



# MONTHLY BUDGET REVIEW

## Fiscal Year 2011

### A Congressional Budget Office Analysis

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

July 8, 2011

CBO estimates that the Treasury Department will report a deficit of \$973 billion for the first nine months of fiscal year 2011, \$31 billion less than the \$1,004 billion deficit incurred through June 2010. Outlays are about 4 percent higher and revenues are about 8.5 percent higher than they were at the same point last year.

#### MAY RESULTS (Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	175	175	*
Outlays	235	233	-2
Deficit (-)	-59	-58	2

Sources: Department of the Treasury; CBO.  
Note: \* = Less than \$500 million.

The Treasury reported a deficit of \$58 billion for May, about \$2 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. That difference occurred largely because spending for veterans, transportation, housing, and income security programs was lower than CBO expected.

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

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	251	248	-3
Outlays	319	294	-26
Deficit (-)	-68	-45	23

Sources: Department of the Treasury; CBO.

The deficit in June was \$45 billion, CBO estimates, \$23 billion less than the shortfall recorded a year ago. That decline occurred because spending was less in June 2011 than it was in June 2010.

Outlays were \$26 billion lower in June than in the same month last year, CBO estimates. Two adjustments to the estimated subsidy cost of loans and loan guarantees made in previous years reduced outlays by roughly \$21 billion this June: a \$30 billion decrease for Department of Education programs, offset in part by an upward adjustment of \$9 billion in the estimated cost of housing programs. Additionally, outlays for Fannie Mae and Freddie Mac were \$11 billion lower this June than in June 2010, as the government provided smaller equity injections to the two government-sponsored enterprises (GSEs). Outlays for the Department of

Commerce were \$1 billion lower than they were last June, when the decennial census was being conducted. In contrast, spending for net interest on the public debt was \$6 billion higher, and outlays for Medicare and Medicaid were each \$3 billion higher this June than they were in the same month last year.

CBO estimates that receipts in June were \$3 billion lower than collections in June 2010. Combined receipts from individual income and social insurance (payroll) taxes were about the same as those in June of last year. Withheld income and payroll taxes fell by \$6 billion (or 5 percent) despite increases in total wages and salaries over the past year. Withheld taxes were reduced both by the temporary payroll tax cut in effect since January and by that fact that, in 2010, Memorial Day fell on the last business day in May, pushing receipts that normally would have been collected in May into June. The decline in withheld taxes was offset by a \$6 billion (or 14 percent) increase in nonwithheld income and payroll taxes, which included higher estimated payments for the second quarter of the calendar year.

Net receipts from corporate income taxes were \$2 billion (or 5 percent) less than the sums collected in June 2010. A \$3 billion decline in corporate refunds only partly offset a \$6 billion (10 percent) decline in gross receipts, which included estimated payments for the second quarter of the current year. Changes in other receipts were largely offsetting.

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

	Actual FY 2010	Preliminary FY 2011	Estimated Change
Receipts	1,597	1,733	136
Outlays	2,601	2,705	104
Deficit (-)	-1,004	-973	31

Sources: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of \$973 billion for the first nine months of fiscal year 2011, \$31 billion less than the deficit recorded during the same period last year. Outlays climbed by \$104 billion while revenues increased by \$136 billion.

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 2010	Preliminary FY 2011	Percentage Change
Individual Income	655	814	24.1
Social Insurance	660	626	-5.1
Corporate Income	133	135	1.2
Other	<u>149</u>	<u>159</u>	6.6
<b>Total</b>	<b>1,597</b>	<b>1,733</b>	<b>8.5</b>
<b>Memorandum:</b>			
Combined Individual Income and Social Insurance Taxes			
Withheld	1,254	1,307	4.2
Other	<u>61</u>	<u>133</u>	117.7
Total	1,315	1,440	9.4

Sources: Department of the Treasury; CBO.

Receipts for the first three quarters of this fiscal year were 8.5 percent higher than in the same period last year, CBO estimates. Individual income taxes, the largest tax source, showed a gain of 24 percent. In contrast, social insurance taxes fell by 5 percent because the temporary payroll tax reduction more than offset the impact of higher wages and more employment.

Combined, individual income and payroll taxes increased by \$124 billion, or 9 percent, in the first three quarters of the fiscal year. Withholding for individual income and payroll taxes rose by \$52 billion (or 4 percent), reflecting increases in wages and salaries and the net effect of recent legislation: The reduction in withholding because of the temporary payroll tax cut was partially offset by the expiration of the Making Work Pay Credit at the end of calendar year 2010. Other receipts from individual income and payroll taxes rose by \$72 billion. In particular, collections of nonwithheld taxes increased by \$46 billion (or 17 percent), mostly from amounts paid in April with 2010 tax returns. Net receipts also rose because individual income tax refunds were \$16 billion lower than during the same period last year. Receipts from unemployment insurance taxes rose by about \$10 billion.

Corporate income tax receipts increased by \$2 billion (or 1 percent). However, gross receipts in April and June, which largely reflect quarterly estimated payments on 2011 activity, were lower than the corresponding payments made in the prior fiscal year.

Revenues from other sources rose by \$10 billion (or 7 percent) in the first three quarters of this fiscal year compared with amounts received in the same period last year. Receipts from the Federal Reserve were about \$10 billion higher as a result of earnings on its larger portfolio. Differences in receipts from the remaining sources were largely offsetting: Excise taxes rose by \$4 billion, and customs duties rose by \$3 billion, while estate and gift taxes declined by \$8 billion.

## OUTLAYS THROUGH JUNE

(Billions of dollars)

Major Category	Actual FY 2010	Preliminary FY 2011	Percentage Change	
			Actual	Adjusted <sup>a</sup>
Defense–Military	499	506	1.3	1.3
Social Security				
Benefits	519	538	3.6	3.6
Medicare <sup>b</sup>	330	344	4.3	4.3
Medicaid	203	216	6.5	6.5
Unemployment				
Benefits	124	95	-23.1	-23.1
Other Activities	<u>824</u>	<u>842</u>	2.1	-3.4
<b>Subtotal</b>	<b>2,499</b>	<b>2,540</b>	<b>1.7</b>	<b>-0.2</b>
Net Interest on the				
Public Debt	171	202	17.8	17.8
TARP	-110	-39	n.m.	n.m.
Payments to GSEs	<u>41</u>	<u>3</u>	-93.3	-93.3
<b>Total</b>	<b>2,601</b>	<b>2,705</b>	<b>4.0</b>	<b>2.2</b>

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program;  
GSE = government-sponsored enterprise;  
n.m. = not meaningful.

- Excludes the effects of payments shifted because of weekends or holidays and of prepayments of deposit insurance premiums.
- Medicare outlays are net of proprietary receipts.

Outlays through June were \$104 billion above those through June 2010, CBO estimates. That difference stems mainly from large downward adjustments in 2010 to the estimated cost of credit programs (mainly the Troubled Asset Relief Program) and prepayments in 2010 of premiums to the Federal Deposit Insurance Corporation. Other spending, in total, changed little.

Net interest on the public debt grew the most, rising by \$31 billion (or 18 percent) above the outlays recorded through June 2010, primarily because of the large increase in the public debt during the past year. In contrast, defense spending increased by 1 percent through June, considerably below the three-quarter average of 9 percent experienced over the past 10 years.

The three largest entitlement programs continued to grow. Compared with outlays in the first nine months of 2010, spending for Medicaid grew by \$13 billion (or 6 percent), and spending for Social Security and Medicare combined grew by \$33 billion (or about 4 percent each). For the latter two programs, that growth was less than the average of 6 percent and 8 percent, respectively, experienced in the same period of the year over the past 10 years.

Offsetting those increases in outlays were declines in several areas, including net payments to GSEs (down by \$38 billion, or 93 percent), deposit insurance (down by \$32 billion, excluding receipts from prepayments of premiums), and unemployment benefits (down by \$29 billion, or 23 percent). Spending for “Other Activities” excluding deposit insurance and reestimates of credit subsidies rose by \$21 billion (or 2.5 percent).