Congressional Budget Office

December 8, 2020

Monthly Budget Review for November 2020

The federal budget deficit totaled $430 billion in October and November 2020, the first two months of fiscal year 2021, the Congressional Budget Office estimates. That amount is $87 billion more than the deficit recorded during the same period last year. Outlays were higher by 9 percent, and revenues were lower by 3 percent, than in October and November 2019.

Because December 1, 2019, fell on a weekend, outlays through November in that year were boosted by the shift of certain payments from December to November. If not for those timing shifts, outlays so far this year would have been $123 billion greater than those in the same period last year, and the deficit would have risen more—by $136 billion.

Budget Totals, October–November
Billions of Dollars

	Actual, FY 2020	Preliminary, FY 2021	Estimated Change
Receipts	471	457	–14
Outlays	814	887	73
Deficit (–)	–343	–430	–87

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

FY = fiscal year.

Total Receipts Down by 3 Percent in the First Two Months of Fiscal Year 2021

Receipts totaled $457 billion during the first two months of fiscal year 2021, CBO estimates—$14 billion less than during the same period last year. The changes between last year and this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together fell by $15 billion (or 4 percent).
    - Amounts withheld from workers' paychecks fell by $20 billion (or 5 percent) because of a decline in wages and because of legislative actions taken in response to the coronavirus pandemic. The Coronavirus Aid, Relief, and Economic Security (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, the Families First Coronavirus Response Act provides refundable credits against payroll taxes to compensate employers for paid sick leave and for family and medical leave; the CARES Act provides a refundable credit against payroll taxes for employee retention.

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, October–November
Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	232	202	–30	–12.9
Payroll Taxes	187	201	15	8.0
Corporate Income Taxes	7	6	–1	–13.0
Other Receipts	45	47	2	5.1
Total	**471**	**457**	**–14**	**–2.9**
Memorandum: Combined Individual Income and Payroll Taxes				
Withheld taxes	394	374	–20	–5.1
Other, net of refunds	24	29	5	–20.6
Total	**419**	**404**	**–15**	**–3.6**

Sources: Congressional Budget Office; Department of the Treasury.

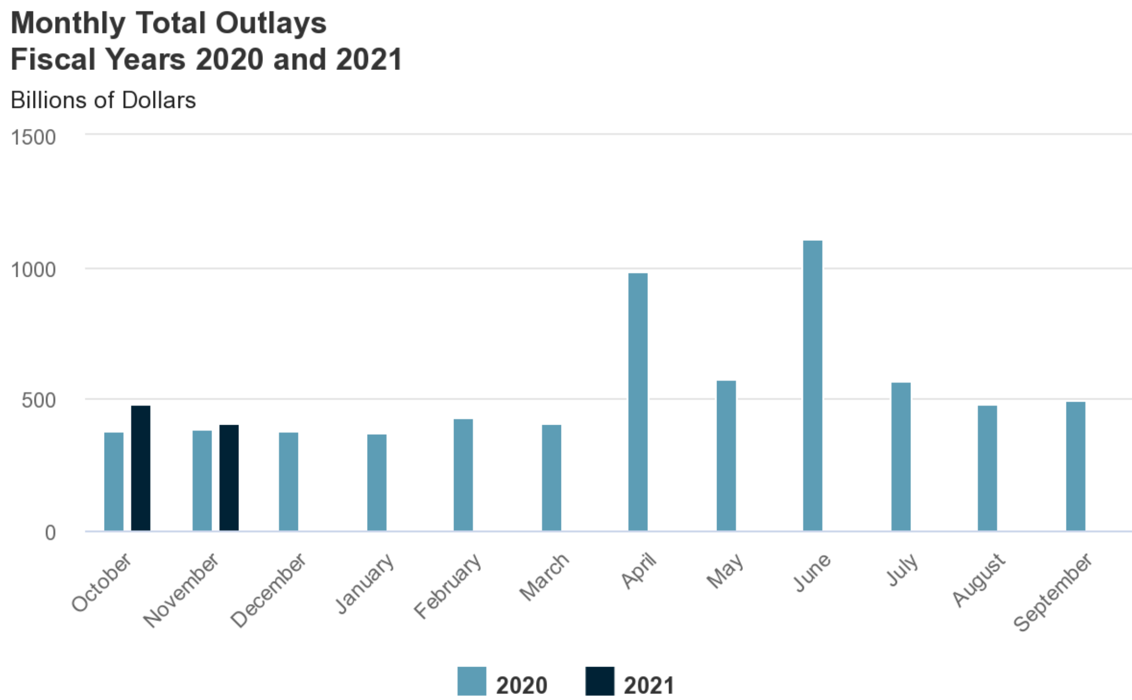
FY = fiscal year.

- o Nonwithheld payments of income and payroll taxes rose by $6 billion (or 15 percent). Because such payments in October and November generally represent a small percentage of the year's total, the results for those two months are not a significant indicator of receipts for the whole fiscal year.
- o Individual income tax refunds rose by $1 billion (or 5 percent), decreasing net receipts.

■ **Corporate income taxes** fell, on net, by $1 billion (or 13 percent). The first quarterly estimated payment of income taxes in the current fiscal year, for most corporations, is not due until December 15.

■ Receipts from **other sources,** on net, increased by $2 billion (or 5 percent).

- o Federal Reserve remittances rose by $5 billion (or 53 percent), in part as a result of lower short-term interest rates. The Federal Reserve sets targets for those rates by adjusting the interest rate that it pays on bank reserves. Lower rates this year have reduced those interest expenses and therefore increased 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, an action that tends to further increase remittances while interest rates are low.
- o Excise taxes declined by $3 billion (or 24 percent) as a result of the suspension of certain aviation excise taxes for the rest of the calendar year and because of a general reduction in economic activity.
- o Customs duties decreased by $2 billion (or 16 percent), reflecting a drop in imports.
- o Other miscellaneous receipts increased by $2 billion and estate and gift taxes increased by $1 billion.



Sources: Congressional Budget Office; Department of the Treasury.
The value shown for November 2021 is CBO's estimate and all months have been adjusted for timing shifts.

Total Outlays: Up by 9 Percent in the First Two Months of Fiscal Year 2021

Outlays for the first two months of fiscal year 2021 were $887 billion, $73 billion higher than they were during the same period last year, CBO estimates. But spending in November 2019 was boosted by the shift of certain payments from December to November. If not for those timing shifts, outlays so far this fiscal year would have been $123 billion (or 16 percent) greater than those in the same period last year. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Almost 40 percent of the increase was in outlays for **unemployment compensation,** which rose from $4 billion during the first two months of fiscal year 2020 to $52 billion during the same period this year. That rise is attributable both to increased regular unemployment compensation and to enhanced benefits authorized by the CARES Act.

Outlays for the largest mandatory spending programs increased by 7 percent:

- **Social Security** benefits rose by $8 billion (or 4 percent), because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays grew by $6 billion (or 5 percent) because of an increase in the number of beneficiaries and growth in the amount and cost of services for those beneficiaries.
- **Medicaid** outlays increased by $11 billion (or 16 percent), largely because of the legislative response to the pandemic. In particular, federal Medicaid matching rates were raised by 6.2 percentage points and states were required to maintain coverage for all Medicaid recipients enrolled during the emergency period, regardless of changes in circumstances that might otherwise cause some beneficiaries to lose eligibility.

Outlays, October–November

Billions of Dollars

Major Program or Category	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Estimated Change With Adjustments for Timing Shifts[a]	
				Billions of Dollars	Percent
Social Security Benefits	177	185	8	8	4.4
Medicare[b]	138	117	–22	6	5.1
Medicaid	68	79	11	11	16.4
Subtotal, Largest Mandatory Spending Programs	**383**	**380**	**–3**	**25**	**6.9**
Unemployment Benefits	4	52	48	48	n.m.
DoD—Military[c]	128	128	–1	4	3.4
Net Interest on the Public Debt	67	61	–6	–6	–8.7
Other	232	266	35	52	22.4
Total	**814**	**887**	**73**	**123**	**16.0**

Sources: Congressional Budget Office; Department of the Treasury.

DoD = Department of Defense; 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. If not for those timing shifts, outlays would have been $764 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.

Other major changes in outlays in October and November were as follows:

- Spending by the **Department of Agriculture** increased by $16 billion (or 43 percent), largely because of payments made to farmers under the Coronavirus Food Assistance Program to cover increased marketing costs associated with the pandemic. Spending on the Supplemental Nutrition Assistance Program also increased.
- Spending by the **Department of Homeland Security** was $9 billion (or 90 percent) higher than in 2020. That increase is mostly the result of spending from the Disaster Relief Fund to pay for unemployment benefits under the provisions of a memorandum issued by the Administration in August.[1]
- Spending by the **Department of Veterans Affairs** increased by $6 billion (or 16 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** decreased by $6 billion (or 9 percent), largely driven by lower interest rates.

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

1. 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/xGFJr.

Estimated Deficit in November 2020: $146 Billion

The federal government incurred a deficit of $146 billion in November 2020, CBO estimates—$63 billion less than the deficit in November 2019. Outlays in November of both years were affected by shifts in the timing of certain federal payments that otherwise would have been due on a weekend; those shifts decreased outlays by $63 billion in November 2020 and increased outlays by $50 billion in that month of 2019. If not for those shifts, the deficit in November 2020 would have been $209 billion, or $50 billion *more* than the deficit in November 2019.

CBO estimates that receipts in November 2020 totaled $219 billion—$6 billion (or 3 percent) less than those in the same month last year. That change is largely explained by a decline of $6 billion (or 3 percent) in the withholding of individual income and payroll taxes. In addition, corporate income taxes net of refunds decreased by $4 billion, from positive $532 million in November 2019 to negative $3 billion in November of this year. Corporate income taxes in November typically represent a small share of the annual total and are not indicative of trends. Partially offsetting those decreases was a $3 billion (or 65 percent) increase in remittances from the Federal Reserve.

Budget Totals for November

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts[a]	
	Actual, FY 2020	Preliminary, FY 2021	Estimated Change	Billions of Dollars	Percent
Receipts	225	219	–6	-6	–2.7
Outlays	434	365	–69	44	11.4
Deficit	–209	–146	63	–50	31.4

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, the budget would have shown a deficit of $159 billion in November 2019 and $209 billion in November 2020, CBO estimates.

Total spending in November 2020 was $365 billion, CBO estimates. If not for timing shifts that increased spending in November 2019 and decreased spending in November 2020, outlays in November of this year would have been $44 billion (or 11 percent) more than spending in November 2019.

The largest changes in outlays were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Outlays for **unemployment compensation** increased by $23 billion. That rise is attributable both to increased regular unemployment compensation and to enhanced benefits authorized by the CARES Act.
- **Medicare** spending increased by $6 billion.
- **Social Security** benefits rose by $4 billion.
- Outlays for **Medicaid** rose by $4 billion.
- Net outlays for **interest on the public debt** decreased by $3 billion.

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

Actual Deficit in October 2020: $284 Billion

The Treasury Department reported a deficit of $284 billion for October—the same as CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: Summary for Fiscal Year 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. 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 Robert Sunshine and Mark Hadley, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/56886.