Monthly Budget Review for February 2019

The federal budget deficit was $537 billion for the first five months of fiscal year 2019, the Congressional Budget Office estimates, $146 billion more than the deficit recorded during the same period last year. Revenues were $4 billion lower and outlays were $142 billion higher than during the first five months of 2018.

However, outlays in the first five months of last year were reduced because certain payments were shifted from October 2017 (fiscal year 2018) into September 2017 (fiscal year 2017). That occurred because October 1, 2017, the first day of fiscal year 2018, fell on a weekend. If not for that timing shift, the deficit for the first five months of last year would have been $44 billion greater, and the deficit increase so far this year would have been $102 billion rather than $146 billion.

Budget Totals, October–February
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	1,286	1,282	–4
Outlays	1,677	1,819	142
Deficit (–)	–391	–537	–146

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2019 and the *Daily Treasury Statements* for February 2019.

FY = fiscal year.

Total Receipts: Largely Unchanged in the First Five Months of Fiscal Year 2019
Receipts totaled $1,282 billion during the first five months of fiscal year 2019, CBO estimates—$4 billion less than during the same period last year. Total receipts changed little from the prior year because of offsetting changes in receipts from the following sources:

- **Individual income** and **payroll (social insurance) taxes** together rose by $2 billion (or less than 1 percent).
    - Amounts withheld from workers' paychecks fell by $15 billion (or 1 percent). That change reflects a decline in the share of income withheld for taxes, which more than offset increases in wages and salaries. The Internal Revenue Service (IRS) issued new withholding tables last January to reflect changes made by the 2017 tax act (Public Law 115-97). All employers were required to begin using the new tables by February 15, 2018. Hence, the new withholding rates were in effect during the first five months of this fiscal year but for only a small portion of the same period last 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.

- Nonwithheld payments of income and payroll taxes rose by $9 billion (or 6 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due on January 15. (That payment was for 2018 tax liabilities.)
- Income tax refunds were down by $10 billion (or 10 percent), partially offsetting the decline in withholding and boosting net receipts. The precise timing of refund payments varies from year to year, but most will be paid from February through April. The IRS reports that through the third week of February, the total number of refunds issued was down by 5 percent but the average refund had increased by about 1 percent.
- Unemployment insurance receipts (one kind of payroll tax) declined by $3 billion (or 20 percent).

■ **Corporate income taxes** fell by about $14 billion (or 19 percent). That decline largely reflects changes made by the 2017 tax act, which lowered the income tax rate for most corporations to 21 percent from the prior top statutory rate of 35 percent.

■ Revenues from **other sources** increased by $9 billion (or 9 percent), mostly as a result of increased excise taxes and customs duties.

- Excise taxes increased by $8 billion (or 25 percent), partly because of payments received in October for the tax on health insurance providers. In 2017, that tax was subject to a one-year moratorium, which was lifted for 2018. The moratorium will be in effect again for one year for 2019.
- Customs duties increased by $14 billion (or 90 percent), primarily because of new tariffs imposed by the Administration during the past year.
- Those revenue increases were partially offset by smaller remittances from the Federal Reserve to the Treasury. Those amounts declined by $12 billion (or 36 percent), mainly because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves. The resulting reduction in the Federal Reserve's net earnings led to smaller remittances to the Treasury.

Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	648	628	–20	–3.0
Payroll Taxes	463	484	21	4.6
Corporate Income Taxes	74	59	–14	–19.2
Other Receipts	102	111	9	8.7
Total	**1,286**	**1,282**	**–4**	**–0.3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,045	1,030	–15	–1.5
Other, net of refunds	66	83	17	25.7
Total	**1,111**	**1,112**	**2**	**0.1**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 6 Percent in the First Five Months of Fiscal Year 2019

Outlays for the first five months of fiscal year 2019 were $1,819 billion, $142 billion more than during the same period last year, CBO estimates. If not for the shift of certain payments last year, that year-to-year increase would be smaller—$99 billion (or 6 percent). 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 4 percent:
  - **Social Security** benefits rose by $22 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays increased by $10 billion (or 4 percent).
  - **Medicaid** outlays rose by $3 billion (or 2 percent).
- Spending for military programs of the **Department of Defense** rose by $24 billion (or 10 percent), mostly in the categories of operation and maintenance and research and development.
- Outlays for **net interest on the public debt** increased by $20 billion (or 15 percent), mostly because interest rates are substantially higher now than they were during the same period in 2018 and because the amount of federal debt is larger than it was a year ago.
- Outlays for the **Department of Veterans Affairs** (included in the "Other" category below) increased by $8 billion (or 10 percent) because of a rise in the number of disability compensation beneficiaries and an increase in the average benefit payment.
- Outlays for the refundable portion of the **earned income** and **child tax credits** rose by $6 billion (or 14 percent). The 2017 tax act expanded the child tax credit, including the refundable portion, but the amount of refundable outlays paid in February often varies from year to year.

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

- Outlays recorded for the **Department of Homeland Security** decreased by $11 billion (or 31 percent), primarily because spending for disaster relief was higher than usual at the beginning of fiscal year 2018.
- The government received $4 billion more in payments this year from **Fannie Mae** and **Freddie Mac,** resulting in lower net outlays. The two entities make quarterly payments to the Treasury.

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

Outlays, October–February
Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Percent
Social Security Benefits	400	422	22	22	5.4
Medicare[b]	223	256	33	10	3.9
Medicaid	155	158	3	3	2.2
Subtotal, Largest Mandatory Spending Programs	**778**	**836**	**58**	**35**	**4.3**
DoD—Military[c]	242	271	28	24	9.5
Net Interest on the Public Debt	135	156	20	20	15.0
Other	522	557	35	20	3.8
Total	**1,677**	**1,819**	**142**	**99**	**5.7**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; 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, outlays would have been $1,721 billion in fiscal year 2018.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in February 2019: $227 Billion

The federal government incurred a deficit of $227 billion in February 2019, CBO estimates—$12 billion more than the deficit in February 2018.

CBO estimates that receipts in February 2019 totaled $171 billion—$16 billion (or 10 percent) more than those in the same month last year. Withholding of individual income and payroll taxes increased by $10 billion (or 5 percent), thus increasing receipts. Individual income tax refunds declined by $10 billion (or 13 percent), further boosting net receipts. (However, the share of total refunds paid in February varies from year to year.) Remittances from the Federal Reserve decreased by $5 billion, or 62 percent. Last February's remittances were boosted by an additional onetime remittance of $2.5 billion as a result of provisions of the Bipartisan Budget Act of 2018.

Budget Totals for February
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Percent
Receipts	156	171	16	10.0
Outlays	371	398	27	7.3
Deficit	–215	–227	–12	5.3

Sources: Congressional Budget Office; Department of the Treasury.
FY = fiscal year.

Total spending in February 2019 was $398 billion, CBO estimates—$27 billion (or 7 percent) more than the sum in February 2018.

According to CBO's estimates, the largest changes in outlays were as follows:

- Outlays for the refundable portion of the **earned income** and **child tax credits** increased by$6 billion (or 13 percent).
- Spending for military programs of the **Department of Defense** rose by $6 billion (or 12 percent).
- **Social Security** benefit payments rose by $5 billion (or 6 percent).
- Outlays for **Medicare** increased by $4 billion (or 8 percent).

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

Actual Surplus in January 2019: $9 Billion

The Treasury Department reported a surplus of $9 billion for January. CBO did not publish a *Monthly Budget Review* for January 2019 because some data that CBO would have used to produce the report were unavailable as a result of the federal government's partial shutdown from December 22, 2018, to January 25, 2019.

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, found at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. 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 Mark Hadley and Robert Sunshine, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/55017.