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

Monthly Budget Review: December 2022

January 10, 2023

The federal budget deficit was $418 billion in the first quarter of fiscal year 2023, the Congressional Budget Office estimates—$41 billion more than the shortfall recorded during the same period last year. Revenues were $26 billion (or 2 percent) lower and outlays were $15 billion (or 1 percent) higher from October through December 2022 than they were in the first quarter of the prior fiscal year.

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. In addition, as was the case in fiscal year 2022, outlays increased in the first quarter of this fiscal year (through December 2022) because certain payments that otherwise would have been due on January 1, a holiday, were instead made in December. If those various shifts had not occurred, the first-quarter deficit in fiscal year 2023 would have been $455 billion, or $102 billion more than the first-quarter deficit of $353 billion in fiscal year 2022, an increase of 29 percent.

Table 1.

Budget Totals, October–December

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	1.052	1,026	−26	−26	−2
Outlays	1,430	1,444	15	76	5
Deficit (−)	−378	−418	−41	−102	29

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

FY = fiscal year.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or holiday. If not for those shifts, the budget would have shown a deficit of $455 billion rather than $418 billion from October 2022 through December 2022, CBO estimates. The deficit in the same period in the previous fiscal year would have been $353 billion.

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.

Total Receipts: Down by 2 Percent in the First Quarter of Fiscal Year 2023

Receipts totaled $1.0 trillion during the first quarter of fiscal year 2023, CBO estimates—$26 billion less than during the same period a year before.

Table 2.

Receipts, October–December

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	535	504	−31	−6
Payroll Taxes	335	357	21	6
Corporate Income Taxes	99	105	7	7
Other Receipts	83	60	−23	−28
Total	**1,052**	**1,026**	**−26**	**−2**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	809	806	−3	*
Other, net of refunds	62	55	−6	−10
Total	**871**	**861**	**−10**	**−1**

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

FY = fiscal year; * = between −0.5 percent and zero.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $10 billion (or 1 percent), reflecting offsetting changes among categories.
  - Amounts withheld from workers' paychecks declined by $3 billion (or less than 0.5 percent). The first quarter of 2023 had one fewer business day than did the first quarter of 2022.
  - Nonwithheld payments of income and payroll taxes rose by $16 billion (or 21 percent) because of payments made in October, primarily for 2021 tax liabilities.
  - Unemployment insurance receipts (one type of payroll tax) were $8 billion (or 53 percent) smaller this year. Those receipts were larger in 2022 because states were replenishing 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.
  - Individual income tax refunds increased by $14 billion (or 47 percent), reducing net receipts. Most refunds typically are made from February through April.
- Collections of **corporate income taxes** increased, on net, by $7 billion (or 7 percent). For most corporations, the first quarterly estimated payment in fiscal year 2023 was due on December 15.

- Receipts from **other sources,** on net, decreased by $23 billion (or 28 percent).
  - Remittances from the Federal Reserve decreased from $26 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.
  - Collections of miscellaneous fees and fines increased by $4 billion (or 76 percent).

Total Outlays: Up by 1 Percent in Fiscal Year 2023

Outlays in the first three months of fiscal year 2023 were $1.4 trillion, CBO estimates, $15 billion more than during the same period last year. If not for the shifts in the timing of certain payments, outlays so far in fiscal year 2023 would have been $76 billion (or 5 percent) more than outlays during the same three months in fiscal year 2022. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–December

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
Major Program or Category	**Actual, FY 2022**	**Preliminary, FY 2023**	**Estimated Change**	**Billions of Dollars**	**Percent**
Social Security Benefits	286	311	25	25	9
Medicare[b]	168	150	−18	20	12
Medicaid	137	147	10	10	7
Subtotal, Largest Mandatory Spending Programs	**591**	**608**	**17**	**55**	**9**
Refundable Tax Credits[c]	74	27	−47	−47	−64
PHSSEF	32	12	−20	−20	−62
Small Business Administration	11	1	−10	−10	−94
Unemployment Compensation	13	7	−6	−6	−47
DoD—Military[d]	197	204	7	12	6
Net Interest on the Public Debt	104	149	45	45	44
Other	407	437	30	48	12
Total	**1,430**	**1,444**	**15**	**76**	**5**

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

DoD = Department of Defense; FY = fiscal year; PHSSEF = Public Health and Social Services Emergency Fund.

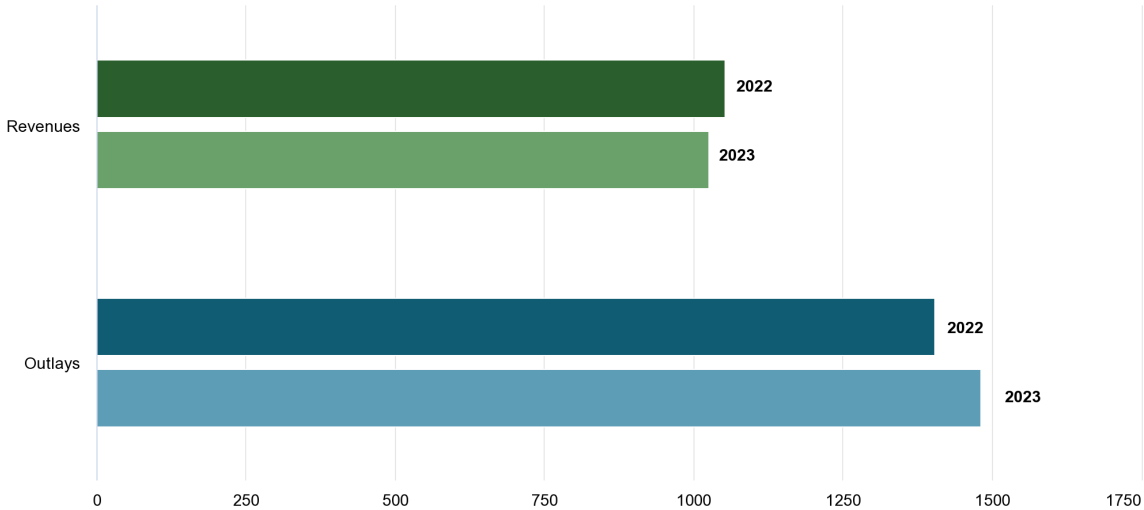
a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend or holiday. If not for those timing shifts, outlays would have been $1,481 billion in fiscal year 2023 and $1,405 billion in fiscal year 2022.

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.

Figure 1.
First-Quarter Revenues and Outlays
Fiscal Years 2022 and 2023
Billions of Dollars



Data Sources: Congressional Budget Office; Department of the Treasury.
The values shown for the first quarter of 2023 are CBO's estimate.
All months have been adjusted to exclude the effects of timing shifts.

Outlays for the largest mandatory spending programs increased by $55 billion (or 9 percent):

- Spending for **Social Security** benefits rose by $25 billion (or 9 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays increased by $20 billion (or 12 percent) because of changes in payment rates and in the types and quantity of care beneficiaries used.
- **Medicaid** outlays increased by $10 billion (or 7 percent) as a result of enrollment increases, mainly attributable to the Families First Coronavirus Response Act, which requires 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 $27 billion—a decrease of $47 billion, or 64 percent.[1] That reduction occurred because advance payments of the child tax credit ended. (Those payments were made between July and December 2021.)
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $20 billion (or 62 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 $10 billion. In the first three months of fiscal year 2022, that agency recorded nearly $13 billion in outlays, mostly for disaster loans and for grants to operators of shuttered entertainment venues. Those outlays trailed off toward the end of fiscal year 2022, and there have been few such outlays in the current fiscal year.

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.

- Outlays for **unemployment compensation** decreased by $6 billion (or 47 percent) because fewer people were receiving unemployment benefits.

Outlays increased substantially in six areas:

- Net outlays for **interest on the public debt** increased by $45 billion (or 44 percent), mainly because interest rates are significantly higher than they were in the first quarter of fiscal year 2022.
- Spending by the **Department of Education** (included in "Other" in Table 3) increased by $16 billion (or 40 percent), primarily because the Administration recorded some of the costs associated with final rules published in November 2022 that modified student loan repayments. Those rules expanded eligibility for the discharge of loans, eliminated the addition of unpaid interest to loan balances in certain circumstances, and increased eligibility for the Public Service Loan Forgiveness 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 $18 billion, more than triple last year's amount.
- Spending by the **Department of Defense** was $12 billion (or 6 percent) greater than in the same period last fiscal year; the largest increases were for military personnel and operations and maintenance.
- Outlays for **international security assistance** programs (in "Other") more than doubled, to $10 billion, primarily because of emergency support for Ukraine.
- Spending for several programs administered by the **Department of Agriculture** (in "Other") increased by $6 billion (or 57 percent). That rise is attributable mostly to payments of crop insurance claims and to loan forgiveness for certain borrowers.

Estimated Deficit in December 2022: $82 Billion

The federal government incurred a deficit of $82 billion in December 2022, CBO estimates—$61 billion more than the shortfall in December 2021. In both years, December outlays were affected by shifts in the timing of certain federal payments that otherwise would have been due on January 1. Payment shifts from January into December increased outlays by $26 billion in December 2022 and by $24 billion in December 2021. If not for the shifting of those payments, the deficit in December 2022 would have been $56 billion, compared with a *surplus* of $3 billion in December 2021.

Revenues were lower in December 2022 than they were a year before, and outlays were higher.

CBO estimates that receipts in December 2022 totaled $456 billion—$31 billion (or 6 percent) less than those recorded in the same month last year. That decrease was driven by declines in collections of income and payroll taxes, which fell by $24 billion (or 6 percent), and by smaller remittances from the Federal Reserve, which declined by $12 billion.

Table 4.

Budget Totals for December

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	487	456	−31	−31	−6
Outlays	508	537	29	27	6
Deficit (−)	−21	−82	−61	−58	n.m.

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

FY = fiscal year; n.m. = not meaningful.

a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on January 1. If not for those shifts, the budget would have shown a deficit of $56 billion in December 2022 and a surplus of $3 billion in December 2021, CBO estimates.

Total spending in December 2022 was $537 billion, CBO estimates—$29 billion more than in the same month last year. If not for the shift of outlays from January to December, outlays in December 2022 would have been $511 billion. The largest increases were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- Net outlays for **interest on the public debt** increased by $14 billion (or 32 percent).
- Spending on **U.S. Coronavirus Refundable Credits** increased to $13 billion, $12 billion more than in December 2021.
- Outlays for **Social Security** increased by $8 billion (or 9 percent).
- Outlays for **Medicare** increased by $7 billion (or 13 percent).
- Outlays for the **Department of Education** increased by $4 billion (or 34 percent).
- Outlays for **Medicaid** increased by $3 billion (or 7 percent).

The largest decreases were as follows:

- Outlays for certain **refundable tax credits** decreased by $14 billion (or 58 percent).
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $10 billion (or 74 percent).
- Spending by the **Small Business Administration** decreased by $3 billion (or 94 percent).

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

Actual Deficit in November 2022: $249 Billion

The Treasury Department reported a deficit of $249 billion for November—$1 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: November 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://tinyurl.com/yazr58zb.
In keeping with CBO's mandate to provide objective, impartial analysis, this report makes no recommendations. Justin Latus 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/58862.

Phillip L. Swagel