Congressional Budget Office

September 8, 2020

Monthly Budget Review for August 2020

The federal budget deficit in August 2020 was $198 billion, CBO estimates, $3 billion less than the deficit in August of last year. However, that comparison is distorted by shifts in the timing of certain payments in both years that had opposite effects on the August deficit in their respective years.

Because September 1, 2019, fell on a weekend, federal payments totaling about $52 billion were made in August rather than in September of that year (increasing the deficit in August). A similar shift, of $57 billion, occurred this year, but from August into July, reducing the August 2020 deficit. Without those timing shifts, the deficit this August would have been $106 billion (or 72 percent) larger than in the same month last year. Outlays for unemployment compensation contributed significantly to the deficit this August, accounting for about half of the increase in government spending (excluding the timing shifts).

Budget Totals for August

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	228	223	–5	–5	–2
Outlays	428	420	–8	101	27
Deficit (–)	–200	–198	3	–106	72

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year; * = between zero and $500 million.

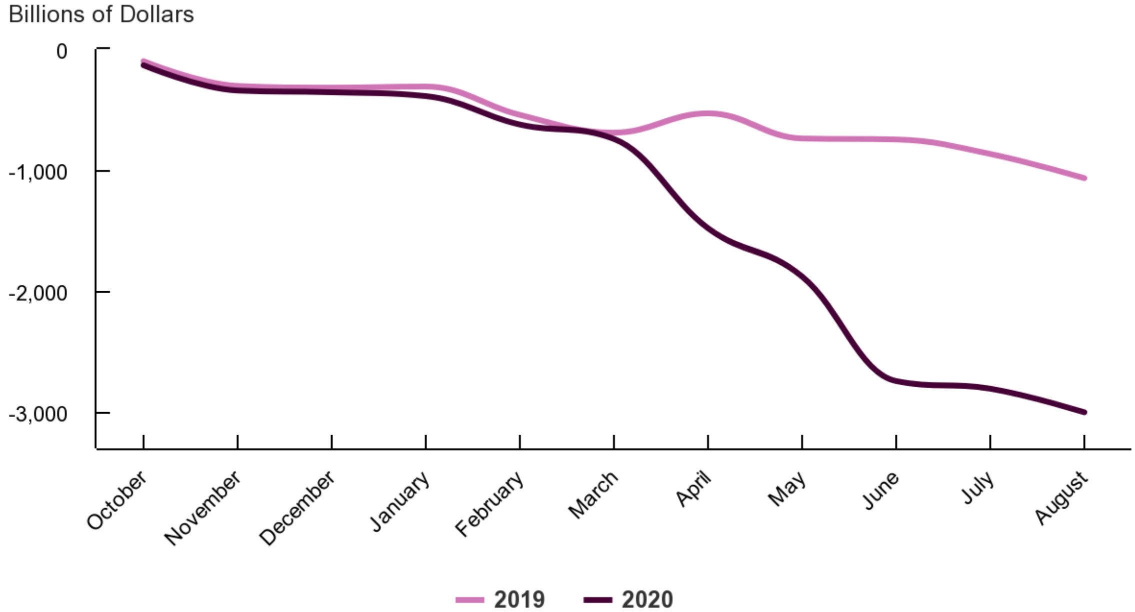
a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend.

The cumulative federal budget deficit for the first 11 months of fiscal year 2020 was $3.0 trillion, CBO estimates, $1.9 trillion more than the deficit recorded for the same period last year (see Figure 1). Revenues were 1 percent lower and outlays were 46 percent higher through August 2020 than in the same 11-month period in fiscal year 2019. CBO projects that the 2020 deficit will total $3.3 trillion. At 16.0 percent of gross domestic product, that would be the largest shortfall relative to the size of the economy since 1945.[1]

1. See Congressional Budget Office, *An Update to the Budget Outlook: 2020 to 2030* (September 2020), www.cbo.gov/publication/56517.

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



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

Receipts Down by 2 Percent in August

CBO estimates that receipts in August totaled $223 billion—$5 billion (or 2 percent) less than those in August 2019. Receipts fell primarily because of declines in wages and in economic activity generally and because of legislation enacted in response to the novel coronavirus pandemic.[2]

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

- **Individual income** and **payroll (social insurance) taxes** fell by $11 billion (or 5 percent).
  - Amounts withheld decreased by $8 billion (or 4 percent). This August had an additional Monday, boosting withholding. However, that increase was more than offset by a decline in wages and by the effects of recently enacted legislation.
  - Nonwithheld taxes increased by $5 billion, or 47 percent, but individual income tax refunds were about twice what they were last August (decreasing net receipts by $8 billion). Both of those changes reflect activity that would have occurred earlier in the year if the Administration had not delayed the tax-filing deadline.
- Receipts of **corporate income taxes**, which were slightly negative, on net, last August**,** increased by $3 billion, for a total of $1 billion in net receipts this August.
- Receipts from **other sources** increased by $3 billion (or 11 percent). That change is more than explained by a $5 billion (or 141 percent) increase in remittances from the Federal Reserve, reflecting both reduced interest expenses because short-term interest rates have dropped and additional earnings because the central bank holds more assets. Estate and gift taxes and customs duties were each down by $1 billion.

2. Those 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).

Spending in August Declined by 2 Percent

Total spending in August 2020 was $420 billion, CBO estimates—$8 billion less than outlays in August 2019. However, if not for the shift of some federal payments from August to July this year and from September to August last year, total spending would have been $101 billion (or 27 percent) more than in August 2019, largely because of the government's response to the pandemic.

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

- Outlays for **unemployment compensation** increased from $2 billion in August 2019 to $53 billion in August of this year. That rise is attributable both to increased regular unemployment compensation and to enhanced benefits authorized by the CARES Act.
- Outlays by the **Small Business Administration** increased from $99 *million* to $12 *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 the **Public Health and Social Services Emergency Fund** totaled about $8 *billion* this August, compared with $183 *million* last August. 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.
- Spending for **Medicaid** was $4 billion higher this August than last August for three reasons: the 6.2 percentage-point increase in federal matching rates enacted in FFCRA, increased enrollment because of FFCRA's requirement that states retain enrollees on Medicaid until the end of the public-health emergency, and increased enrollment because of higher unemployment.
- Spending for the **Food and Nutrition Service** was $4 billion higher—$11 billion in August 2020 compared with $7 billion in August 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 August, CBO estimates.

Other major changes in outlays in August were as follows:

- **Social Security** benefits rose by $4 billion (or 5 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- Net outlays for **interest on the public debt** increased from $35 billion in August 2019 to $39 billion this year, partly because the debt has grown and partly because inflation in July was considerably higher this year, resulting in large adjustments to inflation-protected securities. Those factors were partially offset by the effects of lower interest rates.

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

Fiscal Year to Date: Deficit Nearly Tripled in the First 11 Months

The federal budget deficit was $3.0 trillion in the first 11 months of fiscal year 2020, CBO estimates, compared with $1.1 trillion during the same period last year. Revenues were lower and outlays were higher than during the same period in fiscal year 2019. Shifts in the timing of certain payments increased outlays in the first 11 months of last year by $52 billion. If not for those shifts, the increase in the deficit so far this fiscal year would have been larger.

Budget Totals for October Through August

Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Receipts	3,088	3,046	–42	–42	–1.4
Outlays	4,155	6,048	1,893	1,945	47.4
Deficit (–)	–1,067	–3,002	–1,935	–1,987	195.7

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

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 2019 would have been $4,103 billion, CBO estimates.

Revenue collections and outlays in fiscal year 2020 can be divided into two periods: before and after the start of the economic disruption caused by the pandemic. For that later period, from April through August, the deficit this year was an estimated $2.3 trillion, compared with $376 billion in the same period last year.

Budget Totals Before and Since April

Billions of Dollars

	Actual, FY 2019		Preliminary, FY 2020		Estimated Change	
	Oct-March	April-Aug	Oct-March	April-Aug	Oct-March	April-Aug
Receipts	1,507	1,581	1,604	1,443	96	–138
Outlays	2,198	1,957	2,347	3,701	149	1,745
Deficit (–)	–691	–376	–743	–2,259	–52	–1,883

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

If the effects of shifts in the timing of certain payments were excluded, the estimated change in the deficit for April through August would be –$1,935 billion.

FY = fiscal year.

Total Receipts: Down by 1 Percent in the First 11 Months of Fiscal Year 2020

Receipts totaled $3,046 billion during the first 11 months of fiscal year 2020, CBO estimates—$42 billion less than during the same period last year. Through March, receipts were running 6 percent above last year’s amounts; from April through August, they were 9 percent below last year’s amounts.

October Through March. 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.

Receipts From April Through August

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	811	678 [a]	–133	–16.4
Payroll Taxes	553	577 [a]	24	4.4
Corporate Income Taxes	102	77	–25	–24.3
Other Receipts	115	110	–5	–4.2
Total	**1,581**	**1,443**	**–138**	**–8.7**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1001	919	–82	–8.2
Other, net of refunds	363	336	–27	–7.3
Total	**1,364**	**1,255**	**–109**	**–8.0**

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.

April Through August. The 9 percent decrease reflects the combined effects of declines in wages and in other economic activity as well as the government's response to the pandemic:

- **Individual income** and **payroll (social insurance) taxes** together decreased by $109 billion (or 8 percent).
  - Nonwithheld payments of income and payroll taxes fell by $37 billion (or 9 percent). That drop is probably attributable both to a decline in economic activity and to legislative actions. The CARES Act included several provisions expected to reduce estimated payments of individual income taxes this year, in particular one that temporarily allows taxpayers to offset more nonbusiness income with business losses.
  - Individual income tax refunds, largely for 2019 taxes, decreased by $10 billion (or 10 percent).
  - Amounts withheld from workers' paychecks decreased by $82 billion (or 8 percent) as a result of legislative actions and a decline in wages. 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 $25 billion (or 24 percent), largely because of the economic disruption caused by the pandemic. Also, the CARES Act included provisions to reduce corporate income tax payments this year, most significantly a provision that temporarily allows expanded use of net operating losses to offset taxable income and generate refunds.

- Receipts from **other sources** decreased by $5 billion (or 4 percent), largely as a result of offsetting changes.
  - Excise taxes fell by $17 billion (or 45 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 payment dates for 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 decreased by $6 billion (or 22 percent).
  - Federal Reserve remittances increased by $18 billion (or 75 percent), in part because of lower short-term interest rates, which reduce the central bank'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 46 Percent in the First 11 Months of the Fiscal Year

Outlays for the first 11 months of fiscal year 2020 were $6,048 billion, $1,893 billion (or 46 percent) higher than they were during the same period in 2019, CBO estimates. Without the shift of certain payments last year, outlays through August this year would have been $1,945 billion (or 47 percent) higher than last year's cumulative total.

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 greater 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 August. Outlays from April through August 2020 were nearly twice the amounts in the same period last year: They rose by $1.7 trillion. Large increases were linked to the pandemic and the federal government's response to it. Specifically, from April through August this year:

- The **Small Business Administration's** outlays were $575 *billion* (mostly for the Paycheck Protection Program), compared with $467 *million* during the same period last year.
- Outlays for **unemployment compensation** were $410 billion more than in the same five months in 2019.
- Payments of **refundable tax credits**—including recovery rebates that began in April under the CARES Act—totaled $274 billion more than in the same months in 2019.
- Outlays totaling $149 billion were made from the **Coronavirus Relief Fund,** which provides aid to state, local, tribal, and territorial governments.
- Outlays for the **Public Health and Social Services Emergency Fund** (included in the "Other" category below) were $105 billion, compared with $1 billion during the same five-month period last year.
- **Medicare** outlays were $95 billion more than in the same five months last year (after removing the effect of a timing shift in 2019 that increased outlays in that year), largely because of the expansion of two programs. First, the CARES Act expanded the accelerated payment program for Medicare Part A providers during the public-health emergency. Second, the Centers for Medicare & Medicaid Services expanded the Advance Payment Program to Part B suppliers via regulation; those payments began in April. Both programs provide advance payments of Medicare claims that will be recouped from claims over the next year. CBO does not expect the full amount to be recovered during the current fiscal year.

- Outlays for the **Department of Education** (included in "Other") from April through August this year were $50 billion higher than in the same period last year. Most of that increase will occur because the Administration recorded a large upward revision to the subsidy costs of student loans made in previous years. That revision was made primarily because of newly available data that showed lower income for borrowers with income-driven repayment plans.
- Spending for **Medicaid** was $34 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.)
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** (included in "Other") were $31 *billion*, compared with –$241 *million* in those months last year, 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 by the Department of the Treasury for the new **aviation worker relief** program (included in "Other") totaled $29 billion.
- Outlays for the **Food and Nutrition Service** were $19 billion higher than in the same period last year, mostly related to the Supplemental Nutrition Assistance Program.

Outlays From April Through August

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Billions of Dollars	Estimated Change With Adjustments to Exclude Timing Shifts[a]: Percent
Social Security Benefits	437	457	20	20	4.7
Medicare[b]	315	381	66	95	33.5
Medicaid	175	210	34	34	19.7
Subtotal, Largest Mandatory Spending Programs	**926**	**1,047**	**121**	**150**	**16.8**
Refundable Tax Credits	15	289	274	274	n.m.
Coronavirus Relief Fund	0	149	149	149	n.a.
Unemployment Compensation	12	422	410	410	n.m.
Small Business Administration	*	575	575	575	n.m.
DoD—Military[c]	276	280	4	9	3.4
Net Interest on the Public Debt	196	149	–46	–46	–23.7
Other	532	790	258	275	53.5
Total	**1,957**	**3,701**	**1,745**	**1,797**	**94.3**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; FY = fiscal year; n.a. = not applicable; n.m. = not meaningful; * = between zero and $500 million.

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 from April through August 2019 would have been $1,905 billion, CBO estimates.

b. Medicare outlays are net of offsetting receipts.

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

Actual Deficit in July 2020: $63 Billion

The Treasury Department reported a deficit of $63 billion for July—$2 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review for July 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/xfwBH.
In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations.
Nathaniel Frentz and Amber Marcellino 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/56552.