Monthly Budget Review for January 2020

The federal budget deficit was $388 billion for the first four months of fiscal year 2020, the Congressional Budget Office estimates, $78 billion more than the deficit recorded during the same period last year. Revenues and outlays alike were higher this year—by 6 percent and 10 percent, respectively—than during the first four months of fiscal year 2019.

However, outlays during the first four months of this year were boosted by shifts in the timing of certain payments that otherwise would have been due at the beginning of February, which fell on a weekend. Those shifts increased outlays through January by $55 billion; without them, the outlay increase would have been 6 percent and the deficit for the first four months of 2020 would have been $333 billion, roughly $23 billion larger, rather than $78 billion larger, than the amount for the same period last year.

Budget Totals, October–January
Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	1,111	1,178	67
Outlays	1,421	1,567	145
Deficit (–)	–310	–388	–78

Sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2019 and the *Daily Treasury Statements* for January 2020.

FY = fiscal year.

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

Receipts totaled $1,178 billion during the first four months of fiscal year 2020, CBO estimates—$67 billion more than during the same period last year. The changes from last year to this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together rose by $53 billion (or 5 percent).
  - Amounts withheld from workers' paychecks rose by $44 billion (or 5 percent), reflecting increases in wages and salaries.
  - Nonwithheld payments of income and payroll taxes rose by $8 billion (or 5 percent) and individual income tax refunds fell by $1 billion (or 4 percent), increasing net receipts. The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.
- **Corporate income taxes** rose, on net, by $16 billion (or 27 percent). Much of that increase occurred in December, when most corporations made their final quarterly estimated payments for tax year 2019.

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.

- Receipts from **other sources,** on net, declined by $2 billion (or 2 percent).
    - Excise taxes fell by $9 billion (or 24 percent), mostly because payments of the tax on health insurance providers were received in October 2018; in 2019, that tax was subject to a one-year moratorium. (Although that tax was repealed in December 2019 by Public Law 116-94, a final payment is due on September 30, 2020.)
    - Customs duties increased by $3 billion (or 13 percent), in part because of additional tariffs imposed by the Administration during the past year, primarily on imports from China.
    - Federal Reserve remittances increased by $3 billion (or 14 percent), in part because of lower short-term interest rates, which reduce the Federal Reserve's interest expenses and therefore increase remittances.

Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	570	601	31	5.5
Payroll Taxes	389	411	21	5.5
Corporate Income Taxes	60	76	16	27.1
Other Receipts	92	91	–2	–1.7
Total	**1,111**	**1,178**	**67**	**6.1**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	822	865	44	5.3
Other, net of refunds	137	146	9	6.5
Total	**959**	**1,012**	**53**	**5.5**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 10 Percent in the First Four Months of Fiscal Year 2020

Outlays for the first four months of fiscal year 2020 were $1,567 billion, $145 billion higher than they were during the same period last year, CBO estimates. If not for the shift of certain payments from February to January, outlays so far this year would have been $1,512 billion, about $90 billion more than outlays in the same period last year. The discussion below reflects adjustments to exclude the effects of those timing shifts.

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 $19 billion (or 6 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
    - **Medicare** outlays grew by $15 billion (or 8 percent) because of increases in both the number of beneficiaries and health care costs per capita.
    - **Medicaid** outlays increased by $7 billion (or 5 percent) because of increases in health care costs per capita.
- Spending for military programs of the **Department of Defense** rose by $14 billion (or 7 percent) mostly for procurement and research and development.

- The Treasury received $7 billion less in net 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. Such receipts decrease net outlays, so those lower receipts this December 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.)

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

Outlays, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	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	336	355	19	19	5.7
Medicare[b]	204	252	48	15	7.5
Medicaid	129	136	7	7	5.4
Subtotal, Largest Mandatory Spending Programs	**669**	**742**	**74**	**41**	**6.2**
DoD—Military[c]	219	238	19	14	6.6
Net Interest on the Public Debt	129	134	5	5	4.2
Other	405	452	47	29	7.2
Total	**1,421**	**1,567**	**145**	**90**	**6.4**

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. If not for those timing shifts, outlays would have been $1,512 billion in fiscal year 2020.

b. Medicare outlays are net of offsetting receipts.

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

Estimated Deficit in January 2020: $32 Billion

The federal government incurred a deficit of $32 billion in January 2020, CBO estimates, compared with a surplus of $9 billion in January 2019—a difference of $40 billion. But outlays in January of this year were increased by a shift of certain federal payments that otherwise would have been due on February 1 (which fell on a weekend). Outlays in January of both years were decreased by a shift into December of payments that otherwise would have been due on January 1, a holiday. On net, those shifts increased outlays by $32 billion in January 2020 and decreased outlays by $21 billion in January 2019. If not for the shifts, the federal government would have realized a surplus of $1 billion in January 2020, compared with a deficit of $12 billion in January 2019.

CBO estimates that receipts in January 2020 totaled $372 billion—$32 billion (or 9 percent) more than those in the same month last year. An increase of $19 billion (or 9 percent) in withholding of individual income and payroll taxes explains most of that difference. In addition, nonwithheld payments of those taxes increased by $7 billion (or 7 percent) and corporate income taxes increased by $4 billion (or 58 percent); payments of those taxes are generally small in January.

Budget Totals for January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	340	372	32	32	9.4
Outlays	331	403	72	19	5.4
Surplus or Deficit (–)	9	–32	–40	13	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 or holiday. If not for those timing shifts, the budget would have shown a deficit of $12 billion in January 2019 and a surplus of $1 billion in January 2020, CBO estimates.

Total spending in January 2020 was $403 billion—$72 billion more than the sum in January 2019. If not for the shifts in the timing of payments, outlays in January 2020 would have been $19 billion (or 5 percent) higher, rather than $72 billion 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):

- **Net interest on the public debt** rose by $5 billion (or 17 percent).
- Spending for **Social Security** benefits rose by $4 billion (or 5 percent).
- **Medicare** spending increased by $3 billion (or 6 percent).

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

Actual Deficit in December 2019: $13 Billion

The Treasury Department reported a deficit of $13 billion for December—$2 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for December 2019*.

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. Nathaniel Frentz and Jon Sperl 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/56118.