Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

Monthly Budget Review: July 2022

August 8, 2022

The federal budget deficit was $727 billion in the first 10 months of fiscal year 2022 (that is, from October 2021 through July 2022), the Congressional Budget Office estimates—$1.8 trillion less than it was at the same point last year.

Revenues were $789 billion (or 24 percent) higher and outlays were $1.0 trillion (or 17 percent) lower than they were during the same period a year ago. In particular, spending related to the coronavirus pandemic declined for the recovery rebates (also known as economic impact payments), unemployment compensation, pandemic relief through the Small Business Administration (SBA), and the Coronavirus Relief Fund.

Table 1.

Budget Totals, October–July

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Billions of Dollars	Percent
Receipts	3,318	4,107	789	789	24
Outlays	5,858	4,835	−1,024	−963	−17
Deficit (−)	−2,540	−727	1,813	1,753	−71

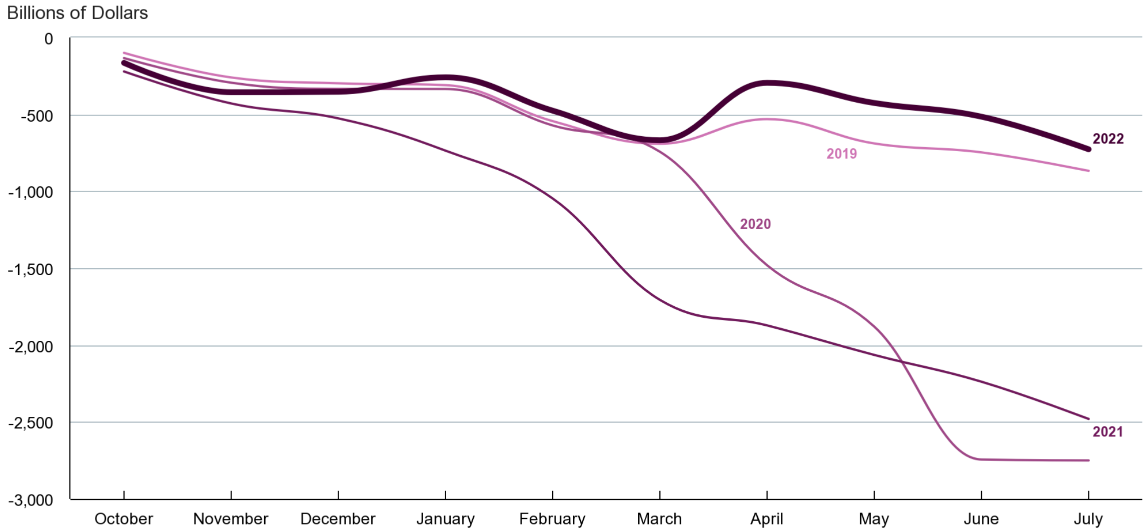
Data sources: Congressional Budget Office; Department of the Treasury, based on the *Monthly Treasury Statement* for June 2022 and the *Daily Treasury Statements* for July 2022.

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 $2,480 billion from October 2020 through July 2021, CBO estimates.

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.

Figure 1.
Cumulative Monthly Deficits
Fiscal Years 2019 to 2022



Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for July 2022 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

On the basis of its estimate of the deficit through July and outlays and revenues anticipated for August and September, CBO expects that the total deficit for 2022 will be close to the $1.0 trillion estimate published in CBO's May report on the budget outlook.[1] That amount reflects a shift of $64 billion in payments from October (fiscal year 2023) into September (fiscal year 2022), because the payments are due on October 1, which falls on a weekend. That deficit projection does not include any costs for a possible executive action involving the forgiveness of student loans.

Total Receipts: Up by 24 Percent in Fiscal Year 2022

Receipts totaled $4.1 trillion during the first 10 months of fiscal year 2022, CBO estimates—$789 billion more than during the same period a year ago.

- **Individual income** and **payroll (social insurance) taxes** together rose by $709 billion (or 25 percent).
    - Amounts withheld from workers' paychecks rose by $355 billion (or 16 percent). That result was attributable in part to higher total wages and salaries, particularly among relatively high-income workers whose earnings are subject to higher tax rates. Withheld taxes during the first half of the fiscal year grew by 22 percent, in part because of pandemic-related legislation that 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, or CARES, 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. Growth in withheld taxes has slowed noticeably in recent months; they were up by 7 percent for the period from April through July compared with the same period last year.

1. That estimate reflected the assumption that laws governing taxes and spending that were in effect on April 8, 2022, remain unchanged. See Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

Table 2.

Receipts, October–July

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,706	2,264	559	33
Payroll Taxes	1,084	1,234	150	14
Corporate Income Taxes	282	315	33	12
Other Receipts	247	294	48	19
Total	**3,318**	**4,107**	**789**	**24**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,231	2,586	355	16
Other, net of refunds	558	912	354	63
Total	**2,789**	**3,498**	**709**	**25**

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

FY = fiscal year.

- Nonwithheld payments of income and payroll taxes rose by $312 billion (or 41 percent). Receipts collected during the period from October through May, which largely reflect payments of taxes for calendar year 2021, grew by 52 percent. Nonwithheld receipts collected in June and July, which include a quarterly estimated payment of 2022 taxes, declined by 5 percent. Individual income tax refunds were $30 billion (or 12 percent) lower than in the same period a year ago. (The portion of refundable tax credits classified as outlays, including the recovery rebates and the expanded child tax credits, is reported separately below.)

- Unemployment insurance receipts (one type of payroll tax) were $12 billion (or 27 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—a federal program administered by the states.

■ Collections of **corporate income taxes** increased, on net, by $33 billion (or 12 percent).

■ Receipts from **other sources,** on net, rose by $48 billion (or 19 percent).

- Remittances from the Federal Reserve increased by $21 billion (or 26 percent). Additional interest earnings on assets purchased since last year contributed to the rise.

- Customs duties rose by $18 billion (or 27 percent), reflecting an increase in imports.

- Excise taxes rose by $11 billion (or 19 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 17 Percent in Fiscal Year 2022

Outlays in the first 10 months of fiscal year 2022 were $4.8 trillion—$1.0 trillion (or 17 percent) less than during the same period last year, CBO estimates, the net result of much lower spending for many pandemic-related programs that was partly offset by smaller increases in other spending. Because August 1 fell on a weekend in 2021, certain federal payments were shifted to July that year. If not for that, the decrease in outlays from fiscal year 2021 to fiscal year 2022 would have been $61 billion less, but still a 17 percent decline. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–July

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Percent
Social Security Benefits	934	1,000	66	66	7
Medicare[b]	615	589	−26	10	2
Medicaid	431	489	59	59	14
Subtotal, Largest Mandatory Spending Programs	**1,979**	**2,078**	**99**	**135**	**7**
Refundable Tax Credits[c]	720	270	−450	−450	−62
Unemployment Compensation	351	33	−318	−318	−91
Small Business Administration	338	22	−316	−316	−93
Coronavirus Relief Fund	211	99	−113	−113	−53
Spectrum Auction Receipts	−4	−81	−77	−77	*
DoD—Military[d]	605	590	−15	−10	−2
Net Interest on the Public Debt	334	426	93	93	28
Other	1,324	1,397	73	92	7
Total	**5,858**	**4,835**	**−1,024**	**−963**	**−17**

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

DoD = Department of Defense; FY = fiscal year; * = 2022 receipts were about 20 times those collected in 2021.

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 $5,798 billion in fiscal year 2021.

b. Medicare outlays are net of offsetting receipts.

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

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

The largest decreases in spending were as follows:

- Outlays for certain **refundable tax credits** totaled $270 billion—a decrease of $450 billion, or 62 percent.[2] That reduction occurred largely because most of the second and third rounds of recovery rebates were paid in January and March 2021. Partially offsetting that decrease was higher spending on the child tax credit.

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

- Outlays for **unemployment compensation** decreased by $318 billion because enhanced benefits that had been enacted earlier in the pandemic expired in September 2021 and because unemployment declined.
- Spending by the **Small Business Administration** decreased by $316 billion. In the first 10 months of fiscal year 2021, the SBA recorded a total of $338 billion in outlays, primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Spending from the **Coronavirus Relief Fund,** created by the American Rescue Plan Act of 2021 (ARPA), decreased by $113 billion. The Treasury used those funds to provide grants to state, local, tribal, and territorial governments.
- Receipts from the **auction of licenses to use the electromagnetic spectrum** totaled $81 billion in the first 10 months of the fiscal year, compared with $4 billion in the same period last fiscal year. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays.
- Spending for the military programs of the **Department of Defense** decreased by $10 billion compared with the same period last year, largely because outlays for procurement and research and development were lower.

Outlays for the largest mandatory spending programs increased by $135 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $66 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicaid** outlays increased by $59 billion (or 14 percent). Enrollment has risen largely because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the public health emergency.
- **Medicare** outlays increased, on net, by $10 billion (or 2 percent) because of increases to benefit payments that were partially offset by increased recovery of payments that had previously been made to providers.

Net outlays for **interest on the public debt** increased by $93 billion (or 28 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

Spending included in “Other” in Table 3 rose by $92 billion, on net, with some increases and some decreases. The largest changes were these:

- Spending for certain programs of the **Department of Treasury** increased by $44 billion. Part of that increase is from higher spending on U.S. Coronavirus Refundable Credits (a group of tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers) and the child and dependent care tax credit. Higher spending by the Exchange Stabilization Fund, the Homeowner Assistance Fund, and the Emergency Capital Investment Program also contributed to the increase.
- Spending by the Department of Agriculture’s **Food and Nutrition Service** increased by $30 billion (or 23 percent), mainly because of higher average benefits under the Supplemental Nutrition Assistance Program and because nationwide waivers for child nutrition increased the number of free meals served at schools during the 2021-2022 school year.
- Outlays from the **Public Health and Social Services Emergency Fund** increased by $25 billion (or 43 percent) because 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.

- Spending by the **Department of Veterans Affairs** increased by $23 billion (or 12 percent) mostly because of increased use of health care services and per capita increases in veterans' benefits.
- Outlays of the **Department of Education** increased by $22 billion (or 16 percent), primarily because of increased spending from the Education Stabilization Fund, which provides funds to states, local education agencies, private schools, and postsecondary institutions.
- Spending on **international assistance** programs increased by $10 billion.
- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by $31 billion. Fiscal year 2021 spending included outlays from funding provided by the CARES Act, ARPA, and the Consolidated Appropriations Act, 2021 (2021 CAA). Fiscal year 2022 spending includes a small share of outlays resulting from those laws because most of the funding was exhausted by the end of fiscal year 2021.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $25 billion (or 75 percent). State and local governments received grants under the 2021 CAA and ARPA to assist low-income households with paying rent during the pandemic.
- Outlays for other programs administered by the **Department of Agriculture** decreased by $13 billion (or 24 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.

Estimated Deficit in July 2022: $212 Billion

The federal government incurred a deficit of $212 billion in July 2022, CBO estimates—$90 billion less than the deficit recorded last July. If not for the shift of certain payments from August to July 2021, the deficit this July would be $30 billion (or 12 percent) smaller than the shortfall last July. Revenues were higher this July than they were last year, and outlays were lower—as was the case for revenues and outlays for the fiscal year to date.

Table 4.

Budget Totals for July

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Billions of Dollars	Percent
Receipts	262	272	10	10	4
Outlays	564	484	−80	−20	−4
Deficit (−)	−302	−212	90	30	−12

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 $242 billion in July 2021, CBO estimates.

CBO estimates that receipts in July totaled $272 billion—$10 billion (or 4 percent) more than in the same month last year. Receipts of individual income and payroll taxes increased by $19 billion (or 9 percent). The largest source of that increase was amounts withheld from workers' paychecks, which rose by $16 billion (or 8 percent). Net collections of those taxes also were boosted by a decline in refunds of individual income taxes, which were $5 billion (or 41 percent) lower than they were in July 2021. In contrast, corporate income taxes decreased by $8 billion (or 47 percent) relative to collections last July.

Outlays in July 2022 totaled $484 billion, CBO estimates—$80 billion (or 14 percent) less than in the same month last year. If not for the shift in the timing of certain payments last year, spending in July would have been $20 billion (or 4 percent) less than a year ago. The largest contributors to that reduction were as follows (the amounts reflect adjustments to exclude effects of timing shifts):

- Outlays for **unemployment compensation** decreased by $26 billion—from $28 billion in July 2021 to $2 billion in July 2022.
- Payments of **refundable tax credits** decreased by $23 billion, mostly because advance payments of the child tax credit were made between July and December 2021.
- Outlays by the **Small Business Administration** decreased by $13 billion.
- Spending from the **Coronavirus Relief Fund** fell by $6 billion.

Partially offsetting those reductions, outlays for some activities increased:

- Net outlays for **interest on the public debt** increased by $17 billion, primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.
- Outlays by **Ginnie Mae and other mortgage loan programs** administered by the Department of Housing and Urban Development were an estimated $12 billion higher this July than last July, largely because of a July 2021 downward revision to the projected subsidy costs of loan guarantees for mortgages.
- Outlays for **Social Security** increased by $8 billion.
- Outlays for **Medicare** increased by $6 billion.

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

Actual Deficit in June 2022: $89 Billion

The Treasury Department reported a deficit of $89 billion for June*—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: June 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. Nathaniel Frentz and Justin Latus 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/58266.

Phillip L. Swagel
Director

* On August 25, 2022, CBO reposted this report to corrrect an error in the month identified; no other part of the report was affected.