Congressional Budget Office

April 7, 2020

Monthly Budget Review for March 2020

The federal budget deficit was $741 billion in the first half of fiscal year 2020, the Congressional Budget Office estimates, $50 billion more than the deficit recorded during the same period last year. Revenues and outlays alike were higher through March of this year—by 6 percent and 7 percent, respectively—than during the first half of fiscal year 2019. Those results were not significantly affected by the novel coronavirus pandemic or by the federal government's response to it. The budgetary effects of the pandemic's impact on economic activity and of the legislation recently enacted in response will become more noticeable in April.

Budget Totals, October–March
Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	1,507	1,604	97
Outlays	2,198	2,345	147
Deficit (–)	–691	–741	–50

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2020 and the *Daily Treasury Statements* for March 2020.

FY = fiscal year.

Total Receipts: Up by 6 Percent in the First Half of Fiscal Year 2020

Receipts totaled $1,604 billion during the first half of fiscal year 2020, CBO estimates—$97 billion more than during the same period last year. Payments received through March did not yet reflect the disruption of the economy stemming from the pandemic or the government's actions in response. CBO expects some revenue effects to become apparent in April because the tax-filing deadlines have been delayed until July and because provisions of Public Law 116-127 (the Families First Coronavirus Response Act) and P.L. 116-136 (the CARES Act) will result in receipts being substantially lower for the year than they were last year.

The changes through March from last year to this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together rose by $80 billion (or 6 percent).
    - Amounts withheld from workers' paychecks rose by $73 billion (or 6 percent), largely reflecting increases in wages and salaries.
    - Nonwithheld payments of income and payroll taxes rose by $9 billion (or 5 percent), increasing net receipts. The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.

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.

- Individual income tax refunds increased by $2 billion (or 1 percent), reducing net receipts.

■ **Corporate income taxes** rose, on net, by $13 billion (or 20 percent). Much of that increase occurred in December, when most corporations made their final quarterly estimated payments for tax year 2019.

■ Receipts from **other sources,** on net, rose by $3 billion (or 3 percent). The sources in that category with the largest changes were the following:

- Federal Reserve remittances increased by $6 billion (or 22 percent), in part because of lower short-term interest rates, which reduce the Federal Reserve's interest expenses and therefore increase its remittances to the Treasury.
- Customs duties increased by $5 billion (or 13 percent), in part because of additional tariffs imposed by the Administration during the past year, primarily on imports from China.
- Excise taxes fell by $9 billion (or 19 percent), mostly because the 2018 payments of the tax on health insurance providers were received in October of that year (that is, in fiscal year 2019). That tax was subject to a one-year moratorium in 2019 but is in effect for 2020. (It was repealed, effective in 2021, by P.L. 116-94; the final payments are due on September 30, 2020.)

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	724	772	48	6.7
Payroll Taxes	587	618	32	5.4
Corporate Income Taxes	68	81	13	19.7
Other Receipts	129	132	3	2.6
Total	**1,507**	**1,604**	**97**	**6.4**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,266	1,340	73	5.8
Other, net of refunds	44	57	13	28.7
Total	**1,311**	**1,397**	**86**	**6.6**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

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

Outlays for the first half of fiscal year 2020 were $2,345 billion, $147 billion higher than they were during the same period last year, CBO estimates. The largest increases in outlays were in the following categories:

■ Outlays for the largest mandatory spending programs increased by 6 percent:

- **Social Security** benefits rose by $27 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays grew by $20 billion (or 7 percent), because of increases both in the number of beneficiaries and in health care costs per capita.
- **Medicaid** outlays increased by $10 billion (or 5 percent), because of increases in health care costs per capita.

- Spending for military programs of the **Department of Defense** rose by $22 billion (or 7 percent); about half of that was for procurement.
- The Treasury received $11 billion less in 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. Similarly, quarterly payments in March 2020 were $5 billion less than the remittances in March 2019. Such payments are recorded as offsetting receipts and thus decrease net outlays, so those smaller receipts in December 2019 and March 2020 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.)
- Outlays for **net interest on the public debt** increased by $10 billion (or 5 percent), primarily because the debt has grown.
- Outlays for the **Department of Veterans Affairs—**also included in the "Other" category**—** increased by $8 billion (or 9 percent) because the number of people receiving disability compensation rose, average disability benefits increased, and spending rose for a program that allows veterans to receive treatment in facilities other than those operated by the department.

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

Outlays, October–March

Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Billions of Dollars	Percent
Social Security Benefits	509	536	27	5.4
Medicare[a]	308	329	20	6.6
Medicaid	198	208	10	4.9
Subtotal, Largest Mandatory Spending Programs	**1,015**	**1,072**	**57**	**5.6**
DoD—Military[b]	326	348	22	6.9
Net Interest on the Public Debt	193	203	10	5.2
Other	665	722	57	8.6
Total	**2,198**	**2,345**	**147**	**6.7**

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 March 2020: $117 Billion

The federal government incurred a deficit of $117 billion in March 2020, CBO estimates, $30 billion less than the deficit in March 2019. This year March 1 fell on a weekend, so payments for certain programs were shifted from March to February, reducing outlays in March. No such shift occurred in March 2019. If not for that difference, the deficit this year would have been larger—$169 billion, or $22 billion more than last March's deficit.

CBO estimates that receipts in March 2020 totaled $237 billion—$8 billion (or 4 percent) more than those in the same month last year. Increases of $9 billion (or 5 percent) in withholding of individual income and payroll taxes and of $2 billion (or 44 percent) in Federal Reserve remittances explain most of that difference. Those increases were offset by small changes in receipts from other sources, which decreased, on net.

Budget Totals for March
Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	229	237	8	8	3.7
Outlays	376	354	–22	30	8.1
Surplus or Deficit (–)	–147	–117	30	–22	15.0

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, outlays in March 2020 would have been $406 billion and the deficit would have been $169 billion, CBO estimates.

Total spending in March 2020 was $354 billion, CBO estimates—$22 billion less than the sum in March 2019. If not for the shifts in the timing of payments, outlays in March 2020 would have been $30 billion (or 8 percent) higher than in the same month in 2019.

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

- Spending for the **Department of Defense** increased by $7 billion (or 13 percent), mostly for procurement.
- The government received $5 billion less in payments from **Fannie Mae** and **Freddie Mac** than in March 2019, resulting in higher net outlays.
- Spending for **Social Security** benefits rose by $4 billion (or 5 percent), because benefits are higher and more people are receiving them.
- Spending for the **Department of Veterans Affairs** increased by $3 billion (or 20 percent). That increase is mostly a result of a reestimate of the credit subsidy costs of mortgage guarantees that reduced spending by $3 billion in March 2019.
- Spending for the **Department of Labor** increased by $3 billion (or 117 percent), a little more than half of that because of increases in unemployment benefits. A majority of the increase in spending for those benefits can be attributed to effects of the coronavirus pandemic.

Actual Deficit in February 2020: $235 Billion

The Treasury Department reported a deficit of $235 billion for February—the same as CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for February 2020*.

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. Stephen Rabent and Jennifer Shand 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 Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/56317.