MONTHLY BUDGET REVIEW

Fiscal Year 2011

A Congressional Budget Office Analysis

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

May 6, 2011

The federal government incurred a budget deficit of $871 billion in the first seven months of fiscal year 2011, CBO estimates. That year-to-date total is roughly $70 billion more than the deficit incurred in the same period in 2010. Both outlays and revenues are about 9 percent higher they were last year at this time. With the completion of the spring tax-filing season, receipts of individual income taxes have been significantly greater than CBO anticipated.

MARCH RESULTS
(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	150	151	1
Outlays	339	339	0
Deficit (-)	-189	-188	1

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of $188 billion for March, about $1 billion less than CBO's estimate for that month based on the *Daily Treasury Statements*.

ESTIMATES FOR APRIL
(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	245	289	44
Outlays	328	330	2
Deficit (-)	-83	-41	41

Sources: Department of the Treasury; CBO.

CBO estimates that the deficit in April was $41 billion, about half as large as the deficit recorded in April 2010. There were shifts in the timing of certain payments in both 2010 and 2011; adjusted for those shifts, the deficit would be $14 billion in April 2011, compared with $57 billion in April 2010.

This April, receipts totaled $289 billion, CBO estimates, $44 billion (or 18 percent) more than collections last April. Nonwithheld receipts of income and payroll taxes, largely from filings of income tax returns for tax year 2010, rose by about $35 billion (or 27 percent) to their highest level for the month of April since 2008. In addition, refunds paid as a result of filings of income tax returns fell by $5 billion, boosting net receipts.

Net corporate income tax receipts and Federal Reserve receipts in April both rose by about $2 billion. Withheld income and payroll taxes were about the same amounts as last year, despite one fewer work day in April of this year and the lower payroll tax rate temporarily in effect.

Outlays were about $2 billion (or 0.7 percent) higher in April 2011 than they were in April 2010. The shifting of certain payments into April because May 1 fell on a weekend increased outlays by $27 billion this year and by $25 billion last year. Adjusted for those calendar effects, outlays rose by less than $1 billion (or 0.2 percent) compared with outlays in April of last year.

Outlays for net interest on the public debt increased by $6 billion, and spending for Social Security benefits was up by $2 billion. Outlays of the Federal Deposit Insurance Corporation (FDIC) fell by $4 billion, and spending for unemployment compensation, defense, and education declined by $3 billion to $4 billion each.

BUDGET TOTALS THROUGH APRIL
(Billions of dollars)

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	1,199	1,309	110
Outlays	1,999	2,180	181
Deficit (-)	-800	-871	-71

Sources: Department of the Treasury; CBO.

The Treasury will record a deficit of $871 billion for the first seven months of fiscal year 2011, CBO estimates, 9 percent higher than the deficit recorded for the same period last year.

Total receipts through the first seven months of the fiscal year were about $110 billion (or 9 percent) higher than receipts recorded in the same period last year. Including collections associated with the mid-April tax-filing deadline that were posted in early May, total receipts are running $75 billion to $85 billion more than CBO estimated in March, mostly because of larger-than-expected payments with individual income tax returns filed this tax season.

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 2010	Preliminary FY 2011	Percentage Change
Individual Income	501	630	25.9
Social Insurance	506	476	-6.1
Corporate Income	77	80	4.3
Other	115	122	6.4
Total	**1,199**	**1,309**	**9.1**
Memorandum:			
Combined Individual Income and Social Insurance Taxes			
Withheld	986	1,032	4.7
Other	22	74	243.8
Total	1,007	1,106	9.8

Sources: Department of the Treasury; CBO.

Through April, individual income tax receipts were $130 billion (or 26 percent) more than those during the same period last year—the result of increased amounts withheld from paychecks and strong growth in payments accompanying 2010 tax returns. Receipts from the Federal Reserve increased by $7 billion, while corporate income taxes, excise taxes, and customs duties each rose by about $3 billion. In contrast, receipts from social insurance taxes declined by about $31 billion (or 6 percent) because of the temporary reduction in payroll taxes that took effect in January. Receipts from estate and gift taxes fell by $6 billion.

Both withheld and nonwithheld receipts contributed to the combined increase in individual income and payroll taxes. Despite the temporary payroll tax cut in effect since January, taxes withheld from taxpayers' paychecks rose by $46 billion (or 5 percent) in the first seven months of the fiscal year, more than CBO expected; that gain reflects, at least in part, the recent strength of total wages and salaries in the economy. Nonwithheld receipts rose by $39 billion (or 18 percent) through April; most of that increase occurred in April. Net receipts in the first seven months of the fiscal year also rose because refunds of individual income taxes fell by $11 billion and receipts from unemployment insurance taxes rose by $3 billion. Final payments with 2010 tax returns net of refunds rose more than CBO expected, suggesting several possibilities: Certain types of income may have grown faster in 2010 than expected; income growth may have been more concentrated than expected among taxpayers subject to relatively high tax rates; and the impact of changes in tax law may have differed from that projected.

Corporate income tax receipts have also been stronger than CBO anticipated, increasing by $3 billion (or 4 percent). Corporate taxes paid so far this fiscal year almost entirely reflect corporations' 2010 activity.

OUTLAYS THROUGH APRIL
(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change	
			Actual	Adjusted[a]
Defense–Military	396	400	0.9	0.9
Social Security Benefits	402	417	3.6	3.6
Medicare [b]	269	279	3.8	3.6
Medicaid	157	167	6.7	6.7
Unemployment Benefits	98	76	-22.6	-22.6
Other Activities	632	688	8.9	0.9
Subtotal	**1,955**	**2,028**	**3.7**	**1.1**
Net Interest on the Public Debt	129	149	15.9	15.9
TARP	-110	5	n.m.	n.m.
Payments to GSEs	25	-2	n.m.	n.m.
Total	**1,999**	**2,180**	**9.0**	**6.4**

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program;
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 proprietary receipts.

Spending through April was 9 percent higher than in the same period in fiscal year 2010. That increase is almost entirely explained by the difference in net costs recorded for the Troubled Asset Relief Program and advance payments of premiums made to the FDIC in 2010. Excluding TARP outlays and the prepayments to the FDIC (which were recorded as negative outlays), spending through April increased by less than 1 percent relative to outlays during the same period last year.

Net interest on the public debt was the fastest-growing category of spending, rising by $20 billion (or 16 percent). Outlays for several major entitlement programs also grew during the first seven months of fiscal year 2011. Spending for Medicaid increased by $10 billion (or 7 percent). Outlays for Medicare and Social Security grew by 4 percent each, adjusted for shifts in the timing of payments.

In contrast, smaller cash infusions and slightly larger dividend receipts reduced net payments to Fannie Mae and Freddie Mac by $27 billion. Outlays for unemployment benefits decreased by $22 billion (or 23 percent) because of a decline in the number of claims and because average benefits were lower than they had been a year earlier.

Net outlays in the category "Other Activities" grew by $56 billion—mostly because of last year's prepayments to the FDIC. Excluding those, spending in this category grew by only $7 billion.

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