Congressional Budget Office

July 8, 2020

Monthly Budget Review for June 2020

The federal budget deficit in June 2020 was $863 billion, compared with a deficit of $8 billion in the same month last year, CBO estimates. That increase stems from the economic disruption caused by the 2020 coronavirus pandemic and from the federal government's response to it, including actions by the Administration and the enactment of four pieces of legislation.[1] Outlays by the Small Business Administration—which oversees the recently established Paycheck Protection Program—contributed significantly to the June deficit this year, accounting for almost half of the government's spending.

In 2019, some federal payments were shifted from June to May because June 1 fell on a weekend; no such shift occurred this June. If not for those shifts in the timing of payments, the deficit in June 2020 would have been $805 billion more than the deficit last June, CBO estimates.

Budget Totals for June

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	334	242	–92	–92	–28
Outlays	342	1,105	763	713	182
Deficit (–)	–8	–863	–855	–805	n.m.

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend.

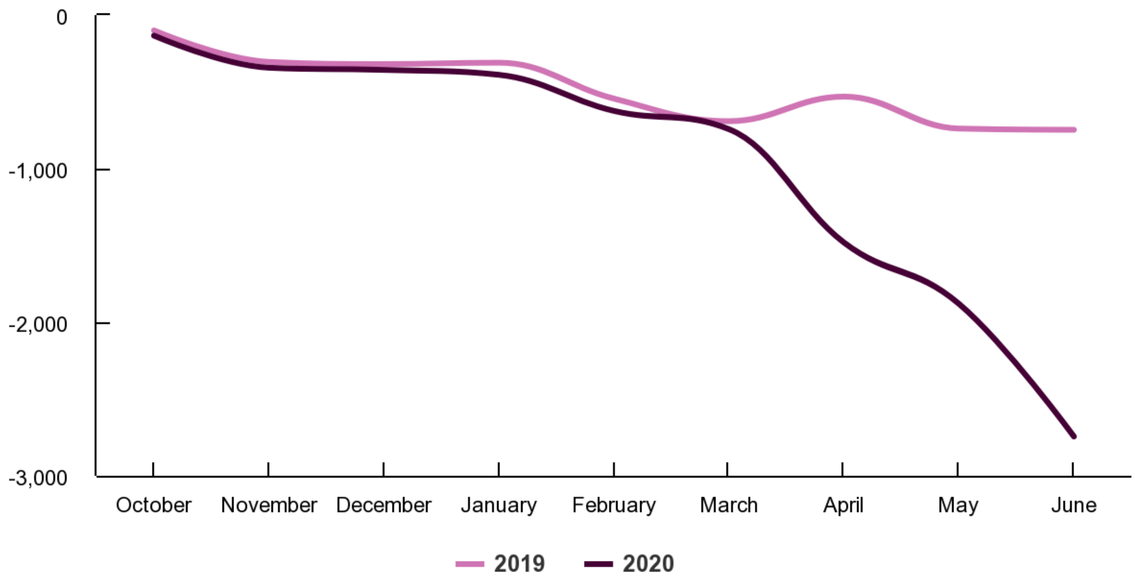
The federal budget deficit was $2.7 trillion in the first nine months of fiscal year 2020, CBO estimates, $2.0 trillion more than the deficit recorded during the same period last year (see Figure 1). Revenues were 13 percent lower and outlays were 49 percent higher through June 2020 than during the same nine-month period in fiscal year 2019.

1. Those new laws are the Coronavirus Preparedness and Response Supplemental Appropriations Act, the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA).

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.

Monthly Cumulative Deficits
Fiscal Years 2019 and 2020

Billions of Dollars



Sources: Congressional Budget Office; Department of the Treasury.
The value shown for June 2020 is CBO's estimate.

Receipts Down by 28 Percent in June

CBO estimates that receipts in June totaled $242 billion—$92 billion (or 28 percent) less than those in June 2019. Receipts fell for several reasons: declines in wages and in economic activity generally, recently enacted legislation, and actions by the Administration.

The estimated changes in June relative to last year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together decreased by $43 billion (or 16 percent). Most of that decline is attributable to a decrease in nonwithheld individual income taxes.
    - Nonwithheld taxes decreased by $42 billion (or 52 percent), reflecting the Administration's delay of the due date for quarterly estimated taxes this year from June 15 to July 15.
    - Amounts withheld increased by $2 billion (or 1 percent). This June had two more business days than June 2019, boosting withholding. However, that increase was partially offset by a decline in wages and by the effects of recently enacted legislation.
    - Individual income tax refunds increased by $5 billion (or 103 percent), further reducing net receipts of individual income taxes. That increase probably reflects refunds that would have been paid in April if the Administration had not delayed the tax-filing deadline until July 15.
    - Unemployment insurance receipts (one type of payroll tax) increased by $2 billion.
- **Corporate income taxes** fell by $45 billion (or 88 percent), reflecting a $43 billion decline in corporate income tax payments stemming from the Administration's delay of the due date for quarterly estimated taxes this year from June 15 to July 15. In addition, corporate refunds increased by $2 billion (or 62 percent).
- Receipts from **other sources** decreased by $4 billion (or 19 percent) because of a $4 billion (or 50 percent) drop in collections of excise taxes.

Spending in June More Than Tripled in Response to the Pandemic

Total spending in June 2020 was $1,105 billion, CBO estimates— $763 billion more than outlays in June 2019. If not for the shift of some federal payments from June 2019 to May 2019, total spending would have been $713 billion more in June 2020 than in the same month last year.

Major pandemic-related changes in outlays in June were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays by the **Small Business Administration** increased from $80 *million* to $511 *billion*, primarily because of loans and loan guarantees to small businesses through the Paycheck Protection Program authorized by the CARES Act and PPPHCEA.
- Outlays for **unemployment compensation** increased from $2 billion in June 2019 to $116 billion this year. More than half of that rise stems from a $600 increase in the weekly benefit amount provided under the CARES Act. Benefits for regular unemployment compensation rose as well.
- Outlays for the **Public Health Social Services Emergency Fund** totaled $14 *billion* this June, compared with $300 *million* last June. Funding was increased by recent legislation to reimburse health care providers (such as hospitals) for health care costs or for revenues lost as a result of the pandemic. That fund also provides money for testing for and treatment of COVID-19, the disease caused by the coronavirus.
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** increased from –$29 *million* to $9 *billion,* almost entirely because of equity investments in certain Federal Reserve facilities, which provide liquidity for a wide range of economic activities. Those facilities are designed to address financial strain caused by the pandemic. CBO expects that the increase in the deficit caused by those outlays will probably be offset in future years by payments to the Treasury from the facilities' proceeds.
- Spending for **Medicaid** was $9 billion higher this June than last June for three reasons: increased enrollment, the 6.2 percentage-point increase in federal matching rates that states began to access in April 2020 (enacted in FFCRA), and FFCRA's requirement that states retain enrollees on Medicaid until the end of the public-health emergency.
- Spending by the Department of the Treasury for **aviation worker relief** totaled $6 billion in June. The CARES Act authorized that assistance for payroll support in the form of grants and loans.
- Spending for the **Food and Nutrition Service** was $5 billion higher—$13 billion in June 2020 compared with $8 billion in June 2019—largely because of the increase in Supplemental Nutrition Assistance Program benefits authorized by FFCRA but also because more people were receiving such benefits this June, CBO estimates.
- Payments for **refundable tax credits** were $6 billion in June 2020 compared with $2 billion in June 2019, primarily because of the CARES Act's recovery rebates.
- Outlays for the **Coronavirus Relief Fund,** authorized by the CARES Act to provide grants to state, local, tribal, and territorial governments to offset pandemic-related expenses, totaled $3 billion in June. There was no such spending last year.

Other major changes in outlays in June were as follows:

- Outlays for the **Department of Education** rose by $44 billion, mostly because the department made an upward revision of $70 billion to the estimated net subsidy costs of loans and loan guarantees issued in prior years. That revision was much larger than the $28 billion upward revision the department made in June 2019.
- Payments for **interest on the public debt** decreased from $40 billion in June 2019 to $18 billion this year. Although the debt was greater this June, inflation was considerably lower, resulting in smaller adjustments to inflation-protected securities.

- Outlays for the **Department of Housing and Urban Development** decreased by $14 billion, primarily because the department made a downward revision of that amount in June to the estimated net subsidy costs of loans and loan guarantees issued in prior years.

Fiscal Year to Date: Deficit More Than Tripled in the First Nine Months

The federal budget deficit was $2.7 trillion in the first nine months of fiscal year 2020, CBO estimates, compared with $0.7 trillion during the same period last year. Revenues were lower and outlays were higher than during the same period in fiscal year 2019. From April through June, the deficit this year was an estimated $2.0 trillion, compared with $56 billion during the same period last year.

Budget Totals, October–June

Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	2,609	2,261	–348
Outlays	3,356	5,005	1,649
Deficit (–)	–747	–2,744	–1,997

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

FY = fiscal year.

Total Receipts: Down by 13 Percent in the First Nine Months of the Fiscal Year

Receipts totaled $2,261 billion during the first nine months of fiscal year 2020, CBO estimates—$348 billion less, or 13 percent lower, than during the same period last year.

Revenue collections in fiscal year 2020 can be divided into two periods: before and after the start of the economic disruption caused by the pandemic.

October Through March. Revenues in the first six months of the fiscal year—October 2019 through March of 2020—were 6 percent higher than in the previous fiscal year. The increase in revenues stemmed primarily from increases in individual income and payroll tax collections, which were driven by higher wages and salaries. An increase in corporate income tax collections reflected quarterly estimated payments for tax year 2019. For other sources of revenue, increases in Federal Reserve remittances and customs duties were partly offset by a decline in excise taxes.

April Through June. Revenues collected in April through June fell by 40 percent compared with the same period last year, largely because of declines in wages and in other economic activity, recently enacted legislation, and administrative actions. Among the most significant of those actions was the Administration's delay from April 15 until July 15 of the filing deadlines for individual and corporate taxes.

CBO expects that much of the deferred revenue, including that resulting from administrative actions and recently enacted legislation, will be collected later this year; some is expected to be collected in future fiscal years. However, because some individual taxpayers or businesses could become insolvent and fail to remit the future payments, the government might not collect all of those deferred amounts. Other changes, including changes attributable to the sharp decline in economic activity and to legislation (such as the deferral of and credits for certain payroll taxes), further reduced receipts beginning in April and will continue to do so for the rest of the fiscal year, CBO expects.

Receipts, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,301	985 [a]	–317	–24.4
Payroll Taxes	950	996 [a]	47	4.9
Corporate Income Taxes	164	93	–72	–43.7
Other Receipts	193	187	–6	–3.0
Total	**2,609**	**2,261**	**–348**	**–13.3**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,866	1,879	13	0.7
Other, net of refunds	385	102	–284	–73.6
Total	**2,251**	**1,981**	**–270**	**–12.0**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

a. Provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Families First Coronavirus Response Act reduce payroll taxes. The CARES Act allows most employers to defer payment of their portion of the Social Security payroll tax and certain Railroad Retirement taxes on wages paid from March 27, 2020, through December 31, 2020. Although those provisions affect payroll taxes, at least initially the effects are more likely to be recorded as reductions in individual income tax collections. The Treasury Department does not initially observe a difference between payroll taxes and withheld individual income taxes. Instead, it first allocates withheld taxes to one source or the other on the basis of estimates made in advance. As additional information becomes available, including detailed tax return information, periodic reallocations are made to revise past allocations.

Major changes in revenues from April through June 2020, compared with the same three-month period in 2019, are linked to the pandemic and the government's response to it:

- **Individual income** and **payroll (social insurance) taxes** together decreased by $348 billion (or 37 percent).
  - Nonwithheld payments of income and payroll taxes fell by $322 billion (or 80 percent), largely a result of later tax-filing deadlines.
  - Individual income tax refunds decreased by $34 billion (or 40 percent), also probably the result of the later tax-filing deadline.
  - Amounts withheld from workers' paychecks decreased by $60 billion (or 10 percent) as a result of a decline in wages and recently enacted legislation. The CARES Act allows most employers to defer payment of their portion of the Social Security payroll tax and certain Railroad Retirement taxes on wages paid from March 27, 2020, through December 31, 2020. In addition, FFCRA provides refundable credits against payroll taxes to compensate employers for paid sick leave and for family and medical leave, and the CARES Act provides a refundable credit against payroll taxes for employee retention.
- **Corporate income taxes** fell by $88 billion (or 91 percent), largely because of the later deadline for corporations to file taxes.

- Receipts from **other sources** decreased by $8 billion (or 13 percent), largely as a result of offsetting changes.
    - Excise taxes fell by $15 billion (or 70 percent), in part because the CARES Act suspended the collection of certain aviation excise taxes for the rest of the calendar year. The Administration also delayed due dates for payment of other excise taxes, including those on wine, beer, distilled spirits, tobacco products, firearms, and ammunition. A general reduction in economic activity also contributed to the decline.
    - Collections of customs duties and estate and gift taxes each decreased by $3 billion (or 19 percent and 69 percent, respectively).
    - Federal Reserve remittances increased by $9 billion (or 65 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. As part of its efforts to carry out monetary policy in response to the pandemic, the Federal Reserve also has significantly increased its holdings of assets, which tends to further increase remittances.

Total Outlays: Up by 49 Percent in the First Nine Months of the Fiscal Year

Outlays for the first nine months of fiscal year 2020 were $5,005 billion, $1,649 billion higher than they were during the same period last year, CBO estimates.

Outlays, October–June

Billions of Dollars

			Estimated Change	
Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Billions of Dollars	Percent
Social Security Benefits	770	810	40	5.2
Medicare[a]	483	591	108	22.4
Medicaid	302	335	33	10.9
Subtotal, Largest Mandatory Spending Programs	**1,555**	**1,736**	**181**	**11.7**
Refundable Tax Credits	86	352	265	307.1
Coronavirus Relief Fund	0	149	149	n.a.
Unemployment Compensation	24	277	253	n.m.
PHSSEF	2	82	80	n.m.
Small Business Administration	*	537	536	n.m.
DoD—Military[b]	488	516	29	5.9
Net Interest on the Public Debt	317	283	–33	–10.5
Other	884	1,071	187	21.2
Total	**3,356**	**5,005**	**1,649**	**49.1**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; PHSSEF = Public Health and Social Services Emergency Fund; n.a. = not applicable; n.m. = not meaningful; * = between zero and $500 million.

a. Medicare outlays are net of offsetting receipts.

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

Outlays in fiscal year 2020 can be divided into spending before and after the start of the government's response to the pandemic.

October Through March. Outlays in the first six months of the fiscal year were $2,347 billion—$149 billion (or 7 percent) higher than they were during the same period last year. The increase reflects higher spending on the largest mandatory programs—Social Security, Medicare, and Medicaid. The Department of Defense and the Department of Veterans Affairs also saw higher costs, and net interest on the public debt increased. In addition, the Treasury received less in payments from Fannie Mae and Freddie Mac, resulting in higher net outlays.

April Through June. Outlays from April through June 2020 were more than twice the amounts in the same period last year: They rose by $1.5 trillion. Large increases were linked to the pandemic and the federal government's response to it. Specifically, from April through June this year:

- The **Small Business Administration's** outlays were $537 *billion*, compared with $300 *million* during the same period last year.
- Payments of **refundable tax credits**—including recovery rebates that began in April under the CARES Act—totaled $268 billion more than in the same months in 2019.
- Outlays for **unemployment compensation** were $251 billion more than in the same three months in 2019.
- Outlays totaling $149 billion were made from the new **Coronavirus Relief Fund.**
- Outlays for the **Public Health and Social Services Emergency Fund** were $80 *billion*, compared with $700 *million* for the same three-month period last year.
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** were $23 *billion*, compared with –$100 *million* in those months last year.
- Spending by the Department of the Treasury for the new **aviation worker relief** program totaled $23 billion.
- Spending for **Medicaid** was $23 billion higher than in the same period last year. (By comparison, spending in the first six months of fiscal year 2020 was $10 billion more than during the first six months of fiscal year 2019.)

Budget Totals Before and Since April

Billions of Dollars

	Actual, FY 2019		Preliminary, FY 2020		Estimated Change	
	Oct-March	April-June	Oct-March	April-June	Oct-March	April-June
Receipts	1,507	1,102	1,604	657	96	–444
Outlays	2,198	1,158	2,347	2,658	149	1,500
Deficit (–)	–691	–56	–743	–2,000	–52	–1,944

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

FY = fiscal year.

Actual Deficit in May 2020: $399 Billion

The Treasury Department reported a deficit of $399 billion for May—$25 billion lower than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for May 2020*. The primary reason for the difference is that CBO overestimated outlays recorded by the Small Business Administration.

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.
Justin Latus and Nathaniel Frentz prepared the report with assistance from Aaron Feinstein and 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/56458.