Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Monthly Budget Review: September 2021

October 8, 2021

The federal budget deficit was $2.8 trillion in fiscal year 2021, the Congressional Budget Office estimates—$362 billion less than the deficit recorded in fiscal year 2020. Although outlays rose by an estimated $265 billion (or 4 percent), revenues rose more—by an estimated $627 billion (or 18 percent).

Table 1.

Fiscal Year Totals

Billions of Dollars

				Estimated Change From 2020 to 2021	
	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Billions of Dollars	Percent
Receipts	3,462	3,420	4,047	627	18
Outlays	4,447	6,552	6,817	265	4
Deficit (−)	−984	−3,132	−2,770	362	−12

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statements* for August 2021 and September 2020 and the *Daily Treasury Statements* for September 2021.

FY = fiscal year.

Programs and policies implemented in response to the coronavirus pandemic—notably, refundable tax credits (particularly the recovery rebates), expanded unemployment compensation, and the Small Business Administration's Paycheck Protection Program—substantially boosted spending, in both 2021 and 2020.[1] Outlays in fiscal year 2021 were about $2.4 trillion more than spending in 2019, an increase of more than 50 percent. Outlays in 2020 rose almost as much. As a result, the annual deficits recorded in 2020 and 2021 were significantly larger than the $984 billion shortfall recorded in fiscal year 2019.

The deficit CBO now estimates for 2021 is $233 billion smaller than the shortfall estimated in its most recent baseline projections.[2] Since CBO completed that estimate, income tax receipts have been greater than anticipated and outlays have been largely consistent with CBO's projections.

1. Among the laws enacted in 2020 and 2021 in response to the pandemic were the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Consolidated Appropriations Act, 2021 (CAA); and the American Rescue Plan Act of 2021 (ARPA).

2. For details about CBO's most recent budget projections, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (July 2021), www.cbo.gov/publication/57218.

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.

Total Receipts: Up by 18 Percent in Fiscal Year 2021

Receipts totaled $4,047 billion during fiscal year 2021, CBO estimates—$627 billion more than during the same period last year. In large part, that change reflects the general strength of the economy over the past year.

Table 2.

Total Receipts

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Individual Income Taxes	1,718	1,609	2,052	443	27.5
Payroll Taxes	1,243	1,310	1,308	−2	−0.2
Corporate Income Taxes	230	212	370	158	74.8
Other Receipts	271	289	317	27	9.4
Total	**3,462**	**3,420**	**4,047**	**627**	**18.3**
Memorandum:					
Combined Individual Income and Payroll Taxes					
Withheld taxes	2,464	2,442	2,686	244	10.0
Other, net of refunds	497	477	674	197	41.3
Total	**2,961**	**2,919**	**3,360**	**441**	**15.1**

Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

- **Individual income** and **payroll (social insurance) taxes** together rose by $441 billion (or 15 percent).
  - Amounts withheld from workers' paychecks rose by $244 billion (or 10 percent). That increase most likely reflects higher total wages and salaries, particularly among the relatively high-income workers who are subject to higher tax rates on earnings. Legislation enacted in response to the pandemic complicates year-over-year comparisons. Significantly, most employers could choose to defer payment of their portion of certain payroll taxes on wages paid from March 27, 2020 (the date of enactment of the CARES Act), through December 31, 2020. In addition, employers may claim new tax credits for paid leave and employee retention by reducing the amount of withheld taxes they remit.
  - Nonwithheld payments of income and payroll taxes rose by $224 billion (or 33 percent), reflecting generally higher incomes in the past year, among other factors.
  - Individual income tax refunds increased by $40 billion (or 17 percent), decreasing net receipts.
  - Unemployment insurance receipts (one type of payroll tax) increased by $13 billion (or 31 percent). Those receipts were up because states were replenishing the balances in their unemployment insurance trust funds, at least in part by collecting more in unemployment taxes from employers. The funds are collected by the states but count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states. The states' trust funds were depleted as a result of unusually high unemployment last year.

- **Corporate income taxes** increased, on net, by $158 billion (or 75 percent), in part because of higher corporate profits this year.
- Receipts from **other sources,** on net, increased by $27 billion (or 9 percent).
    - The Federal Reserve's remittances to the Treasury rose by $18 billion (or 22 percent), in part because short-term interest rates were lower, which reduced the central bank's interest expenses and therefore increased remittances. 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, an action that tends to further increase remittances when short-term interest rates remain low.
    - Customs duties rose by $11 billion (or 16 percent), reflecting an increase in imports.
    - Estate and gift taxes rose by $10 billion (or 55 percent).
    - Excise taxes decreased by $11 billion (or 13 percent), reflecting several factors. A payment of a now-repealed tax on health insurance providers collected in 2020 was not collected in 2021. In addition, a temporary suspension of certain aviation excise taxes through the end of calendar year 2020 further reduced collections. Partially offsetting those downward changes was a general increase in economic activity, which boosted receipts from excise taxes.

Total Outlays: Up by 4 Percent in Fiscal Year 2021

Outlays in fiscal year 2021 were $6,817 billion, $265 billion (or 4 percent) more than in the previous year, CBO estimates. The budgetary effects of federal responses to the pandemic account for the largest increases. For some programs, outlays in 2021 were higher than those in 2020 because the programs operated for a larger portion of the year in 2021.

Several major spending increases, including the following, were largely the result of pandemic-related legislation and administrative actions:

- Outlays for certain **refundable tax credits** were $363 billion higher in fiscal year 2021 than in 2020.[3] That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.
- Outlays from the **Coronavirus Relief Fund** were $243 billion in 2021, compared with $149 billion the previous year. The CARES Act, which was enacted in March 2020, authorized $150 billion for the Treasury to provide grants to state, local, tribal, and territorial governments to offset expenses stemming from the pandemic. Most of those funds were disbursed in April 2020. Nearly all of the 2021 outlays stem from an additional $362 billion provided by ARPA.
- Spending by **Department of Education** (included in "Other" in Table 3) was $57 billion (or 28 percent) higher in 2021 than in 2020, largely because of increased spending on emergency grants to support K–12 and postsecondary education through the Educational Stabilization Fund and accounting adjustments to reflect increased costs of student loans and loan guarantees issued in previous years.

3. Those tax credits are the recovery rebates (also known as economic impact payments), earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

Table 3.

Total Outlays

Billions of Dollars

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Social Security Benefits	1,033	1,084	1,124	39	3.6
Medicare[a]	648	773	692	−81	−10.4
Medicaid	409	458	522	63	13.8
Subtotal, Largest Mandatory Spending Programs	**2,090**	**2,315**	**2,337**	**22**	**0.9**
Refundable Tax Credits[b]	140	414	778	363	87.7
Coronavirus Relief Fund	0	149	243	94	62.8
Small Business Administration	*	577	323	−255	−44.1
Unemployment Compensation	31	476	396	−80	−16.8
DoD—Military[c]	654	690	717	27	3.8
Net Interest on the Public Debt	423	387	413	25	6.6
Other	1,108	1,541	1,610	69	4.4
Total	**4,447**	**6,552**	**6,817**	**265**	**4.0**

Data sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; * = between zero and $500 million.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

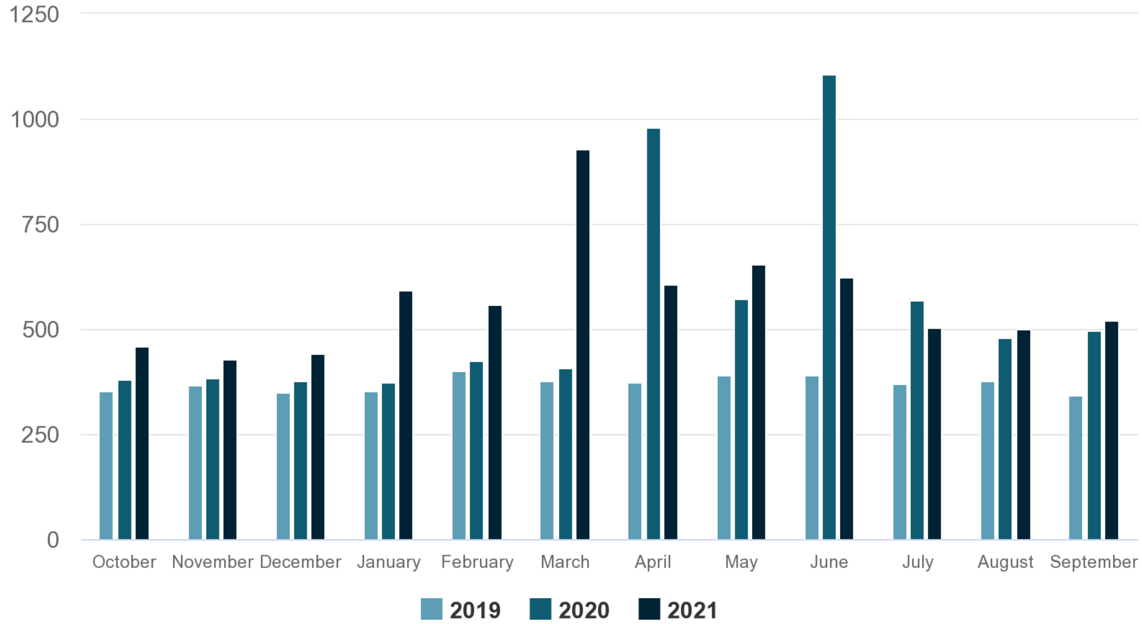
c. Excludes a small amount of spending by DoD on civil programs.

- Spending by the **Department of Agriculture** (included in “Other”) increased by $50 billion, or 27 percent, largely because outlays for the Supplemental Nutrition Assistance Program increased and because payments were made to farmers through the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic.
- Payments for **emergency rental assistance** (included in “Other”) totaled $33 billion in fiscal year 2021. State and local governments used grants provided under the CAA and ARPA to aid low-income households unable to pay rent because of the pandemic. There was no such spending in fiscal year 2020.

Some pandemic-related spending declined:

- The **Small Business Administration’s** outlays were $255 billion (or 44 percent) lower in 2021. In 2020, the CARES Act authorized additional loans, loan guarantees, and cash advances under the Paycheck Protection Program, the Economic Injury Disaster Loan program, and others. The CAA and ARPA provided additional funding for those programs in 2021; the amounts were smaller than the sums provided in the CARES Act.

Figure 1.
Monthly Outlays
Fiscal Years 2019, 2020, 2021
Billions of Dollars



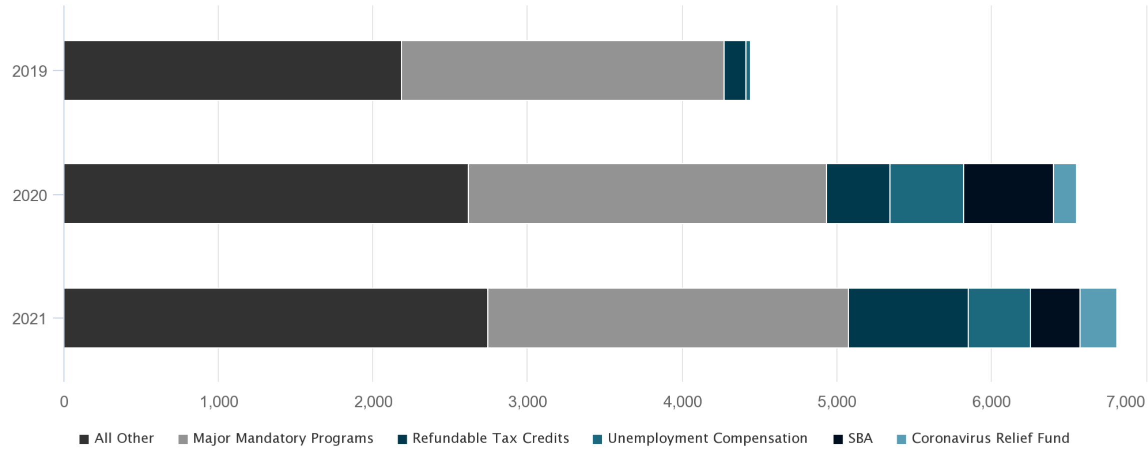
Data sources: Congressional Budget Office; Department of the Treasury.
The value shown for September 2021 is CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

- Outlays for **unemployment compensation** were $80 billion (or 17 percent) lower in 2021 than in 2020. In both 2020 and 2021, spending on unemployment compensation was significantly higher than in 2019 because of enhanced benefits authorized by the CARES Act that were extended by the CAA and ARPA. (In addition, the number of people receiving regular unemployment benefits increased, which also contributed to higher outlays.) Spending on those benefits reached its peak in the summer of 2020: More than $100 billion was disbursed in June and again in July of that year. Outlays for unemployment compensation declined in 2021, in part because the enhanced benefits expired in early September 2021 (several states chose to end those programs earlier in the summer) and in part because of an increase in employment.

Outlays for the largest mandatory spending programs increased, on net, by about 1 percent:

- **Medicare** outlays declined by $81 billion (or 10 percent) in 2021 compared with 2020, largely because an expansion—no longer in effect—of two programs in April 2020 significantly increased outlays that month: The CARES Act expanded the Medicare Accelerated Payment Program for Part A providers during the public health emergency, and the Centers for Medicare & Medicaid Services (CMS) expanded the Advance Payment Program to Part B suppliers via regulation. Both programs made advance payments of Medicare claims that will be recouped from future claims. CMS disbursed more than $100 billion of those payments in April 2020 before the programs were suspended.

Figure 2.
Total Outlays
Fiscal Years 2019, 2020, and 2021
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
SBA = Small Business Administration.
Values for all months have been adjusted to exclude the effects of timing shifts.
CBO estimated values for September 2021; all other values are actual.
The major mandatory programs are Social Security, Medicare, and Medicaid.
The refundable tax credits consist of the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

- **Medicaid** outlays increased by $63 billion (or 14 percent) largely because of the legislative response to the pandemic. In particular, federal matching rates for Medicaid were raised by 6.2 percentage points, and states were required to maintain coverage for all recipients enrolled during the emergency period, regardless of changes in circumstances that might otherwise cause some beneficiaries to lose eligibility.
- **Social Security** benefits rose by $39 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.

Other major increases in outlays in fiscal year 2021 were as follows:

- Outlays for military programs of the **Department of Defense** rose by $27 billion (or 4 percent); the largest increases occurred in personnel and in operation and maintenance.
- Net outlays for **interest on the public debt** increased by $25 billion (or 7 percent) in 2021, partly because the debt has grown and partly because inflation was higher in 2021 than in 2020, resulting in large adjustments to the principal of inflation-protected securities.
- Spending by the **Department of Veterans Affairs** (included in “Other” in Table 3) increased by $15 billion (or 7 percent), mostly because of increased use of health care services and per capita increases in veterans’ benefits.

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

Estimated Deficit in September 2021: $59 Billion

The federal government incurred a deficit of $59 billion in September 2021, CBO estimates—$65 billion less than the shortfall in September 2020.

Table 4.

Budget Totals for September

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021: Billions of Dollars	Estimated Change From 2020 to 2021: Percent
Receipts	374	373	460	87	23
Outlays	291	498	519	22	4
Surplus or Deficit (−)	83	−125	−59	65	−52

Data sources: Congressional Budget Office; Department of the Treasury.
FY = fiscal year.

CBO estimates that receipts in September 2021 totaled $460 billion—$87 billion (or 23 percent) more than those in the same month last year. That increase was largely driven by income and payroll taxes, which increased by $63 billion (or 23 percent). In addition, corporate income taxes increased by $35 billion (or 71 percent). Those changes were partially offset by a decrease in excise taxes of $15 billion (or 58 percent).

Total spending in September 2021 was $519 billion, CBO estimates, $22 billion (or 4 percent) more than in September 2020. The largest changes involved pandemic-related spending and associated economic effects. Those changes were as follows:

- Outlays by the **Department of Education** were $56 billion (or 107 percent) higher, primarily because the department made an upward revision of about $95 billion to the estimated net subsidy costs of loans and loan guarantees issued in previous years, a revision that was about $55 billion larger than the one made in September 2020. The increased costs for loans were related to the pandemic, stemming from an extension of suspensions of payments, of interest accrued on outstanding loans, and of collections of loans in default. They also resulted from changes the department made to projections of the income of borrowers in income-driven repayment plans. Increased spending on emergency grants to support K–12 and postsecondary education through the Educational Stabilization Fund also contributed to higher outlays in September.
- Spending by the **Department of Homeland Security** (included in "Other" in Table 4) was $24 billion (or 74 percent) lower in September 2021, almost entirely the result of pandemic-related spending from the Disaster Relief Fund (DRF) at the end of fiscal year 2020: Payments of unemployment benefits from the DRF were authorized under provisions of a Presidential memorandum issued in August 2020, and most of those payments were made in September 2020.[4]

4. See the White House, Presidential Memoranda, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019" (August 8, 2020), https://go.usa.gov/xHAfP.

- Outlays for certain **refundable tax credits** were $21 billion higher in September 2021 than in the same month the previous year. That increase was mostly driven by spending for child tax credits. Changes in ARPA—which will remain in effect through December 2021—made the credits fully refundable, expanded the eligibility of those credits to include 17-year-olds, and increased the maximum amount provided per child from $2,000 to $3,000; the amount rises to a maximum of $3,600 for children under 6. The Treasury provided the first round of the expanded credits in July 2021.
- Outlays for **unemployment compensation** were $20 billion (or 57 percent) lower in September 2021 than in September 2020, largely because the expanded unemployment benefit programs expired early in the month.
- Outlays for the **Coronavirus Relief Fund** (discussed above) were $3 *billion* in September 2021. Outlays from that fund in September 2020 totaled $1 *million*; funding provided by the CARES Act in 2020 was almost entirely exhausted in June of that year.

Other major changes in outlays in September were as follows:

- Outlays for **Medicare** decreased by $5 billion (or 8 percent), probably because of the recoupment of accelerated and advance payments (discussed above).
- Spending for **Medicaid** rose by $5 billion (or 13 percent).

Spending for other programs and activities increased or decreased by smaller amounts. On net, those changes decreased spending in September 2021 relative to September 2020.

Actual Deficit in August 2021: $171 Billion

The Treasury Department reported a deficit of $171 billion for August—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: August 2021*.

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/xfwBH.
In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Nathaniel Frentz, Amber Marcellino, and Jennifer Shand 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/57476.

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