



Monthly Budget Review: August 2023

September 11, 2023

The federal budget deficit was \$1.5 trillion in the first 11 months of fiscal year 2023, the Congressional Budget Office estimates—\$0.6 trillion more than the shortfall recorded during the same period last year. Revenues were 10 percent lower and outlays were 3 percent higher from October through August 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 August would have been \$1.6 trillion.

Table 1.
Budget Totals, October–August

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	4,408	3,972	-436	-436	-10
Outlays	<u>5,354</u>	<u>5,495</u>	<u>141</u>	<u>204</u>	4
Deficit (-)	-946	-1,523	-577	-641	68

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

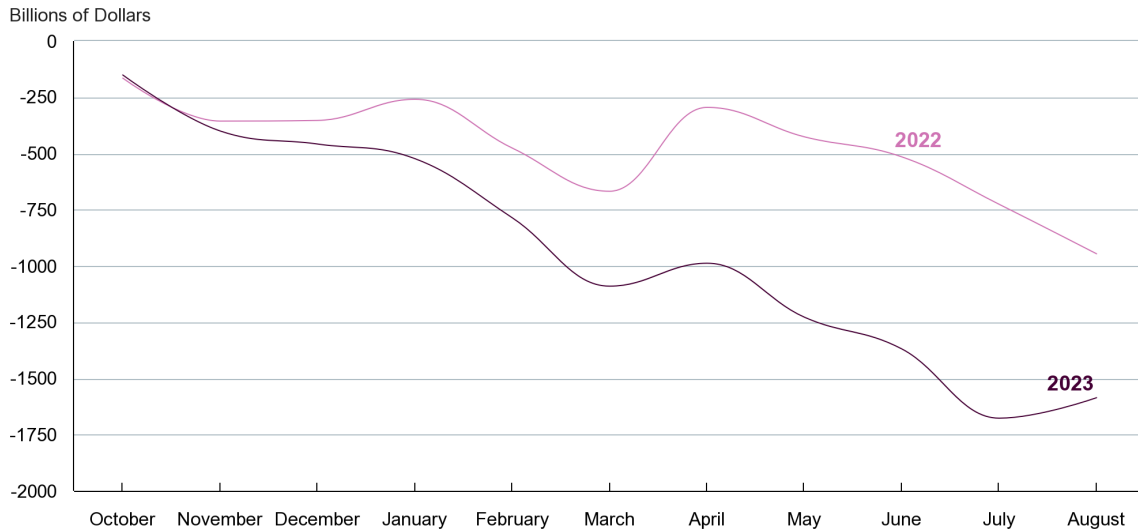
FY = fiscal year.

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 \$1,586 billion from October 2022 through August 2023, CBO estimates.

The deficit was larger in 2022 and is smaller in 2023 by amounts that are largely offsetting because of actions related to the Administration’s planned cancellation of outstanding student loans for many borrowers. The cancellation was never implemented because of the Supreme Court’s June 2023 decision prohibiting it. In September 2022, in accordance with the budgetary procedures used for federal credit programs, the Administration recorded outlays of \$379 billion to reflect its estimate of the long-term costs of the debt cancellation, which increased the deficit in fiscal year 2022. In August 2023, the Administration recorded a roughly \$330 billion reduction in outlays for the student loan program to reflect the Supreme Court’s decision. That action reduced the deficit for this fiscal year.

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



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

The outlay savings recorded by the Administration in August 2023 are less than the cost recorded in September 2022, primarily because a new income-driven repayment plan, which was finalized in June 2023, increases the cost of outstanding student loans. CBO provided an estimate of the cost of that plan in March 2023 and is preparing an update to account for additional rulemaking by the Department of Education and new projections included in CBO's May 2023 baseline.¹

The recording of the reduction in outlays for the student loan program in August is the main reason for the upward bend in the 2023 line in Figure 1, which indicates a decline from July to August in the cumulative deficit for this fiscal year. That reduction also means that the difference between the cumulative 2022 and 2023 deficits for the first 11 months of the fiscal year is smaller than it would have been otherwise. Without it, the increase in the deficit for that period, adjusted for timing shifts, would have been larger—\$1.0 trillion. The gap will narrow in September 2023 because of the large amount of outlays recorded in September 2022.

As reported in the *Monthly Budget Review: July 2023*, CBO updated its projection of the deficit for all of fiscal year 2023 to \$1.7 trillion. Without the outlay savings recorded in August 2023 to reflect the Supreme Court's ruling, that shortfall would be about \$2.0 trillion. The deficit for fiscal year 2022 was \$1.4 trillion. Removing the cost recorded in September 2022 for student loan debt cancellation, that amount would be \$1.0 trillion. Excluding the effects of the changing plans for student loans, the deficit is on track to double from \$1.0 trillion in 2022 to \$2.0 trillion in 2023, CBO estimates.

Total Receipts: Down by 10 Percent in Fiscal Year 2023

Receipts totaled \$4 trillion in the first 11 months of fiscal year 2023, CBO estimates—\$436 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.

1. See Congressional Budget Office, letter to the Honorable Virginia Foxx and the Honorable William Cassidy, concerning the costs of the proposed income-driven repayment plan for student loans (March 13, 2023), www.cbo.gov/publication/58983.

Table 2.
Receipts, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	2,404	1,957	-448	-19
Payroll Taxes	1,357	1,484	128	9
Corporate Income Taxes	319	324	5	2
Other Receipts	<u>328</u>	<u>207</u>	<u>-121</u>	-37
Total	4,408	3,972	-436	-10
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,837	2,941	104	4
Other, net of refunds	<u>924</u>	<u>500</u>	<u>-424</u>	-46
Total	3,761	3,441	-320	-9

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

FY = fiscal year.

Receipts collected through August 2023, net of refunds, were about \$350 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; another may be more claims of the Employee Retention Tax Credit, which reduces receipts and, where refundable, increases outlays for U.S. Coronavirus Refundable Tax Credits (discussed in the section on total outlays).

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

- **Individual income and payroll (social insurance) taxes** together declined by \$320 billion (or 9 percent).
 - Amounts withheld from workers' paychecks increased by \$104 billion (or 4 percent), a reflection of rising wages and salaries. The amount withheld from paychecks also depends on a taxpayer's expected tax bracket.
 - Nonwithheld payments of income and payroll taxes declined by \$279 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. One factor may be smaller collections of taxes on capital gains.
 - Receipts from unemployment insurance taxes (one type of payroll tax) were \$17 billion (or 26 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—a federal program administered by the states.
 - Individual income tax refunds rose by \$128 billion (or 54 percent), thereby reducing net receipts.

- Collections of **corporate income taxes** increased by \$5 billion (or 2 percent).
- Receipts from **other sources**, on net, decreased by \$121 billion (or 37 percent).
 - Remittances from the Federal Reserve decreased from \$106 billion in the first 11 months of 2022 to less than \$1 billion so far this year. 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 \$17 billion (or 19 percent), reflecting a reduction in imports.
 - Excise taxes declined by \$8 billion (or 10 percent).
 - Estate and gift taxes increased by \$3 billion (or 10 percent).
 - Collections of miscellaneous fees and fines increased by \$6 billion (or 22 percent).

Total Outlays: Up by 3 Percent in Fiscal Year 2023

Outlays in the first 11 months of fiscal year 2023 were \$5.5 trillion, \$141 billion (or 3 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 \$204 billion more than during the same period in fiscal year 2022. (The discussion below reflects adjustments to exclude the effects of those timing shifts.) That increase would have been even greater if not for the outlay savings from the prohibition on cancelling student loan debt. Excluding the outlay reduction recorded in August 2023 for that reason, the net increase in outlays would have been \$534 billion (or 10 percent).

Outlays for the largest mandatory spending programs increased by a total of \$265 billion (or 12 percent):

- Spending for **Social Security** benefits rose by \$123 billion (or 11 percent) 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, on net, by \$116 billion (or 18 percent) because of increased benefit payments and because of decreased recoveries of payments made through the COVID-19 Accelerated and Advance Payments Program.
- **Medicaid** outlays increased by \$27 billion (or 5 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 assess enrollee eligibility, which is likely to continue through fiscal year 2024.

Net outlays for **interest on the public debt** rose by \$149 billion (or 30 percent), mainly because interest rates are significantly higher than they were in the first 11 months of fiscal year 2022.

Table 3.
Outlays, October–August

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	Percent
Social Security Benefits	1,103	1,226	123	123	11
Medicare ^b	649	727	78	116	18
Medicaid	<u>541</u>	<u>567</u>	<u>27</u>	<u>27</u>	5
Subtotal, Largest Mandatory Spending Programs	2,293	2,521	228	265	12
Department of Education	194	-65	-259	-259	-133
Refundable Tax Credits ^c	281	161	-120	-120	-43
Coronavirus Relief	103	1	-102	-102	-99
Spectrum Auction Receipts	-81	0	81	81	100
PHSSEF	90	26	-65	-65	-71
FDIC	-7	45	52	52	n.m.
PBGC	5	43	37	37	d
DoD—Military ^e	649	692	43	48	7
Net Interest on the Public Debt	495	644	149	149	30
Other	<u>1,332</u>	<u>1,428</u>	<u>96</u>	<u>117</u>	9
Total	5,354	5,495	141	204	4

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.

- 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 \$5,558 billion in fiscal year 2023.
- Medicare outlays are net of offsetting receipts.
- Recovery rebates, earned income tax credit, child tax credit, premium tax credits, and American Opportunity Tax Credit.
- Outlays in 2023 were about eight times the amount last year.
- Excludes a small amount of spending by DoD on civil programs.

Outlays increased substantially in several other areas:

- 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 11 months of fiscal year 2022, receipts totaled \$81 billion—all recorded in January. No such receipts were collected during the first 11 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 \$48 billion (or 7 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 \$37 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Spending by the **Department of Veterans Affairs** (included in “Other” in Table 3) increased by \$31 billion (or 13 percent), mostly because of increased spending per person and increased use of health care services.
- Outlays related to **U.S. Coronavirus Refundable Credits** (also in “Other”), 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—nearly double last year’s amount over the same period. Much of that increase stems from claims of the Employee Retention Tax Credit made on amended quarterly payroll tax forms this year. That credit was a refundable payroll tax credit for employers for 2020 and 2021; those credits have increased outlays as well as reduced receipts.
- 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.

Outlays decreased in these areas:

- Outlays of the **Department of Education** decreased by \$259 billion (or 133 percent), primarily because of the reduction in outlays for student loans resulting from the Supreme Court decision (discussed above).
- Outlays for certain **refundable tax credits** totaled \$161 billion—a decrease of \$120 billion, or 43 percent.² 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 \$102 billion.
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by \$65 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.
- Spending by the Department of Agriculture’s **Food and Nutrition Service** (in “Other”) decreased by \$18 billion (or 10 percent), in part because emergency allotments for the Supplemental Nutrition Assistance Program ended earlier this year.

2. 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 Surplus in August 2023: \$90 Billion

The government realized a budget surplus of \$90 billion in August 2023, CBO estimates; a deficit of \$220 billion was recorded in August 2022. Revenues were \$20 billion less this August than they were in 2022. Outlays decreased by \$330 billion because of the reduction recorded in August for the student loan program. Without that reduction, outlays in August 2023 would have been about the same as those in August 2022.

Table 4.
Budget Totals for August

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	
			Billions of Dollars	Percent
Receipts	304	284	-20	-7
Outlays	<u>523</u>	<u>193</u>	<u>-330</u>	-63
Deficit (-) or Surplus	-220	90	310	-141

Data sources: Congressional Budget Office; Department of the Treasury.
FY = fiscal year.

CBO estimates that receipts in August 2023 totaled \$284 billion—\$20 billion (or 7 percent) less than the amount recorded in the same month last year. That change reflects a decrease of \$10 billion (or 4 percent) in individual income and payroll taxes, net of refunds. The decrease is attributable in part to the fact that August 2023 had one fewer Monday than did August of last year. (Mondays are particularly strong days for collections of withheld taxes.) Remittances from the Federal Reserve declined by \$7 billion and customs duties declined by \$2 billion.

Total outlays in August 2023 were \$193 billion, CBO estimates—\$330 billion (or 63 percent) less than a year ago. The change in outlays relative to August 2022 is the result of decreases and increases in several areas of the budget.

The largest decreases were as follows:

- Outlays of the **Department of Education** fell by \$354 billion.
- Outlays for the **Public Health and Social Services Emergency Fund** decreased by \$6 billion (or 81 percent).

The largest increases were as follows:

- Outlays for **Social Security** rose by \$12 billion (or 12 percent).
- Outlays for **Medicare** increased by \$12 billion (or 20 percent).

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

Actual Deficit in July 2023: \$221 Billion

The Treasury Department reported a deficit of \$221 billion for July—\$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements*, in the *Monthly Budget Review: July 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 Frenz and Justin Latus 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. An electronic version is available on CBO's website, www.cbo.gov/publication/59474.



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