Congressional Budget Office

December 10, 2018

Monthly Budget Review for November 2018

The federal budget deficit was $303 billion for the first two months of fiscal year 2019, the Congressional Budget Office estimates, $102 billion more than the deficit recorded during the same period last year. Revenues and outlays were higher—by 3 percent and 18 percent, respectively—than in October and November 2017.

Because December 1, 2018, fell on a weekend, however, this year's outlays were boosted by the shift of certain payments from December to November. Last year's outlays for the same period were reduced by a similar amount because of payment shifts from October 2017 into fiscal year 2016. (October 1, 2017, the first day of fiscal year 2017, also fell on a weekend.) If not for those timing shifts, outlays and the deficit through November would have been larger last year and smaller this year. Outlays so far this year would have been $27 billion, or 4 percent larger than those in the same period last year, and the deficit would have risen by $13 billion.

Budget Totals, October–November
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	444	458	14
Outlays	645	761	115
Deficit (–)	–202	–303	–102

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for October 2018 and the *Daily Treasury Statements* for November 2018.

FY = fiscal year.

Total Receipts: Up by 3 Percent in the First Two Months of Fiscal Year 2019
Receipts totaled $458 billion during the first two months of fiscal year 2019, CBO estimates—$14 billion more than during the same period last year. The changes between last year and this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together rose by less than $1 billion (or less than 1 percent).
    - Amounts withheld from workers' paychecks dropped by $4 billion (or 1 percent). That change largely reflects a decline in the share of income withheld for taxes, a consequence of changes made by last year's major tax legislation (Public Law 115-97), which took effect at the beginning of the current calendar year.
    - Nonwithheld payments of income and payroll taxes rose by $6 billion (or 18 percent) but individual income tax refunds rose by $2 billion (or 8 percent), offsetting some of that increase. Those two sources of payments generally are small at this point in the fiscal year.

Note: The amounts shown in this report include the surplus or deficit in the Social Security trust funds and the net cash flow of the Postal Service, which are off-budget. Numbers may not sum to totals because of rounding.

- **Corporate income taxes** rose by $5 billion (from $1 billion in the first two months of fiscal year 2018 to about $6 billion so far this year), primarily because refunds declined by $8 billion; that decrease in refunds increased net receipts. Because corporate income tax receipts in October and November generally represent a small percentage of the year's total, the results for those two months are not a significant indicator of receipts for the whole fiscal year. The first quarterly estimated payment of those taxes in the current fiscal year, for most corporations, is not due until December 17.

- Receipts from **other sources,** on net, rose by $9 billion (or 21 percent).
  - Excise taxes increased by $8 billion (or 52 percent). That increase reflects payments for a tax on health insurance providers, some of which were made in October. That tax was subject to a one-year moratorium in 2017 and will again be subject to a one-year moratorium in 2019.
  - Customs duties increased by $5 billion (or 77 percent), in part because of new tariffs imposed by the Administration, the first of which went into effect in February 2018.
  - Those increases were partially offset by a reduction in remittances from the Federal Reserve. They declined by $4 billion (or 31 percent), largely because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves. Those larger Federal Reserve payments led to smaller remittances to the Treasury.

Receipts, October–November

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	227	222	–5	–2.2
Payroll Taxes	174	179	5	2.9
Corporate Income Taxes	1	6	5	353.0
Other Receipts	42	50	9	20.7
Total	**444**	**458**	**14**	**3.1**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	383	379	–4	–1.0
Other, net of refunds	18	22	4	22.0
Total	**401**	**401**	*****	**0.1**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; * = between zero and $500 million.

Total Outlays: Up by 18 Percent in the First Two Months of Fiscal Year 2019

Outlays for the first two months of fiscal year 2019 were $761 billion, $115 billion higher than they were during the same period last year, CBO estimates. If not for the shift of certain payments from October to September 2018 (which reduced outlays in the first two months of fiscal year 2017) and from December to November 2018 (which increased outlays for the same period in fiscal year 2018), that year-to-year increase would be much smaller—$27 billion rather than $115 billion. The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest increases in outlays were in the following categories:

- Outlays for the largest mandatory spending programs increased by 2 percent:
  - **Social Security** benefits rose by $8 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** and **Medicaid** outlays were about the same as last year.

- Outlays for **net interest on the public debt** increased by $5 billion (or 8 percent), largely because interest rates are substantially higher in 2019 than they were during the same period in 2018 and the amount of federal debt is larger than it was a year ago.

- Spending for military programs of the **Department of Defense** rose by $9 billion (or 9 percent), mostly in the area of operation and maintenance.

- Outlays for the **Department of Veterans Affairs** (included in the "Other" category below) increased by $5 billion (or 17 percent) because of a rise in the number of disability compensation beneficiaries and an increase in the average benefit payment.

The largest decreases in outlays were in the following categories, included in "Other" below:

- Outlays recorded for the **Department of Homeland Security** decreased by $7 billion (or 41 percent), largely because spending for disaster relief was greater than usual in the fall of 2017.

- Spending by the **Department of Agriculture** decreased by $4 billion (or 10 percent), largely because of lower payments to farmers by the Commodity Credit Corporation.

For other programs and activities, spending increased or decreased by smaller amounts.

Outlays, October–November

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts[a]: Percent
Social Security Benefits	158	167	8	8	5.2
Medicare[b]	81	129	49	*	0.4
Medicaid	63	63	*	*	–0.8
Subtotal, Largest Mandatory Spending Programs	**302**	**359**	**56**	**8**	**2.5**
DoD—Military[c]	102	120	19	9	8.6
Net Interest on the Public Debt	61	66	5	5	8.5
Other	181	216	35	4	2.1
Total	**645**	**761**	**115**	**27**	**3.9**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; * = between –$500 million and $500 million.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $689 billion in fiscal year 2018 and $716 billion in fiscal year 2019.

b. Medicare outlays are net of offsetting receipts.

c. Excludes a small amount of spending by DoD on civil programs.

Estimated Deficit in November 2018: $203 Billion

The federal government incurred a deficit of $203 billion in November 2018, CBO estimates—$64 billion more than the deficit in November 2017. Outlays in November were affected by shifts in the timing of certain federal payments that otherwise would have been due on a weekend; those shifts increased outlays by $45 billion. If not for those shifts, the deficit would have been $158 billion—$19 billion more than the deficit in November 2017.

CBO estimates that receipts in November 2018 totaled $205 billion—$3 billion (or 2 percent) less than those in the same month last year. A decline of $4 billion (or 2 percent) in withholding of individual income and payroll taxes was partially offset by a decline in corporate income tax refunds of $2 billion.

Budget Totals for November

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Receipts	208	205	–3	–3	–1.7
Outlays	347	408	61	16	4.5
Deficit	–139	–203	–64	–19	13.8

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, the budget would have shown a deficit of $158 billion in November 2018, CBO estimates.

Total spending in November 2018 was $408 billion, CBO estimates. Excluding the $45 billion in payments that were shifted into November because December 1 fell on a weekend, outlays in November this year were $16 billion more than the sum in November 2017.

The largest changes in outlays were as follows (the discussion reflects adjustments to exclude the effects of the timing shifts):

- Outlays for military programs of the **Department of Defense** increased by $8 billion (or 17 percent), in part because the month included three payment dates for salaries of civilian employees.
- Outlays recorded for the **Department of Homeland Security** decreased by $4 billion (or 46 percent), largely because spending for disaster relief was unusually high last year.
- **Social Security** benefits rose by $4 billion (or 5 percent).
- Spending by the **Department of Veterans' Affairs** increased by $3 billion (or 20 percent).
- **Medicare** spending fell by $3 billion (or 6 percent).

Spending for other programs and activities increased or decreased by smaller amounts.

Actual Deficit in October 2018: $100 Billion

The Treasury Department reported a deficit of $100 billion for October—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: Summary for Fiscal Year 2018*.

Each month, CBO issues an analysis of federal spending and revenues for the previous month and the fiscal year to date. This report is the latest in that series, at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Nathaniel Frentz, Amber Marcellino, and Jennifer Shand prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, Sam Papenfuss, and Joshua Shakin. It was reviewed by Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/54861.