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

Monthly Budget Review: February 2023

March 8, 2023

The federal budget deficit was $724 billion in the first five months of fiscal year 2023, the Congressional Budget Office estimates—$248 billion more than the shortfall recorded during the same period last year. Outlays were 8 percent higher and revenues were 4 percent lower from October through February than during the same period in fiscal year 2022.

Outlays in fiscal year 2023 were reduced by the shifting of certain payments—totaling $63 billion—from October 1, 2022 (the first day of fiscal year 2023), into fiscal year 2022 because October 1 fell on a weekend. If not for those shifts, the deficit would have been $787 billion, $311 billion greater than the shortfall during the same period in fiscal year 2022.

Table 1.

Budget Totals, October–February

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	Billions of Dollars	Percent
Receipts	1,807	1,735	−72	−72	−4
Outlays	2,282	2,458	176	239	10
Deficit (−)	−476	−724	−248	−311	65

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for January 2023 and the *Daily Treasury Statements* for February 2023.

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 $787 billion rather than $724 billion from October 2022 through February 2023, CBO estimates.

Total Receipts: Down by 4 Percent in Fiscal Year 2023

Receipts totaled $1.7 trillion during the first five months of fiscal year 2023, CBO estimates—$72 billion (or 4 percent) less than during the same period a year before.

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.

Table 2.
Receipts, October–February

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	974	879	−95	−10
Payroll Taxes	578	627	49	8
Corporate Income Taxes	117	128	11	10
Other Receipts	138	100	−38	−27
Total	**1,807**	**1,735**	**−72**	**−4**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,334	1,360	26	2
Other, net of refunds	218	146	−72	−33
Total	**1,552**	**1,506**	**−46**	**−3**

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

FY = fiscal year.

The changes from last year to this year were as follows:

- **Individual income** and **payroll (social insurance) taxes** together declined by $46 billion (or 3 percent), reflecting increases in some categories and decreases in others.
  - Amounts withheld from workers' paychecks increased by $26 billion (or 2 percent). Those taxes are withheld on wages and salaries, including bonus income, and the amount withheld depends on a taxpayer's expected tax bracket.
  - Nonwithheld payments of income and payroll taxes rose by $3 billion (or 1 percent) compared with the same period last fiscal year. October payments—mostly from taxpayers with filing extensions for 2021—rose by $14 billion (or 37 percent). Receipts in January 2023 included estimated individual income taxes for the first quarter of the current fiscal year and were largely for 2022 tax liabilities. Payments since January were $11 billion (or 7 percent) less than those in the same months last year.
  - Unemployment insurance receipts (one type of payroll tax) were $7 billion (or 30 percent) smaller this year than in the same period a year ago because states were replenishing their unemployment insurance trust funds in 2022, 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.

   - Individual income tax refunds more than doubled, rising by $68 billion, thereby reducing net receipts. 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 number of refunds issued through the fourth week of February was 18 percent greater than in the same period in 2022. Average amounts refunded so far in 2023 are about 11 percent smaller, in part because the pandemic-related recovery rebates (also known as economic impact payments) and the expanded child tax credit have expired.

- Collections of **corporate income taxes** increased, on net, by $11 billion (or 10 percent).
- Receipts from **other sources,** on net, decreased by $38 billion (or 27 percent).
   - Remittances from the Federal Reserve decreased from $48 billion to less than $1 billion. Higher short-term interest rates raised the central bank's interest expenses above its income, eliminating the profits of most Federal Reserve banks.
   - Customs duties declined by $5 billion (or 13 percent).
   - Estate and gift taxes increased by $9 billion (or 80 percent). That increase is probably attributable to estate taxes, which generally are due nine months after the estate owner's death. Because a relatively small number of estates pay that tax, those receipts can increase substantially when a few large estates owe the tax. Detailed information about estates paying the tax will become available in a few years.
   - Collections of miscellaneous fees and fines increased by $5 billion (or 59 percent).

Total Outlays: Up by 8 Percent in Fiscal Year 2023

Outlays in the first five months of fiscal year 2023 were $2.5 trillion, $176 billion (or 8 percent) more than during the same period last year, CBO estimates. If not for the shifts in the timing of certain payments, outlays so far in fiscal year 2023 would have been $239 billion (or 10 percent) more than outlays during the same period in fiscal year 2022. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Outlays for the largest mandatory spending programs increased by $62 billion (or 10 percent):

- Spending for **Social Security** benefits rose by $49 billion (or 10 percent) because of increases both in the number of beneficiaries and in the average benefit payment, which rose primarily because of cost-of-living adjustments.
- **Medicare** outlays increased by $37 billion (or 13 percent) because of changes in payment rates and in the types and quantity of care beneficiaries received.
- **Medicaid** outlays increased by $15 billion (or 6 percent) as a result of enrollment increases, mainly attributable to provisions in the Families First Coronavirus Response Act that required states to maintain the eligibility of all enrollees until the end of the coronavirus public health emergency.

Several large decreases in outlays were related to the evolving federal response to the pandemic:

- Outlays for certain **refundable tax credits** totaled $84 billion—a decrease of $69 billion, or 45 percent.[1] That reduction occurred because the expanded child tax credit has expired. (In tax year 2021, eligibility for and the size of the child tax credit were expanded, and advance payments were made between July and December 2021.)

1. 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–February

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Social Security Benefits	489	537	49	49	10
Medicare[b]	289	289	−1	37	13
Medicaid	231	245	15	15	6
Subtotal, Largest Mandatory Spending Programs	**1,009**	**1,071**	**62**	**100**	**10**
Refundable Tax Credits[c]	153	84	−69	−69	−45
PHSSEF	51	17	−34	−34	−66
Small Business Administration	16	1	−15	−15	−94
Spectrum Auction Receipts	−81	0	81	81	−100
PBGC	0	37	37	37	n.m.
Department of Education	67	85	18	18	27
DoD—Military[d]	297	308	11	16	5
Net Interest on the Public Debt	174	240	67	67	38
Other	597	615	17	38	6
Total	**2,282**	**2,458**	**176**	**239**	**10**

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

DoD = Department of Defense; FY = fiscal year; PBGC = Pension Benefit Guaranty Corporation; PHSSEF = Public Health and Social Services Emergency Fund; 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 $2,521 billion in the first five months of fiscal year 2023.

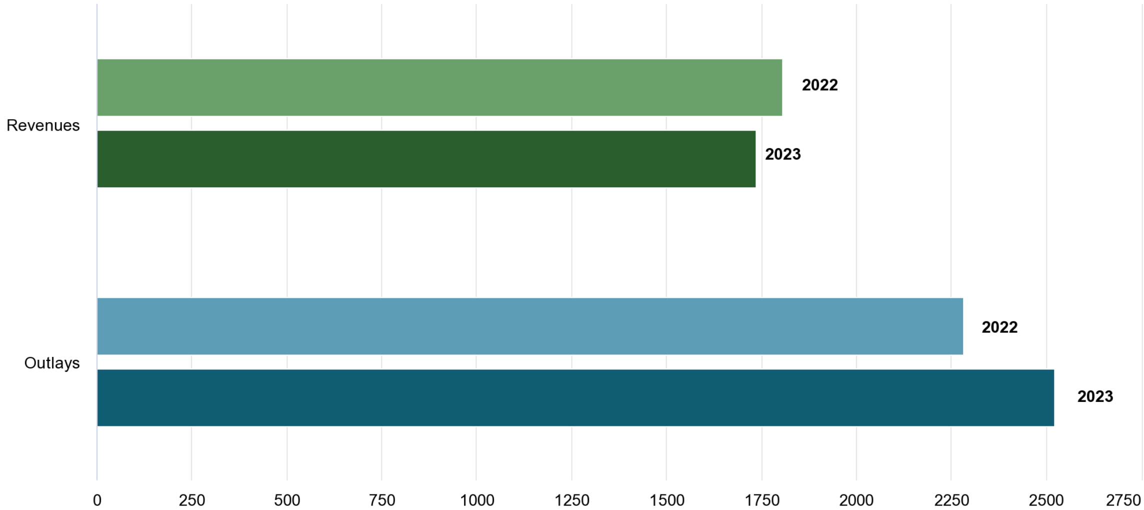
b. Medicare outlays are net of offsetting receipts.

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.

- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $34 billion (or 66 percent), as expenditures decelerated for several pandemic-related activities, including reimbursements to hospitals and other health care providers, spending on coronavirus testing and contact tracing, and development and purchase of vaccines and therapies.
- Spending by the **Small Business Administration** decreased by $15 billion, or 94 percent. In the first five months of fiscal year 2022, that agency recorded nearly $16 billion in outlays, mostly for disaster loans and for grants to operators of shuttered entertainment venues. Those outlays declined toward the end of fiscal year 2022, and there has been little such spending in the current fiscal year.
- Outlays for **unemployment compensation** (included in “Other” in Table 3) decreased by $6 billion (or 30 percent) because fewer people were receiving benefits.

Figure 1.
October-February Revenues and Outlays
Fiscal Years 2022 and 2023
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for February 2023 are CBO's estimates.
All months have been adjusted to exclude the effects of timing shifts.

Outlays increased substantially in several areas:

- The largest increase in outlays was related to receipts from the **auction of licenses to use the electromagnetic spectrum**. Proceeds from such auctions are recorded in the budget as offsetting receipts—that is, as reductions in outlays. In the first five months of fiscal year 2022, receipts totaled $81 billion—all recorded in January. No such receipts were collected during the first five months of 2023, resulting in a net increase in outlays.
- Net outlays for **interest on the public debt** increased by $67 billion (or 38 percent), mainly because interest rates are significantly higher than they were in the first five months of fiscal year 2023.
- Net spending by the **Pension Benefit Guaranty Corporation** increased by $37 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Spending on **U.S. Coronavirus Refundable Credits** (also in "Other"), a group of temporary tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers, was $21 billion, nearly triple last year's amount.
- Outlays of the **Department of Education** increased by $18 billion (or 27 percent), primarily because earlier in this fiscal year, the Administration recorded the costs associated with the final rule that the department issued on October 31, 2022, that modified the requirements for student loan repayments.
- Spending by the **Department of Defense** was $16 billion (or 5 percent) greater than in the same period last fiscal year; the largest increases were for military personnel and operations and maintenance.
- Spending by the **Department of Veterans Affairs** (in "Other") increased by $12 billion (or 12 percent), mostly because of increased use of health care services and per capita increases in veterans' benefits.

- Outlays for **international assistance programs** (in “Other”) increased by $4 billion (or 37 percent), primarily because of emergency support for Ukraine.

Estimated Deficit in February 2023: $263 Billion

The federal government incurred a deficit of $263 billion in February 2023, CBO estimates—$47 billion more than the deficit recorded last February. Revenues were lower this February than they were a year ago; outlays were higher.

Table 4.

Budget Totals for February

Billions of Dollars

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	290	262	−28	−10
Outlays	506	525	19	4
Deficit (−)	−217	−263	−47	22

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

FY = fiscal year.

CBO estimates that receipts in February 2023 totaled $262 billion—$28 billion (or 10 percent) less than the amount recorded in the same month last year. That decrease was driven largely by the decline in collections of income and payroll taxes, which together fell by $23 billion (or 9 percent), mostly because of the increase in refunds of individual income taxes. Smaller remittances from the Federal Reserve, which fell by $11 billion, and a drop in receipts from corporate income taxes, which decreased by $3 billion (or 54 percent), also contributed to the decline. Partly offsetting those declines, estate and gift taxes increased by $8 billion.

Total spending in February 2023 was $525 billion, CBO estimates—$19 billion (or 4 percent) more than last year. That overall change is the net result of increases and decreases in several areas. The largest increases were as follows:

- Outlays for **Social Security** increased by $12 billion (or 11 percent).
- Outlays for **Medicare** increased by $11 billion (or 19 percent).
- Net outlays for **interest on the public debt** increased by $10 billion (or 29 percent).
- Spending by the **Department of Veterans Affairs** rose by $4 billion (or 17 percent).
- Spending for **Medicaid** increased by $2 billion (or 6 percent).

The largest decreases were as follows:

- Outlays for certain **refundable tax credits** decreased by $19 billion (or 27 percent).
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $5 billion (or 57 percent).

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

Actual Deficit in January 2023: $39 Billion

The Treasury Department reported a deficit of $39 billion for January—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: January 2023*.

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. Mark Sanford 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/58938.

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