



MONTHLY BUDGET REVIEW

Fiscal Year 2010

A Congressional Budget Office Analysis

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

July 7, 2010

The federal government incurred a deficit of just over \$1.0 trillion for the first nine months of fiscal year 2010, CBO estimates, \$81 billion less than the roughly \$1.1 trillion deficit incurred through June 2009. Revenues so far this year are slightly higher than they were last year at this time; outlays are about 3 percent lower.

MAY RESULTS

(Billions of dollars)

| | Preliminary Estimate | Actual | Difference |
|-------------|----------------------|--------|------------|
| Receipts | 145 | 147 | 2 |
| Outlays | 287 | 283 | -4 |
| Deficit (-) | -142 | -136 | 6 |

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of \$136 billion for May, about \$6 billion less than CBO had projected on the basis of the *Daily Treasury Statements*. That difference occurred largely because spending was lower than expected for health, veterans', and homeland security programs.

ESTIMATES FOR JUNE

(Billions of dollars)

| | Actual FY 2009 | Preliminary FY 2010 | Estimated Change |
|-------------|----------------|---------------------|------------------|
| Receipts | 215 | 251 | 36 |
| Outlays | 310 | 320 | 11 |
| Deficit (-) | -94 | -69 | 25 |

Sources: Department of the Treasury; CBO.

The deficit in June was \$69 billion, CBO estimates, \$25 billion less than the shortfall recorded a year ago.

CBO estimates that receipts in June were \$36 billion (or 17 percent) higher than collections in June 2009. More than half of that difference stemmed from an increase of \$19 billion (or almost 60 percent) in net receipts from corporate income taxes. Gross receipts from those taxes rose by \$15 billion (or 37 percent), primarily because of higher estimated payments for the current year; a \$4 billion decline in corporate income tax refunds also bolstered net corporate receipts.

Withheld income and payroll tax receipts also were higher in June 2010 than in June 2009—by about \$10 billion (or 8 percent), CBO estimates—in part because income from wages and salaries rose. In addition, because Memorial Day fell on the last day of May this year, some receipts were shifted from May into June. Nonwithheld income and payroll taxes received in June, which included the second quarterly estimated payment for calendar year 2010, were about the same as the amounts collected in June 2009. Receipts from the Federal Reserve continued the pattern evident in recent months, increasing by about \$5 billion; that increase reflects changes in the size and composition of the Federal Reserve's portfolio of assets.

Outlays were \$11 billion higher in June than in the same month last year, CBO estimates. Outlays for the Troubled Asset Relief Program (TARP) and Fannie Mae and Freddie Mac were, in total, about \$19 billion lower this June than in June 2009—but other spending was up by about \$30 billion. Outlays increased by \$5 billion for the Federal Deposit Insurance Corporation and by \$3 billion each for defense and for health programs. Spending for Social Security benefits and veterans' programs increased by \$2 billion each. In addition, the National Railroad Retirement Investment Trust lost more than \$1 billion on its investment portfolio in June 2010; a year ago, it earned about \$1 billion.

BUDGET TOTALS THROUGH JUNE

(Billions of dollars)

| | Actual FY 2009 | Preliminary FY 2010 | Estimated Change |
|-------------|----------------|---------------------|------------------|
| Receipts | 1,588 | 1,597 | 8 |
| Outlays | 2,675 | 2,602 | -73 |
| Deficit (-) | -1,086 | -1,005 | 81 |

Sources: Department of the Treasury; CBO.

CBO estimates that the government recorded a deficit of \$1,005 billion for the first nine months of fiscal year 2010, \$81 billion less than the deficit recorded during the same period last year. Outlays fell by about \$73 billion, and revenues increased slightly.

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 2009 | Preliminary FY 2010 | Percent Change |
|-------------------|-------------------|------------------------|-------------------|
| Individual Income | 686 | 655 | -4.4 |
| Corporate Income | 102 | 133 | 30.6 |
| Social Insurance | 687 | 660 | -3.9 |
| Other | <u>115</u> | <u>148</u> | 29.6 |
| Total | 1,588 | 1,597 | 0.5 |

Sources: Department of the Treasury; CBO.

Receipts for the first three quarters of this fiscal year were \$8 billion (or 0.5 percent) higher than in the same period last year, CBO estimates. That change reflects increases in receipts from corporate income taxes and in the Federal Reserve's payments to the Treasury, which were largely offset by decreases in individual income and payroll taxes.

Receipts from corporate income taxes for the first nine months were \$31 billion (or 31 percent) higher than the amounts collected during the same period last year. That increase reflects higher taxable profits in 2010, resulting both from improved economic conditions and from lower depreciation charges. The increase in corporate payments in June could indicate that the September quarterly payments also will show strength because corporate receipts in those two months tend to move in tandem. Receipts from the Federal Reserve increased by \$35 billion, primarily because the central bank has increased the amount of assets that it holds and has shifted to riskier, and thus higher-yielding, investments in support of the housing market and the broader economy.

Combined receipts from individual income and payroll taxes showed a decline of about \$57 billion (or 4 percent) over the period. Withheld income and payroll taxes fell by about \$28 billion (or 2 percent) for the nine-month period—but declines during the first part of the fiscal year were followed by increases in each of the past four months. CBO expects the trend in higher withholding receipts to continue through the remainder of the fiscal year. Nonwithheld payments of individual income and payroll taxes fell by about \$37 billion (or 12 percent) in the first nine months of the year, compared with collections in the first nine months of 2009. CBO estimates that almost all of that drop represents lower collections attributable to tax year 2009. That decline was partially offset by a reduction of \$4 billion in income tax refunds and by an increase of about \$5 billion (or 15 percent) in state unemployment tax receipts (which appear in the federal budget); that increase resulted from efforts by states to replenish their unemployment trust funds.

OUTLAYS THROUGH JUNE
(Billions of dollars)

| Major Category | Actual FY 2009 | Preliminary FY 2010 | Percentage Change |
|-----------------------|-------------------|------------------------|----------------------|
| Defense–Military | 473 | 500 | 5.8 |
| Social Security | | | |
| Benefits | 490 | 520 | 6.0 |
| Medicare ^a | 315 | 328 | 4.3 |
| Medicaid | 186 | 203 | 8.9 |
| Unemployment | | | |
| Benefits | 83 | 124 | 48.9 |
| Other Activities | <u>755</u> | <u>824</u> | 9.1 |
| Subtotal | 2,302 | 2,499 | 8.6 |
| Net Interest on the | | | |
| Public Debt | 143 | 172 | 20.2 |
| TARP | 147 | -110 | -174.4 |
| Payments to GSEs | <u>83</u> | <u>41</u> | -50.6 |
| Total | 2,675 | 2,602 | -2.7 |

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 June were \$73 billion (or 3 percent) lower than those in the first three quarters of fiscal year 2009, CBO estimates. That decline includes a net reduction in spending of nearly \$350 billion for the combination of TARP, Treasury payments to Fannie Mae and Freddie Mac, and net outlays for federal deposit insurance.

Spending through June for the government's other programs and activities was \$276 billion (or 11 percent) higher than outlays during the same period last year. Spending for unemployment benefits increased by almost 50 percent, or \$41 billion. Outlays for Medicaid and Medicare rose by \$17 billion (or 9 percent) and \$14 billion (or 4 percent), respectively. Payments for Social Security benefits increased by \$30 billion (or 6 percent). Defense spending also was up by about 6 percent—\$27 billion.

Outlays for net interest on the public debt were 20 percent higher through June than in the first three quarters of last year. Much of that growth reflects adjustments to the value of inflation-indexed securities.

Spending in the category "Other Activities" rose by \$69 billion (or 9 percent). The largest increases were for food and nutrition assistance, the State Fiscal Stabilization Fund (created by the American Recovery and Reinvestment Act), student aid, and refundable tax credits.