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

Monthly Budget Review: December 2023

January 9, 2024

The federal budget deficit totaled $509 billion in the first quarter of fiscal year 2024, the Congressional Budget Office estimates. That amount is $87 billion more than the deficit recorded during the same period last fiscal year: Although revenues this year were $83 billion (or 8 percent) higher, outlays rose more—by $170 billion (or 12 percent).

Shifts in the timing of certain federal payments affected the budget both in fiscal year 2023 and in fiscal year 2024. Outlays in the first quarter of each year were reduced by shifts of certain payments that otherwise would have been due on October 1, which fell on a weekend. (Those payments were made in September 2022 and September 2023, respectively.) Partially offsetting those reductions, some outlays that would have occurred on January 1, a holiday, were shifted into December of each year. If not for both sets of shifts, the deficit thus far would have been $553 billion, $94 billion more than the shortfall for the same period in fiscal year 2023.

Table 1.

Budget Totals, October–December

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change	Billions of Dollars	Percent
Receipts	1,026	1,108	83	83	8
Outlays	1,447	1,617	170	177	12
Deficit (−)	−421	−509	−87	−94	−21

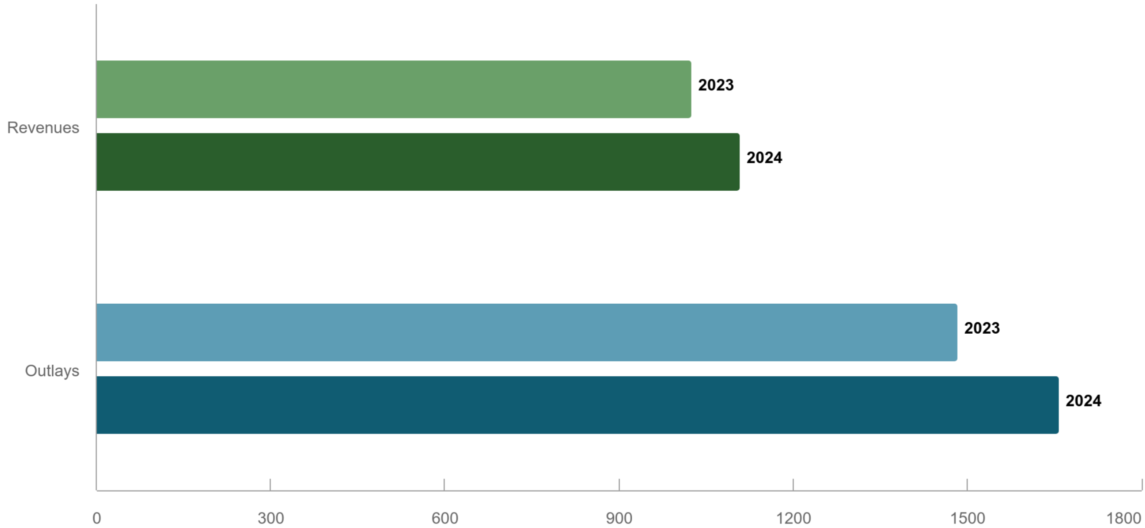
Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for November 2023 and the *Daily Treasury Statements* for December 2023.

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or a holiday. If not for those shifts, the budget would have shown a deficit of $553 billion from October 2023 through December 2023, CBO estimates, compared with $458 billion during the same period in fiscal year 2023.

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.

October–December Revenues and Outlays
Fiscal Years 2023 and 2024
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for December 2023 (in fiscal year 2024) are CBO's estimates.
All months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 8 Percent in the First Quarter of Fiscal Year 2024

Receipts totaled $1.1 trillion during the first three months of fiscal year 2024, CBO estimates—$83 billion more than during the same period a year before. A significant portion of that increase is the result of the postponement until fiscal year 2024 of various 2023 tax deadlines for some taxpayers in federally declared disaster areas.

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

- Individual income and payroll (social insurance) taxes together rose by $42 billion (or 5 percent).
  - Nonwithheld payments of income and payroll taxes rose by $43 billion (or 48 percent), relative to payments in the same period in fiscal year 2023. That increase reflects payments from taxpayers in areas affected by natural disasters for whom the Internal Revenue Service (IRS) postponed some 2023 filing deadlines. Most of those payments were due by November 2023.
  - Amounts withheld from workers' paychecks fell by $3 billion (or less than 1 percent). That decline is attributable in part to the effects of legislation enacted in response to the pandemic, which boosted receipts in fiscal year 2023. In particular, 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 the end of December 2020. That provision required half of the payroll taxes deferred in calendar year 2020 to be paid by December 31, 2022.
  - Individual income tax refunds declined by $2 billion (or 5 percent).
- Receipts from **corporate income taxes** increased by $44 billion (or 42 percent). For many corporations in areas affected by natural disasters, particularly in California, the IRS postponed until November 2023 the deadline for payments that ordinarily would have been due in fiscal year 2023.

- Reported receipts from **other sources** declined by $4 billion (or 6 percent).
  - Customs duties declined by $3 billion (or 12 percent).
  - Collections of miscellaneous fees and fines decreased by $4 billion (or 46 percent).
  - Estate and gift taxes increased by $2 billion (or 29 percent).
  - Excise taxes increased by $1 billion (or 5 percent).

Table 2.

Receipts, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2023	Preliminary, FY 2024	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	505	525	21	4
Payroll Taxes	356	377	21	6
Corporate Income Taxes	105	150	44	42
Other Receipts	59	56	−4	−6
Total	**1,026**	**1,108**	**83**	**8**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	814	811	−3	0
Other, net of refunds	47	92	45	95
Total	**861**	**903**	**42**	**5**

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

FY = fiscal year.

Total Outlays: Up by 12 Percent in the First Quarter of Fiscal Year 2024

Outlays during the first three months of fiscal year 2024 were $1.6 trillion, CBO estimates, $170 billion more than during the same period last year. If not for the timing shifts discussed above, outlays so far in fiscal year 2024 would have been $177 billion (or 12 percent) greater than those during the same period in fiscal year 2023. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Spending in two areas increased substantially. Net outlays for **interest on the public debt** were substantially higher, increasing by $73 billion (or 49 percent), primarily because interest rates are significantly higher than they were in the first three months of fiscal year 2023.

The outlays of the **Federal Deposit Insurance Corporation** (FDIC) rose by $62 billion as a result of facilitating the resolution of bank failures that occurred in 2023. The FDIC expects to recover much of that amount by continuing to liquidate the banks' assets and by collecting higher premiums from FDIC-insured institutions over the next several years.

Table 3.

Outlays, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2023	Preliminary, FY 2024	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	311	349	37	37	12
Medicare[b]	150	167	18	25	13
Medicaid	148	148	*	*	0
Subtotal, Largest Mandatory Spending Programs	**609**	**664**	**55**	**63**	**10**
FDIC	−2	59	62	62	n.m.
DoD—Military[c]	204	226	22	22	11
Department of Veterans Affairs	69	81	12	11	16
U.S. Coronavirus Refundable Credits	17	*	−17	−17	−99
Food and Nutrition Service	51	38	−13	−13	−25
Department of Education	55	42	−13	−13	−24
Military Retirement Contributions	−17	−26	−9	−9	−51
Net Interest on the Public Debt	148	221	73	73	49
Other	313	311	−2	−1	0
Total	**1,447**	**1,617**	**170**	**177**	**12**

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

DoD = Department of Defense; FDIC = Federal Deposit Insurance Corporation; FY = fiscal year; n.m. = not meaningful; * = between zero and $500 million.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or holiday. If not for those timing shifts, outlays would have been $1,484 billion in fiscal year 2023 and $1,661 billion in fiscal year 2024.

b. Medicare outlays are net of offsetting receipts.

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

Outlays for the largest mandatory spending programs increased by $63 billion (or 10 percent):

- Spending for **Social Security** benefits rose by $37 billion (or 12 percent) because of increases in the average benefit payment (stemming mostly from cost-of-living adjustments) and because the number of beneficiaries increased.
- **Medicare** outlays increased, on net, by $25 billion (or 13 percent), largely because of increased benefit payments to Medicare Advantage plans.
- The increase in **Medicaid** outlays of $360 million (or less than 1 percent) was substantially smaller than in recent years because states are continuing to reassess the eligibility of enrollees who remained in the program for the duration of the coronavirus public health emergency. Once the Consolidated Appropriations Act, 2023, ended the continuous-enrollment requirement on March 31, 2023, the states began to review enrollees' eligibility and to disenroll those who no longer qualify. CBO expects Medicaid enrollment to fall below 2023 numbers as states continue that process, probably through fiscal year 2024.

Outlays increased noticeably in three more areas:

- Spending by the **Department of Defense** (DoD) was $22 billion (or 11 percent) greater than in the same period last fiscal year; the largest increases were for military personnel and for operation and maintenance. A little less than half of the increase was the result of DoD's larger payments to the military retirement fund in October 2023. Those payments changed because in 2022 DoD's Board of Actuaries increased the net amount of accrual payments that were due to be paid into that fund in October 2023. That increase reflects the larger share of military retirees who are receiving veterans' compensation at higher disability ratings and are thus eligible for concurrent receipt of military retirement benefits and veterans' compensation. (The increase in those contributions is fully offset within the federal budget by a corresponding increase in the Treasury's receipts of those payments, discussed below.)
- Spending by the **Department of Veterans Affairs** increased by $11 billion (or 16 percent), mostly because of increased spending per person and veterans' increased use of health care facilities.
- Net outlays of the **Department of Energy** (included in "Other" in Table 3) increased by $7 billion, primarily because last year the Administration sold a substantial amount of oil from the Strategic Petroleum Reserve. The Administration recorded no receipts from such sales in the first three months of fiscal year 2024.

Outlays decreased in several other areas:

- Outlays related to **U.S. Coronavirus Refundable Credits,** 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, decreased by $17 billion. That resulted in part from the IRS's temporary moratorium on processing claims for one of those credits—the Employee Retention Tax Credit.
- Spending by the Department of Agriculture's **Food and Nutrition Service** decreased by $13 billion (or 25 percent), in part because emergency allotments for the Supplemental Nutrition Assistance Program ended in March 2023.
- Outlays by the **Department of Education** decreased by $13 billion (or 24 percent), primarily because in the first three months of fiscal year 2023, the Administration recorded some of the costs of final rules that modified repayment terms for some outstanding student loans. Those rules expanded eligibility for the discharge of some loans, eliminated the addition of unpaid interest to loan balances in certain circumstances, and increased eligibility for the Public Service Loan Forgiveness program. No similar modification was recorded in the first three months of fiscal year 2024.
- The Treasury's receipts of agencies' **contributions for military retirement** increased by $9 billion (or 51 percent). Those contributions are recorded as *decreases* in federal outlays, which are offset by equal increases in spending in other federal accounts, mostly those of DoD. The accrual payment for concurrent receipt (described above) is paid in a lump sum each October and was $9 billion larger in October 2023 than in October 2022.
- Outlays from the **Public Health and Social Services Emergency Fund** (included in "Other" in Table 3) decreased by $7 billion (or 65 percent) as expenditures slowed for several pandemic-related activities, including reimbursements to hospitals and other health care providers, coronavirus testing and contact tracing, and development and purchase of vaccines and therapies.

Estimated Deficit in December 2023: $128 Billion

The federal government incurred a deficit of $128 billion in December 2023, CBO estimates—$43 billion more than the deficit recorded in December 2022. Revenues were $25 billion less this December than they were last December. Outlays increased by $18 billion. If not for shifts in the timing of certain payments, the increase in outlays would have been slightly smaller, and the increase in the deficit would have been $41 billion, rather than $43 billion.

Table 4.

Budget Totals for December

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2023	Preliminary, FY 2024	Estimated Change	Billions of Dollars	Percent
Receipts	455	430	−25	−25	−6
Outlays	540	558	18	16	3
Deficit (−)	−85	−128	−43	−41	70

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

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments into each December that otherwise would have been made on January 1, a holiday. If not for those shifts, the budget would have shown a deficit of $59 billion in December 2022 and $100 billion in December 2023, CBO estimates.

CBO estimates that receipts in December 2023 totaled $430 billion—$25 billion (or 6 percent) less than the amounts recorded in December 2022. That decrease was driven largely by collections of income and payroll taxes, which declined by $29 billion (or 8 percent). Much of that decline is attributable to the effects of the CARES Act on the timing of tax payments. Partially offsetting that decrease, collections of corporate income taxes rose by $6 billion (or 7 percent).

Total spending in December 2023 was $558 billion, CBO estimates—$18 billion (or 3 percent) more than in December 2022. Outlays in December of each year were boosted by the shifting of certain payments—totaling $26 billion in 2022 and $28 billion in 2023—because January 1 is a holiday. If not for those shifts, outlays would have been $16 billion higher in December 2023.

That overall change is the result of increases and decreases in several areas. The largest increases were as follows:

- Net outlays for interest on the public debt increased by $13 billion (or 24 percent), primarily because interest rates are significantly higher than they were in December 2022.
- Outlays for Social Security increased by $13 billion (or 12 percent).
- Spending by the Department of Veterans Affairs increased by $4 billion (or 15 percent).
- Spending by the Department of Agriculture (excluding the Food and Nutrition Service) increased by $4 billion.
- Outlays for Medicare increased by $3 billion (or 5 percent).

The largest decreases were as follows:

- Outlays related to U.S. Coronavirus Refundable Credits decreased by $13 billion.
- Outlays by the Department of Education decreased by $7 billion (or 37 percent).
- Spending by the Department of Agriculture's Food and Nutrition Service decreased by $5 billion (or 27 percent).

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

Actual Deficit in November 2023: $314 Billion

The Treasury Department reported a deficit of $314 billion for November—$3 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: November 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 Jon Sperl prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, 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/59821.

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