



# Monthly Budget Review: August 2021

September 9, 2021

The federal budget deficit was \$2.7 trillion in the first 11 months of fiscal year 2021, the Congressional Budget Office estimates—\$295 billion less than the deficit recorded during the same period last year. Although outlays rose by an estimated \$245 billion (or 4 percent), revenues rose more—by an estimated \$539 billion (or 18 percent).

**Table 1.**  
**Budget Totals, October–August**

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021	
				Billions of Dollars	Percent
Receipts	3,088	3,047	3,586	539	18
Outlays	<u>4,155</u>	<u>6,054</u>	<u>6,299</u>	<u>245</u>	4
Deficit (-)	-1,067	-3,007	-2,713	295	-10

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statements* for July 2021 and September 2020 and the *Daily Treasury Statements* for August 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, both this year and last year.<sup>1</sup> Outlays in the first 11 months of fiscal year 2021 were about \$2.1 trillion more than spending during the same period two years earlier, in 2019. Outlays in 2020 rose almost as much. As a result, the deficits recorded during the first 11 months of 2020 and 2021 were significantly larger than the \$1.1 trillion\* shortfall recorded during the same period in fiscal year 2019.

In its most recent baseline projections, CBO estimated that if current laws governing taxes and spending remained unchanged, the 2021 budget deficit would reach \$3.0 trillion, the second

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).

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.

\* On October 6, 2021, CBO reposted this document to correct a typographical error in this amount.

largest shortfall since 1945.<sup>2</sup> That amount is nearly \$130 billion less than the deficit recorded in 2020 but triple the shortfall recorded in 2019. Since CBO completed that estimate, income tax receipts have been greater than anticipated and outlays have been largely consistent with CBO's projections. As a result, it seems likely that the 2021 deficit will be smaller than CBO projected in July.

### Total Receipts: Up by 18 Percent for the Fiscal Year to Date

Receipts totaled \$3,586 billion during the first 11 months of fiscal year 2021, CBO estimates—\$539 billion more than during the same period last year. That change largely reflects the general strength of the economy over the past year.

**Table 2.**  
**Receipts, October–August**

Major Program or Category	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change From 2020 to 2021	
				Billions of Dollars	Percent
Individual Income Taxes	1,535	1,447	1,829	382	26.4
Payroll Taxes	1,139	1,195	1,190	-5	-0.4
Corporate Income Taxes	170	162	288	125	77.4
Other Receipts	<u>244</u>	<u>243</u>	<u>280</u>	<u>37</u>	15.4
<b>Total</b>	<b>3,088</b>	<b>3,047</b>	<b>3,586</b>	<b>539</b>	<b>17.7</b>
<b>Memorandum:</b>					
Combined Individual Income and Payroll Taxes					
Withheld taxes	2,268	2,256	2,455	199	8.8
Other, net of refunds	<u>407</u>	<u>386</u>	<u>564</u>	<u>178</u>	46.0
<b>Total</b>	<b>2,674</b>	<b>2,642</b>	<b>3,018</b>	<b>376</b>	<b>14.2</b>

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

- **Individual income and payroll (social insurance) taxes** together rose by \$376 billion (or 14 percent).
  - Amounts withheld from workers' paychecks rose by \$199 billion (or 9 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.

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](http://www.cbo.gov/publication/57218).

- Nonwithheld payments of income and payroll taxes rose by \$199 billion (or 34 percent), reflecting generally higher incomes in the past year. The differing deadlines for tax payments in 2021 and 2020, which affected the year-over-year comparisons in previous months, had little effect on the 11-month totals.
- Individual income tax refunds increased by \$31 billion (or 13 percent), decreasing net receipts.
- Unemployment insurance receipts (one type of payroll tax) increased by \$10 billion (or 25 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 \$125 billion (or 77 percent), consistent with higher corporate profits this year.
- Receipts from **other sources**, on net, increased by \$37 billion (or 15 percent).
  - The Federal Reserve's remittances to the Treasury rose by \$17 billion (or 23 percent), in part as a result of lower short-term interest rates, 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 while short-term interest rates are low.
  - Customs duties rose by \$10 billion (or 16 percent), reflecting an increase in imports.
  - Estate and gift taxes rose by \$9 billion (or 61 percent).
  - Excise taxes rose by \$4 billion (or 7 percent), reflecting a general increase in economic activity, partially offset by the suspension of certain aviation excise taxes through the end of calendar year 2020.
  - Miscellaneous fees and fines decreased by \$3 billion (or 8 percent). Last year, the government received a \$5 billion payment from a settlement agreement between Facebook and the Federal Trade Commission.

### **Total Outlays: Up by 4 Percent for the Fiscal Year to Date**

Outlays in the first 11 months of fiscal year 2021 were \$6,299 billion, \$245 billion (or 4 percent) more than during the same period last year, CBO estimates. The budgetary effects of federal responses to the pandemic account for the largest increases. For some programs, outlays through this August are higher than those incurred through last August because the programs have been operating for a larger portion of this year than last.

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

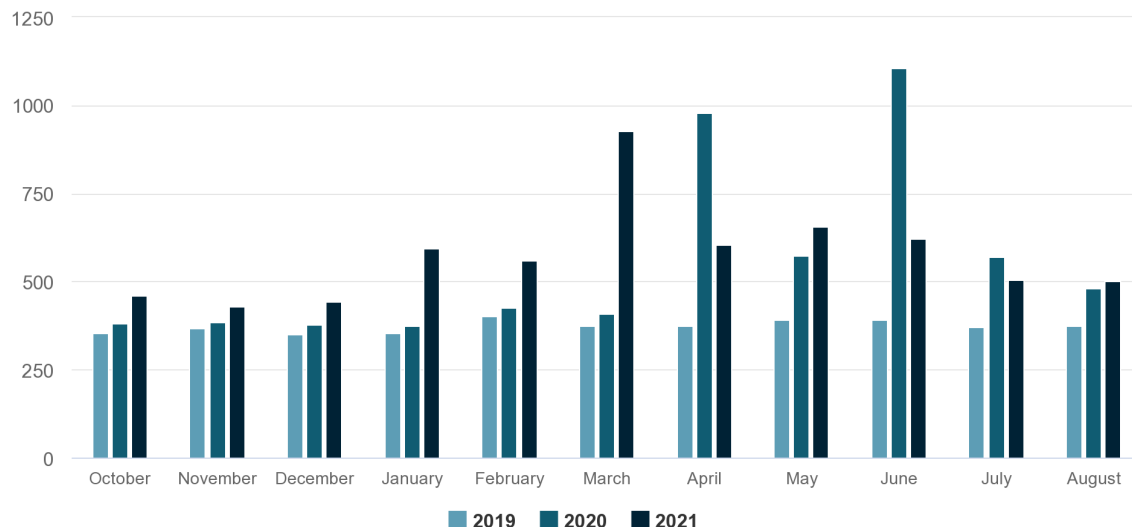
- Outlays for certain **refundable tax credits** were \$343 billion higher than in the first 11 months of 2020.<sup>3</sup> That increase was mostly driven by spending for the recovery rebates that were provided by the CAA and ARPA.

---

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.

**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 August 2021 is CBO's estimate.  
All months have been adjusted to exclude the effects of timing shifts.

- Outlays from the **Coronavirus Relief Fund** were \$240 billion in the first 11 months of fiscal year 2021, compared with \$149 billion during the same period last 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 the additional \$362 billion provided by ARPA.
- Spending by the **Department of Agriculture** (included in “Other” in Table 3) increased by \$50 billion, or 30 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”) have totaled \$33 billion in fiscal year 2021. State and local governments use 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 the first 11 months of fiscal year 2020.
- Spending by the **Department of Homeland Security** (included in “Other”) was \$23 billion, or 38 percent, higher than in the same period in 2020. That rise is mostly the result of increased spending from the Disaster Relief Fund related to the pandemic, including payments of unemployment benefits under the provisions of the Presidential memorandum issued in August 2020.<sup>4</sup>

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>.

**Table 3.**  
**Outlays, October–August**

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	Percent
Social Security Benefits	945	993	1,029	36	3.6
Medicare <sup>a</sup>	623	709	634	-76	-10.7
Medicaid	<u>373</u>	<u>417</u>	<u>475</u>	<u>58</u>	13.9
<b>Subtotal, Largest Mandatory Spending Programs</b>	<b>1,941</b>	<b>2,119</b>	<b>2,137</b>	<b>18</b>	<b>0.9</b>
Refundable Tax Credits <sup>b</sup>	134	407	750	343	84.1
Coronavirus Relief Fund	0	149	240	91	60.8
Small Business Administration	0	575	320	-256	-44.4
Unemployment Compensation	29	441	380	-61	-13.9
DoD—Military <sup>c</sup>	601	627	656	29	4.5
Net Interest on the Public Debt	389	352	379	27	7.7
Other	<u>1,061</u>	<u>1,382</u>	<u>1,436</u>	<u>54</u>	3.9
<b>Total</b>	<b>4,155</b>	<b>6,054</b>	<b>6,299</b>	<b>245</b>	<b>4.0</b>

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

DoD = Department of Defense; FY = fiscal year.

a. Medicare outlays are net of offsetting receipts.

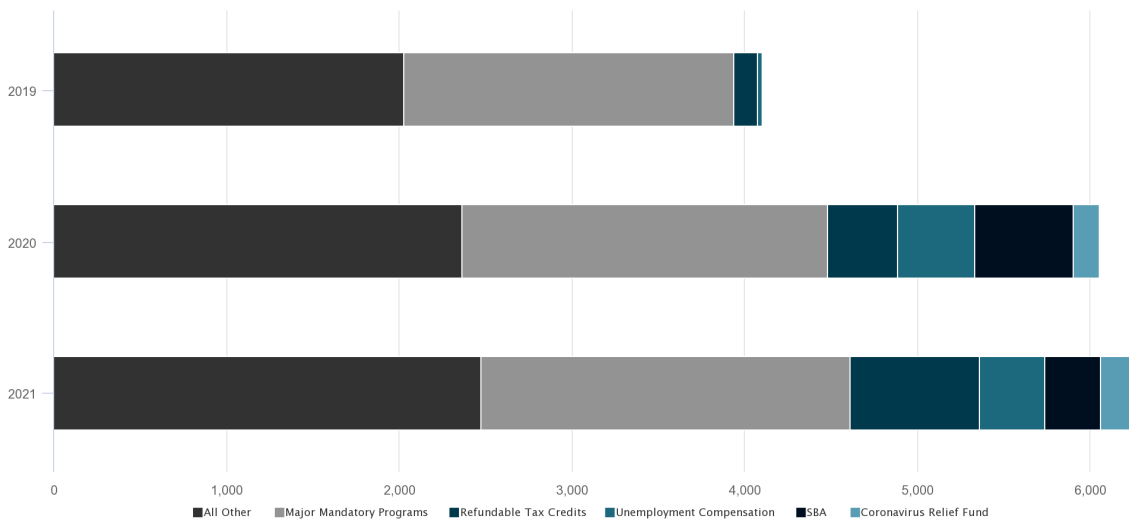
b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

Some pandemic-related spending declined:

- The **Small Business Administration's** outlays were \$256 billion (or 44 percent) lower this year than in the same period 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 this year; the amounts were smaller than the sums provided in the CARES Act.
- Outlays for **unemployment compensation** were \$61 billion (or 14 percent) less this year than in the first 11 months of 2020. Spending on those benefits reached its peak last summer: More than \$100 billion was disbursed in June and again in July of last year. 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. Also, the number of people receiving regular unemployment benefits increased. Outlays for unemployment compensation have declined in 2021 in part because several states chose to end enhanced-benefit programs early in the summer. That, along with an increase in employment, reduced spending on unemployment compensation.

Figure 2.  
**Outlays, October–August**  
**Fiscal Years 2019, 2020, 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 August 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.

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

- **Medicare** outlays declined by \$76 billion (or 11 percent) this year compared with the first 11 months of 2020, largely because an expansion—no longer in effect—of two programs in April 2020 significantly increased outlays that month. First, the CARES Act expanded the Medicare Accelerated Payment Program for Medicare Part A providers during the public health emergency. Second, the Centers for Medicare & Medicaid Services (CMS) expanded the Advance Payment Program to Part B suppliers via regulation. Both programs provided 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.
- **Medicaid** outlays increased by \$58 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 \$36 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 the first 11 months of the fiscal year were as follows:

- Spending for military programs of the **Department of Defense** rose by \$29 billion (or 5 percent); the largest increases occurred in personnel and in operation and maintenance.
- 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.
- Net outlays for **interest on the public debt** increased by \$27 billion (or 8 percent) this year, partly because the debt has grown and partly because inflation was higher this year, resulting in large adjustments to the principal of inflation-protected securities.

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

## Estimated Deficit in August 2021: \$173 Billion

The federal government incurred a deficit of \$173 billion in August 2021, CBO estimates—\$27 billion less than the shortfall in August 2020. Outlays in August of both years were affected by shifts in the timing of certain federal payments that otherwise would have been due on August 1, which fell on a weekend each year (those payments were made in July). If not for those shifts, the deficit in August 2021 would have been \$233 billion, CBO estimates—\$24 billion less than the deficit in the same month last year.

**Table 4.**  
**Budget Totals for August**

Billions of Dollars

	Actual, FY 2019	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Estimated Change From 2020 to 2021 With Adjustments for Timing Shifts in Outlays <sup>a</sup>	
					Billions of Dollars	Percent
Receipts	228	223	268	45	45	20
Outlays	<u>428</u>	<u>423</u>	<u>441</u>	<u>17</u>	<u>21</u>	4
Surplus or Deficit (-)	-200	-200	-173	27	24	-9

Data 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 shifts, the budget would have shown a deficit of \$233 billion in August 2021 and \$257 billion in August 2020, CBO estimates.

CBO estimates that receipts in August 2021 totaled \$268 billion—\$45 billion (or 20 percent) more than those in the same month last year. That increase was largely driven by withheld income and payroll taxes, which increased by \$43 billion (or 24 percent). In addition, corporate income taxes increased by \$3 billion.

Total spending in August 2021 was \$441 billion, CBO estimates, \$17 billion (or 4 percent) more than in August 2020. If not for timing shifts that decreased spending in August of both years, outlays in August 2021 would have been \$21 billion more than in August 2020. The largest changes involved pandemic-related spending and associated economic effects. Those changes were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays by the **Small Business Administration** were an estimated \$31 billion lower this August than in the same month last year. Spending in August 2020 totaled \$12 billion and reflected significant outlays for the Paycheck Protection Program authorized by both the CAA and the Paycheck Protection Program and Health Care Enhancement Act. In contrast, the agency recorded net outlays of -\$18 billion in August 2021. That amount is composed of approximately \$27 billion in downward revisions to the subsidy costs of loans made under the Disaster Loan and Business Loan programs and \$9 billion in spending by the agency.
- Outlays for the **Coronavirus Relief Fund** (discussed above) were \$29 billion in August 2021. No outlays from that fund were made in August 2020; funding provided by the CARES Act in 2020 was exhausted in June of that year.
- Outlays for **unemployment compensation** were \$26 billion (or 47 percent) lower this August, largely because several states chose to discontinue expanded unemployment benefit programs that were in place last summer. An increase in employment also contributed to reduced spending on unemployment compensation.

- Outlays for certain **refundable tax credits** were \$24 billion higher this August than in the same month last 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.
- Outlays by the **Department of Education** were \$5 billion (or 48 percent) higher, primarily because of increased spending on emergency grants to support K-12 and postsecondary education through the Educational Stabilization Fund.

Other major increases in outlays in August were as follows:

- Outlays for **Medicaid** rose by \$6 billion (or 15 percent).
- Payments for **interest on the public debt** were \$6 billion (or 16 percent) higher in August 2021 than in the same month last year because the debt increased and inflation was higher.
- Outlays by the **Department of Defense** were \$3 billion (or 5 percent) higher this August; the largest increases occurred in procurement and in operation and maintenance.

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

### Actual Deficit in July 2021: \$302 Billion

The Treasury Department reported a deficit of \$302 billion for July—\$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: July 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, Stephen Rabent, 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/57419](http://www.cbo.gov/publication/57419).



Phillip L. Swagel  
Director