



Monthly Budget Review for June 2013

The federal government ran a budget deficit of \$512 billion from October 2012 through June 2013 (the first nine months of fiscal year 2013), according to CBO's estimates. That amount is almost \$400 billion less than the shortfall recorded during the same period last year because revenues have risen significantly, while the government's spending has declined.

Budget Totals, October–June (Billions of dollars)			
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change
Receipts	1,824	2,087	263
Outlays	2,728	2,599	-129
Deficit (-)	-904	-512	392

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

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

Receipts for the first three quarters of fiscal year 2013 totaled \$2,087 billion—\$263 billion more than the amounts taken in over the same period last year, CBO estimates.

Receipts, October–June (Billions of dollars)				
Major Program or Category	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	
			Billions of Dollars	Percent
Individual Income	840	992	152	18.1
Social Insurance	644	716	72	11.2
Corporate Income	176	205	29	16.6
Other	164	174	10	6.0
Total	1,824	2,087	263	14.4
Memorandum: Combined Individual Income and Social Insurance Taxes				
Withheld	1,336	1,466	130	9.8
Other	149	242	94	63.0
Total	1,484	1,708	224	15.1

Sources: Congressional Budget Office; Department of the Treasury.

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 nine months of last year:

- **Individual income taxes and social insurance (payroll) taxes** together increased by \$224 billion (or 15 percent).

Taxes withheld from workers' paychecks rose by \$130 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 \$89 billion (or 27 percent); \$66 billion of that increase occurred during the tax-filing season (February through April). The increase during the filing season largely reflects the fact that final payments for the 2012 tax year were much larger than the final payments for 2011 that were made last year. Some of the increase in nonwithheld receipts also reflects an increase in estimated payments for the 2013 tax year and some payments for the 2012 tax year made earlier (such as quarterly estimated payments in January).

- **Net corporate income taxes** were higher by \$29 billion (or 17 percent), probably reflecting growth in taxable profits in both calendar years 2012 and 2013.

Outlays for the First Three Quarters: Down by 4 Percent (Adjusted for Timing Shifts) Compared With Spending During the Same Period in Fiscal Year 2012

Outlays for the first nine months of fiscal year 2013 were \$129 billion less than spending during the same period last year. That decrease would have been slightly smaller if not for shifts in the timing of certain payments and collections, which occurred mostly because the scheduled dates for some payments fell on a weekend. (Outlays for defense, Medicare, veterans' programs, and deposit insurance were affected.) Without those timing shifts, CBO estimates, spending would have declined by \$119 billion (or 4 percent).

Outlays, October–June (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	490	458	-33	-32	-6.5
Social Security Benefits	568	599	31	31	5.4
Medicare ^b	362	367	5	10	2.7
Medicaid	188	198	10	10	5.2
Unemployment Insurance	75	56	-19	-19	-25.0
Other Activities	<u>840</u>	<u>809</u>	<u>-31</u>	<u>-25</u>	-3.0
Subtotal	2,523	2,487	-36	-25	-1.0
Net Interest on the Public Debt	201	194	-7	-7	-3.3
Net Outlays to GSEs	<u>5</u>	<u>-82</u>	<u>-87</u>	<u>-87</u>	n.m.
Total	2,728	2,599	-129	-119	-4.4

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 what was spent during the first three quarters 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 June 2012, the 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 and has not made any payments.
- Outlays recorded for the **Troubled Asset Relief Program** (included in the category “Other Activities” in the above table) 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.
- In total, **defense** spending fell by \$32 billion (or 7 percent).
- Outlays for **unemployment benefits** declined by \$19 billion (or 25 percent), mostly because fewer people have been receiving benefits in recent months.
- Spending by the **Federal Housing Administration** decreased by \$6 billion, primarily because the agency increased the premiums (which are recorded as negative outlays) it charges for mortgage insurance in 2013.
- Spending decreased by \$6 billion (or 23 percent) for **energy programs** and by \$3 billion (or 17 percent) for **international assistance**.

Increases in spending for some other major programs during the first nine months of fiscal year 2013 partially offset those declines:

- For all three of the government’s largest entitlement programs, spending increased—for **Social Security**, by \$31 billion (or 5 percent); for **Medicare**, by \$10 billion (or 3 percent); and for **Medicaid**, by \$10 billion (or 5 percent).
- Spending by the **Department of Agriculture** increased by \$15 billion (or 14 percent), primarily because drought led to an increase in crop insurance payments.
- Outlays for the **Federal Emergency Management Agency** were \$9 billion higher, mostly because of Hurricane Sandy.

Estimated Surplus in June 2013: \$115 Billion

The federal government realized a surplus of \$115 billion in June 2013, CBO estimates, in contrast with the \$60 billion deficit incurred in the same month last year—a difference of \$174 billion. But that comparison is distorted by quirks of the calendar: Because June 1, 2013, fell on a Saturday, certain payments that ordinarily would have been made in June this year were instead made earlier, reducing outlays in June by about \$34 billion. A similar payment shift occurred from July to June in 2012, increasing outlays in June 2012 by \$39 billion. Without those shifts in the timing of payments, the difference between the surplus for June 2013 and the deficit for June 2012 would have been \$102 billion.

Budget Totals for June (Billions of dollars)					
	Actual, FY 2012	Preliminary, FY 2013	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	260	287	26	26	10.2
Outlays	320	172	-148	-75	-26.8
Surplus/Deficit(-)	-60	115	174	102	n.m.
Sources: Congressional Budget Office; Department of the Treasury.					
Note: 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.					

CBO estimates that receipts in June totaled \$287 billion—\$26 billion (or 10 percent) more than those in the same month last year. Compared with receipts in June of last year:

- **Individual income taxes and social insurance (payroll) taxes** together increased by \$20 billion (or 11 percent).

Withheld taxes rose by \$12 billion (or 9 percent), reflecting the expiration of the payroll tax cut in January 2013, along with other tax increases and higher wages and salaries.

Nonwithheld taxes rose by \$9 billion (or 17 percent), primarily because estimated income tax receipts in June were higher than the payments received in June 2012.

- **Corporate income tax receipts** increased by \$6 billion (or 10 percent), mostly because of higher estimated corporate tax payments, which may reflect larger corporate profits.

Total spending in June 2013 was \$172 billion, CBO estimates—\$148 billion less than outlays in the same month in 2012. However, that difference would have been only \$75 billion if not for the effects of timing shifts. Among the larger changes in outlays compared with last year:

- Net outlays related to **Fannie Mae** and **Freddie Mac** were \$62 billion less than in June 2012, mostly because Fannie Mae made a payment to the Treasury of \$59 billion in June 2013.
- Spending for **student loans** decreased by \$6 billion, mostly because downward revisions in the estimated net subsidy costs of loans issued in prior years were greater in June 2013 than in June 2012.
- Expenditures for **Medicare** and **Medicaid** fell by \$4 billion and \$2 billion, respectively.
- Spending for **defense** (adjusted for timing shifts) decreased by \$5 billion; outlays for **unemployment benefits** were down by \$2 billion; and **net interest on the public debt** decreased by \$4 billion.
- In contrast, outlays of the **Federal Deposit Insurance Corporation** were \$7 billion higher than in June 2012, mostly because it refunded excess insurance premiums that had previously been paid by certain institutions; outlays for **Social Security** increased by \$3 billion.

Actual Deficit in May 2013: \$139 Billion

The Treasury Department reported a deficit of \$139 billion for May, the same amount that CBO estimated on the basis of the *Daily Treasury Statements*.

This document was prepared by Barbara Edwards, Daniel Hoople, Dawn Sauter Regan, and Joshua Shakin. It is available at www.cbo.gov.