August 7, 2019

Monthly Budget Review for July 2019

The federal budget deficit was $867 billion for the first 10 months of fiscal year 2019, the Congressional Budget Office estimates—$184 billion more than the deficit recorded during the same period last year. Revenues were $92 billion higher and outlays were $276 billion higher than in the same period in fiscal year 2018.

However, outlays in the first 10 months of last year were reduced by shifts in the timing of certain payments. If not for those shifts, the deficit for that period would have been $44 billion greater, and the increase in the deficit so far this year would have been $140 billion rather than $184 billion.

Budget Totals, October–July
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	2,766	2,858	92
Outlays	3,450	3,726	276
Deficit (–)	–684	–867	–184

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

FY = fiscal year.

Total Receipts: Up by 3 Percent in the First 10 Months of Fiscal Year 2019

Receipts totaled $2,858 billion during the first 10 months of fiscal year 2019, CBO estimates—$92 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 $78 billion (or 3 percent).
    - Amounts withheld from workers' paychecks rose by $51 billion (or 3 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 10 months of this fiscal year but for only five 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 $22 billion (or 8 percent), further boosting net receipts.

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.

  - Unemployment insurance receipts (one kind of payroll tax) declined by $4 billion (or 10 percent).

- **Corporate income taxes** increased by $5 billion (or 3 percent). June was the first month in which receipts consisted mainly of estimated payments for tax year 2019.
- Revenues from **other sources** increased by $9 billion (or 4 percent), mostly as a result of increased collections of customs duties and excise taxes.
  - Customs duties increased by $24 billion (or 74 percent), primarily because of new tariffs imposed by the Administration during the past year.
  - Excise taxes increased by $8 billion (or 12 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 $15 billion (or 25 percent), mainly because short-term interest rates have been higher, leading the central bank to pay depository institutions more interest on reserves.
  - Estate and gift taxes decreased by $5 billion (or 28 percent), reflecting changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

Receipts, October–July

Billions of Dollars

Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,415	1,427	12	0.9
Payroll Taxes	978	1,044	65	6.7
Corporate Income Taxes	166	171	5	3.3
Other Receipts	207	216	9	4.3
Total	**2,766**	**2,858**	**92**	**3.3**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	2,024	2,075	51	2.5
Other, net of refunds	369	396	27	7.2
Total	**2,393**	**2,471**	**78**	**3.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 8 Percent in the First 10 Months of Fiscal Year 2019

Outlays for the first 10 months of fiscal year 2019 were $3,726 billion, $276 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—$232 billion, or 7 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 $46 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays increased by $37 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 $18 billion (or 5 percent).
- Outlays for **net interest on the public debt** increased by $44 billion (or 14 percent) because interest rates on short-term debt were substantially higher during the first 10 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 $42 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 79 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 10 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 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 $28 billion (or 57 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 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–July

Billions of Dollars

				Estimated Change With Adjustments to Exclude Timing Shifts[a]	
Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Social Security Benefits	811	858	46	46	5.7
Medicare[b]	477	538	61	37	7.4
Medicaid	321	338	18	18	5.5
Subtotal, Largest Mandatory Spending Programs	**1,609**	**1,734**	**125**	**101**	**6.2**
DoD—Military[c]	493	540	47	42	8.4
Net Interest on the Public Debt	309	353	44	44	14.4
Other	1,039	1,098	59	44	4.2
Total	**3,450**	**3,726**	**276**	**232**	**6.6**

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 $3,494 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 July 2019: $120 Billion

The federal government realized a deficit of $120 billion in July 2019, CBO estimates—$43 billion more than the shortfall in July 2018. Outlays in July 2018 were affected by a shift to the previous month of certain federal payments that otherwise would have been due on the first weekend in July. If not for that shift, the deficit in July 2018 would have been $123 billion—$3 billion more than the deficit this July.

CBO estimates that receipts in July 2019 totaled $249 billion—$24 billion (or 11 percent) more than those in the same month last year. An increase in individual income and payroll taxes of $19 billion (or 10 percent) accounts for most of that change, mainly because withheld taxes increased by $18 billion (or 10 percent). Part of that increase occurred because this July had one more business day. In addition, corporate income taxes were up by $3 billion (or 66 percent) and customs duties were up by $2 billion (or 47 percent).

Budget Totals for July

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2018	Preliminary, FY 2019	Estimated Change	Billions of Dollars	Percent
Receipts	225	249	24	24	10.7
Outlays	302	370	67	21	6.1
Deficit	–77	–120	–43	3	-2.1

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 $123 billion in July 2018, CBO estimates.

Total spending in July 2019 was $370 billion, CBO estimates—$67 billion more than the sum in July 2018. If not for timing shifts, outlays this July would have been $21 billion (or 6 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:

- **Social Security** and **Medicaid** outlays rose by $5 billion and $4 billion, respectively.
- Spending for **Medicare** decreased by $6 billion (or 11 percent).
- Spending for military programs of the **Department of Defense** rose by $4 billion (or 9 percent).

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

Actual Deficit in June 2019: $8 Billion

The Treasury Department reported a deficit of $8 billion for June—the same as CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for June 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. Elizabeth Cove Delisle, Nathaniel Frentz, Stephen Rabent, and Jennifer Shand prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, John McClelland, and Sam Papenfuss. 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/55527.