



# MONTHLY BUDGET REVIEW

## Fiscal Year 2002

### A Congressional Budget Office Analysis

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

December 10, 2001

The federal government incurred a deficit of about \$63 billion in the first two months of fiscal year 2002, CBO estimates. Although deficits are common in October and November, that amount represents the largest shortfall for the two-month period since fiscal year 1997 (the last time the government recorded a deficit for an entire fiscal year).

#### OCTOBER RESULTS

(In billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	159	157	-1
Outlays	169	167	-3
Deficit	-11	-9	2

SOURCES: Department of the Treasury; CBO.

The Treasury reported a deficit of \$9.4 billion in October, slightly less than CBO had projected on the basis of the *Daily Treasury Statements*. Outlays were \$2.5 billion less than CBO had anticipated, mostly because of lower-than-expected spending by the Department of Defense. On the revenue side, receipts from individual income taxes were about \$1 billion lower than CBO had projected.

#### ESTIMATES FOR NOVEMBER

(In billions of dollars)

	Actual FY2001	Preliminary FY2002	Estimated Change
Receipts	126	121	-5
Outlays	149	175	25
Deficit	-24	-54	-30

SOURCES: Department of the Treasury; CBO.

The government recorded a deficit of about \$54 billion in November, CBO estimates—about \$30 billion more than the shortfall in the same month a year ago. Total receipts in November were \$121 billion, a decline of \$5 billion from last November's total. Only receipts from social insurance taxes and the Federal Reserve rose. Receipts from individual and corporate income taxes and excise taxes declined, while those from estate and gift taxes, customs duties, and miscellaneous other sources were largely unchanged.

Outlays were \$25 billion higher this November than last November, CBO estimates. Part of that increase occurred because this year December 1 fell on a weekend, thus shifting into November between \$11 billion and \$12 billion in payments usually made on the first of December. Without that shift, outlays in November would have been up by about \$14 billion (9 percent) rather than \$25 billion.

#### BUDGET TOTALS THROUGH NOVEMBER

(In billions of dollars)

	October-November		Estimated Change
	FY2001	FY2002	
Receipts	261	278	17
Outlays	296	341	45
Deficit	-35	-63	-28

SOURCES: Department of the Treasury; CBO.

The estimated deficit for the first two months of this fiscal year—\$63 billion—was about \$28 billion greater than the shortfall for the same period last year. Although revenues increased by \$17 billion compared with last year, outlays grew more, rising by \$45 billion.

#### RECEIPTS THROUGH NOVEMBER

(In billions of dollars)

Major Source	October-November		Percentage Change
	FY2001	FY2002	
Individual Income <sup>a</sup>	136	133	-2.3
Corporate Income <sup>a</sup>	4	20	441.6
Social Insurance	99	102	3.6
Other	<u>22</u>	<u>22</u>	-0.1
Total	261	278	6.5

SOURCES: Department of the Treasury; CBO.

a. Net of refunds.

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.

Total receipts were up by \$17 billion, or 6.5 percent, in the first two months of fiscal year 2002 compared with the same period last year. Receipts would have been lower than a year ago, however, without two factors that added to the total this year. Most important, corporations shifted \$23 billion in estimated payments of income taxes from September 15 to October 1, as allowed by the Economic Growth and Tax Relief Reconciliation Act of 2001. In addition, the two-month period contained one more business day this year than last year, adding about \$5 billion to receipts. Without those two factors, revenues would have declined by about \$11 billion compared with the first two months of fiscal year 2001. Of that decline, about \$5 billion sprang from legislated cuts in individual income taxes, which resulted in lower receipts from withheld income taxes and higher refunds to individuals. The recession and other factors reduced receipts by another \$5 billion to \$6 billion relative to the same period last year.

**OUTLAYS THROUGH NOVEMBER**  
(In billions of dollars)

Major Category	October-November		Percentage Change	
	FY2001	FY2002	Actual	Adjusted <sup>a</sup>
Defense—Military	43	54	25.2	11.3
Social Security				
Benefits	68	72	6.1	6.1
Medicare	38	43	13.4	5.2
Medicaid	21	25	17.1	17.1
Other Programs and Activities	<u>86</u>	<u>114</u>	31.7	19.6
Subtotal	257	308	19.9	12.3
Net Interest on the Public Debt	<u>39</u>	<u>33</u>	-14.6	-14.6
<b>Total</b>	296	341	15.4	8.9

SOURCES: Department of the Treasury; CBO.

a. Excludes the effects of payments that were shifted because of weekends or holidays.

Outlays were 15 percent higher for the first two months of fiscal year 2002 than for the same period last year, CBO estimates. But, as with revenues, the calendar had a significant impact on those figures. Last year, October 1 fell on a weekend, and certain payments ordinarily made on the first of the month were shifted into September. This year, December 1 fell on a weekend, and such payments were made in November. Adjusted for those timing shifts, the growth of outlays so far this year was about 9 percent. (Outlays grew by about 5 percent in fiscal year 2001, adjusted for calendar effects.)

Medicaid spending continues to soar—growing by more than 17 percent so far this year. Defense outlays have increased by about 11 percent (adjusted for the shift in payment dates), while Medicare disbursements and Social Security benefits have grown by 5 percent and 6 percent, respectively.

Spending for a variety of other programs and activities has risen substantially. Unemployment benefits were \$3 billion higher in the first two months of this year than in the same period last year as a result of the economic slowdown. Significant spending increases were also recorded by the Department of Transportation (including more than \$1 billion in financial aid to airlines), the Department of Education, and the Public Health Service.

In contrast, net outlays for interest on the public debt continue to fall—a result of declining interest rates and a lower volume of outstanding federal debt.