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

Monthly Budget Review: March 2022

April 8, 2022

The federal budget deficit was $667 billion in the first six months of fiscal year 2022 (that is, from October 2021 through March 2022), the Congressional Budget Office estimates. That amount is roughly 40 percent of the shortfall recorded during the same period in 2021 ($1,706 billion). Revenues were $418 billion (or 25 percent) higher and outlays were $622 billion (or 18 percent) lower than during the same period a year ago.

Table 1.

Budget Totals, October–March

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	1,704	2,122	418
Outlays	3,410	2,788	−622
Deficit (−)	−1,706	−667	1,040

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for February 2022 and the *Daily Treasury Statements* for March 2022.

FY = fiscal year.

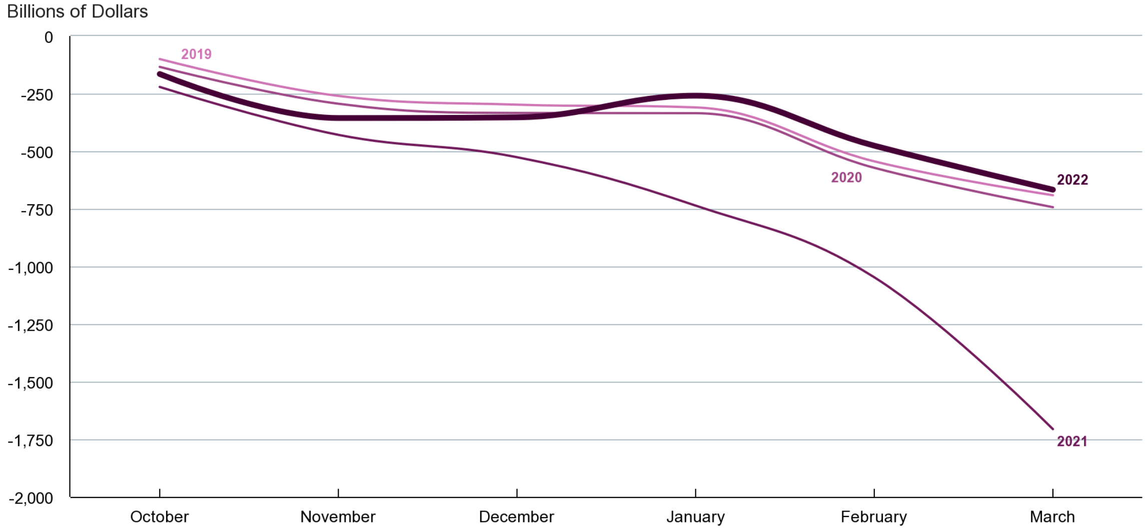
The monthly deficits and cumulative shortfall so far in fiscal year 2022 are similar to those in 2019 and 2020. For the first six months of those two years, the cumulative deficits were $691 billion and $743 billion, respectively.

The deficit was much larger at this point last year because of spending for the federal response to the coronavirus pandemic. The higher outlays last year were driven largely by the recovery rebates (also known as economic impact payments) authorized by the Consolidated Appropriations Act, 2021 (CAA), and the American Rescue Plan Act of 2021 (ARPA). Spending also rose for unemployment compensation and for pandemic relief through the Small Business Administration (SBA).

Outlays for the child tax credit, which was temporarily expanded by ARPA, have been sizable this year, but spending for unemployment compensation and the SBA's programs has diminished.

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 March 2022 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 25 Percent in Fiscal Year 2022

Receipts totaled $2,122 billion during the first half of fiscal year 2022, CBO estimates—$418 billion more than during the same period a year ago.

- **Individual income** and **payroll (social insurance) taxes** together rose by $357 billion (or 24 percent).
  - Most of that increase occurred because amounts withheld from workers' paychecks rose by $289 billion (or 21 percent). That result was attributable in part to higher total 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 shifts in the timing of payroll tax collections. 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 Act, or the 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 $51 billion (or 22 percent). The first quarterly payment of estimated individual income taxes in the current fiscal year was due by January 15.
  - Unemployment insurance receipts (one type of payroll tax) were $10 billion (or 64 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, which is a federal program administered by the states.

Table 2.

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	825	1,125	300	36
Payroll Taxes	641	698	57	9
Corporate Income Taxes	104	127	22	22
Other Receipts	134	172	38	29
Total	**1,704**	**2,122**	**418**	**25**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,347	1,636	289	21
Other, net of refunds	119	187	68	57
Total	**1,466**	**1,823**	**357**	**24**

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

FY = fiscal year.

- Individual income tax refunds declined by $7 billion (or 5 percent). 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 total number of refunds issued through the fourth week in March was roughly the same as in 2021 but 17 percent below the number at the same point in 2020—a probable result of continued delays in processing tax returns.

■ Collections of **corporate income taxes** increased, on net, by $22 billion (or 22 percent). For most corporations, the first quarterly estimated payment for fiscal year 2022 was due on December 15.

■ Receipts from **other sources,** on net, increased by $38 billion (or 29 percent).

- Remittances from the Federal Reserve increased by $19 billion (or 47 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
- Customs duties rose by $12 billion (or 32 percent), reflecting an increase in imports.
- Excise taxes rose by $8 billion (or 27 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 18 Percent in Fiscal Year 2022

Outlays in the first six months of fiscal year 2022 were $2,788 billion—$622 billion less than during the same period last year, CBO estimates, the net result of several increases and decreases.

Table 3.

Outlays, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	557	590	33	6
Medicare[a]	344	346	2	1
Medicaid	250	288	38	15
Subtotal, Largest Mandatory Spending Programs	**1,151**	**1,224**	**73**	**6**
Refundable Tax Credits[b]	568	203	−366	−64
Unemployment Compensation	209	23	−186	−89
Small Business Administration	184	18	−165	−90
Spectrum Auction Receipts	−4	−81	−77	*
DoD—Military[c]	363	359	−5	−1
Net Interest on the Public Debt	176	219	43	25
Other	764	824	60	8
Total	**3,410**	**2,788**	**−622**	**−18**

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

DoD = Department of Defense; FY = fiscal year; * = the amount of receipts collected in 2022 was about 20 times the amount collected in 2021.

a. Medicare outlays are net of offsetting receipts.

b. Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.

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

The largest changes, all decreases, were as follows:

- Outlays for certain **refundable tax credits** totaled $203 billion—a decrease of $366 billion, or 64 percent.[1] That reduction occurred largely because most of the second and third rounds of recovery rebates were paid in January and March 2021. Partially offsetting that decrease, several changes to the child tax credit increased outlays early in this fiscal year. Eligibility for and the size of the child tax credit were expanded, and advance payments of the credit were made between July and December 2021.
- Outlays for **unemployment compensation** decreased by $186 billion, from $209 billion in the first six months of fiscal year 2021 to $23 billion in the first six months of 2022. That spending declined both because the enhanced benefits that were enacted earlier in the pandemic expired in September 2021 and because unemployment declined. In comparison, during the first six months of fiscal year 2020, just before the start of the pandemic, outlays for unemployment compensation totaled $18 billion.

1. Those credits are the recovery rebates, earned income tax credit, child tax credit, premium tax credits, and the American Opportunity Tax Credit.

- Spending by the **Small Business Administration** decreased by $165 billion. In the first six months of fiscal year 2021, the SBA recorded a total of $184 billion in outlays, primarily from a second round of loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Receipts from a 2021 **auction of licenses to use the electromagnetic spectrum** totaled $81 billion and were recorded in January 2022. In comparison, through the first six months of the previous fiscal year, such auction receipts totaled $4 billion. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays.

Outlays for the largest mandatory spending programs increased, on net, by $73 billion (or 6 percent):

- Spending for **Social Security** benefits rose by $33 billion (or 6 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays increased by $2 billion (or 1 percent) because of increases in Part B and Part D payments that were partially offset by increased recoveries of payments that had previously been made to providers.
- **Medicaid** outlays increased by $38 billion (or 15 percent). Enrollment has risen because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the public health emergency.

Several other major changes in outlays, included in "Other" in Table 3, were as follows:

- Spending by the **Food and Nutrition Service** of the Department of Agriculture increased by $32 billion (or 45 percent). Average benefits under the Supplemental Nutrition Assistance Program increased, and eligibility was expanded for the Pandemic Electronic Benefit Transfer Program, which provides school children with temporary emergency benefits.
- Outlays of the **Public Health and Social Services Emergency Fund** increased by $21 billion (or 54 percent) as expenditures accelerated for several pandemic-related activities, including reimbursements to health care providers (such as hospitals), coronavirus testing and contact tracing, and the development and purchase of vaccines and therapies.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $20 billion (or 80 percent). State and local governments received grants under the CAA and ARPA to assist low-income households with paying rent during the pandemic. The decrease in spending relative to the same period last year is a result of a provision of ARPA requiring grantees to meet spending targets before accessing a portion of the funds.
- Outlays of the **Department of Education** increased by $18 billion (or 35 percent), primarily because of increased spending on emergency grants through the Education Stabilization Fund.
- Outlays for other programs administered by the **Department of Agriculture** decreased by $18 billion (or 39 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.
- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by $14 billion. Initial funding was provided by the CARES Act, and additional funding provided by the CAA and ARPA was mostly exhausted last year.
- Spending by the **Department of Veterans Affairs** increased by $10 billion (or 9 percent) mostly because of increased use of health care services and per capita increases in veterans' benefits.

Net outlays for **interest on the public debt** increased by $43 billion (or 25 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

For other programs and activities, spending increased or decreased by smaller amounts.

Estimated Deficit in March 2022: $191 Billion

The federal government incurred a deficit of $191 billion in March 2022, CBO estimates—about one-third of the deficit recorded last March.

Table 4.

Budget Totals, March

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Receipts	268	315	47	18
Outlays	927	506	−421	−45
Deficit (−)	−660	−191	469	−71

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

FY = fiscal year.

CBO estimates that receipts in March totaled $315 billion—$47 billion (or 18 percent) more than in March 2021, largely driven by individual income and payroll tax collections, which increased by $44 billion (or 20 percent). In addition, remittances from the Federal Reserve rose by $5 billion (or 59 percent). Partially offsetting those increases, collections of corporate income taxes decreased by $5 billion (or 36 percent).

Total spending in March 2022 was $506 billion, CBO estimates—$421 billion (or 45 percent) less than last year. The largest contributors to that spending reduction were as follows:

- Payments of **refundable tax credits** decreased by $317 billion compared with the same month last year. That reduction occurred largely because most of the third round of recovery rebates were paid in March 2021.
- Outlays by the **Small Business Administration** fell by $84 billion.
- Outlays for **unemployment compensation** decreased by $47 billion.
- Outlays for the **Department of Education** decreased by $9 billion.
- Spending by the Department of the Treasury for **aviation payroll support** fell by $7 billion.

Partially offsetting those reductions, outlays for some activities increased:

- Net outlays for **interest on the public debt** increased by $12 billion.
- Spending for **Medicaid** rose by $11 billion.
- Outlays for **Social Security** increased by $8 billion.
- Outlays by the **Department of Transportation** increased by $5 billion.

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

Actual Deficit in February 2022: $217 Billion

The Treasury Department reported a deficit of $217 billion for February—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: February 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://go.usa.gov/xfwBH.

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, 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/57909.

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