



# MONTHLY BUDGET REVIEW

## Fiscal Year 2012

### A Congressional Budget Office Analysis

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

June 7, 2012

The federal government incurred a budget deficit of \$845 billion in the first eight months of fiscal year 2012, CBO estimates—about \$80 billion less than the shortfall reported during the same period last year. Without shifts in the timing of certain payments, the deficit so far this year would have been about \$50 billion smaller than last year’s figure. Revenues were 5 percent higher and outlays slightly lower than they were at this point in 2011.

#### APRIL RESULTS

The Treasury reported a surplus of \$59 billion for April, about \$1 billion more than CBO’s estimate, which was based on the *Daily Treasury Statements*. April was the first month since September 2008 in which the federal government recorded a surplus.

Outlays were \$73 billion higher this May than they were in the same month last year, CBO estimates. Without the shifts in the timing of payments, outlays would have been \$46 billion higher in May 2012 than in May 2011.

#### ESTIMATES FOR MAY (Billions of dollars)

|             | Actual<br>FY 2011 | Preliminary<br>FY 2012 | Estimated<br>Change |
|-------------|-------------------|------------------------|---------------------|
| Receipts    | 175               | 180                    | 5                   |
| Outlays     | 233               | 306                    | 73                  |
| Deficit (-) | -58               | -125                   | -68                 |

Most of that year-over-year increase in May outlays occurred because the government recorded a \$42 billion downward revision to its estimate of costs related to the Troubled Asset Relief Program (TARP) in May 2011, whereas no similar revision was made in 2012. Excluding the effects of the timing shifts and the 2011 adjustment to TARP outlays, outlays in May rose by about 1 percent. Spending for Medicare and Social Security increased by \$6 billion and \$4 billion, respectively. In contrast, spending for international security assistance was \$2 billion less than such spending in the same month last year (mostly because payments to Israel and Egypt were made in May 2011, but earlier in the year in 2012). Also, spending for Department of Education programs was \$3 billion less this May than in May 2011.

Sources: Department of the Treasury; CBO.

The Treasury recorded a deficit of \$125 billion in May 2012, CBO estimates, \$68 billion higher than in the same month in 2011. Spending in 2011 was influenced by the shift of certain payments from May to April; if not for those shifts, the deficit in May 2012 would have been \$41 billion greater than the shortfall in May 2011.

#### BUDGET TOTALS THROUGH MAY (Billions of dollars)

|             | Actual<br>FY 2011 | Preliminary<br>FY 2012 | Estimated<br>Change |
|-------------|-------------------|------------------------|---------------------|
| Receipts    | 1,484             | 1,563                  | 79                  |
| Outlays     | 2,412             | 2,409                  | -3                  |
| Deficit (-) | -927              | -845                   | 82                  |

Receipts in May were \$5 billion (or 3 percent) higher than collections last May, CBO estimates. Withheld income and payroll taxes rose by \$3 billion (or 2 percent), while nonwithheld receipts from those sources rose by \$1 billion. Partially offsetting those gains was an increase of \$2 billion in refunds of individual income taxes. In addition, net corporate income tax receipts were \$1 billion higher because of lower refunds of those taxes. All other receipts were \$2 billion higher, on net, in May 2012 than in May 2011.

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of \$845 billion for the first eight months of fiscal year 2012—\$82 billion less than the deficit reported for the same period last year. Total receipts through May were up by \$79 billion (or 5.3 percent), while total spending was slightly lower.

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 MAY

(Billions of dollars)

| Major Source  | Actual<br>FY 2011 | Preliminary<br>FY 2012 | Percentage<br>Change |
|---|-------------------|------------------------|----------------------|
| Individual Income                                     | 702               | 733                    | 4.4                  |
| Social Insurance                                      | 557               | 568                    | 2.0                  |
| Corporate Income                                      | 86                | 119                    | 38.6                 |
| Other   | <u>140</u>        | <u>144</u>             | 3.0                  |
| <b>Total</b>  | <b>1,484</b>      | <b>1,563</b>           | <b>5.3</b>           |
| Memorandum:   |                   |                        |                      |
| Combined Individual Income and Social Insurance Taxes |                   |                        |                      |
| Withheld  | 1,171             | 1,199                  | 2.4                  |
| Other   | <u>89</u>         | <u>102</u>             | 15.2                 |
| Total   | 1,259             | 1,301                  | 3.3                  |

Sources: Department of the Treasury; CBO.

Through May, total receipts from individual income taxes were up by \$31 billion (or about 4 percent) compared with collections during the same period in fiscal year 2011. Withheld individual income taxes rose by \$22 billion (or 3 percent), reflecting growth in wages. Nonwithheld payments rose by \$10 billion (or 4 percent), while refunds rose by about \$1 billion, partially offsetting some of the gain.

Receipts from social insurance taxes grew by \$11 billion (or 2 percent) in the first eight months of the fiscal year. Withheld payroll taxes grew by only \$7 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 been in effect in comparable months in both years, withheld collections would have grown by an additional \$25 billion this year, CBO estimates. In addition, collections of unemployment taxes rose by \$5 billion as states replenished their recession-depleted trust funds.

Receipts of corporate taxes have increased by \$33 billion (or 39 percent) so far this fiscal year, largely reflecting corporations' activity in 2011. Payments made by firms in April and May, which more closely reflect profits during this calendar year, increased by just 4 percent.

Receipts from other sources of revenue rose by about \$4 billion (or 3 percent), on net. Increases in receipts from excise taxes, estate and gift taxes, and customs duties were partially offset by a decline in receipts from the Federal Reserve.

## OUTLAYS THROUGH MAY

(Billions of dollars)

| Major Category                  | Actual<br>FY 2011 | Preliminary<br>FY 2012 | Percentage<br>Change |                       |
|---------------------------------|-------------------|------------------------|----------------------|-----------------------|
|                                 |                   |                        | Actual               | Adjusted <sup>a</sup> |
| Defense–Military                | 449               | 433                    | -3.5                 | -2.7                  |
| Social Security                 |                   |                        |                      |                       |
| Benefits                        | 477               | 503                    | 5.5                  | 5.5                   |
| Medicare <sup>b</sup>           | 303               | 302                    | -0.6                 | 4.2                   |
| Medicaid                        | 189               | 165                    | -12.8                | -12.8                 |
| Unemployment                    |                   |                        |                      |                       |
| Benefits                        | 85                | 68                     | -20.6                | -20.6                 |
| Other Activities                | <u>731</u>        | <u>760</u>             | 4.0                  | 5.8                   |
| <b>Subtotal</b>                 | <b>2,236</b>      | <b>2,231</b>           | <b>-0.2</b>          | <b>1.2</b>            |
| Net Interest on the Public Debt | <u>176</u>        | <u>178</u>             | 0.8                  | 0.8                   |
| <b>Total</b>                    | <b>2,412</b>      | <b>2,409</b>           | <b>-0.1</b>          | <b>1.2</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.

Outlays through May were about 1 percent higher than in the same period last year, after shifts in the timing of certain payments are taken into account. (The year-over-year changes discussed below reflect adjustments for those shifts.)

Spending for Social Security benefits increased by \$26 billion (or 5.5 percent). Compared with spending during the first eight months of fiscal year 2011, net spending for Medicare was up by \$13 billion (or 4 percent), by CBO's estimate.

Spending for some programs declined. Outlays for Medicaid fell by \$24 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 \$18 billion (or 21 percent), mostly because fewer people have been receiving benefits in recent months. Defense spending decreased by about \$12 billion (or 3 percent), CBO estimates.

Expenditures in the broad category "Other Activities" have increased by \$42 billion (or 6 percent) so far this year. Outlays recorded for TARP rose by \$62 billion, mainly because adjustments to the estimated costs of earlier transactions reduced outlays by \$42 billion in 2011 and increased outlays by \$21 billion in 2012. Outlays for veterans' programs increased by \$6 billion (or 7 percent). In contrast, education spending dropped by \$24 billion (or 36 percent), CBO estimates, largely because of a decline in spending funded by the American Recovery and Reinvestment Act. (Most of that spending occurred prior to 2012.)