Congressional Budget Office

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Monthly Budget Review for June 2019

The federal budget deficit was $746 billion for the first nine months of fiscal year 2019, the Congressional Budget Office estimates, $139 billion more than the deficit recorded during the same period last year. Revenues were $69 billion higher and outlays were $208 billion higher than during first nine months of 2018.

Budget Totals, October–June

Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	2,541	2,609	69
Outlays	3,148	3,356	208
Deficit (–)	–607	–746	–139

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

FY = fiscal year.

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

Receipts totaled $2,609 billion during the first nine months of fiscal year 2019, CBO estimates—$69 billion (or 3 percent) more than during the same period last year. That increase was the result of changes in receipts from the following sources:

- **Individual income** and **payroll (social insurance) taxes** together rose by $60 billion (or 3 percent).
    - Amounts withheld from workers' paychecks rose by $37 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 nine months of this fiscal year but for only four and a half months of the same period last year.
    - Nonwithheld payments of income and payroll taxes rose by $7 billion (or 1 percent).
    - Income tax refunds were down by $20 billion (or 8 percent), further boosting net receipts.
    - Unemployment insurance receipts (one kind of payroll tax) declined by $4 billion (or 10 percent).

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** increased by less than $1 billion (or less than 1 percent). Payments received in June—the first month in which receipts consisted predominantly of estimated payments for tax year 2019—were up by $11 billion (or 30 percent).

- Revenues from **other sources** increased by $8 billion (or 4 percent), mostly as a result of increased collections of customs duties and excise taxes.

    - Customs duties increased by $22 billion (or 77 percent), primarily because of new tariffs imposed by the Administration during the past year.

    - Excise taxes increased by $8 billion (or 13 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 $16 billion (or 28 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 $4 billion (or 26 percent) reflecting changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

Receipts, October–June

Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Billions of Dollars	Percent
Individual Income Taxes	1,305	1,303	–2	–0.2
Payroll Taxes	887	950	62	7.0
Corporate Income Taxes	162	162	1	0.4
Other Receipts	186	194	8	4.1
Total	**2,541**	**2,609**	**69**	**2.7**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,833	1,871	37	2.0
Other, net of refunds	359	382	23	6.4
Total	**2,193**	**2,253**	**60**	**2.7**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

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

Outlays for the first nine months of fiscal year 2019 were $3,356 billion, $208 billion more than during the same period last year, CBO estimates. The largest increases were in the following categories:

- Outlays for the largest mandatory spending programs increased by 6 percent:

    - **Social Security** benefits rose by $42 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.

    - **Medicare** outlays increased by $30 billion (or 7 percent), because of increases both in the number of beneficiaries and in the amount and cost of services.

    - **Medicaid** outlays rose by $14 billion (or 5 percent).

- Outlays for **net interest on the public debt** increased by $44 billion (or 16 percent) because interest rates on short-term debt are substantially higher now 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 $37 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 $40 billion (or 85 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 nine months of the fiscal year would have risen by $2 billion (or 4 percent).

- Outlays for the **Department of Veterans Affairs** (also included in “Other”) increased by $11 billion (or 8 percent) because the number of people receiving disability compensation rose and the average benefit payment increased.

- Outlays for the refundable portion of the **earned income** and **child tax credits** (also included in “Other”) rose by $10 billion (or 13 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 63 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 Treasury this June were $3 billion more than the payments made last June.

- Outlays for the **Department of Homeland Security** decreased by $10 billion (or 19 percent), primarily because spending for disaster relief was higher than usual at the beginning of last fiscal year.

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

Outlays, October–June Billions of Dollars				
			Estimated Change	
Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Billions of Dollars	Percent
Social Security Benefits	728	770	42	5.7
Medicare[a]	453	483	30	6.6
Medicaid	288	302	14	4.7
Subtotal, Largest Mandatory Spending Programs	**1,470**	**1,555**	**85**	**5.8**
DoD—Military[b]	450	487	37	8.3
Net Interest on the Public Debt	273	317	44	16.1
Other	955	997	41	4.3
Total	**3,148**	**3,356**	**208**	**6.6**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year.

a. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in June 2019: $8 Billion

The federal government realized a deficit of $8 billion in June 2019, CBO estimates—$67 billion less than the shortfall in June 2018. Outlays in June of both years were affected by shifts in the timing of certain federal payments that otherwise would have been due on a weekend; those shifts decreased outlays in June 2019 by $49 billion but increased them in June 2018 by $46 billion. If not for those shifts, the deficit in June 2019 would have been $57 billion—$28 billion more than the deficit of $29 billion in June 2018.

CBO estimates that receipts in June 2019 totaled $334 billion—$18 billion (or 6 percent) more than those in the same month last year. Individual income and payroll taxes were $7 billion (or 3 percent) higher, and corporate income taxes were up by $11 billion (or 30 percent).

Budget Totals for June Billions of Dollars					
				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Receipts	316	334	18	18	5.8
Outlays	391	342	–49	46	13.5
Deficit	–75	–8	67	–28	98.4

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 $57 billion in June 2019 and a deficit of $29 billion in June 2018, CBO estimates.

Total spending in June 2019 was $342 billion, CBO estimates—$49 billion less than the sum in June 2018. If not for timing shifts, outlays this June would have been $46 billion (or 13 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:

- Outlays for the **Department of Education** grew by $36 billion because of the revisions, discussed above, to the net subsidy costs of loans and loan guarantees issued in prior years. If the effects of those revisions were excluded, outlays for the department in June 2019 would be $1 billion less than outlays in June 2018.
- Outlays for **net interest on the public debt** increased by $7 billion (or 20 percent), mostly because average interest rates are higher now than they were in June 2018 and also because the federal debt is larger than it was a year ago.
- **Social Security** and **Medicaid** benefits rose by $5 billion and $4 billion, respectively.
- Spending for **Medicare** decreased by $3 billion (or 5 percent).
- Spending for military programs of the **Department of Defense** fell by $3 billion (or 5 percent).
- The Treasury received $3 billion more in payments this June from **Fannie Mae** and **Freddie Mac,** resulting in lower net outlays.

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

Actual Deficit in May 2019: $208 Billion

The Treasury Department reported a deficit of $208 billion for May—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for May 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. Nathaniel Frentz, Dawn Sauter Regan, 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/55415.