Congressional Budget Office

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Monthly Budget Review for May 2019

The federal budget deficit was $738 billion for the first eight months of fiscal year 2019, the Congressional Budget Office estimates, $206 billion more than the deficit recorded during the same period last year. Revenues were $49 billion higher and outlays were $255 billion higher than during first eight months of 2018.

Shifts in the timing of certain payments increased outlays in the first eight months of this year by $50 billion; last year such shifts decreased outlays by $44 billion. If not for those shifts, the increase in the deficit so far for fiscal year 2019 would have been $112 billion rather than $206 billion.

Budget Totals, October–May
Billions of Dollars

	Actual, FY 2018	Preliminary, FY 2019	Estimated Change
Receipts	2,225	2,274	49
Outlays	2,757	3,011	255
Deficit (–)	–532	–738	–206

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

FY = fiscal year.

Total Receipts: Up by 2 Percent in the First Eight Months of Fiscal Year 2019

Receipts totaled $2,274 billion during the first eight months of fiscal year 2019, CBO estimates—$49 billion (or 2 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 $51 billion (or 3 percent).
    - Amounts withheld from workers' paychecks rose by $30 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. Hence, the new withholding rates were in effect during the first eight months of this fiscal year but for only about half of the same period last year.
    - Nonwithheld payments of income and payroll taxes rose by $8 billion (or 2 percent).
    - Income tax refunds were down by $17 billion (or 7 percent), further boosting net receipts.
    - Unemployment insurance receipts (one kind of payroll tax) declined by $4 billion (or 10 percent). Receipts have fallen each year since peaking in 2012.

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** fell by about $11 billion (or 9 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 5 percent), mostly as a result of increased collections of excise taxes and customs duties.

  - Excise taxes increased by $9 billion (or 16 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 calendar year 2018. The moratorium is in effect again for the current calendar year.

  - Customs duties increased by $19 billion (or 78 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 $15 billion (or 29 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.

  - Estate and gift taxes decreased by $4 billion (or 26 percent). That decline reflects changes made by the 2017 tax act, which doubled the value of the estate tax exemption.

Receipts, October–May
Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2018	Preliminary, FY 2019	Billions of Dollars	Percent
Individual Income Taxes	1,143	1,159	15	1.3
Payroll Taxes	793	829	36	4.5
Corporate Income Taxes	124	113	–11	–8.7
Other Receipts	165	173	9	5.2
Total	**2,225**	**2,274**	**49**	**2.2**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,651	1,680	30	1.8
Other, net of refunds	286	307	22	7.6
Total	**1,936**	**1,987**	**51**	**2.6**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 9 Percent in the First Eight Months of Fiscal Year 2019

Outlays for the first eight months of fiscal year 2019 were $3,011 billion, $255 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—$161 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 $37 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays increased by $34 billion (or 9 percent), partly because reconciliation payments totaling $11 billion that are typically made to Medicare Advantage and Part D plans in July and August were accelerated to May. Reconciliation payments are made annually to account for unanticipated spending increases in the current and previous calendar year. Additionally, spending is higher because of increases both in the number of beneficiaries and in the amount and cost of services.
  - **Medicaid** outlays rose by $10 billion (or 4 percent).
- Spending for military programs of the **Department of Defense** rose by $39 billion (or 10 percent), with the largest increases occurring in operation and maintenance, procurement, and research and development.
- Outlays for **net interest on the public debt** increased by $37 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 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 $13 billion (or 11 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 69 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 $13 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.
- Outlays for the **Department of Homeland Security** decreased by $10 billion (or 21 percent), primarily because spending for disaster relief was higher than usual at the beginning of fiscal year 2018.

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

Outlays, October–May

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	646	683	37	37	5.7
Medicare[b]	375	461	86	34	8.6
Medicaid	259	269	10	10	3.7
Subtotal, Largest Mandatory Spending Programs	**1,280**	**1,412**	**132**	**80**	**6.2**
DoD—Military[c]	390	438	48	39	9.8
Net Interest on the Public Debt	239	276	37	37	15.6
Other	848	885	37	5	0.6
Total	**2,757**	**3,011**	**255**	**161**	**5.8**

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 $2,962 billion in fiscal year 2019 and $2,800 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 May 2019: $207 Billion

The federal government incurred a deficit of $207 billion in May 2019, CBO estimates—$60 billion more than the deficit in May 2018. Certain federal payments that were due to be made on June 1, 2019, were instead made in May because June 1 fell on a weekend. If not for those shifts, which increased outlays in May by $50 billion, the deficit this May would have been $11 billion more than the deficit in May 2018.

CBO estimates that receipts in May 2019 totaled $231 billion—$14 billion (or 6 percent) more than those in the same month last year. Individual income and payroll taxes were $13 billion (or 7 percent) higher, accounting for much of that change. Other receipts increased by $1 billion, on net.

Budget Totals for May

Billions of Dollars

	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
Receipts	217	231	14	14	6.3
Outlays	364	438	74	24	6.7
Deficit	–147	–207	–60	–11	7.2

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 $157 billion in May 2019, CBO estimates.

Total spending in May 2019 was $438 billion, CBO estimates—$74 billion (or 20 percent) more than the sum in May 2018. If not for timing shifts, outlays this May would have been $24 billion (or 7 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 Housing and Urban Development** decreased by $30 billion because of downward revisions to the estimated net subsidy costs of loans and loan guarantees issued in prior years, as discussed above.

- Spending for **Medicare** rose by $16 billion (or 31 percent) largely because of the reconciliation payments discussed above.

- Outlays for **net interest on the public debt** increased by $10 billion (or 31 percent), mostly because of a higher rate of inflation. To account for inflation, the Treasury Department adjusts the principal of its inflation-protected securities each month by using the change in the consumer price index for all urban consumers that was recorded two months earlier. That adjustment was $12 billion in May 2019, compared with $5 billion in May 2018. Nevertheless, the total inflation adjustment for the fiscal year to date is smaller this year than it was last year.

- Spending for military programs of the **Department of Defense** rose by $6 billion (or 12 percent).

- **Social Security** benefits rose by $5 billion (or 6 percent).

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

Actual Surplus in April 2019: $160 Billion

The Treasury Department reported a surplus of $160 billion for April—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for April 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, Jennifer Shand, and Amber Marcellino 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/55329.