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

Monthly Budget Review: June 2023

July 11, 2023

The federal budget deficit was $1.4 trillion in the first nine months of fiscal year 2023, the Congressional Budget Office estimates—$875 billion more than the shortfall recorded during the same period last year. Revenues were 11 percent lower and outlays were 10 percent higher from October through June than they were during the same period in fiscal year 2022.

Shifts in the timing of certain payments affect that comparison. Outlays in the first nine months of fiscal year 2023 were increased, on net, by $23 billion as a result of the shifting of certain payments both into and out of that period because the regular payment date fell on a weekend. The larger set of those shifts boosted outlays in June 2023 because July 1 was a Saturday. If not for those timing shifts, the deficit in the first nine months of 2023 would have been smaller—$1,367 billion rather than $1,390 billion.

Table 1.

Budget Totals, October–June

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	3,835	3,415	−420	−420	−11
Outlays	4,350	4,805	455	432	10
Deficit (−)	−515	−1,390	−875	−852	165

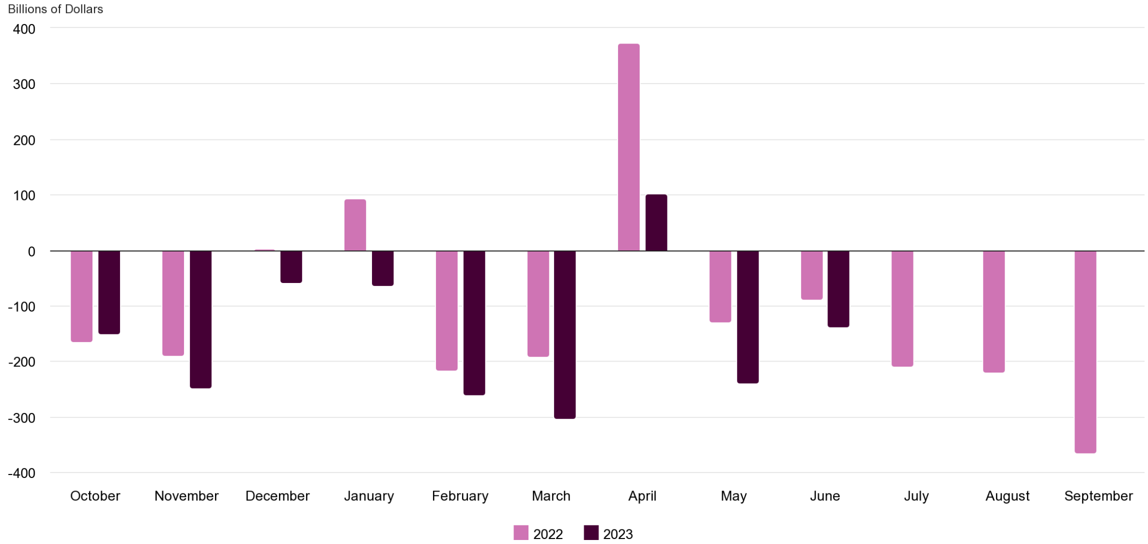
Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for May 2023 and the *Daily Treasury Statements* for June 2023.

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 $1,367 billion from October 2022 through June 2023, 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.
Monthly Total Deficits and Surpluses
Fiscal Years 2022 and 2023



Data sources: Congressional Budget Office; Department of the Treasury.
The value shown for June 2023 is CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

CBO's most recent projections, which were published in May, show a deficit of $1.5 trillion for 2023.[1] That estimate is subject to considerable uncertainty, however.

Outlays will probably differ significantly from the May projections, primarily because of a Supreme Court decision in June 2023 prohibiting the planned cancellation of outstanding student loan debt for many borrowers. In accordance with the budgetary procedures used for federal credit programs, the Administration recorded the total estimated cost of those cancellations as an outlay in fiscal year 2022. CBO expects the total reduction in costs stemming from the Court's decision to be recorded in the remaining months of fiscal year 2023 as outlay savings of at least $300 billion.[2] The cost of the income-driven repayment rule that was finalized in June also will be booked in those months and will offset some of the savings stemming from the Supreme Court's decision. Those changes are not reflected in this report.

Revenue collections also have been less than the agency expected, which suggests that total revenues for the fiscal year are likely to be less than CBO projected.

Total Receipts: Down by 11 Percent in Fiscal Year 2023

Receipts totaled $3.4 trillion in the first nine months of fiscal year 2023, CBO estimates—$420 billion (or 11 percent) less than during the same period a year before. In its most recent baseline projections, CBO anticipated that receipts would decline this year, but the decline has been larger than expected.

1. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2023 to 2033* (May 2023), www.cbo.gov/publication/59096.

2. CBO expects that the Administration will record outlay savings in 2023 for the student loan program that are less than the $379 billion cost it recorded for the planned cancellations in fiscal year 2022, primarily because a new income-driven repayment plan that was finalized in June will increase the cost of outstanding loans. For more information on CBO's baseline treatment and estimates of the costs of canceling student loans, see Congressional Budget Office, letter to the Honorable Jodey Arrington concerning CBO's estimate of the budgetary effects of H.R. 2811, the Limit, Save, Grow Act of 2023 (April 25, 2023), www.cbo.gov/publication/59102. CBO has not completed an update of that estimate following the Court's decision.

Table 2.
Receipts, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	2,135	1,696	−439	−21
Payroll Taxes	1,125	1,243	118	10
Corporate Income Taxes	306	306	0	0
Other Receipts	268	170	−99	−37
Total	**3,835**	**3,415**	**−420**	**−11**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,360	2,442	81	3
Other, net of refunds	901	498	−403	−45
Total	**3,261**	**2,940**	**−321**	**−10**

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

FY = fiscal year.

Receipts collected through June 2023, net of refunds, were about $300 billion less than CBO projected, mainly because of smaller-than-anticipated collections of individual and corporate income taxes. The reasons for the difference will be better understood as additional information becomes available; one factor may be smaller collections of taxes on capital gains and other types of income.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $321 billion (or 10 percent).
    - Amounts withheld from workers' paychecks increased by $81 billion (or 3 percent). Those taxes are withheld from wages and salaries, including bonus income; the amount withheld depends on a taxpayer's expected tax bracket.
    - Nonwithheld payments of income and payroll taxes declined by $283 billion (or 27 percent) relative to payments in the same period last fiscal year. The decline began in January and continued through tax-filing season, mostly reflecting a decrease in 2022 tax liabilities.
    - Unemployment insurance receipts (one type of payroll tax) were $13 billion (or 24 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, mostly related to 2022 tax liabilities, rose by $106 billion (or 50 percent), thereby reducing net receipts.

- Collections of **corporate income taxes** were unchanged.
- Receipts from **other sources,** on net, decreased by $99 billion (or 37 percent).
    - Remittances from the Federal Reserve decreased from $93 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 $14 billion (or 19 percent), reflecting a reduction in imports.
    - Excise taxes declined by $2 billion (or 3 percent).
    - Estate and gift taxes increased by $4 billion (or 15 percent), probably because of an increase in estate tax collections, which generally are due nine months after the estate owner's death.
    - Collections of miscellaneous fees and fines increased by $5 billion (or 34 percent).

Total Outlays: Up by 10 Percent in Fiscal Year 2023

Outlays in the first nine months of fiscal year 2023 were $4.8 trillion, $455 billion (or 10 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 $432 billion more than 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 a total of $223 billion (or 12 percent):

- Spending for **Social Security** benefits rose by $98 billion (or 11 percent) primarily because of increases in the average benefit payment (stemming mostly from cost-of-living adjustments) and also because of increases in the number of beneficiaries.
- **Medicare** outlays increased by $91 billion (or 17 percent) because of changes in payment rates and in the types and quantity of care beneficiaries received.
- **Medicaid** outlays increased by $34 billion (or 8 percent) as a result of enrollment increases that were 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. Because the Consolidated Appropriations Act, 2023, ended the continuous-enrollment requirement on March 31, 2023, April 2023 was the first month in which states could resume assessing the eligibility of enrollees and disenrolling those who no longer qualify. CBO expects enrollment to remain above last year's number for several months while states begin that process, which is likely to continue through fiscal year 2024.

Net outlays for **interest on the public debt** rose by $135 billion (or 37 percent), mainly because interest rates are significantly higher than they were in the first nine months of fiscal year 2022.

Table 3.

Outlays, October–June

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	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Social Security Benefits	898	996	98	98	11
Medicare[b]	521	634	112	91	17
Medicaid	438	471	34	34	8
Subtotal, Largest Mandatory Spending Programs	**1,857**	**2,101**	**244**	**223**	**12**
Refundable Tax Credits[c]	263	143	−120	−120	−46
Coronavirus Relief	90	1	−89	−89	−99
Spectrum Auction Receipts	−81	0	81	81	−100
PHSSEF	79	23	−56	−56	−71
FDIC	−7	45	52	52	n.m.
PBGC	5	38	34	34	d
DoD—Military[e]	531	576	44	44	8
Net Interest on the Public Debt	369	505	135	135	37
Other	1,244	1,374	130	128	10
Total	**4,350**	**4,805**	**455**	**432**	**10**

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

DoD = Department of Defense; FDIC = Federal Deposit Insurance Corporation; 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 $4,782 billion in 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. Outlays in 2023 were about eight times the amount last year.

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

Outlays increased substantially in several other areas as well:

- Proceeds from the **auction of licenses to use the electromagnetic spectrum** are recorded in the budget as offsetting receipts—that is, as reductions in outlays. In the first nine months of fiscal year 2022, receipts totaled $81 billion—all recorded in January. No such receipts were collected during the first nine months of 2023, resulting in a net increase in outlays.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC) rose by $52 billion as a result of facilitating the resolution of bank failures in the spring of 2023. The FDIC expects to recover much of that amount by continuing to liquidate the banks' assets and collecting higher premiums from FDIC-insured institutions over the next several years.
- Spending by the **Department of Defense** was $44 billion (or 8 percent) more than in the same period last fiscal year; the largest increases were in the areas of operation and maintenance and research and development.

- Net spending by the **Pension Benefit Guaranty Corporation** increased by $34 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Outlays related to **U.S. Coronavirus Refundable Credits** (included in "Other" in Table 3), a group of temporary tax credits to help employers cover the costs of sick and family leave, employee retention, and continuation of health insurance for certain workers, were $48 billion—more than double last year's amount over the same period.
- Spending by the **Department of Veterans Affairs** (also in "Other") 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** (in "Other") increased by $22 billion (or 15 percent), primarily because earlier in this fiscal year, the Administration recorded the costs associated with a final rule issued by the department on October 31, 2022, concerning student loans. That rule expanded eligibility for loan discharges, eliminated the addition of unpaid interest to loan balances in certain circumstances, and expanded eligibility for the Public Service Loan Forgiveness program.
- Outlays from **Ginnie Mae and other mortgage loan programs** (also in "Other") administered by the Department of Housing and Urban Development (HUD) were an estimated $19 billion higher than last year, largely because, in June 2022, the department recorded a downward revision of about $23 billion to the estimated subsidy costs of housing loans previously made by the Federal Housing Administration.

Several large decreases in outlays this year were related to federal actions taken during the coronavirus pandemic, which increased spending last year:

- Outlays for certain **refundable tax credits** totaled $143 billion—a decrease of $120 billion, or 46 percent.[3] That reduction occurred because the expanded child tax credit has expired. (In tax year 2021, eligibility for the child tax credit was expanded and the size of the credit was increased; advance payments were made between July and December 2021.)
- Spending by the Treasury on **coronavirus relief** to state, local, tribal, and territorial governments decreased by $89 billion.
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $56 billion (or 71 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.

Estimated Deficit in June 2023: $225 Billion

- The deficit in June 2023 was $225 billion, CBO estimates—$136 billion greater than the amount recorded in June 2022. Revenues were $40 billion lower this June than they were in 2022; outlays increased by $97 billion.

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 4.

Budget Totals for June

Billions of Dollars

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	461	421	−40	−40	−9
Outlays	550	646	97	10	2
Deficit	−89	−225	−136	−50	56

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 $139 billion in June 2023, CBO estimates.

Outlays for the month were boosted because certain payments—totaling $86 billion—were shifted into June because July 1 fell on a weekend. If not for those shifts, outlays would have totaled $560 billion this June, resulting in a smaller deficit in that month—$139 billion instead of $225 billion. The increase from 2022 to 2023 in the June deficit would have been $50 billion.

CBO estimates that receipts in June 2023 totaled $421 billion—$40 billion (or 9 percent) less than the amount recorded in the same month last year. That change reflects a decline of $15 billion (or 4 percent) in individual income and payroll taxes, net of refunds. (The Treasury reallocated $36 billion from individual income taxes to payroll taxes in June to account for newly available tax information for prior years. That reallocation does not affect the combined change for those two sources.) Corporate income taxes declined by $11 billion (or 13 percent). Revenues from other smaller sources declined by $14 billion (or 44 percent), driven largely by a drop of $10 billion in remittances from the Federal Reserve.

Total outlays in June 2023 were $646 billion, CBO estimates—$97 billion (or 18 percent) more than a year ago. If not for timing shifts that increased spending this June, that increase in outlays would have been much smaller—$10 billion. The change in outlays relative to June 2022 is the result of increases and decreases in several areas of the budget.

The largest increases (adjusted to exclude the effects of timing shifts) were as follows:

- Net outlays for **interest on the public debt** increased by $24 billion (or 54 percent).
- Outlays from **Ginnie Mae and other mortgage loan programs** administered by HUD were an estimated $23 billion higher this June because of a downward revision to the subsidy costs of housing loans recorded in June 2022 (discussed above).
- Outlays for **Medicare** increased by $14 billion (or 23 percent).
- Outlays for **Social Security** rose by $12 billion (or 12 percent).

The largest decreases in June 2023 were as follows:

- Spending on **coronavirus relief** to state, local, tribal, and territorial governments fell by $57 billion—from $57 *billion* in June 2022 to $58 *million* in June 2023.
- Outlays of the **Department of Education** decreased by $26 billion (or 49 percent), primarily because in June 2022 the department made an upward revision of about $38 billion to the estimated net subsidy costs of loans and loan guarantees issued in previous years. The department made a significantly smaller upward revision in June 2023.

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

Actual Deficit in May 2023: $240 Billion

The Treasury Department reported a deficit of $240 billion for May—$4 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: May 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. Jennifer Shand and Jon Sperl prepared the report with assistance from Dan Ready and with guidance from Christina Hawley Anthony, Chad Chirico, 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/59255.

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