Congressional Budget Office

June 7, 2018

Monthly Budget Review for May 2018

The federal budget deficit was $530 billion for the first eight months of fiscal year 2018, the Congressional Budget Office estimates, $97 billion more than the shortfall recorded during the same period last year. Revenues and outlays were higher, by 3 percent and 6 percent, respectively, than they were during the first eight months of fiscal year 2017.

As was the case last year, this year's outlays were affected by shifts in the timing of certain payments that otherwise would have been due on a weekend. If not for those shifts, outlays and the deficit through May would have been larger, by roughly $40 billion, both this year and last year—but the year-to-year changes would not have been very different.

Budget Totals, October–May
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	2,169	2,224	55
Outlays	2,602	2,754	152
Deficit (–)	–433	–530	–97

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for April 2017 and the *Daily Treasury Statements* for May 2018.

FY = fiscal year.

Total Receipts: Up by 3 Percent in the First Eight Months of Fiscal Year 2018

Receipts for the first eight months of fiscal year 2018 totaled $2,224 billion, CBO estimates—$55 billion more than the amount during the same period last year.

The net increase in receipts from last fiscal year resulted from changes in collections from the following sources, according to CBO's estimates:

- Individual income and payroll (social insurance) taxes together rose by $109 billion (or 6 percent).
  - Amounts withheld from workers' paychecks rose by $45 billion (or 3 percent). That change largely reflects increases in wages and salaries that were partly offset beginning in February by a decline in the share of income withheld for taxes. In January, the Internal Revenue Service issued new withholding tables to reflect changes made by Public Law 115-97, the major tax legislation enacted in December 2017. All employers were required to begin using the new tables by February 15, 2018.

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 add up to totals because of rounding.

- o Nonwithheld payments of income and payroll taxes rose by $72 billion (or 17 percent). Most of that increase occurred in April, when taxpayers made their final payments of taxes for 2017.
- o Individual income tax refunds rose by $7 billion (or 3 percent), reducing net receipts.

- Corporate income taxes fell by $42 billion (or 25 percent). That decline mostly reflects payments of 2017 taxes. Most corporations made both their final payments of taxes for 2017 and the first estimated payments for tax year 2018 in April.
- Revenues from other sources fell by $12 billion (or 7 percent), largely as a result of reduced income from fees and fines.

Receipts, October–May

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,049	1,142	93	8.9
Payroll Taxes	777	793	16	2.1
Corporate Income Taxes	166	124	–42	–25.2
Other Receipts	178	165	–12	–6.9
Total	**2,169**	**2,224**	**55**	**2.5**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,607	1,651	45	2.8
Other, net of refunds	219	284	65	29.5
Total	**1,826**	**1,935**	**109**	**6.0**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 6 Percent in the First Eight Months of Fiscal Year 2018

Outlays for the first eight months of fiscal year 2018 were $2,754 billion, $152 billion (or 6 percent) higher than they were during the same period last year, CBO estimates.

The largest increases in outlays were in the following categories:

- Outlays for **net interest on the public debt** increased by $32 billion (or 15 percent), partly 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 $25 billion in the first eight months of fiscal year 2017 but $40 billion so far in the current fiscal year. The remaining increase reflects higher interest rates and larger debt in the first eight months of 2018.
- **Social Security** benefits rose by $27 billion (or 4 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- Spending for military programs of the **Department of Defense** rose by $20 billion (or 5 percent).
- Outlays of the **Department of Homeland Security,** which are included in the “Other” category below, increased by $18 billion (or 58 percent), largely because of activities related to disaster relief.

- Outlays for the **Department of Housing and Urban Development** rose by $18 billion (or 70 percent), primarily because the department made upward revisions this month to the estimated net subsidy costs of loans and loan guarantees issued in prior years.

For other programs and activities, spending increased or decreased by smaller amounts. Spending for Medicare and Medicaid, for example, has risen by a total of $9 billion (or 2 percent) and $9 billion (or 4 percent), respectively.

Outlays, October–May

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	619	646	27	4.3
Medicare[a]	366	375	9	2.4
Medicaid	249	258	9	3.6
Subtotal, Largest Mandatory Spending Programs	**1,235**	**1,279**	**44**	**3.6**
DoD—Military[b]	370	389	19	5.2
Net Interest on the Public Debt	207	239	32	15.4
Other	790	846	56	7.1
Total	**2,602**	**2,754**	**152**	**5.8**

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 May 2018: $144 Billion

The federal government realized a deficit of $144 billion in May 2018, CBO estimates—$56 billion larger than the deficit in May 2017.

CBO estimates that receipts in May 2018 totaled $217 billion—$24 billion (or 10 percent) less than those in the same month last year. Individual income and payroll taxes dropped by $16 billion (or 7 percent), on net. Withholding of individual income and payroll taxes dropped by $10 billion (or 5 percent). Withheld taxes declined for two reasons. First, May 2018 had one fewer Monday, a particularly strong day for withheld taxes, than did May of last year. Second, the share of wages withheld for taxes was lower, CBO estimates, following the changes in tax law that took effect at the beginning of the calendar year. All other revenue sources declined by $8 billion.

Budget Totals for May
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	240	217	−24	−9.8
Outlays	329	361	32	9.8
Deficit (-)	−88	−144	−56	63.0

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total spending in May 2018 was $361 billion, CBO estimates—$32 billion more than the sum in May 2017.

The largest changes in outlays were as follows:

- Outlays for the **Department of Housing and Urban Development** increased by $15 billion, because of upward revisions to the estimated net subsidy costs of loans and loan guarantees issued in prior years, as discussed above.
- **Net interest on the public debt** rose by $7 billion (or 26 percent).
- **Social Security** benefits rose by $4 billion (or 5 percent).
- **Medicaid** benefits rose by $4 billion (or 12 percent).
- Spending for military programs of the **Department of Defense** rose by $3 billion (or 7 percent).

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

Actual Surplus in April 2018: $214 Billion

The Treasury Department reported a surplus of $214 billion for April—$4 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for April 2018*.

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, available at https://go.usa.gov/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Nathaniel Frentz, Amber Marcellino, and Joshua Shakin prepared the report with guidance from Christina Hawley Anthony, Theresa Gullo, and Sam Papenfuss. It was reviewed by Mark Hadley, edited by Kate Kelly, and prepared for publication by Darren Young. An electronic version is available on CBO's website, www.cbo.gov/publication/53950.