Congressional Budget Office

March 6, 2020

Monthly Budget Review for February 2020

The federal budget deficit was $625 billion for the first five months of fiscal year 2020, the Congressional Budget Office estimates, $80 billion more than the deficit recorded during the same period last year. Revenues and outlays alike were higher through February of this year—by 7 percent and 9 percent, respectively—than during the first five months of fiscal year 2019.

However, outlays during the first five months of this year were boosted by shifts in the timing of certain payments that otherwise would have been due on March 1, which fell on a weekend. Those shifts increased outlays through February by $52 billion; without them, the outlay increase would have been 6 percent and the deficit for the first five months of 2020 would have been $572 billion, roughly $28 billion larger, rather than $80 billion larger, than the amount for the same period last year.

Budget Totals, October–February
Billions of Dollars

	Actual, FY 2019	Preliminary, FY 2020	Estimated Change
Receipts	1,278	1,366	88
Outlays	1,823	1,991	168
Deficit (–)	–544	–625	–80

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

FY = fiscal year.

Total Receipts: Up by 7 Percent in the First Five Months of Fiscal Year 2020

Receipts totaled $1,366 billion during the first five months of fiscal year 2020, CBO estimates—$88 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 $70 billion (or 6 percent).
    - Amounts withheld from workers' paychecks rose by $57 billion (or 6 percent), largely reflecting increases in wages and salaries.
    - Nonwithheld payments of income and payroll taxes rose by $8 billion (or 5 percent), increasing net receipts. The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.

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.

  - o Individual income tax refunds fell by $5 billion (or 6 percent), further boosting net receipts. The precise timing of refund payments varies from year to year, but most will be paid in the period from February through April. The Internal Revenue Service reports that through the fourth week of February, the total number of refunds issued was down by 2 percent and, on average, the amounts refunded were largely unchanged from last year.

- **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.

- Receipts from **other sources,** on net, rose by $2 billion (or 2 percent). The sources in that category with the largest changes were the following:

  - o Excise taxes fell by $8 billion (or 19 percent), mostly because the 2018 payments of the tax on health insurance providers were received in October of that year (that is, in fiscal year 2019). That tax was subject to a one-year moratorium in 2019 but is in effect for 2020. (It was repealed, effective in 2021, by Public Law 116-94; the final payments are due on September 30, 2020.)

  - o Customs duties increased by $4 billion (or 14 percent), in part because of additional tariffs imposed by the Administration during the past year, primarily on imports from China.

  - o Federal Reserve remittances increased by $4 billion (or 18 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.

Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2019	Preliminary, FY 2020	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	627	670	44	7.0
Payroll Taxes	484	511	26	5.4
Corporate Income Taxes	59	75	16	26.6
Other Receipts	108	110	2	1.9
Total	**1,278**	**1,366**	**88**	**6.9**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	1,031	1,088	57	5.6
Other, net of refunds	80	93	13	15.8
Total	**1,111**	**1,181**	**70**	**6.3**

Sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

Total Outlays: Up by 9 Percent in the First Five Months of Fiscal Year 2020

Outlays for the first five months of fiscal year 2020 were $1,991 billion, $168 billion higher than they were during the same period last year, CBO estimates. However, payments that are due on the first of the month must be made in the prior month if the first falls on a weekend. As a result, *six* payments were made for several federal programs during the first five months of the fiscal year. If not for those timing shifts, outlays so far this year would have been $1,939 billion, about $116 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 $23 billion (or 5 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
  - **Medicare** outlays grew by $18 billion (or 7 percent), because of increases both in the number of beneficiaries and in health care costs per capita.
  - **Medicaid** outlays increased by $10 billion (or 6 percent), because of increases in health care costs per capita.
- Spending for military programs of the **Department of Defense** rose by $15 billion (or 6 percent), mostly for procurement.
- Outlays for **net interest on the public debt** increased by $10 billion (or 6 percent), primarily because the debt has grown.
- 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 smaller receipts in December 2019 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.)
- Outlays for the **Department of Veterans Affairs—**also included in the "Other" category**—** increased by $6 billion (or 7 percent) because the number of people receiving disability compensation rose, average disability benefits increased, and spending rose for a program that allows veterans to receive treatment in facilities other than those operated by the department.

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

Outlays, October–February

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	422	445	23	23	5.5
Medicare[b]	256	304	48	18	7.1
Medicaid	163	173	10	10	6.2
Subtotal, Largest Mandatory Spending Programs	**841**	**922**	**81**	**51**	**6.1**
DoD—Military[c]	270	290	20	15	5.6
Net Interest on the Public Debt	156	166	10	10	6.4
Other	556	613	57	40	7.1
Total	**1,823**	**1,991**	**168**	**116**	**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 $1,939 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 February 2020: $235 Billion

The federal government incurred a deficit of $235 billion in February 2020, CBO estimates, compared with $234 billion in February 2019. This year both February 1 and March 1 fell on a weekend, so payments for certain programs were shifted from March to February and from February to January, with no significant net effect on spending in February. A small share of Medicare payments was shifted from February to January without a corresponding payment shift from March to February. If not for that difference, the deficit would have been larger—$238 billion, or $4 billion more than last February's deficit.

CBO estimates that receipts in February 2020 totaled $187 billion—$20 billion (or 12 percent) more than those in the same month last year. An increase of $17 billion (or 11 percent) in withholding of individual income and payroll taxes explains most of that difference. In addition, nonwithheld payments for those sources increased by $1 billion (or 11 percent) and individual refunds declined by $4 billion (or 5 percent), further boosting net receipts.

Budget Totals for February

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2019	Preliminary, FY 2020	Estimated Change	Billions of Dollars	Percent
Receipts	167	187	20	20	12.1
Outlays	401	423	22	24	6.0
Surplus or Deficit (–)	-234	–235	–1	-4	1.6

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 timing shifts, outlays in February 2020 would have been $425 billion and the deficit would have been $238 billion, CBO estimates.

Total spending in February 2020 was $423 billion—$22 billion more than the sum in February 2019. If not for the shifts in the timing of payments, outlays in February 2020 would have been $24 billion (or 6 percent) 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), mostly because of a different rate of inflation. To account for inflation, the Treasury Department adjusts the principal of its inflation-protected securities each month by using the change in the consumer price index for all urban consumers (not seasonally adjusted) that was recorded two months earlier. Because that index (CPI-U NSA) decreased in December 2019, the adjustment reduced interest outlays by $1 billion in February 2020. That reduction was larger in February 2019—$4 billion—because the CPI-U NSA decreased by a larger amount in December 2018. The 7 percent increase in the amount of debt held by the public also contributed to higher interest costs.

- Spending for **Social Security** benefits rose by $4 billion (or 5 percent), because benefits are higher and more people are receiving them.

- **Medicaid** spending increased by $3 billion (or 9 percent).

- **Medicare** spending increased by $3 billion (or 5 percent), because of higher payment rates and higher enrollment in Medicare Advantage.

Actual Deficit in January 2020: $33 Billion

The Treasury Department reported a deficit of $33 billion for January—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review for January 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/xnpcA. In keeping with CBO's mandate to provide objective, impartial analysis, it makes no recommendations. Justin Latus and Jennifer Shand 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, https://www.cbo.gov/publication/56223.