



# MONTHLY BUDGET REVIEW

## Fiscal Year 2009

### A Congressional Budget Office Analysis

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

September 8, 2009

The federal budget deficit for the first 11 months of fiscal year 2009 was almost \$1.4 trillion, CBO estimates, close to \$900 billion greater than the deficit recorded through August 2008. Outlays were \$518 billion (or 19 percent) higher and revenues \$365 billion (or 16 percent) lower than the amounts recorded during the same period last year. The estimated deficit includes net outlays of \$83 billion in support of Fannie Mae and Freddie Mac, although CBO believes that those two government-sponsored enterprises (GSEs) should be considered federal operations and the full scope of their activities should be incorporated into the budget. CBO estimates that spending increases and revenue reductions stemming from the American Recovery and Reinvestment Act of 2009 (ARRA) have totaled more than \$150 billion so far this year (excluding the impact on the budget from ARRA's effects on the economy).

CBO recently issued new estimates of the budget outlook for 2009. Counting Fannie Mae and Freddie Mac in the budget, CBO estimates that the deficit for 2009 would total about \$1.6 trillion. If those GSEs are excluded from the budget and only payments to them from the Treasury and associated dividend receipts are counted (as has been the case in the *Monthly Treasury Statements* thus far), the recorded deficit will be approximately \$1.4 trillion, CBO estimates. Additional information about those estimates can be found in *The Budget and Economic Outlook: An Update*, available at [www.cbo.gov](http://www.cbo.gov).

#### JULY RESULTS

The Treasury reported a deficit of \$181 billion for July, about the same as CBO's estimate, which was based on the *Daily Treasury Statements*.

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

|             | Actual<br>FY2008 | Preliminary<br>FY2009 | Estimated<br>Change |
|-------------|------------------|-----------------------|---------------------|
| Receipts    | 157              | 146                   | -11                 |
| Outlays     | 269              | 262                   | -6                  |
| Deficit (-) | -112             | -117                  | -5                  |

Sources: Department of the Treasury; CBO.

The federal government recorded a deficit of \$117 billion in August, CBO estimates, \$5 billion greater than the deficit recorded in the same month last year. Adjusting for shifts in the timing of certain payments, the deficit increased by around \$50 billion relative to the same period last year.

CBO estimates that receipts were about \$11 billion (or 7 percent) lower in August 2009 than they were in August 2008, marking the 16th consecutive month in which receipts were lower than those in the same month of the previous year. Withholding for income and payroll taxes declined by about \$10 billion (or 7 percent) compared with August 2008, accounting for nearly all of the total decline. CBO estimates that more than half of that decline

resulted from provisions in ARRA, primarily the Making Work Pay tax credit.

Outlays were \$6 billion lower in August than in the same month last year. However, because September 1, 2008, was a holiday (Labor Day), about \$22 billion in payments normally made at the beginning of September were instead made at the end of August. Furthermore, because August 1, 2009, fell on a weekend, about \$24 billion in payments that would have been made in August were instead made at the end of July. Without those shifts, outlays would have been about \$40 billion (or 16 percent) higher than in August 2008. Spending for unemployment benefits rose by \$8 billion and net outlays of the Federal Deposit Insurance Corporation increased by \$6 billion. Medicaid and Social Security outlays increased by \$5 billion each.

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

|             | Actual<br>FY2008 | Preliminary<br>FY2009 | Estimated<br>Change |
|-------------|------------------|-----------------------|---------------------|
| Receipts    | 2,251            | 1,886                 | -365                |
| Outlays     | 2,752            | 3,270                 | 518                 |
| Deficit (-) | -501             | -1,384                | -883                |

Sources: Department of the Treasury; CBO.

CBO estimates that the federal government incurred a deficit of \$1.4 trillion through August of 2009. Outlays were \$518 billion greater than the same period last year, while revenues have fallen by \$365 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.

## RECEIPTS THROUGH AUGUST

(Billions of dollars)

| Major Source      | Actual<br>FY2008 | Preliminary<br>FY2009 | Percentage<br>Change |
|-------------------|------------------|-----------------------|----------------------|
| Individual Income | 1,014            | 810                   | -20.1                |
| Corporate Income  | 251              | 110                   | -56.2                |
| Social Insurance  | 829              | 824                   | -0.6                 |
| Other             | <u>158</u>       | <u>142</u>            | -10.0                |
| <b>Total</b>      | <b>2,251</b>     | <b>1,886</b>          | <b>-16.2</b>         |

Sources: Department of the Treasury; CBO.

Total receipts for the first 11 months of fiscal year 2009 were 16 percent lower than in the same period last year. Receipts from corporate income taxes have fallen sharply, by \$141 billion (or 56 percent). The rate of decline for individual income and payroll tax receipts (11 percent) was lower, but the \$209 billion drop in those receipts accounts for almost 60 percent of the decline in total revenues.

Nonwithheld receipts of individual income and payroll taxes (consisting of final payments of 2008 taxes and quarterly estimated payments of 2008 and 2009 taxes) were down by about \$124 billion (or 28 percent). About three-fourths of that decline represents collections for tax year 2008; the remainder results from lower estimated payments of 2009 taxes. Although recent legislation has had some impact on those receipts, most of the shortfall probably resulted from the recession's effects on nonwage income, such as capital gains, dividends, and earnings from noncorporate businesses. Refunds were about \$17 billion (or 6 percent) lower than in the same period last year, but would have risen if not for the \$62 billion in rebates paid through August of last year.

Withholding of income and payroll taxes fell by \$99 billion (or 6 percent) compared with receipts in the same period of 2008, primarily because of the ongoing effects of the recession on wages and salaries and lower effective tax rates on that income. CBO estimates that about one-third of that decline is attributable to provisions in ARRA, primarily the Making Work Pay tax credit.

Weakness in corporate profits, recently enacted legislation (notably, provisions allowing more rapid depreciation), and the ability of firms to use current-year losses to reduce tax liabilities from previous years all contributed to lower corporate receipts. Other tax receipts also declined by about \$16 billion (or 10 percent); the reductions were evenly spread across excise taxes, estate and gift taxes, customs duties, and payments to the Treasury from the Federal Reserve.

## OUTLAYS THROUGH AUGUST

(Billions of dollars)

| Major Category        | Actual<br>FY2008 | Preliminary<br>FY2009 | Percentage<br>Change |                       |
|-----------------------|------------------|-----------------------|----------------------|-----------------------|
|                       |                  |                       | Actual               | Adjusted <sup>a</sup> |
| Defense—Military      | 543              | 576                   | 6.1                  | 7.0                   |
| Social Security       |                  |                       |                      |                       |
| Benefits              | 556              | 603                   | 8.5                  | 8.5                   |
| Medicare <sup>b</sup> | 368              | 392                   | 6.5                  | 9.7                   |
| Medicaid              | 185              | 230                   | 24.5                 | 24.5                  |
| Unemployment          |                  |                       |                      |                       |
| Benefits              | 42               | 109                   | 160.5                | 160.5                 |
| Other Activities      | <u>818</u>       | <u>917</u>            | 12.1                 | 13.0                  |
| <b>Subtotal</b>       | <b>2,511</b>     | <b>2,826</b>          | <b>12.6</b>          | <b>13.5</b>           |
| Net Interest on the   |                  |                       |                      |                       |
| Public Debt           | 241              | 186                   | -22.7                | -22.7                 |
| TARP                  | 0                | 174                   | n.a.                 | n.a.                  |
| Payments to GSEs      | <u>0</u>         | <u>83</u>             | n.a.                 | n.a.                  |
| <b>Total</b>          | <b>2,752</b>     | <b>3,270</b>          | <b>18.8</b>          | <b>19.8</b>           |

Sources: Department of the Treasury; CBO.

Notes: 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.

Outlays for the first 11 months of fiscal year 2009 neared \$3.3 trillion, 19 percent more than in the same period last year. (The increase comes to 20 percent when the amounts are adjusted for shifts in the timing of certain payments.) Much of the growth in outlays stems from spending for the Troubled Asset Relief Program (TARP), cash disbursements for Fannie Mae and Freddie Mac, and spending for ARRA. Without those effects, total federal spending would be up by only 7 percent.

Thus far, the Treasury has recorded \$174 billion in costs for the TARP and \$83 billion in net cash payments to the GSEs. Through August, approximately \$85 billion has been spent as a result of ARRA. About one-third of that amount (\$28 billion) was for the temporary increase in the federal share of Medicaid costs. Unemployment benefits also have been boosted—by \$16 billion—because of ARRA; higher unemployment and other legislated increases also contributed to the rapid growth in that program's spending since last year. Other provisions of ARRA contributed about \$40 billion to the increase in outlays for "Other Activities," mainly for payments to Social Security beneficiaries, grants to states (from the State Fiscal Stabilization Fund), student aid, and food and nutrition programs.