Congressional Budget Office

September 10, 2018

Monthly Budget Review for August 2018

The federal budget deficit was $895 billion for the first 11 months of fiscal year 2018, the Congressional Budget Office estimates, $222 billion more than the shortfall recorded during the same period last year. Revenues were 1 percent higher than in the same period in fiscal year 2017, but outlays rose by about 7 percent.

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 or a holiday. If not for those shifts, the increase in the deficit would have been smaller: The deficit for the 11-month period would have been $154 billion larger than last year's amount. Excluding the effects of those timing shifts, the increase in outlays was 4.7 percent, and about one-quarter of the increase was for interest on the public debt.

Budget Totals, October–August
Billions of Dollars

	Actual, FY 2017	Preliminary, FY 2018	Estimated Change
Receipts	2,966	2,985	19
Outlays	3,640	3,880	240
Deficit (–)	–674	–895	–222

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

FY = fiscal year.

CBO expects that the deficit, receipts, and outlays for fiscal year 2018 will be largely consistent with amounts in its adjusted April baseline, which were reported in *An Analysis of the President's 2019 Budget* in May 2018.

Total Receipts: Up by 1 Percent in the First 11 Months of Fiscal Year 2018

Receipts totaled $2,985 billion during the first 11 months of fiscal year 2018, CBO estimates—$19 billion more than during the same period last year. The changes between last year and this year were as follows:

- **Individual income and payroll (social insurance) taxes** together rose by $105 billion (or 4 percent).
    - Amounts withheld from workers' paychecks rose by $32 billion (or 1 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 last year's major tax legislation (Public Law 115-97) that took effect at the beginning of the current calendar year. 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 sum to totals because of rounding.

- Nonwithheld payments of income and payroll taxes rose by $80 billion (or 16 percent). Most of that increase occurred in April, when taxpayers made their final payments of taxes for 2017.
- Individual income tax refunds rose by $6 billion (or 2 percent), reducing net receipts.

- **Corporate income tax** receipts fell by $71 billion (or 30 percent), reflecting payments for the 2017 and 2018 tax years. About one-third of the decline occurred in June. Collections in June were mostly estimated payments for tax year 2018, when several provisions of P.L. 115-97 took effect, including the new lower corporate tax rate and the expanded ability to immediately deduct the full value of equipment purchases.
- **Revenues from other sources** fell by $16 billion (or 6 percent). Declines in revenues from fees and fines and remittances from the Federal Reserve were partly offset by higher receipts from excise taxes and customs duties.

Receipts, October–August

Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Billions of Dollars	Percent
Individual Income Taxes	1,422	1,523	101	7.1
Payroll Taxes	1,066	1,070	4	0.4
Corporate Income Taxes	234	163	–71	–30.4
Other Receipts	245	229	–16	–6.4
Total	**2,966**	**2,985**	**19**	**0.6**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	2,182	2,214	32	1.5
Other, net of refunds	306	379	73	23.9
Total	**2,488**	**2,593**	**105**	**4.2**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 7 Percent in the First 11 Months of Fiscal Year 2018

Outlays in the first 11 months of fiscal year 2018 were $3,880 billion—up by $240 billion (or 7 percent) from the same period last year, CBO estimates. That increase would have been $68 billion smaller if not for the shift of certain payments from October to September both this year and last year and from September to August in 2018. Those shifts occurred because the regularly scheduled payment dates fell on a weekend or a holiday. The discussion below reflects adjustments to remove the effects of such timing shifts.

The largest increases were in the following categories:

- In total, spending for the **three largest mandatory programs** increased by 4 percent:
  - Outlays for **Social Security** benefits rose by $39 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** spending increased by $22 billion (or 4 percent) because of increases both in the number of beneficiaries and in the amount and cost of services. The increase in spending was partly the result of an additional reconciliation payment made to Medicare Advantage plans to account for unanticipated spending increases in the current calendar year.

- **Medicaid** outlays rose by $13 billion (or 4 percent), in part because more new enrollees were added through expansions of coverage authorized by the Affordable Care Act.

- Outlays for **net interest on the public debt** increased by $55 billion (or 19 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 $34 billion in the first 11 months of fiscal year 2017 but $60 billion so far in the current fiscal year. The remaining increase reflects higher interest rates and larger debt in the first 11 months of 2018.

- Spending for military programs of the **Department of Defense** rose by $33 billion (or 6 percent).

- The government received $20 billion less in total payments from **Fannie Mae** and **Freddie Mac,** resulting in higher outlays (included in “Other” in the table below and revised downward from last month’s estimate of $22 billion to reflect year-to-date net transactions).

- Outlays of the **Department of Homeland Security** (included in “Other” below), increased by $21 billion (or 48 percent), largely because of activities related to disaster relief.

In contrast, outlays for the **Department of Education** (included in “Other” below) fell by $43 billion (or 43 percent) because the department made a downward revision of $9 billion to the estimated net subsidy costs of loans and loan guarantees issued in prior years—a change very different from last year’s $39 billion *upward* revision. If the effects of those revisions were excluded, outlays for the department in the first 11 months of the fiscal year would have risen by $5 billion (or 8 percent).

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

Outlays, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts[a]: Percent
Social Security Benefits	855	918	63	39	4.6
Medicare[b]	518	563	46	22	4.0
Medicaid	343	356	13	13	3.8
Subtotal, Largest Mandatory Spending Programs	**1,716**	**1,837**	**121**	**74**	**4.2**
DoD—Military[c]	515	552	37	33	6.4
Net Interest on the Public Debt	288	343	55	55	19.2
Other	1,121	1,148	27	10	0.9
Total	**3,640**	**3,880**	**240**	**172**	**4.7**

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 or a holiday. If not for those timing shifts, total outlays would have been $3,681 billion in fiscal year 2017 and $3,853 billion 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 August 2018: $211 Billion

CBO estimates that the federal government incurred a deficit of $211 billion in August 2018—$104 billion more than the shortfall in August 2017. Unlike last year, this year's August outlays were affected by shifts in the timing of certain payments that otherwise would have been due on a weekend or a holiday. If not for those shifts, outlays and the deficit in August would have been smaller, by roughly $71 billion, and the deficit in August 2018 would have been $33 billion larger than the one in August 2017.

CBO estimates that receipts in August 2018 totaled $219 billion—$7 billion (or 3 percent) less than those in the same month last year. Revenues from corporate taxes declined by $5 billion. Other fees and fines were $4 billion less than in August of last year. Revenues from income and payroll taxes rose by less than 1 percent.

Budget Totals for August

Billions of Dollars

				Estimated Change With Adjusting for Timing Shifts[a]	
	Actual, FY 2017	Preliminary, FY 2018	Estimated Change	Billions of Dollars	Percent
Receipts	226	219	–7	–7	–3.3
Outlays	334	430	96	26	7.7
Deficit (–)	–108	–211	–104	–33	30.9

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 a holiday. If not for those timing shifts, the budget would have shown a deficit of $141 billion in August 2018, CBO estimates.

Total spending in August 2018 was $430 billion, CBO estimates—$96 billion more than the sum in August 2017. If not for timing shifts, outlays in August would have been $26 billion (or 8 percent) more than they were in the same month last year. (The changes discussed below reflect adjustments to remove the effects of those shifts.)

The largest increases in outlays were the following:

- **Net interest on the public debt** grew by $7 billion (or 25 percent).
- Outlays for the **Department of Agriculture** rose by $6 billion, primarily because the department made downward revisions in August 2017 to the estimated net subsidy costs of loans and loan guarantees issued in prior years, whereas no adjustments were made in August 2018.
- Outlays for **Social Security** and **Medicare** benefits rose by $4 billion each (or 5 percent and 7 percent, respectively).
- Spending for military programs of the **Department of Defense** also rose by $5 billion (or 10 percent).

Outlays in other areas of the budget declined. For example, payments to the **Federal Communications Commission** from auctions of licenses to use the electromagnetic spectrum rose by $4 billion. Receipts from spectrum auctions totaled $6 billion in August 2018, compared with a total of $2 billion in August of last year. Because the proceeds from those auctions are recorded in the budget as offsetting receipts (that is, as reductions in outlays), that increase in payments resulted in lower net federal spending.

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

Actual Deficit in July 2018: $77 Billion

The Treasury Department reported a deficit of $77 billion for July—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review for July 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, Dawn Sauter Regan, Jennifer Shand, and Colin Yee 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/54442