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

Monthly Budget Review: July 2023

August 8, 2023

The federal budget deficit was $1.6 trillion in the first 10 months of fiscal year 2023, the Congressional Budget Office estimates—more than twice the shortfall recorded during the same period last year. Revenues were 10 percent lower and outlays were 10 percent higher from October through July than they were 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 through July would have been $1.7 trillion.

Table 1.

Budget Totals, October–July

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	4,105	3,687	−418	−418	−10
Outlays	4,831	5,304	473	536	11
Deficit (−)	−726	−1,617	−891	−954	131

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for June 2023 and the *Daily Treasury Statements* for July 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 $1,680 billion from October 2022 through July 2023, CBO estimates.

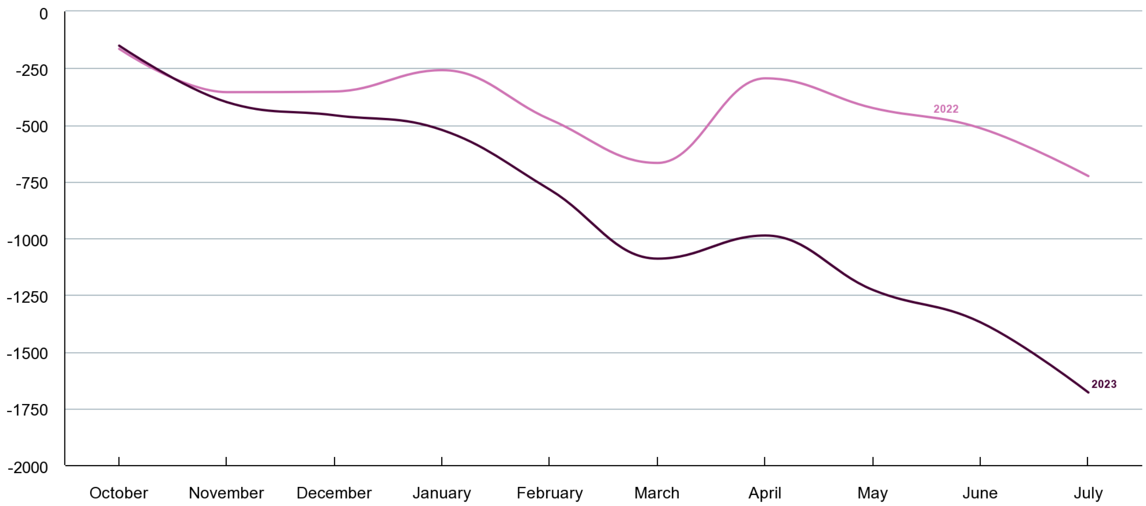
CBO's most recent baseline projections, which were published in May, show revenues totaling $4.8 trillion and outlays totaling $6.4 trillion, for a deficit of $1.5 trillion for 2023.[1] On the basis of its estimate of the deficit through July and preliminary estimates of revenues and outlays in August and September, CBO now expects that the total deficit for 2023 will be $1.7 trillion, or about $200 billion larger than the estimate it published in May. Revenues and outlays alike are now anticipated to be below amounts CBO projected in May, but the reduction in revenues is larger.

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

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 2022 and 2023

Billions of Dollars



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

Revenue collections have been below the amounts CBO projected in the May 2023 baseline, which was completed before the April tax-filing deadline. The smaller subsequent collections suggest that total revenues for the fiscal year are likely to be about $400 billion less than CBO projected.

Outlays will be about $200 billion less than CBO projected in May, 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 August or September as outlay savings of about $330 billion.[2] That change is not reflected in the year-to-date numbers reported here.

That reduction in outlays will be partially offset by the recorded cost of the new income-driven repayment plan for student loans that was finalized in June; that cost is included in CBO's estimate of outlays in July. (Only part of that cost was included in CBO's May projections.) Higher costs for other government programs and for net interest on the public debt also add to the projected deficit.

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. In July, the Administration recorded outlays of $71 billion to reflect the cost of modifying those outstanding loans. The costs of the new income-driven repayment plan for future loans will be recorded as outlays at the time those loans are disbursed. The Administration expects the costs of that plan to be billions of dollars each year. 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.

Total Receipts: Down by 10 Percent in Fiscal Year 2023

Receipts totaled $3.7 trillion in the first 10 months of fiscal year 2023, CBO estimates—$418 billion (or 10 percent) less than during the same period a year before. In the May 2023 baseline, CBO projected that receipts would be lower this year than they were in 2022, but the decline has been larger than expected. Receipts collected through July 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.

Table 2.

Receipts, October–July

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	2,263	1,822	−442	−20
Payroll Taxes	1,234	1,362	128	10
Corporate Income Taxes	314	319	5	1
Other Receipts	293	184	−109	−37
Total	**4,105**	**3,687**	**−418**	**−10**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,586	2,698	113	4
Other, net of refunds	912	486	−426	−47
Total	**3,497**	**3,184**	**−313**	**−9**

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

FY = fiscal year.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $313 billion (or 9 percent).
    - Amounts withheld from workers' paychecks increased by $113 billion (or 4 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 $284 billion (or 26 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.

- Receipts from unemployment insurance taxes (one type of payroll tax) were $12 billion (or 21 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 $130 billion (or 59 percent), thereby reducing net receipts.

■ Collections of **corporate income taxes** increased by $5 billion (or 1 percent).

■ Receipts from **other sources,** on net, decreased by $109 billion (or 37 percent).

- Remittances from the Federal Reserve decreased from $99 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 $16 billion (or 19 percent), reflecting a reduction in imports.
- Excise taxes declined by $4 billion (or 6 percent).
- Estate and gift taxes increased by $2 billion (or 9 percent).
- Collections of miscellaneous fees and fines increased by $6 billion (or 37 percent).

Total Outlays: Up by 10 Percent in Fiscal Year 2023

Outlays in the first 10 months of fiscal year 2023 were $5.3 trillion, $473 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 $536 billion (or 11 percent) 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 $244 billion (or 12 percent):

■ Spending for **Social Security** benefits rose by $111 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 $104 billion (or 18 percent) because of changes in payment rates and in the types and quantity of care beneficiaries received.

■ **Medicaid** outlays increased by $29 billion (or 6 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 $146 billion (or 34 percent), mainly because interest rates are significantly higher than they were in the first 10 months of fiscal year 2022.

Table 3.

Outlays, October–July

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	1,000	1,111	111	111	11
Medicare[b]	589	654	66	104	18
Medicaid	489	518	29	29	6
Subtotal, Largest Mandatory Spending Programs	**2,078**	**2,284**	**206**	**244**	**12**
Refundable Tax Credits[c]	273	152	−120	−120	−44
Coronavirus Relief	99	1	−98	−98	−99
Department of Education	160	251	91	91	57
Spectrum Auction Receipts	−81	0	81	81	100
PHSSEF	83	24	−59	−59	−71
FDIC	−7	45	52	52	n.m.
PBGC	5	41	36	36	d
DoD—Military[e]	590	630	40	45	8
Net Interest on the Public Debt	426	572	146	146	34
Other	1,205	1,304	99	119	10
Total	**4,831**	**5,304**	**473**	**536**	**11**

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 $5,367 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:

- Outlays of the **Department of Education** increased by $91 billion (or 57 percent), primarily because in July the Administration recorded the costs ($71 billion) it estimated for modifying outstanding student loans under the new income-driven repayment plan, which, on average, reduces borrowers' monthly and total payments. Additionally, earlier in this fiscal year, the Administration recorded the costs ($19 billion) associated with a final rule concerning student loans that the department issued on October 31, 2022. 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. Those actions are distinct from the income-driven repayment plan and the debt cancellation that was prohibited by a Supreme Court decision.

- 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 10 months of fiscal year 2022, receipts totaled $81 billion—all recorded in January. No such receipts were collected during the first 10 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 $45 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 $36 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 $51 billion—more than double last year's amount over the same period.
- Spending by the **Department of Veterans Affairs** (also in "Other") increased by $27 billion (or 12 percent), mostly because of increased use of health care services and increased spending per person.
- Outlays from **Ginnie Mae and other mortgage loan programs** (in "Other") administered by the Department of Housing and Urban Development were $18 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 $152 billion—a decrease of $120 billion, or 44 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 $98 billion.
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $59 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.

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.

Estimated Deficit in July 2023: $222 Billion

The deficit in July 2023 was $222 billion, CBO estimates—$11 billion larger than the amount recorded in July 2022. Revenues were $7 billion greater this July than they were in 2022; outlays increased by $18 billion. If not for shifts in the timing of certain payments, the increase in outlays and in the deficit would have been larger.

Table 4.

Budget Totals for July

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	269	276	7	7	3
Outlays	480	499	18	105	22
Deficit	−211	−222	−11	−98	46

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 $309 billion in July 2023, CBO estimates.

CBO estimates that receipts in July 2023 totaled $276 billion—$7 billion (or 3 percent) more than the amount recorded in the same month last year. That change reflects an increase of $14 billion (or 6 percent) in individual income and payroll taxes, net of refunds; remittances from the Federal Reserve declined by $6 billion and customs duties declined by $2 billion.

Total outlays in July 2023 were $499 billion, CBO estimates—$18 billion (or 4 percent) greater than a year ago. Outlays in July 2023 were smaller than they otherwise would have been because certain federal payments due on July 1, a Saturday, were made in June. Payment shifts from July into June *decreased* outlays by $86 billion in July 2023. If not for those shifts, the July 2023 deficit would have been $309 billion—$98 billion larger than the deficit in July 2022. The change in outlays relative to July 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:

- Outlays of the **Department of Education** increased by $69 billion—from $10 billion in July 2022 to $79 billion in July 2023—primarily because the Administration recorded its estimate of the costs ($71 billion) associated with modifying outstanding loans under the new income-driven repayment plan (discussed above).
- Outlays for **Medicare** increased by $13 billion (or 19 percent).
- Net outlays for **interest on the public debt** increased by $12 billion (or 20 percent).
- Outlays for **Social Security** rose by $12 billion (or 12 percent).

The largest decrease in outlays was for **coronavirus relief** to state, local, tribal, and territorial governments, which fell by $9 billion—from $9 *billion* in July 2022 to $40 *million* in July 2023.

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

Actual Deficit in June 2023: $228 Billion

The Treasury Department reported a deficit of $228 billion for June—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: June 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. Nathaniel Frentz and Aldo Prosperi prepared the report with assistance from Aaron Feinstein 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/59377.

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