MONTHLY BUDGET REVIEW

Fiscal Year 2010

A Congressional Budget Office Analysis

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

June 4, 2010

The federal budget deficit was $941 billion during the first eight months of fiscal year 2010, CBO estimates, $51 billion less than the shortfall recorded over the same period last year. Both revenues and outlays were lower than the corresponding amounts during the first eight months of last year, by 2 percent and 3 percent, respectively.

APRIL RESULTS
(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	246	245	-1
Outlays	331	328	-3
Deficit (-)	-85	-83	2

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of $83 billion for April, about $2 billion less than CBO's estimate for that month based on the *Daily Treasury Statements.* That difference occurred largely because spending for unemployment benefits was lower than expected.

ESTIMATES FOR MAY
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	117	145	28
Outlays	307	287	-20
Deficit (-)	-190	-142	48

Sources: Department of the Treasury; CBO.

The deficit in May was $142 billion, CBO estimates, $48 billion less than the shortfall recorded in the same month last year. However, about half of that reduction resulted from a shift in the timing of certain payments.

Receipts in May were about $28 billion (or 24 percent) higher than receipts in May 2009, CBO estimates. Nearly half of that difference, $13 billion, stems from lower individual income tax refunds, primarily because more refunds than usual were made in April this year. (Most refunds are reported on Fridays, and that month had five Fridays this year.) In addition, net corporate receipts were about $6 billion higher, attributable to higher gross receipts and lower refunds. Withholding for income and payroll taxes showed no growth compared with receipts in May 2009, while nonwithheld income and payroll taxes increased by almost $2 billion. Most of the annual collections of state unemployment taxes occur in May, and this year those collections were about $2 billion higher than in May 2009 because of states' efforts to replenish their unemployment trust funds. (Those collections are recorded as federal revenues.) Receipts to the Treasury from the Federal Reserve increased by about $4 billion, in line with increases in recent months that have resulted from changes in the size and composition of its portfolio of assets.

Outlays this May were $20 billion lower than those recorded for May 2009, CBO estimates. That decrease is mainly attributable to a shift in payment dates, however. Because May 1 fell on a weekend this year, $25 billion in payments that would ordinarily have been made in May were instead shifted into April. Adjusted for that calendar effect, outlays would have been $5 billion more than they were in May 2009. Outlays for defense, Medicare, and Medicaid were virtually unchanged. Although outlays for the Troubled Asset Relief Program (TARP) were about $18 billion lower this May than in May 2009, that reduction was partially offset by a $10 billion increase in outlays for the Federal Deposit Insurance Corporation and increased spending for Social Security benefits and net interest on the public debt, both up by $3 billion. Two adjustments to the estimated subsidy cost of loans and loan guarantees made in previous years added roughly $2 billion to outlays this May: an $11 billion increase for Federal Housing Administration programs, offset in part by a downward adjustment of $8 billion in the estimated cost of Treasury purchases of mortgage-backed securities issued by Fannie Mae and Freddie Mac.

BUDGET TOTALS THROUGH MAY
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	1,373	1,344	-29
Outlays	2,365	2,285	-80
Deficit (-)	-992	-941	51

Sources: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of $941 billion for the first eight months of fiscal year 2010, $51 billion less than the deficit recorded during the same period last year. Outlays fell by $80 billion, while revenues declined by $29 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 MAY
(Billions of dollars)

Major Source	Actual FY 2009	Preliminary FY 2010	Percentage Change
Individual Income	593	543	-8.4
Corporate Income	69	82	18.2
Social Insurance	609	588	-3.5
Other	102	132	29.0
Total	**1,373**	**1,344**	**-2.1**

Sources: Department of the Treasury; CBO.

Receipts in the first eight months of this fiscal year were about $29 billion lower than those in the same period last year. A decline of about $71 billion (or 6 percent) in individual income and payroll taxes accounts for the overall reduction in receipts. Increases of about $13 billion (or 18 percent) in net corporate receipts and about $30 billion in receipts from the Federal Reserve offset some of the drop-off in receipts from individuals' taxes.

Withheld receipts for income and payroll taxes fell by about $40 billion (or 3 percent). Declines in the October through February period have been offset somewhat by increases in more recent months; rising employment and wages may explain those recent increases. Nonwithheld receipts for income and payroll taxes fell by about $37 billion (or 14 percent) for the eight-month period, primarily reflecting lower payments for 2009 tax liabilities. That drop-off probably stems, in part, from a fall in nonwage income in 2009. An increase of about $4 billion (or 17 percent) in state unemployment tax receipts partially offset the decline in individual income and other payroll taxes; that increase resulted from efforts by states to replenish their unemployment trust funds.

The gain of about $13 billion (or 18 percent) in corporate receipts resulted primarily from larger-than-expected payments of 2009 taxes made during the current fiscal year. Receipts to the Treasury from the Federal Reserve continued to show strength, with a gain of almost $30 billion, primarily because the central bank has increased the amount of assets that it holds and has shifted to longer-term, riskier, and thus higher-yielding investments in support of the housing market and the broader economy.

OUTLAYS THROUGH MAY
(Billions of dollars)

Major Category	Actual FY 2009	Preliminary FY 2010	Percentage Change
Defense–Military	419	443	5.7
Social Security Benefits	433	461	6.4
Medicare [a]	278	291	4.7
Medicaid	164	180	9.4
Unemployment Benefits	70	111	58.0
Other Activities	680	732	7.6
Subtotal	**2,046**	**2,218**	**8.4**
Net Interest on the Public Debt	124	152	21.9
TARP	136	-110	-180.6
Payments to GSEs	59	25	-57.7
Total	**2,365**	**2,285**	**-3.4**

Sources: Department of the Treasury; CBO.

Note: TARP = Troubled Asset Relief Program; GSE = government-sponsored enterprise.

a. Medicare outlays are net of proprietary receipts.

Outlays through May were $80 billion (or 3 percent) lower than in the first eight months of fiscal year 2009, CBO estimates. The net reduction in spending reflects sharply lower outlays for the costs of the TARP, for the Treasury's payments to Fannie Mae and Freddie Mac, and for the net costs of federal deposit insurance; altogether, outlays for those activities declined by $336 billion relative to outlays in the first eight months of 2009.

Apart from outlays for those financial programs, spending through May was $257 billion (or 12 percent) higher than in the same period last year. More than one-third of that increase stemmed from provisions in the American Recovery and Reinvestment Act (ARRA). Most of the growth in ARRA-related spending was for grants to states made by the Department of Education, additional unemployment benefits, refundable tax credits, and the federal share of Medicaid assistance.

Excluding amounts provided by ARRA, Medicaid outlays rose by 5.5 percent through May, exceeding the 4.7 percent increase in Medicare spending. Social Security outlays grew more slowly through May than in fiscal year 2009 as a whole (up by 6 percent compared with close to 9 percent last year), primarily because there was no cost-of-living adjustment in 2010.

Outlays for net interest on the public debt were 22 percent higher through May than in the same period last year. Much of that growth reflects adjustments to the value of inflation-indexed securities.

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