



Monthly Budget Review for December 2019

The federal budget deficit was \$358 billion in the first quarter of fiscal year 2020, the Congressional Budget Office estimates, \$39 billion more than the deficit recorded during the same period last year. Revenues and outlays alike were higher this year—by 5 percent and 7 percent, respectively.

As was the case last year, this year's outlays in the first quarter increased because of shifts in the timing of certain payments that otherwise would have been due on January 1, a holiday. If not for those shifts, the deficit through December would have been roughly \$20 billion smaller, both this year and last year—\$336 billion this year and \$298 billion last year—but the year-to-year change would not have been very different.

Budget Totals, October–December			
Billions of Dollars			
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	771	806	35
Outlays	<u>1,090</u>	<u>1,164</u>	<u>74</u>
Deficit (–)	–319	–358	–39

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2019 and the *Daily Treasury Statements* for December 2019.
FY = fiscal year.

Total Receipts: Up by 5 Percent in the First Quarter of Fiscal Year 2020

Receipts totaled \$806 billion during the first three months of fiscal year 2020, CBO estimates—\$35 billion more than during the same period last year. The changes from last year to this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by \$29 billion (or 5 percent).
 - Amounts withheld from workers' paychecks rose by \$27 billion (or 4 percent), reflecting increases in wages and salaries.
 - Nonwithheld payments of income and payroll taxes rose by \$1 billion (or 2 percent), but individual income tax refunds fell by \$1 billion (or 6 percent), increasing net receipts. Those payments and refunds are generally small at this point in the fiscal year.
- **Corporate income taxes** rose, on net, by \$11 billion (or 21 percent). For most corporations, the first quarterly estimated tax payment for the current fiscal year was due on December 16. Those payments were largely for 2019 taxes.

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.

- Receipts from **other sources**, on net, declined by \$5 billion (or 8 percent).
 - Excise taxes fell by \$10 billion (or 33 percent), mostly because payments of the tax on health insurance providers were received in October 2018; in 2019, that tax was subject to a one-year moratorium. (Although that tax was repealed in December 2019 by Public Law 116-94, a final payment is due on September 30, 2020.)
 - Customs duties increased by \$3 billion (or 18 percent), in part because of additional tariffs imposed by the Administration during the past year, primarily on imports from China.

Receipts, October–December				
Billions of Dollars				
Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	373	387	14	3.7
Payroll Taxes	274	290	15	5.6
Corporate Income Taxes	53	64	11	21.0
Other Receipts	<u>71</u>	<u>66</u>	<u>–5</u>	<u>–7.6</u>
Total	771	806	35	4.5
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	612	639	27	4.4
Other, net of refunds	<u>35</u>	<u>38</u>	<u>2</u>	<u>6.2</u>
Total	647	676	29	4.5
Sources: Congressional Budget Office; Department of the Treasury.				
FY = fiscal year.				

Total Outlays: Up by 7 Percent in the First Quarter of Fiscal Year 2020

Outlays for the first quarter were \$1,164 billion, \$74 billion higher than they were during the same period last year, CBO estimates. If not for the shift of certain payments from January to December (which also occurred last year) because January 1 is a holiday, outlays so far this year would have been \$22 billion less, but the increase from 2019 would have been about the same. 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 7 percent:
 - **Social Security** benefits rose by \$16 billion (or 6 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
 - **Medicare** outlays grew by \$12 billion (or 8 percent), partly because of the payment made to prescription drug plans each autumn to account for unanticipated increases in spending in the preceding calendar year.
 - **Medicaid** outlays increased by \$5 billion (or 5 percent) because of increases in health care costs per capita.
- Spending for military programs of the **Department of Defense** rose by \$16 billion (or 10 percent), mostly for procurement.

- The Treasury received \$7 billion less in net payments from **Fannie Mae** and **Freddie Mac**, resulting in higher net outlays (included in the “Other” category below). Those entities’ quarterly payments to the Treasury in December 2019 were \$1 billion; in December 2018 they remitted about \$8 billion to the government. Such receipts decrease net outlays, so those lower receipts this December caused an increase in federal outlays. (In keeping with directives from the Treasury and the Federal Housing Finance Agency—Fannie Mae and Freddie Mac’s regulator—starting in September 2019, the housing entities began making smaller payments so they can replenish their capital reserves by retaining their earnings.)

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

Outlays, October–December					
Billions of Dollars					
Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Social Security Benefits	250	265	16	16	6.2
Medicare ^b	153	165	12	12	8.0
Medicaid	<u>96</u>	<u>101</u>	<u>5</u>	<u>5</u>	5.2
Subtotal, Largest Mandatory Spending Programs	498	531	33	33	6.6
DoD—Military ^c	172	188	16	16	9.6
Net Interest on the Public Debt	101	103	2	2	1.9
Other	<u>319</u>	<u>342</u>	<u>23</u>	<u>22</u>	7.2
Total	1,090	1,164	74	73	6.8

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 holiday. If not for those timing shifts, outlays would have been \$1,069 billion in fiscal year 2019 and \$1,142 billion in fiscal year 2020.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in December 2019: \$15 Billion

The federal government incurred a deficit of \$15 billion in December 2019, CBO estimates—\$1 billion more than the deficit in December 2018. Outlays in December of each year were affected by a shift into November of certain federal payments that otherwise would have been due on December 1 (a weekend) and by a shift into December of certain payments that would otherwise have been due on January 1 (a holiday). On net, those shifts lowered December outlays by \$27 billion in 2019 and by \$24 billion in 2018. If not for the shifts, the deficit in December 2019 would have been \$42 billion, or \$4 billion more than the deficit in December 2018.

CBO estimates that receipts in December 2019 totaled \$336 billion—\$23 billion (or 7 percent) more than those in the same month last year. An increase of \$12 billion (or 5 percent) in withholding of individual income and payroll taxes explains just over half of that difference; most of the remainder is accounted for by a \$10 billion increase in collections of corporate income taxes.

Budget Totals for December					
Billions of Dollars					
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments for Timing Shifts ^a	
				Billions of Dollars	Percent
Receipts	313	336	23	23	7.4
Outlays	326	350	24	27	7.8
Deficit	-14	-15	-1	-4	11.1

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 or holiday. If not for those timing shifts, the budget would have shown deficits of \$38 billion in December 2018 and \$42 billion in December 2019, CBO estimates.

Total spending in December 2019 was \$350 billion, CBO estimates. If not for the shifts in payment dates, outlays in that month would have totaled \$378 billion, \$27 billion more than the sum in December 2018.

The largest changes in outlays were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Spending for military programs of the **Department of Defense** rose by \$9 billion (or 17 percent), mostly for procurement.
- Smaller payments from **Fannie Mae** and **Freddie Mac** (discussed above) resulted in a \$7 billion increase in outlays.
- **Medicare** spending increased by \$6 billion (or 12 percent).
- Spending for **Social Security** benefits rose by \$5 billion (or 6 percent).

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

Actual Deficit in November 2019: \$209 Billion

The Treasury Department reported a deficit of \$209 billion for November—\$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the [Monthly Budget Review for November 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. 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 Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/55997.