

# Federal Deficit for June Hits \$864 Billion

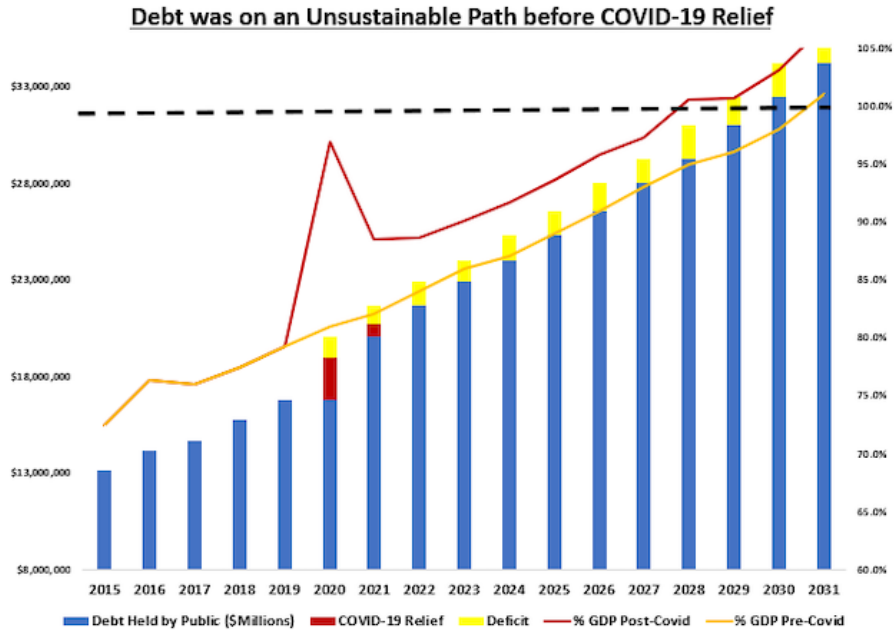
Yesterday, the [Treasury Department reported](#) that the federal government’s deficit for June, and June only, was \$864 billion. The deficit for the 2018 fiscal year was \$779 billion. That was large then, and that was only two years ago. June’s deficit alone surpassed it by \$85 billion.

The red ink is because of COVID-19 and the government’s response. On the tax side, receipts are down because of the economic fallout caused by the Great Pause. Receipts were \$334 billion for June 2019. For June 2020, they were \$240 billion – a reduction of nearly \$100 billion. When the economy is growing, that figure usually would be higher than the previous year. From June 2018 to June 2019 receipts grew by \$18 billion, for instance.

On the other side of the ledger, spending is skyrocketing because of the relief payments to families, enhanced unemployment benefits, the Paycheck Protection Program for small businesses, and aid to states, among other government responses. Spending for the month was almost quadruple what it was the previous year. Outlays for June 2020 were over \$1.1 trillion. In June 2019, they were \$343 billion.

According to the [Congressional Budget Office](#) (CBO), the annual deficit so far this fiscal year, which still has three months to go, is over \$2.7 trillion.

The actions by Congress and the administration are necessary because of the pandemic. The budget implications from those actions alone will not materially alter the trajectory of the government’s finances. It was already on an unsustainable path before COVID-19 struck.



A rule of thumb is a country runs into trouble when the debt it owes the public equals 100% of its economy. Prior to COVID-19, we were scheduled to hit that mark in 2031. Now we could hit it by 2028.

Congress has three fewer years to act because of the pandemic. A potential silver lining of the virus would be if it motivates Congress to finally reform entitlement spending, which drives the unsustainable debt growth.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce