Mnuchin And Mulvaney Release Joint Statement On Budget Results For Fiscal Year 2018

October 15, 2018

WASHINGTON — U.S. Treasury Secretary Steven T. Mnuchin and Office of Management and Budget (OMB) Director Mick Mulvaney today released details of the fiscal year (FY) 2018 final budget results. The deficit in FY 2018 was $779 billion, $113 billion more than in the prior fiscal year but $70 billion less than forecast in the FY 2019 Mid-Session Review (MSR). As a percentage of Gross Domestic Product (GDP), the deficit was 3.9 percent, 0.4 percentage point higher than the previous year.[1]

President Trump continues to foster incredible economic strength that stands in stark contrast with the policies of the previous administration. The Tax Cuts and Jobs Act (TCJA), coupled with a renewed focus on economic freedom, has led to a booming economy:

- America is enjoying the longest positive job-growth streak on record – more than four million new jobs have been created since President Trump took office.
- For the first time on record there are more job openings than job seekers.
- Real wage compensation has grown by 1.4 percent. Real median household income rose by 1.8 percent.
- Manufacturing employment is growing at its fastest annual pace since 1995. Since the enactment of the TCJA, business fixed investment has increased at an 8.3 percent annual rate, up from 1.8 percent during the four quarters of 2016.
- Consumer confidence is at peak levels and, during the past four quarters, real GDP has grown 2.9 percent, the fastest four-quarter pace since the second quarter of 2015.

It is clear that Americans are better off today than they were two years ago. The President's emphasis on increasing economic growth has put more money in the pockets of hard-working Americans. The President's Budget has provided multiple avenues for Congress to tackle reckless Washington spending with aggressive proposals that reduced deficits by $3.6 trillion over 10 years. Additionally, the President proposed the largest rescissions package in the history of the Impoundment Control Act of 1974, requesting Congress to rescind more than $15 billion in unnecessary spending. The Administration will work with Members of Congress on a renewed focus to reduce the deficit and get our fiscal house back in order.

"President Trump prioritized making a significant investment in America's military after years of reductions in military spending undermined our preparedness and national security," said Treasury Secretary Steven T. Mnuchin. "Going forward the President's economic policies that have stimulated strong economic growth, combined with proposals to cut wasteful spending, will lead America toward a sustainable financial path."

"The President is very much aware of the realities presented by our national debt. America's booming economy will create increased government revenues – an important step toward long-term fiscal sustainability. But this fiscal picture is a blunt warning to Congress of the dire consequences of irresponsible and unnecessary spending," said OMB Director Mulvaney. "The President's FY 2019 Budget presented a clear roadmap to solving this fiscal nightmare that has been exacerbated by Congress's continual unwillingness to restrain spending. Going forward, President Trump and this Administration will continue to work with Congress to make the difficult choices needed to bring fiscal restraint, which, when matched with increasing revenue, will reduce our deficit."

Summary of Fiscal Year 2018 Budget Results

Year-end data from the September 2018 Monthly Treasury Statement of Receipts and Outlays of the United States Government show that the deficit for FY 2018 was $779 billion, $113 billion higher than the prior year's deficit. As a percentage of GDP, the deficit was 3.9 percent, an increase from 3.5 percent in FY 2017 and above the average of 3.2 percent over the last 40 years.

The FY 2018 deficit was $54 billion less than the estimate of $833 billion in the FY 2019 Budget (Budget), and $70 billion less than the estimate of $849 billion[2] in the MSR, a supplemental update to the Budget published in July.

Table 1. Total Receipts, Outlays, and Deficit (in billions of dollars)

	Receipts	Outlays	Deficit
FY 2017 Actual	3,315	3,981	-666
Percentage of GDP	17.2%	20.7%	3.5%
FY 2018 Estimates:			

2019 Budget	3,340	4,173	-833
2019 Mid-Session Review	3,322	4,171	-849
FY 2018 Actual	3,329	4,108	-779
Percentage of GDP	16.5%	20.3%	3.9%
Note: Detail may not add to totals due to rounding.			

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Government receipts totaled $3,329 billion in FY 2018. This was $14 billion higher than in FY 2017, an increase of 0.4 percent, below expectations from the Budget, but $6.8 billion above the MSR estimate. As a percentage of GDP, receipts equaled 16.5 percent, 0.7 percentage point lower than in FY 2017 and 0.9 percentage point below the average over the last 40 years. The nominal increase in receipts for FY 2018 can be attributed primarily to higher net individual income tax receipts, excise taxes, social insurance and retirement receipts, and customs duties, partially offset by lower net corporation income tax receipts, deposits of earnings by the Federal Reserve, and other miscellaneous receipts.

Outlays grew in FY 2018, but by less than expected in the Budget and the MSR, and decreased slightly as a percentage of GDP from last year. Outlays were $4,108 billion, $127 billion above those in FY 2017, a 3.2 percent increase. As a percentage of GDP, outlays were 20.3 percent, 0.4 percentage point lower than in the prior year, and 0.3 percentage point lower than the 40-year average of 20.6 percent. Contributing to the dollar increase over FY 2017 were higher outlays for Defense, Medicaid, Social Security, disaster relief and flood insurance, Refundable Premium Tax Credits and cost sharing reductions, interest on the public debt, and lower government sponsored enterprises (GSE) receipts, which are an offset to outlays.

Total Federal borrowing from the public increased by $1,084 billion during FY 2018 to $15,751 billion. The increase in borrowing included $779 billion in borrowing to finance the deficit, as well as $305 billion in borrowing related to other transactions such as changes in cash balances and net disbursements for Federal credit programs. As a percentage of GDP, borrowing from the public grew from 76.1 percent of GDP at the end of FY 2017 to 78.0 percent of GDP at the end of FY 2018.

Below are explanations of the differences between estimates in the MSR and the year-end actual amounts for receipts and agency outlays.

Fiscal Year 2018 Receipts

Total receipts for FY 2018 were $3,328.7 billion, $6.8 billion higher than the MSR estimate of $3,321.9 billion. This increase in receipts was the net effect of higher-than-estimated collections of customs duties, excise taxes, estate and gift taxes, corporation income taxes, and other miscellaneous receipts, partially offset by lower-than-estimated collections of individual income tax receipts, deposits of earnings by the Federal Reserve, and social insurance and retirement receipts. Table 2 displays actual receipts and estimates from the Budget and the MSR by source.

- **Individual income taxes** were $1,683.5 billion, $1.9 billion lower than the MSR estimate. This decrease was the net effect of lower withheld payments of individual income tax liability of $6.0 billion, higher nonwithheld payments of $4.4 billion, and higher-than-estimated refunds of $0.3 billion.
- **Corporation income taxes** were $204.7 billion, $0.5 billion above the MSR estimate. This difference was the net effect of higher-than-expected payments of 2018 corporation income tax liability of $5.3 billion and higher-than-estimated refunds of $4.8 billion.
- **Social insurance and retirement receipts** were $1,170.7 billion, $0.1 billion lower than the MSR estimate.
- **Excise taxes** were $95.0 billion, $2.9 billion above the MSR estimate.
- **Estate and gift taxes** were $23.0 billion, $0.5 billion above the MSR estimate.
- **Customs duties** were $41.3 billion, $3.1 billion above the MSR estimate.
- **Miscellaneous receipts** were $110.5 billion, $1.9 billion above the MSR estimate. This was the net effect of higher-than-expected collections of various fees, penalties, forfeitures, and fines of $3.1 billion, in large part due to a settlement under the Financial Institutions Reform, Recovery, and Enforcement Act, partially offset by lower-than-expected deposits of earnings by the Federal Reserve System of $1.2 billion.

Fiscal Year 2018 Outlays

Total outlays were $4,107.7 billion for FY 2018, $63.3 billion below the MSR estimate. Table 3 displays actual outlays by agency and major program as well as estimates from the Budget and the MSR. The largest changes in outlays from the MSR were in the following areas:

Department of Agriculture — Outlays for the Department of Agriculture were $136.7 billion, $4.2 billion lower than the MSR estimate.

Outlays in the Supplemental Nutrition Assistance Program (SNAP) were $2.4 billion lower than estimated in MSR due to declining participation. In July 2018, SNAP served 38.9 million people, two million fewer than July 2017, and three million fewer than projected. Outlays of the Farm Service Agency were $1.3 billion lower than estimated in the MSR. This difference was due in part to slower-than-anticipated disbursements for the Emergency Conservation Program ($218 million). In addition, slightly higher prices for some commodities and less demand for Marketing Assistance Loans combined result in lower-than-expected expenditures by the Commodity Credit Corporation (nearly $1 billion). Outlays for the Office of the Secretary were $750 million lower than anticipated due to slower disbursements of disaster assistance than anticipated for the Wildfires and Hurricanes Indemnity Program.

Department of Defense — Outlays for the Department of Defense were $600.7 billion, $8.1 billion (1.4 percent) higher than the MSR estimate. This difference is mostly due to higher-than-expected disbursements for Department-wide aircraft and other Air Force procurement contracts ($5.0 billion), outlays for Army military personnel ($2.5 billion), disbursements for revolving and management funds ($1.5 billion), and disbursements for research, development, test and evaluation contracts ($1.2 billion). These differences were partially offset by lower-than-expected outlays for operation and maintenance contracts ($1.1 billion) and for military construction contracts ($0.8 billion), as well as higher-than-anticipated receipts.

Department of Energy — Outlays for the Department of Energy were $26.5 billion, $2.0 billion lower than the MSR estimate. Almost half ($0.9 billion) is attributable to lower-than-expected outlays for the Defense Environmental Cleanup program due, in part, to delayed congressional action on FY 2018 appropriations. Outlays for the Office of Fossil Energy were $0.4 billion lower than the MSR estimate, primarily due to unpaid obligations in the total amount of $0.7 billion for the Coal Carbon Capture and Storage and Power Systems line. The Office of Science's outlays were $0.2 billion lower than the MSR estimate. Delayed congressional action on FY 2018 appropriations also generally contributed to lower-than-expected outlays for a number of other Department programs.

Department of Health and Human Services — Outlays for the Department of Health and Human Services were $1,120.5 billion, $31.1 billion lower than the MSR estimate.

Outlays for Medicaid were $10.2 billion, or 2.5 percent, lower than the MSR estimate. The difference was primarily the result of lower-than-anticipated benefits spending during the second half of the year.

Outlays for Medicare Part A were $4.5 billion, or 1.5 percent lower than the MSR estimate due in part to lower utilization of inpatient hospital services among Medicare beneficiaries, consistent with recent trends. Federal contributions to Medicare Part B were $1.3 billion, or 0.5 percent higher than the MSR estimate due to higher utilization of outpatient services. Payments to the Health Care Trust Funds (PTF) were $2.0 billion higher than the MSR estimate, which is primarily due to higher than expected Part D benefits payments.

Actual outlays for other health programs were $16.2 billion lower than what was projected in MSR. $9.1 billion of this difference is due to the absence of an appropriation for Cost-Sharing Reductions, and $3.6 billion of the difference is due to delays in collections and payments for the Risk Adjustment program.

Department of Homeland Security — Outlays for the Department of Homeland Security were $68.4 billion, $9.7 billion lower than the MSR estimate.

Approximately $3 billion of the difference is due to FEMA's National Flood Insurance Program (NFIP). Actual flood insurance claims for 2018 were significantly less than expected. In addition, the number of NFIP policyholders increased as a result of the 2017 hurricanes and targeted marketing, which led to lower net outlays because of the increased revenue from policyholders. FEMA also overestimated the amount needed from the Disaster Relief Fund for Hurricanes Harvey, Irma, and Maria by approximately $1 billion in the MSR. In addition, FEMA assumed more Community Disaster Loans would be provided to communities impacted by the 2017 hurricanes than materialized. For Immigration and Customs Enforcement, year-end actual outlays were $7.1 billion, five percent higher than the prior year, but because of a technical error in the MSR estimate of outlays, $1.4 billion lower than the MSR estimate. Outlays were also lower across many other programs due to delayed action on FY 2018 appropriations.

Department of the Interior — Outlays for the Department of the Interior (DOI) were $13.2 billion, $1.2 billion lower than the MSR estimate.

Interior's Bureau of Land Management received unusually large receipt deposits (nearly $1 billion) in September from higher-than-anticipated bids during onshore oil and gas lease sales held in early September, combined with significant sales of Federal helium in the same month. Due to the timing of these sales, the spending associated with such collections (e.g., state revenue sharing payments) was not fully realized prior to the end of the fiscal year. Once those transactions are fully processed, DOI will transfer the receipts into the associated onshore mineral receipt and expenditure accounts and the spending will occur in FY 2019 instead of FY 2018.

Department of Justice — Outlays for the Department of Justice were $34.5 billion, $2.5 billion lower than the MSR estimate.

This difference is primarily due to payments from the Assets Forfeiture Program being $992 million less than estimated in the MSR. Also contributing to the overall difference was the Crime Victims Fund, which was $699 million less than estimated in MSR. Outlays were $475 million lower than the MSR for programs within the Office of Justice Programs partially due to pending litigation. Outlays were also lower across many other programs due to delayed action on FY 2018 appropriations.

Department of State — Outlays for the Department of State were $26.4 billion, $2.4 billion lower than the MSR estimate.

This difference is largely due to changes in the billing cycle for United Nations peacekeeping missions due to upcoming negotiations on assessment rate changes as well as lower outlays for humanitarian assistance, global health programs, and international narcotics control and law enforcement assistance programs due to later-than-expected appropriations action and time needed to develop financial plans.

Department of the Treasury — Outlays for the Department of the Treasury were $629.4 billion, $5.4 billion higher than the MSR estimate.

The increase was attributable primarily to lower-than-expected receipts of interest from nonbudgetary credit financing accounts, higher interest on the public debt and higher outlays for the Refundable Premium Tax Credit. These amounts were somewhat offset by lower outlays for interest paid to nonbudgetary credit financing accounts and higher-than-expected dividend receipts from the government-sponsored enterprises (GSEs).

Interest on the public debt, which is paid to the public and to trust funds and other Government accounts, was $3.4 billion higher than the MSR estimate. The difference was due primarily to higher-than-projected interest paid to Government accounts, particularly interest paid to the Military Retirement Fund. Intragovernmental interest paid to Government accounts has no net impact on total Federal Government outlays.

Net outlays for intragovernmental interest transactions with non-budgetary credit financing accounts were $3.5 billion higher than projected, including $2.9 billion in lower-than-projected interest paid to credit financing accounts and $6.4 billion in lower-than-anticipated receipts of interest from credit financing accounts. (Interest received from credit financing accounts is reported in Treasury’s aggregate offsetting receipts.)

The Patient Protection and Affordable Care Act's Premium Tax Credits were $3.1 billion higher than projected in MSR. This is primarily due to higher subsidized enrollment in the Health Insurance Exchanges than previously expected.

Dividend payments from the GSEs on the Senior Preferred Stock Purchase Agreements were $2.8 billion higher than projected, reducing net outlays relative to the MSR.

Corps of Engineers — Outlays for the Corps of Engineers were $5.1 billion, $2.3 billion lower than the MSR estimate.

The majority of the difference is attributable to higher-than-anticipated receipts and the delay in execution of construction contracts due to the late enactment of final FY 2018 appropriations and the unanticipated impacts and resulting work associated with response to three major hurricanes, including the enactment of $17.4 billion in disaster supplemental appropriations in the Bipartisan Budget Act of 2018.

International Assistance Programs — Outlays for International Assistance Programs were $21.6 billion, $1.0 billion lower than the MSR estimate. This difference is largely due to net outlays for Department of State Foreign Military Financing grants that were $1.2 billion lower than projected due to later-than-expected appropriations action combined with the time required to meet congressional pre-obligation requirements. In addition, lower than estimated outlays for Department of State and U.S. Agency for International Development economic, security, and development assistance accounts were lower largely due to later-than-expected appropriations action. These lower outlays were largely offset by lower-than-anticipated receipts for Foreign Military Sales to foreign governments.

Federal Deposit Insurance Corporation — Net outlays for the Federal Deposit Insurance Corporation (FDIC) were -$15.9 billion, $4.0 billion lower than the MSR estimate. The difference was primarily attributable to changes in the Deposit Insurance Fund (DIF), including higher interest receipts on securities in the DIF portfolio, higher-than-expected recoveries, and lower-than-expected payments related to the FDIC's resolution of failed insured depository institutions.

United States Postal Service — Net outlays for the United States Postal Service were -$1.4 billion, $1.6 billion lower than the MSR estimate due largely to higher-than-expected receipts and lower expenses for capital and non-operating costs.

Railroad Retirement Board — Outlays for the Railroad Retirement Board were $5.8 billion, $1.3 billion lower than the MSR estimate, due largely to the National Railroad Retirement Investment

Trust's unrealized gains and losses on investments. Actual returns to the Trust were much higher than projected in the MSR due to favorable market conditions in the last few months of FY 2018. Additionally, the Social Security Equivalent Benefit account has carryover balances that will not be spent.

Tennessee Valley Authority — Outlays for the Tennessee Valley Authority (TVA) were -$1.7 billion, $1.4 billion lower than the MSR estimate. The $1.4 billion difference from the MSR was the result of higher-than-expected revenues due to favorable weather, cost reductions from continued productivity savings, changes in capital spending, and lower effective interest rates on TVA's debt which collectively helped the agency reduce its debt in FY 2018.

Undistributed Offsetting Receipts — Undistributed Offsetting Receipts were -$248.0 billion, $4.0 billion lower than the MSR estimate. Interest received by trust funds was $3.6 billion lower than the MSR estimate (higher net collections). The difference was due largely to the interest earnings of the Military Retirement Fund, which were $3.1 billion higher than the MSR estimate. This intragovernmental interest is paid out of the Department of the Treasury account for interest on the public debt and has no net impact on total Federal Government outlays.

Table 2 - Receipts by source PDF

Table 3 - Outlays by agency PDF

[1] The estimates of GDP used in the calculations of the deficit and borrowing relative to GDP reflect the revisions to historical data released by the Bureau of Economic Analysis (BEA) in July 2018. GDP for FY 2018 is based on the economic forecast for the President's 2019 Budget, adjusted for the BEA revisions.

[2] The MSR also included a deficit projection of $890 billion which included an adjustment to standardize benefit payments across fiscal years. When October 1 falls on a weekend, certain mandatory benefit payments are accelerated to the previous business day and, as a result, certain fiscal years can have 11 or 13 benefit payments rather than 12 payments. FY 2018 had 11 benefit payments. For the comparison to actual outlays, this document uses the unadjusted deficit figures in the Budget and MSR.