



# Monthly Budget Review: February 2022

March 8, 2022

The federal budget deficit was \$475 billion in the first five months of fiscal year 2022, the Congressional Budget Office estimates. That amount is less than deficits recorded during the same period in the two prior fiscal years: It is less than half the shortfall recorded for the same months in fiscal year 2021 (\$1,047 billion) and three-quarters of the deficit recorded in 2020 (\$624 billion), just before the start of the coronavirus pandemic. From October 2021 through February 2022, revenues were \$371 billion (or 26 percent) higher and outlays were \$201 billion (or 8 percent) lower than they were during the same period a year ago, CBO estimates.

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

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	1,436	1,807	371
Outlays	<u>2,483</u>	<u>2,282</u>	<u>-201</u>
Deficit (-)	-1,047	-475	571

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2022 and the *Daily Treasury Statements* for February 2022.

FY = fiscal year.

## Total Receipts: Up by 26 Percent in Fiscal Year 2022

Receipts totaled \$1,807 billion during the first five months of fiscal year 2022, CBO estimates—\$371 billion more than during the same period a year ago.

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

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	704	975	271	38
Payroll Taxes	535	577	43	8
Corporate Income Taxes	89	117	28	31
Other Receipts	<u>108</u>	<u>138</u>	<u>30</u>	27
<b>Total</b>	<b>1,436</b>	<b>1,807</b>	<b>371</b>	<b>26</b>
<b>Memorandum:</b>				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,064	1,334	271	25
Other, net of refunds	<u>175</u>	<u>218</u>	<u>43</u>	24
<b>Total</b>	<b>1,239</b>	<b>1,552</b>	<b>313</b>	<b>25</b>

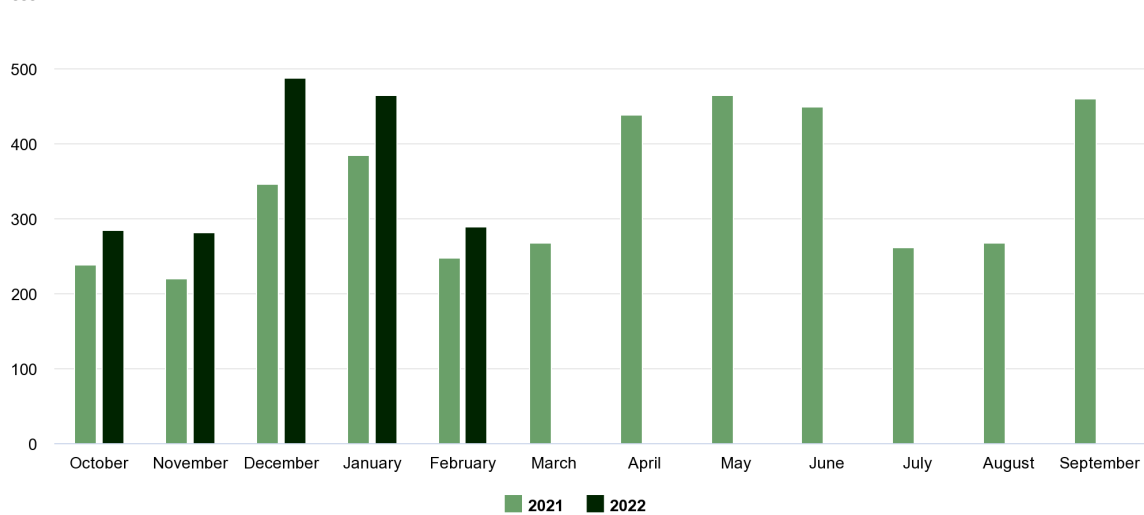
Data sources: Congressional Budget Office; Department of the Treasury.

FY = fiscal year.

- **Individual income and payroll (social insurance) taxes** together rose by \$313 billion (or 25 percent).
  - Most of that increase occurred because amounts withheld from workers' paychecks rose by \$271 billion (or 25 percent). That result was attributable in part to higher total wages and salaries, particularly among relatively high-income workers who are subject to higher tax rates on earnings. In addition, legislation enacted in response to the pandemic caused timing shifts in the collection of payroll taxes. Most significantly, 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 Coronavirus Aid, Relief, and Economic Security Act), through December 31, 2020. That provision required half of the payroll taxes deferred in calendar year 2020 to be paid by December 31, 2021.
  - Nonwithheld payments of income and payroll taxes rose by \$41 billion (or 20 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.
  - Partially offsetting those increases, individual income tax refunds increased by \$6 billion (or 14 percent). 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 the total number of refunds issued through the third week of February was 33 percent more than in the same period in 2021 but 41 percent below the number for the same week in 2020—a probable result of continued delays in processing tax returns. Average refunds in 2022 are larger, however, because of the recovery rebates (also known as economic impact payments) and the expanded child tax credit that were part of the pandemic response.

**Figure 1.**  
**Monthly Total Revenues**  
**Fiscal Years 2021 and 2022**

Billions of Dollars  
600



Data Sources: Congressional Budget Office; Department of the Treasury.  
The value shown for February 2022 is CBO's estimate.

- Unemployment insurance receipts (one type of payroll tax) were \$8 billion (or 50 percent) higher than in the same period a year ago 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 trust funds had been depleted by unusually high unemployment beginning in March 2020.) Those collections count as federal revenues, reflecting the nature of the unemployment insurance system, which is a federal program administered by the states.
- Collections of **corporate income taxes** increased, on net, by \$28 billion (or 31 percent). For most corporations, the first quarterly estimated payment for fiscal year 2022 was due on December 15.
- Receipts from **other sources**, on net, increased by \$30 billion (or 27 percent).
  - Remittances from the Federal Reserve increased by \$15 billion (or 44 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
  - Customs duties rose by \$10 billion (or 32 percent), reflecting an increase in imports.
  - Excise taxes rose by \$7 billion (or 29 percent), reflecting a general increase in economic activity.

### **Total Outlays: Down by 8 Percent in Fiscal Year 2022**

Outlays in the first five months of fiscal year 2022 were \$2,282 billion—\$201 billion less than during the same period last year, CBO estimates, the net result of several increases and decreases.

The largest changes, all decreases, were as follows:

- Outlays for **unemployment compensation** decreased by \$139 billion, from \$160 billion in the first five months of fiscal year 2021 to \$20 billion in the first five months of 2022. That spending declined both because the enhanced benefits that were enacted earlier in the pandemic expired in September 2021 and because unemployment declined. In comparison, during the first five months of fiscal year 2020, just before the start of the pandemic, outlays for unemployment compensation totaled \$14 billion.

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

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	463	489	25	5
Medicare <sup>a</sup>	286	289	4	1
Medicaid	<u>205</u>	<u>231</u>	<u>26</u>	13
<b>Subtotal, Largest Mandatory Spending Programs</b>	<b>954</b>	<b>1,009</b>	<b>55</b>	<b>6</b>
Unemployment Compensation	160	20	-139	-87
Small Business Administration	97	16	-81	-83
Spectrum Auction Receipts	-4	-81	-77	*
Refundable Tax Credits <sup>b</sup>	202	153	-49	-24
DoD—Military <sup>c</sup>	297	295	-1	**
Net Interest on the Public Debt	142	174	31	22
Other	<u>636</u>	<u>696</u>	<u>60</u>	9
<b>Total</b>	<b>2,483</b>	<b>2,282</b>	<b>-201</b>	<b>-8</b>

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

DoD = Department of Defense; FY = fiscal year; \* = receipts in fiscal year 2022 have been about 20 times receipts in fiscal year 2021;

\*\* = between zero and 0.5 percent.

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.

- Spending by the **Small Business Administration** decreased by \$81 billion relative to the same period last year. In February 2021, the Small Business Administration recorded \$91 billion in outlays from a second round of loans and loan guarantees to small businesses under the Paycheck Protection Program.
- Receipts from a 2021 **auction of licenses to use the electromagnetic spectrum** totaled \$81 billion and were recorded in January 2022. In comparison, through the first five months of the previous fiscal year, such auction receipts totaled \$4 billion. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays.
- Outlays for certain **refundable tax credits** totaled \$153 billion—a decrease of \$49 billion, or 24 percent.<sup>1</sup> That reduction occurred largely because most of the second round of recovery rebates were paid in January of last year. Partially offsetting that decrease, advance payments of the child tax credit were made between July and December 2021, which increased outlays early in this fiscal year.

1. Those tax credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and the American Opportunity Tax Credit.

Outlays for the largest mandatory spending programs increased, on net, by \$55 billion (or 6 percent):

- Spending for **Social Security** benefits rose by \$25 billion (or 5 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays increased by \$4 billion (or 1 percent) because of increases in Part B and Part D payments that were partially offset by increased recoveries of payments that had previously been made to providers.
- **Medicaid** outlays increased by \$26 billion (or 13 percent). Enrollment has risen because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the public health emergency.

Several other major changes in outlays, included in “Other” in Table 3, were as follows:

- Spending by the **Food and Nutrition Service** of the Department of Agriculture increased by \$30 billion (or 52 percent). Average benefits under the Supplemental Nutrition Assistance Program increased and eligibility was expanded for the Pandemic Electronic Benefit Transfer Program, which provides school children with temporary emergency benefits.
- Outlays of the **Department of Education** increased by \$26 billion (or 66 percent), primarily because of increased spending on emergency grants through the Education Stabilization Fund to support K–12 and postsecondary education.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by \$21 billion (or 85 percent). State and local governments received grants under the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021 (ARPA) to assist low-income households with paying rent during the pandemic. The decrease in spending relative to the same period last year is a result of a provision enacted in ARPA requiring grantees to meet spending targets before accessing a portion of the funds.
- Outlays of the **Public Health and Social Services Emergency Fund** increased by \$19 billion (or 62 percent) as expenditures accelerated for several pandemic-related activities, including reimbursements to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- Outlays for other programs administered by the **Department of Agriculture** decreased by \$14 billion (or 45 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.

Net outlays for **interest on the public debt** increased by \$31 billion (or 22 percent), primarily because higher inflation this year has resulted 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 February 2022: \$216 Billion

The federal government incurred a deficit of \$216 billion in February 2022, CBO estimates—a \$95 billion improvement over the deficit recorded last February.

**Table 4.**  
**Budget Totals, February**

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Receipts	248	290	42	17
Outlays	559	506	-53	-9
Deficit (-)	-311	-216	95	-30

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

FY = fiscal year.

CBO estimates that receipts in February totaled \$290 billion—\$42 billion (or 17 percent) more than in the same month last year. That increase was largely driven by individual income and payroll tax collections, which increased by \$33 billion (or 15 percent). Also, nonwithheld tax payments increased by \$8 billion (or 68 percent).

Total spending in February 2022 was \$506 billion, CBO estimates—\$53 billion less than last year. The largest contributors to that spending reduction were as follows:

- Outlays by the **Small Business Administration** decreased by \$89 billion.
- Outlays for **unemployment compensation** fell by \$41 billion.

Partially offsetting those reductions, outlays for some activities increased:

- Payments of **refundable tax credits** increased by \$30 billion, reflecting higher outlays for individual income tax refunds issued in February that included recovery rebates and payments for the expanded child tax credit.
- Spending for **Medicaid** rose by \$8 billion.
- Outlays for **Social Security** increased by \$8 billion.
- Net outlays for **interest on the public debt** increased by \$6 billion.
- Receipts from the **auction of licenses to use the electromagnetic spectrum** decreased by \$4 billion.
- Outlays by the **Department of Education** and by the **Food and Nutrition Service** rose by \$4 billion each.

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

## Actual Surplus in January 2022: \$119 Billion

The Treasury Department reported a surplus of \$119 billion for January—the same amount that CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: January 2022*.

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. Amber Marcellino 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/57841](http://www.cbo.gov/publication/57841).



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