>271</u>	<u>270</u>	-0.3	-4.8
<b>Subtotal</b>	<b>814</b>	<b>841</b>	<b>3.3</b>	<b>-0.5</b>
Net Interest on the Public Debt	<u>63</u>	<u>68</u>	7.4	7.4
<b>Total</b>	<b>877</b>	<b>909</b>	<b>3.6</b>	<b>0.0</b>

Sources: Department of the Treasury; CBO.

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.

Federal outlays would have been about the same in the first quarter of 2013 as they were during that period in 2012, if not for the effects of timing shifts, CBO estimates. (The year-over-year changes discussed below reflect adjustments to account for those shifts.)

Expenditures for each of the three largest entitlement programs were greater than in the same period last year. Outlays for Social Security benefits increased the most—by \$12 billion (or 7 percent). Spending for Medicare rose by \$6 billion (or 5 percent) and outlays for Medicaid rose by \$5 billion (or 8 percent).

Outlays for net interest on the public debt were \$5 billion (or 7 percent) greater, reflecting both the growing debt held by the public and larger payments for inflation-indexed securities.

In contrast, expenditures in the broad category "Other Activities," declined by \$13 billion (or 5 percent) compared with such spending in the first three months of fiscal year 2012, primarily because net payments to Fannie Mae and Freddie Mac were \$14 billion less than those made at the same time last year.

Outlays for defense were \$9 billion (or 5 percent) less than in the same period last year. Spending for unemployment benefits also declined—by \$6 billion (or 23 percent).