Congressional Budget Office

September 9, 2019

Monthly Budget Review for August 2019

The federal budget deficit was $1,067 billion for the first 11 months of fiscal year 2019, the Congressional Budget Office estimates—$168 billion more than the deficit recorded during the same period last year. Revenues were $102 billion higher and outlays were $271 billion higher than in the same period in fiscal year 2018.

Shifts in the timing of certain payments increased outlays in the first 11 months of this year by $52 billion; last year such shifts increased outlays by $28 billion. If not for those shifts, the increase in the deficit so far this year would have been $144 billion rather than $168 billion.

In its most recent baseline projections, CBO estimated that the 2019 budget deficit would be $960 billion.[1] The deficit for the year is expected to be smaller than the shortfall in first 11 months because tax payments due in September are likely to yield a surplus in that month.

The projected deficit for this year is $181 billion more than the deficit last year. The 2018 deficit was reduced by $44 billion, however, because certain payments that would ordinarily have been made on October 1, 2017 (the first day of fiscal year 2018), were instead made in fiscal year 2017 because October 1 fell on a weekend. If not for that shift, last year's shortfall would have been $823 billion, and the estimated increase in the deficit in 2019 would be $137 billion.

Budget Totals, October–August
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	2,985	3,087	102
Outlays	3,883	4,154	271
Deficit (–)	–898	–1,067	–168

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

FY = fiscal year.

Total Receipts: Up by 3 Percent in the First 11 Months of Fiscal Year 2019

Receipts totaled $3,087 billion during the first 11 months of fiscal year 2019, CBO estimates. The increase relative to last year was the result of changes in receipts from the following sources:

- **Individual income** and **payroll (social insurance) taxes** together rose by $82 billion (or 3 percent).

1. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2019 to 2029* (August 2019), www.cbo.gov/publication/55551.

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.

- Amounts withheld from workers' paychecks rose by $55 billion (or 2 percent). That change largely reflects increases in wages and salaries that were partly offset by a decline in the share of income withheld for taxes. The Internal Revenue Service issued new withholding tables in January 2018 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. Those new withholding rates were in effect during the first 11 months of this fiscal year but for only six and a half months of the same period last year.
- Nonwithheld payments of income and payroll taxes rose by $9 billion (or 1 percent).
- Income tax refunds were down by $23 billion (or 9 percent), further boosting net receipts.
- Unemployment insurance receipts (one kind of payroll tax) declined by $4 billion (or 9 percent).

■ **Corporate income taxes** increased by $8 billion (or 5 percent). Those receipts declined by $11 billion (or 9 percent) during the period from October through May. Payments for that period largely reflected activity in the 2018 tax year. Since June, which was the first month in which receipts consisted mainly of payments related to the 2019 tax year, those receipts have risen by $18 billion (or 48 percent).

■ Revenues from **other sources** increased by $13 billion (or 5 percent), mostly as a result of increased collections of customs duties and excise taxes.

- Customs duties increased by $26 billion (or 72 percent), primarily because of tariffs imposed by the Administration during the past year on certain imports from China.
- Excise taxes increased by $8 billion (or 10 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 that was lifted for 2018 but reimposed for the current fiscal year.
- Revenue increases were partially offset by smaller remittances from the Federal Reserve to the Treasury. Remittances declined by $17 billion (or 26 percent), mainly because short-term interest rates were higher, leading the central bank to pay depository institutions more interest on reserves.
- Estate and gift taxes decreased by $5 billion (or 25 percent), reflecting changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

Receipts, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,522	1,534	13	0.8
Payroll Taxes	1,071	1,140	69	6.4
Corporate Income Taxes	163	170	8	4.8
Other Receipts	230	243	13	5.4
Total	**2,985**	**3,087**	**102**	**3.4**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	2,213	2,268	55	2.5
Other, net of refunds	379	406	27	7.1
Total	**2,592**	**2,674**	**82**	**3.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 7 Percent in the First 11 Months of Fiscal Year 2019

Outlays for the first 11 months of fiscal year 2019 were $4,154 billion, $271 billion more than during the same period last year, CBO estimates. If not for the shift of certain payments this year and last year, that year-to-year increase would be smaller—$246 billion, or 6 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest increases were in the following categories:

- Outlays for the largest mandatory spending programs increased by 6 percent:
    - **Social Security** benefits rose by $51 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
    - **Medicare** outlays increased by $36 billion (or 6 percent), because of increases both in the number of beneficiaries and in the amount and cost of services.
    - **Medicaid** outlays rose by $16 billion (or 5 percent) because of increases in the cost of services.
- Outlays for **net interest on the public debt** increased by $48 billion (or 14 percent) because interest rates on short-term debt were substantially higher during the first 11 months of fiscal year 2019 than they were during the same period in 2018 and because the federal debt is larger than it was a year ago.
- Spending for military programs of the **Department of Defense** rose by $44 billion (or 8 percent), with the largest increases occurring in operation and maintenance, procurement, and research and development.
- Outlays for the **Department of Education** (included in the "Other" category below) rose by $41 billion (or 70 percent), mostly because the department made an upward revision of $28 billion to the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change very different from last year's $9 billion *downward* revision. If the effects of those revisions were excluded, outlays for the department for the first 11 months of the fiscal year would have risen by $3 billion (or 5 percent).
- Outlays for the **Department of Veterans Affairs** (also included in "Other") increased by $13 billion (or 7 percent) because the number of people receiving disability compensation rose, average disability benefits increased, and spending rose for a program that allows veterans to receive treatment in facilities other than those operated by the department.
- Outlays for the refundable portion of the **earned income** and **child tax credits** (also included in "Other") rose by $11 billion (or 14 percent). That increase reflects an expansion of the child tax credit, including the refundable portion, made by the 2017 tax act.

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

- Outlays for the **Department of Housing and Urban Development** decreased by $29 billion (or 53 percent), primarily because the department made a downward revision of $17 billion to the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change very different from last year's $14 billion *upward* revision. If the effects of those revisions were excluded, outlays for the department would have been $2 billion higher than they were in 2018.
- The Treasury received $16 billion more in payments this year from **Fannie Mae** and **Freddie Mac,** resulting in lower net outlays. Those entities' quarterly payments to the Treasury in December were $4 billion more than they made in the previous December. In March of this year, they remitted about $6 billion to the government, whereas in March 2018 they *received* net payments of about $3 billion from the Treasury—a difference of $9 billion. Last March was the only time since 2012 that Fannie Mae and Freddie Mac received such payments from the Treasury. In addition, quarterly payments to the Treasury this June were $3 billion more than the payments made last June.
- Outlays for the **Department of Homeland Security** decreased by $11 billion (or 18 percent), primarily because spending for disaster relief was unusually high at the beginning of last fiscal year.

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

Outlays, October–August
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	919	945	27	51	5.7
Medicare[b]	560	623	63	36	6.5
Medicaid	356	373	16	16	4.6
Subtotal, Largest Mandatory Spending Programs	**1,835**	**1,941**	**106**	**104**	**5.7**
DoD—Military[c]	552	600	49	44	7.9
Net Interest on the Public Debt	343	391	48	48	14.0
Other	1,154	1,223	68	51	4.5
Total	**3,883**	**4,154**	**271**	**246**	**6.4**

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 or holiday. If not for those timing shifts, outlays would have been $3,855 in fiscal year 2018 and $4,102 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 August 2019: $200 Billion

The federal government incurred a deficit of $200 billion in August 2019, CBO estimates—$14 billion less than the shortfall in August 2018. In both 2018 and 2019, several types of federal payments were shifted from September to August because September 1 fell on a weekend. In addition, in 2018 certain Social Security payments that were due to be made on September 3, 2018, were instead made in August of that year because September 3 was Labor Day. No such shift of Social Security payments occurred this August. If not for those shifts in the timing of payments, the deficit in August 2019 would have been $148 billion—$5 billion more than the deficit last August.

CBO estimates that receipts in August 2019 totaled $227 billion—$8 billion (or 4 percent) more than those in the same month last year. That change is mainly the result of an increase of $4 billion (or 107 percent) in miscellaneous fees and fines, $3 billion (or 1 percent) in individual income and payroll taxes, and $3 billion in corporate income taxes. Miscellaneous fees and fines vary greatly from month to month.

Budget Totals for August
Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Receipts	219	227	8	8	3.7
Outlays	433	427	-6	13	3.6
Deficit	–214	–200	14	-5	3.5

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 or holiday. If not for those timing shifts, the budget would have shown a deficit of $143 billion in August 2018 and $150 billion in August 2019, CBO estimates.

Total spending this August was $427 billion, CBO estimates—$6 billion less than the sum in August 2018. If not for timing shifts, outlays this August would have been $13 billion (or 4 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

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

- In August 2018, the **Federal Communications Commission** recorded $6 billion in receipts from auctions of licenses to use the electromagnetic spectrum; no such receipts were recorded this August. Because those receipts decrease net outlays, the result of having no receipts this August is an increase in outlays.
- **Social Security** outlays rose by $5 billion (or 6 percent).
- Outlays on **net interest on the public debt** rose by $3 billion (or 10 percent).

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

Actual Deficit in July 2019: $120 Billion

The Treasury Department reported a deficit of $120 billion for July—the same as CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for July 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, at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Justin Latus, Jennifer Shand, and Dawn Sauter Regan prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, Joshua Shakin, John McClelland, and Sam Papenfuss. It was reviewed by Mark Hadley and Robert Sunshine and edited by Kate Kelly. An electronic version is available on CBO's website, www.cbo.gov/publication/55598.