MONTHLY BUDGET REVIEW

Fiscal Year 2010

A Congressional Budget Office Analysis

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

April 7, 2010

The federal government incurred a budget deficit of $714 billion in the first six months of fiscal year 2010, CBO estimates, about $67 billion less than the shortfall recorded in the same period last year. Outlays and revenues are both lower than they were last year at this time, by 6 percent and 4 percent, respectively.

FEBRUARY RESULTS
(Billions of dollars)

	Preliminary Estimate	Actual	Difference
Receipts	103	108	4
Outlays	327	328	2
Deficit (-)	-223	-221	2

Sources: Department of the Treasury; CBO.

The Treasury reported a deficit of $221 billion for February, about $2 billion less than CBO's estimate for that month based on the *Daily Treasury Statements*.

ESTIMATES FOR MARCH
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	129	152	23
Outlays	321	215	-106
Deficit (-)	-192	-62	129

Sources: Department of the Treasury; CBO.

The deficit in March was $62 billion, CBO estimates, $129 billion less than the deficit recorded in the same month last year. Most of that difference stems from a revision in the projected cost of the Troubled Asset Relief Program (TARP). The Treasury is expected to report a reduction in outlays of $114 billion for that program in March, reflecting a significant reduction in its estimate of the net costs that will ultimately result from that program's transactions.

Receipts in March totaled about $152 billion, CBO estimates, $23 billion (or 18 percent) higher than receipts in the same month in 2009. Withheld individual income and payroll taxes rose by $9 billion (or 6 percent). Most of that increase is explained by the effects of the calendar: March 2010 had one more business day than March 2009. Provisions of the American Recovery and Reinvestment Act (ARRA) reduced receipts in March 2010 relative to receipts last year, partially offsetting the increase from the extra business day this year.

Net corporate income tax receipts were about $4 billion higher than in March 2009, reflecting an increase in gross receipts of $8 billion (or 36 percent), partly offset by an increase in refunds of $3 billion (or 18 percent). Receipts from the Federal Reserve rose by more than $7 billion; about one-quarter of that increase is attributable to effects of the calendar (there was one more payment from the Federal Reserve in March 2010 than in March 2009). Receipts from excise taxes also rose by $2 billion (or 31 percent) in March, partly as a result of the higher tax rates on tobacco products that were enacted in April 2009.

Aside from the TARP, outlays were $13 billion higher in March than in the same month last year. Outlays last March were unusually low because the first day of the month fell on a weekend, shifting about $22 billion in payments to February 2009. In addition, outlays in March 2010 for unemployment benefits increased by $6 billion, and spending for Medicare and defense increased by $4 billion each (adjusted for timing shifts), compared with spending last March. In contrast, net payments to Fannie Mae and Freddie Mac were $33 billion lower than payments in March 2009. Expenditures for loans to credit unions totaled almost $10 billion last March; no such spending occurred this March.

BUDGET TOTALS THROUGH MARCH
(Billions of dollars)

	Actual FY 2009	Preliminary FY 2010	Estimated Change
Receipts	990	953	-37
Outlays	1,771	1,667	-104
Deficit (-)	-781	-714	67

Sources: Department of the Treasury; CBO.

CBO estimates that the Treasury will record a deficit of $714 billion for the first six months of fiscal year 2010. Revenues fell by $37 billion in the first half of the year, compared with amounts in the first half of fiscal year 2009, while outlays were down by $104 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 MARCH
(Billions of dollars)

Major Source	Actual FY 2009	Preliminary FY 2010	Percentage Change
Individual Income	430	395	-8.0
Corporate Income	56	53	-5.3
Social Insurance	430	409	-5.0
Other	74	96	29.5
Total	**990**	**953**	**-3.7**

Sources: Department of the Treasury; CBO.

CBO estimates that total receipts were about 4 percent lower in the first half of this fiscal year than in the first half of 2009. Withheld income and payroll taxes declined by about $45 billion (or 5 percent), reflecting both lower wages and salaries and the impact of the Making Work Pay credit enacted in ARRA. Nonwithheld individual income and payroll taxes also declined—by about $14 billion (or 13 percent).

Net corporate income tax payments were about $3 billion (or 5 percent) lower than in the first half of fiscal year 2009. Corporate refunds rose by $12 billion, in part the result of weak profitability and recent legislation that extended the period over which corporations can apply current-year losses to offset income in previous years. Those higher refunds were partly offset by a $9 billion increase in gross corporate payments, mostly in February and March 2010. Estate and gift taxes declined by $4 billion relative to the amounts collected in the same period last year.

A $26 billion increase in receipts to the Treasury from the Federal Reserve partially offset the decline in other receipts. The unusual increase in receipts from the central bank resulted from the shift in the Federal Reserve's portfolio to longer-term, riskier, and thus higher-yielding investments in support of the housing market and the broader economy. In addition, refunds of individual income taxes were about $2 billion lower during the first half of this year.

The next several weeks will provide important information about receipts this year. Final payments for 2009 individual income tax returns are due this month, and individuals and corporations alike will make quarterly estimated payments of income taxes in April.

Spending for the first half of fiscal year 2010 was $104 billion (or 6 percent) lower than in the same period last year, CBO estimates. Net outlays for the TARP and for federal deposit insurance fell by $223 billion and $69 billion, respectively—because of reduced spending, the reduction in projected TARP subsidy costs, and prepayments of deposit insurance assessments. All other spending increased by $187 billion (or 11 percent).

OUTLAYS THROUGH MARCH
(Billions of dollars)

Major Category	Actual FY 2009	Preliminary FY 2010	Percentage Change
Defense–Military	317	332	4.6
Social Security Benefits	321	344	7.2
Medicare [a]	206	218	5.6
Medicaid	116	133	14.8
Unemployment Benefits	47	85	83.3
Other Activities	507	529	4.3
Subtotal	**1,514**	**1,641**	**8.4**
Net Interest on the Public Debt	83	109	31.2
TARP	115	-109	-194.7
Payments to GSEs	59	25	-57.7
Total	**1,771**	**1,667**	**-5.9**

Sources: Department of the Treasury; CBO.

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

a. Medicare outlays are net of proprietary receipts.

Spending for military activities was $15 billion higher than that in the same period last year. That 5 percent increase is about the rate of growth CBO anticipates for the year, well below the average annual growth of almost 8 percent experienced over the past five years.

Outlays for several major entitlement programs have increased significantly. Spending for unemployment benefits rose by $39 billion (or 83 percent) because of high unemployment and the extension of eligibility for such benefits. Outlays for Medicaid rose by $17 billion (or 15 percent). More than $10 billion of that growth stemmed from a provision in ARRA that increased federal payments to states beginning in February 2009. Payments for Social Security benefits increased by $23 billion (or 7 percent), and outlays for Medicare rose by $12 billion (or 6 percent).

Outlays for net interest on the public debt were $26 billion (or 31 percent) higher than in the first six months of fiscal year 2009. That increase is largely attributable to adjustments for inflation to indexed securities, which were negative early last year.

Spending in the category "Other Activities" rose by $22 billion (or 4 percent) compared with spending in the first half of fiscal year 2009. Excluding the decline in net outlays for deposit insurance, other spending grew significantly—by $90 billion (or 18 percent). The largest increases in that category were for food and nutrition assistance, the State Fiscal Stabilization Fund (created by ARRA), student aid, and veterans' programs.

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