MONTHLY BUDGET REVIEW

Fiscal Year 2010

A Congressional Budget Office Analysis

Based on the *Monthly Treasury Statement* for January
and the *Daily Treasury Statements* for February

March 4, 2010

CBO estimates that the federal government incurred a budget deficit of $655 billion in the first five months of fiscal year 2010, about $65 billion greater than the shortfall recorded in the same period last year. Outlays remained essentially unchanged from the previous year, but revenues were 7 percent lower.

JANUARY RESULTS
(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	203	205	2
Outlays	249	248	-1
Deficit (-)	-46	-43	-3

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of $43 billion for January, about $3 billion less than CBO's estimate for that month based on the *Daily Treasury Statements*. The difference was primarily on the spending side of the budget: Outlays were lower than expected for the Department of Agriculture and a number of other agencies. Another difference affected both receipts and outlays but not the deficit. Both receipts and outlays were $2 billion higher than projected because refundable tax credits (which are recorded as outlays) were larger than anticipated and tax refunds (which offset receipts) were correspondingly smaller than expected.

ESTIMATES FOR FEBRUARY
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	87	103	16
Outlays	281	327	46
Deficit (-)	-194	-223	-30

Sources: Department of the Treasury; CBO.

CBO estimates that the deficit in February 2010 was $223 billion, $30 billion more than the deficit recorded in February of last year.

In CBO's estimation, receipts in February were about $16 billion (or 18 percent) higher than receipts in February 2009, the first monthly year-over-year increase in receipts since April 2008. A $7 billion increase in net corporate receipts explains much of that gain. Gross corporate receipts in February were unusually high compared with receipts in the preceding months, suggesting that one-time factors unrelated to firms' current profitability contributed to that increase. A gain of almost $6 billion in receipts from the Federal Reserve also contributed to the increase in total receipts in February compared with those last year, as did lower individual income tax refunds, which were down by about $8 billion. In contrast, withheld income and payroll taxes declined by about $3 billion (or 2 percent); excluding the effects of recently enacted legislation, withheld taxes were virtually unchanged from February 2009.

Outlays were $46 billion (or 16 percent) higher in February than in the same month last year. Spending for several refundable tax credits—in particular, for the new Making Work Pay Credit that was enacted in the American Recovery and Reinvestment Act (ARRA)—accounted for the largest part of that growth, about $12 billion. Outlays for net interest on the public debt, unemployment benefits, and education each increased by $5 billion. In addition, adjustments to the estimated subsidy costs of loans and loan guarantees made in previous years by the Small Business Administration increased outlays by almost $5 billion. In February 2009, receipts of $7 billion from the 2008 auction of licenses to use the electromagnetic spectrum partially offset the outlays for that month, but no such receipts were collected this February.

BUDGET TOTALS THROUGH FEBRUARY
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	861	796	-65
Outlays	1,451	1,451	*
Deficit (-)	-590	-655	-65

Sources: Department of the Treasury; CBO.
Note: * = Between zero and $500 million.

The Treasury will record a deficit of $655 billion for the first five months of fiscal year 2010, CBO estimates, compared with a shortfall of $590 billion during the same period last year. The difference is attributable to lower revenues this year.

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.

RECEIPTS THROUGH FEBRUARY
(Billions of dollars)

Major Source	Actual FY 2009	Preliminary FY 2010	Percentage Change
Individual Income	388	330	-15.1
Corporate Income	53	42	-20.3
Social Insurance	356	344	-3.4
Other	63	80	26.3
Total	**861**	**796**	**-7.5**

Sources: Department of the Treasury; CBO.

Receipts during the first five months of fiscal year 2010 were about $65 billion (or 7 percent) lower than collections in the same period last year. Accounting for most of that decline was a $54 billion (or 7 percent) drop in withheld receipts, which resulted primarily from lower wages and salaries and the Making Work Pay Credit. Nonwithheld individual income and payroll taxes also declined—by about $14 billion (or 15 percent)—primarily because payments of estimated taxes in January were relatively low. Refunds of individual income taxes, though lower in February 2010 than in the same month last year, were about $2 billion higher during the five-month period than in the corresponding period in fiscal year 2009.

Because of more refunds, net corporate income tax receipts were about $11 billion (or 20 percent) lower than they were from October through February of fiscal year 2009. The increase in refunds stems in part from weak profitability as well as from recent legislation that extended the period over which corporations could apply current-year losses to offset income in previous years. A $19 billion gain in the Treasury's receipts from the Federal Reserve partially offset the decline in other receipts for the five-month period. That unusual rise in receipts from the central bank resulted from the shift in the composition of the Federal Reserve's portfolio to longer-term, riskier (and thus higher-yielding) investments in support of the housing market and the broader economy.

Spending for the first five months of fiscal year 2010 was essentially unchanged compared with the same period last year, CBO estimates. Adjusted for calendar-related shifts in the dates of certain payments, spending rose by 1.6 percent, or $22 billion. That growth occurred despite lower outlays in fiscal year 2010 for three financial assistance programs: the Troubled Asset Relief Program (down $105 billion) and the deposit insurance programs of the Federal Deposit Insurance Corporation (down $42 billion) and the National Credit Union Administration (down $18 billion). All other spending was up by $188 billion, or 14 percent, after adjusting for shifts in payment dates.

OUTLAYS THROUGH FEBRUARY
(Billions of dollars)

Major Category	Actual FY 2009	Preliminary FY 2010	Percentage Change: Actual	Percentage Change: Adjusted[a]
Defense—Military	267	273	2.1	3.7
Social Security Benefits	266	286	7.8	7.8
Medicare[b]	182	179	-2.0	4.5
Medicaid	90	109	21.6	21.6
Unemployment Benefits	36	69	93.0	93.0
Other Activities	418	421	0.7	2.4
Subtotal	**1,259**	**1,338**	**6.2**	**8.1**
Net Interest on the Public Debt	64	89	38.9	38.9
TARP	113	9	-92.4	-92.4
Payments to GSEs	14	15	10.4	10.4
Total	**1,451**	**1,451**	**0.0**	**1.6**

Sources: Department of the Treasury; CBO.

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

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

b. Medicare outlays are net of proprietary receipts.

Spending through February for several large entitlement programs was noticeably higher than outlays during the same period last year. Spending for unemployment benefits increased by $33 billion (or 93 percent) because of high unemployment and the extension of eligibility for such benefits. Outlays for Medicaid rose by $19 billion (or 22 percent). About $16 billion of that increase stemmed from a provision in ARRA that increased federal payments to states beginning in February 2009. Payments for Social Security benefits increased by $21 billion (or 8 percent). Adjusted for timing shifts, Medicare spending increased by $8 billion (or 5 percent).

Outlays for net interest on the public debt have risen dramatically—by 39 percent compared with the same five-month period last year. That increase is largely a result of adjustments for inflation to indexed securities, which were negative early last year.

Adjusted for timing shifts, spending in the category "Other Activities" grew by $10 billion (or 2 percent). A reduction of $61 billion in outlays for deposit insurance (largely because of prepayments of premiums) was more than offset by increased spending for a variety of programs, especially for education programs and food and nutrition assistance. In addition, outlays associated with refundable tax credits increased by $19 billion compared with such outlays last year.

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