



# MONTHLY BUDGET REVIEW

## Fiscal Year 2012

### A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for July and the *Daily Treasury Statements* for August

September 10, 2012

CBO estimates that the Treasury Department will report a deficit of \$1.17 trillion for the first 11 months of fiscal year 2012, almost \$70 billion less than the deficit at the same point last year. Through the end of August, revenues in fiscal year 2012 were about 6 percent higher and outlays about 2 percent higher than they were through August of last year. In CBO's most recent budget projections, the agency estimated that the deficit for fiscal year 2012 (which will end on September 30, 2012) will total \$1.13 trillion, about \$175 billion less than last year's shortfall. (See [An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022](#), which CBO published in August.)

#### JULY RESULTS

The Treasury reported a deficit of \$70 billion for July, \$1 billion less than the amount CBO had projected on the basis of the *Daily Treasury Statements*.

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

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	169	179	10
Outlays	303	371	68
Deficit (-)	-134	-192	-58

Sources: Department of the Treasury; CBO.

The deficit in August was \$192 billion, CBO estimates, \$58 billion more than the deficit recorded a year ago. That outcome, however, was affected by the fact that the Labor Day weekend came right at the beginning of September. Consequently, certain payments that are ordinarily made at the beginning of each month—including Social Security benefits—were shifted from September to August, boosting spending last month. Without those timing shifts, the deficit this August would have been about the same as the shortfall in August 2011.

In the absence of those payment shifts, outlays would have been about \$10 billion (or 3 percent) more than the amount recorded in August of last year, CBO estimates. Much of that increase resulted from a change in the projected subsidy costs for housing loans and loan guarantees that had been made in previous years, which boosted outlays by \$9 billion. Excluding the effects of the payment shifts, Social Security benefits paid in August were \$4 billion higher than the amounts paid last August. Also, outlays for veterans' programs were \$3 billion higher. In contrast, spending was lower for unemployment benefits (by \$3 billion), as well as for defense, net interest on the public debt, and international assistance (each by \$1 billion).

Receipts in August were \$10 billion (or 6 percent) higher than those in August 2011, CBO estimates. Net receipts from individual income taxes and payroll taxes, which account for more than 80 percent of total federal revenues, rose by \$1 billion (or 1 percent). Withholding of individual income and payroll taxes rose by \$3 billion (or 2 percent), whereas collections of payroll taxes for unemployment insurance declined by \$2 billion. In addition, corporate income taxes and receipts from the Federal Reserve each rose by \$3 billion. Together, receipts from excise taxes and from estate and gift taxes also increased by \$3 billion.

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

	Actual FY 2011	Preliminary FY 2012	Estimated Change
Receipts	2,062	2,188	126
Outlays	3,296	3,354	57
Deficit (-)	-1,234	-1,166	68

Sources: Department of the Treasury; CBO.

In CBO's estimation, the deficit through August for fiscal year 2012 was \$1,166 billion, \$68 billion less than the deficit recorded for the same period last year. Revenues have increased by \$126 billion, and outlays have risen by \$57 billion.

#### REVENUES

Total revenues in the first 11 months of fiscal year 2012 were 6 percent higher than those in the same period last year. Corporate income taxes contributed the largest amount to the overall increase in revenues. Net corporate receipts grew by \$45 billion (or 31 percent), largely because of changes in tax rules in recent years—in particular, the rules governing how quickly firms may deduct the cost of their investments in equipment.

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 AUGUST

(Billions of dollars)

Major Source	Actual FY 2011	Preliminary FY 2012	Percentage Change
Individual Income	977	1,016	3.9
Social Insurance	752	778	3.4
Corporate Income	142	187	31.3
Other	<u>191</u>	<u>208</u>	8.8
<b>Total</b>	<b>2,062</b>	<b>2,188</b>	<b>6.1</b>

### Memorandum:

Combined Individual  
Income and Social  
Insurance Taxes

Withheld	1,578	1,623	2.9
Other	<u>151</u>	<u>170</u>	12.6
<b>Total</b>	<b>1,729</b>	<b>1,793</b>	<b>3.7</b>

Sources: Department of the Treasury; CBO.

Individual income tax receipts grew by \$39 billion (or 4 percent). Growth in wages and salaries boosted withholding by \$30 billion (or 3 percent), and nonwithheld payments increased by \$11 billion (or 4 percent). Those gains were partially offset by an increase of \$2 billion (or 1 percent) in tax refunds.

Receipts from social insurance taxes rose by \$26 billion (or 3 percent) in the first 11 months of fiscal year 2012, mostly because withholding for payroll taxes grew by about \$15 billion (or 2 percent). The current reduction of 2 percentage points in the payroll tax was not in effect for the first quarter of fiscal year 2011 (October through December 2010); if it had been in effect during that time, the year-over-year increase in withholding for payroll taxes would have been larger by about \$25 billion, CBO estimates (yielding growth of 6 percent in that source of revenue). In addition, collections of unemployment insurance taxes rose by \$11 billion (or 19 percent) through August 2012, as states continued to replenish trust funds depleted by the recent recession.

Receipts from other sources increased by about \$17 billion (or 9 percent) during the 11-month period. Collections of excise taxes grew by \$7 billion; receipts of estate and gift taxes rose by \$6 billion; and, together, revenues from customs duties and miscellaneous fees and fines increased by \$6 billion. Those gains were partially offset by a decline of \$2 billion in receipts from the Federal Reserve.

## OUTLAYS

As adjusted for shifts in the timing of payments, outlays through August were 1 percent more than those in the same period last year. Some of that rise occurred because updates to the estimated cost of the Troubled Asset Relief Program (TARP) were recorded as a \$42 billion reduction in outlays in 2011 and a \$21 billion increase in outlays in 2012. Excluding those

revisions to previous estimates and the effects of shifts in payment dates, spending through August 2012 was about 1 percent *less* than spending in the first 11 months of fiscal year 2011. (Outlays for all spending programs discussed here have been adjusted for timing shifts.)

## OUTLAYS THROUGH AUGUST

(Billions of dollars)

Major Category	Actual FY 2011	Preliminary FY 2012	Percentage Change	
			Actual	Adjusted <sup>a</sup>
Defense–Military	615	599	-2.5	-2.6
Social Security				
Benefits	659	724	9.9	5.9
Medicare <sup>b</sup>	429	446	4.0	4.2
Medicaid	256	230	-10.0	-10.0
Unemployment				
Benefits	113	89	-21.6	-21.6
Other Activities	<u>1,018</u>	<u>1,000</u>	-1.7	-1.6
<b>Subtotal</b>	<b>3,089</b>	<b>3,089</b>	<b>*</b>	<b>-0.9</b>
Net Interest on the				
Public Debt	246	241	-2.2	-2.2
TARP	<u>-39</u>	<u>24</u>	n.m.	n.m.
<b>Total</b>	<b>3,296</b>	<b>3,354</b>	<b>1.7</b>	<b>1.0</b>

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; \* = between -0.05 percent and 0 percent; 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 offsetting receipts.

Spending for Medicaid through August fell by \$26 billion (or 10 percent) because legislated increases in the federal share of the program's costs expired in July 2011. Outlays for unemployment benefits dropped by \$24 billion (or 22 percent), mostly because fewer people have been receiving benefits in recent months. Defense spending fell by about \$16 billion (or 3 percent), in part because of lower spending for military operations in Afghanistan and Iraq. In the other direction, payments for Social Security benefits increased by \$39 billion (or 6 percent), and net spending for Medicare was up by \$18 billion (or 4 percent).

Expenditures through August in the broad category "Other Activities" were \$17 billion (or 2 percent) lower than they were last year, in part because of a \$14 billion decrease in spending associated with the Making Work Pay tax credit, which expired last year. (The budget records the refundable portion of that credit as an outlay.) Net outlays for the Department of Education were lower by \$28 billion (or 31 percent), excluding changes recorded in the budget in the estimated cost of student loans. That decline occurred largely because of waning spending from funding provided by the American Recovery and Reinvestment Act. (Most of that spending occurred before 2012.) In contrast, outlays have risen this year for veterans' programs, the Office of Personnel Management, and deposit insurance.