Monthly Budget Review: September 2022

October 11, 2022

The federal budget deficit was $1.4 trillion in fiscal year 2022, the Congressional Budget Office estimates—about half of last year's deficit of $2.8 trillion. Revenues were $850 billion (or 21 percent) higher and outlays were $548 billion (or 8 percent) lower than they were in fiscal year 2021. Outlays in fiscal year 2022 were boosted by the shift of certain payments—totaling $62 billion—from October 1, 2022 (the first day of fiscal year 2023), into September 2022 because October 1 fell on a weekend. If not for that, the 2022 deficit would have been about $1.3 trillion, CBO estimates.

Revenues in all major categories, but notably individual income taxes, were greater than they were in fiscal year 2021. Spending related to the coronavirus pandemic declined, particularly for the recovery rebates (also known as economic impact payments); unemployment compensation; programs of the Small Business Administration (SBA); and transfers to state, local, tribal, and territorial governments.

Table 1.

Budget Totals, October–September

Billions of Dollars

				Estimated Change From 2021 to 2022 With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Billions of Dollars	Percent
Receipts	4,046	4,896	850	850	21
Outlays	6,822	6,273	−548	−611	−9
Deficit (−)	−2,776	−1,377	1,399	1,461	−53

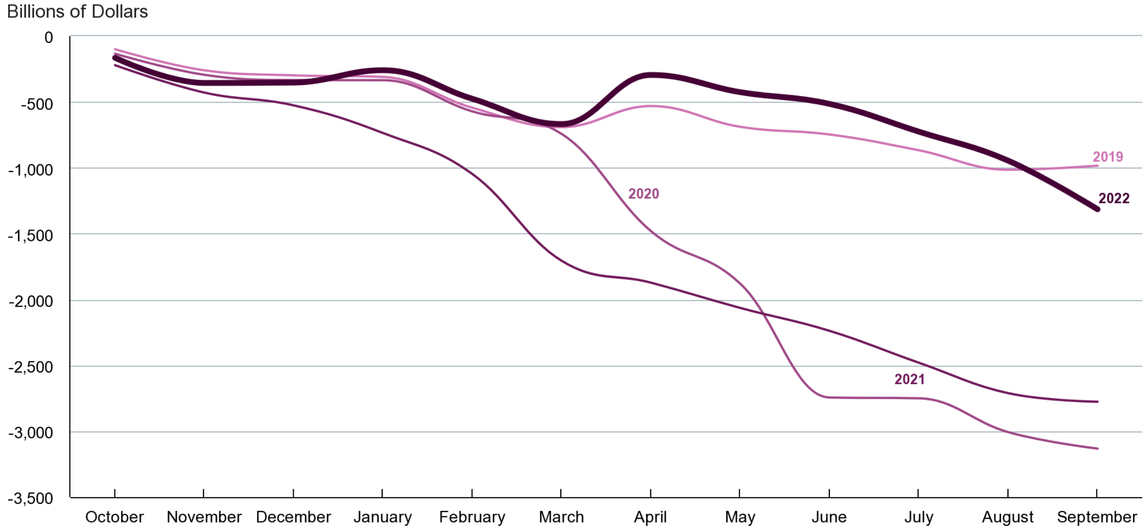
Data sources: Congressional Budget Office; Department of the Treasury, based on the *Monthly Treasury Statement* for August 2022 and the *Daily Treasury Statements* for September 2022.

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 $1,315 billion from October 2021 through September 2022, 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 September 2022 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

The deficit CBO now estimates for 2022 is $341 billion larger than the shortfall estimated in its most recent baseline projections, which were issued in May 2022.[1] Outlays and receipts alike are now estimated to be greater than CBO anticipated in May—outlays by $401 billion (or 7 percent) and receipts by $60 billion (or 1 percent).

The increase in outlays primarily stems from $426 billion in costs estimated and recorded by the Administration in September 2022 to reflect the long-term costs of certain forms of student debt relief, including forgiving portions of federal student loans for many borrowers. (Other federal spending, on net, was less than CBO projected in May.) The largest policy change—student debt forgiveness—was announced in August. In accordance with the Federal Credit Reform Act, the full multiyear costs of those actions are recorded up front on a present-value basis.[2] (That amount does not include the costs of the proposed new income-driven repayment plan, also announced in August; that cost will be recorded when the plan is finalized.)

Final payments of nonwithheld individual income taxes for 2021 were larger than expected but offset in part by smaller-than-expected amounts withheld from paychecks for individual income and payroll taxes. Corporate income tax collections also were larger than anticipated.

1. See Congressional Budget Office, *The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

2. A present value is a single number that expresses a flow of current and future income or payments in terms of an equivalent lump sum received or paid at a specific time. The value depends on the rate of interest, known as the discount rate, used to translate future cash flows into current dollars.

Total Receipts: Up by 21 Percent in Fiscal Year 2022

Receipts totaled $4.9 trillion during fiscal year 2022, CBO estimates—$850 billion more than during fiscal year 2021.

Table 2.

Receipts, October–September

Billions of Dollars

			Estimated Change	
Major Program or Category	**Actual, FY 2021**	**Preliminary, FY 2022**	**Billions of Dollars**	**Percent**
Individual Income Taxes	2,044	2,637	593	29
Payroll Taxes	1,314	1,479	165	13
Corporate Income Taxes	372	425	53	14
Other Receipts	316	356	40	13
Total	**4,046**	**4,896**	**850**	**21**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,684	3,065	382	14
Other, net of refunds	675	1,050	376	56
Total	**3,358**	**4,116**	**757**	**23**

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

FY = fiscal year.

- **Individual income** and **payroll (social insurance) taxes** together rose by $757 billion (or 23 percent).
  - Amounts withheld from workers' paychecks rose by $382 billion (or 14 percent). That result was attributable in part to higher 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, 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.
  - Nonwithheld payments of income and payroll taxes rose by $329 billion (or 37 percent). Most of that increase occurred during April and May, when taxpayers made their final payments for 2021.
  - Individual income tax refunds were $35 billion (or 13 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 discussed separately below.)

- Unemployment insurance receipts (one type of payroll tax) were $11 billion (or 20 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 $53 billion (or 14 percent).

■ Receipts from **other sources,** on net, rose by $40 billion (or 13 percent).

- Remittances from the Federal Reserve increased by $7 billion (or 7 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
- Customs duties rose by $20 billion (or 25 percent), reflecting an increase in imports.
- Excise taxes rose by $13 billion (or 17 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 8 Percent in Fiscal Year 2022

Outlays in fiscal year 2022 were $6.3 trillion—$548 billion (or 8 percent) less than in the previous year, CBO estimates. If not for the shift of certain payments from October 2022 (the first month of fiscal year 2023) to September 2022, outlays this year would have been less, and the decrease from fiscal year 2021 to fiscal year 2022 would have been $611 billion, or 9 percent. The discussion below reflects adjustments to exclude the effects of those timing shifts.

The largest decreases in spending were as follows:

■ Outlays for certain **refundable tax credits** totaled $292 billion—a decrease of $486 billion, or 62 percent.[3] That reduction occurred largely because most of the second and third rounds of recovery rebates were paid in January and March 2021. Higher spending on the child tax credit and the premium tax credit partially offset the decrease in outlays for recovery rebates.

■ Outlays for **unemployment compensation** decreased by $359 billion because enhanced benefits that had been enacted earlier in the pandemic expired in September 2021 and because the number of people receiving unemployment benefits declined.

■ Spending by the **Small Business Administration** decreased by $300 billion. In fiscal year 2021, the SBA recorded a total of $323 billion in outlays, primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.

■ Spending by the Treasury on **coronavirus relief to state, local, tribal, and territorial governments** decreased by $138 billion.

■ Receipts from the **auction of licenses to use the electromagnetic spectrum** totaled $103 billion in fiscal year 2022, compared with $9 billion in the same period last fiscal year. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays.

3. Those credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits (which subsidize the purchase of health insurance under the Affordable Care Act), and American Opportunity Tax Credit.

Table 3.

Outlays, October–September

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	1,123	1,206	83	83	7
Medicare[b]	692	751	59	21	3
Medicaid	521	593	72	72	14
Subtotal, Largest Mandatory Spending Programs	**2,336**	**2,550**	**214**	**176**	**8**
Refundable Tax Credits[c]	778	292	−486	−486	−62
Unemployment Compensation	397	38	−359	−359	−90
Small Business Administration	323	23	−300	−300	−93
Coronavirus Relief	243	106	−138	−138	−56
Spectrum Auction Receipts	−9	−103	−95	−95	*
DoD—Military[d]	718	726	8	3	**
Department of Education	260	639	378	378	145
Net Interest on the Public Debt	413	534	121	121	29
Other	1,363	1,469	106	87	6
Total	**6,822**	**6,273**	**−548**	**−611**	**−9**

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

DoD = Department of Defense; FY = fiscal year; * = receipts in fiscal year 2022 have been about 11 times receipts in fiscal year 2021; ** = between zero and 0.5 percent.

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 $6,211 billion in fiscal year 2022.

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 increase in spending was $378 billion by the **Department of Education.** That increase occurred largely because the updates that the department made in 2022 to the projected costs of outstanding student loans were about $358 billion greater than the costs of policy changes and other upward revisions it made in 2021.

The largest 2022 cost was for the plan to forgive certain portions of federal student loans for many borrowers; as estimated by the Administration, that change added $379 billion to outlays. Other updates to student loan costs in 2022 were, on net, less than those in 2021. The other 2022 updates included the costs of extending the previous suspension of payments, interest accrual, and collection of loans in default, as well as administrative policies related to waivers allowing more borrowers to become eligible for forgiveness in income-driven repayment and public-sector loan forgiveness plans. (Beginning in March 2020, payments and interest accrual on most outstanding student loans had been suspended by a series of administrative and legislative actions.)

Outlays for the largest mandatory spending programs increased by $176 billion (or 8 percent):

- Spending for **Social Security** benefits rose by $83 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicaid** outlays increased by $72 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 coronavirus public health emergency.
- **Medicare** outlays increased, on net, by $21 billion (or 3 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 $121 billion (or 29 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

Outlays included in "Other" in Table 3 rose by $87 billion, on net, with some increases and some decreases. The largest changes were these:

- Spending by the **Department of Veterans Affairs** increased by $30 billion (or 13 percent) mostly because of increased use of health care services and per capita increases in veterans' benefits.
- Spending by the Department of Agriculture's **Food and Nutrition Service** increased by $26 billion (or 15 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 $21 billion (or 30 percent) because expenditures for several pandemic-related activities increased, including reimbursements to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- 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) rose by $19 billion, a nearly threefold increase.
- Outlays for **international assistance** programs increased by $16 billion (or 81 percent) primarily because of increased spending authorized by the American Rescue Plan Act of 2021 (ARPA) and because of emergency support for Ukraine.
- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** were $12 billion higher. That occurred because offsetting receipts—that is, negative outlays—shrank from $12 billion last year to $0.1 billion this year. In fiscal year 2020 the fund made equity investments of $12 billion in certain Federal Reserve facilities that provided liquidity for a wide range of economic activities. Those facilities were designed to address financial strain caused by the pandemic. In fiscal year 2021 the Federal Reserve returned that $12 billion to the fund, boosting its offsetting receipts.
- 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; most of the funding had been exhausted by the end of fiscal year 2021.

- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $24 billion (or 71 percent). State and local governments received grants under the 2021 CAA and ARPA to assist low-income households with paying rent during the pandemic.
- Spending by the **Department of Homeland Security** was $11 billion (or 12 percent) lower than in the same period in 2021. Spending from the Disaster Relief Fund was boosted in the first half of fiscal year 2021 by payments for unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.[4]
- Spending by the **Department of Energy** was $11 billion (or 34 percent) lower this year than in 2021, largely because of proceeds from the sale of oil from the Strategic Petroleum Reserve, which are recorded as offsetting receipts.
- Outlays for other programs administered by the **Department of Agriculture** decreased by $10 billion (or 18 percent). Lower spending for the Coronavirus Food Assistance Program, which covers higher marketing costs related to the pandemic, was partially offset by higher spending on the Emergency Relief Program, which provides support to producers of livestock and crops for losses from natural disasters in 2020 and 2021.

Estimated Deficit in September 2022: $431 Billion

The federal government incurred a deficit of $431 billion in September 2022, CBO estimates—$366 billion more than the deficit recorded last September. Revenues and outlays were higher this September than they were a year ago. Outlays in September 2022 were affected by a shift in the timing of certain federal payments that otherwise would have been due on October 1, 2022, which fell on a weekend (those payments were made in September 2022). If not for those shifts, the increase in the deficit this September would have been smaller, $304 billion instead of $366 billion.

Table 4.

Budget Totals for September

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	460	488	28	28	6
Outlays	524	919	394	332	63
Deficit (−)	−65	−431	−366	−304	468

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 $369 billion in September 2022, CBO estimates.

4. 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://tinyurl.com/53uw7sbz.

In many years, the federal government realizes a surplus in September, driven by substantial payments of estimated individual and corporate income taxes. If not for the shift of payments from October into September and the Administration's recording of its estimates of the costs of recent changes in the federal student loan program, the government would have shown a surplus in September this year, CBO estimates.

CBO estimates that receipts in September totaled $488 billion—$28 billion (or 6 percent) more than in the same month last year. The largest source of that increase was corporate income taxes, which rose by $19 billion (or 22 percent). In addition, receipts of individual income and payroll taxes grew by $17 billion (or 5 percent). Remittances from the Federal Reserve decreased by $10 billion (or 91 percent), primarily as a result of increased interest expenses incurred by the central bank.

Outlays in September totaled $919 billion, CBO estimates. If not for timing shifts that increased spending in September 2022, outlays would have been $332 billion more than in September 2021, an increase of 63 percent. The discussion that follows reflects adjustments to exclude the effects of those timing shifts.

The increase in spending occurred mostly because outlays for the **Department of Education** rose by $337 billion—from $108 billion to $445 billion—largely because the revisions to the costs of outstanding student loans this September were much larger than those made in September 2021.

The largest other increases were as follows:

- Outlays for **Social Security** increased by $8 billion.
- Outlays for military activities of the **Department of Defense** increased by $8 billion, mostly in the areas of operation and maintenance and procurement.
- Outlays for **Medicaid** increased by $7 billion.
- Net outlays for **interest on the public debt** increased by $6 billion, primarily because higher inflation this year has resulted in adjustments to the principal of inflation-protected securities.
- Outlays for **Medicare** increased by $5 billion.

Partially offsetting those increases, outlays for some activities decreased:

- Receipts from the **auction of licenses to use the electromagnetic spectrum** were $18 billion higher in September 2022; those receipts are recorded as reductions in outlays.
- Payments of **refundable tax credits** decreased by $17 billion, mostly because advance payments of the child tax credit were made between July and December 2021.
- Outlays for **unemployment compensation** were $3 billion in September 2022, a decrease of $13 billion.

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

Actual Deficit in August 2022: $220 Billion

The Treasury Department reported a deficit of $220 billion for August—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: August 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://tinyurl.com/yazr58zb.
In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Nathaniel Frentz and Amber Marcellino 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/58493.

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