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

Monthly Budget Review: June 2022

July 11, 2022

The federal budget deficit was $514 billion in the first nine months of fiscal year 2022 (that is, from October 2021 through June 2022), the Congressional Budget Office estimates. That amount is less than one-quarter of the $2.2 trillion shortfall recorded during the same period in 2021. Revenues were $779 billion (or 25 percent) higher and outlays were $945 billion (or 18 percent) lower than during the same period a year ago.

Table 1.

Budget Totals, October–June

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	3,056	3,835	779
Outlays	5,294	4,349	−945
Deficit (−)	−2,238	−514	1,724

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

FY = fiscal year.

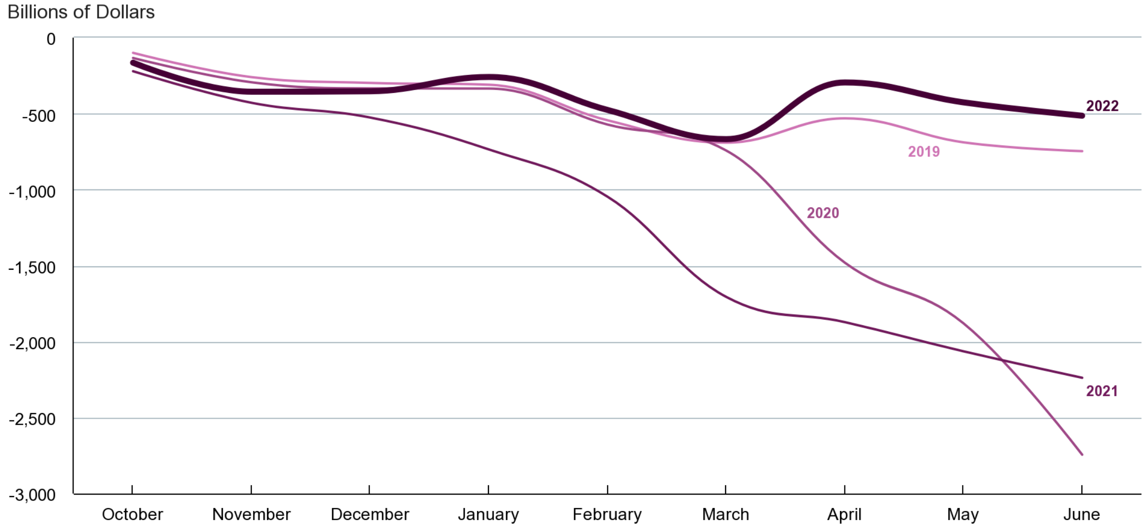
The deficit at this point last year was much larger because of spending in response to the coronavirus pandemic—mostly for the recovery rebates (also known as economic impact payments), unemployment compensation, pandemic relief through the Small Business Administration (SBA), and the Coronavirus Relief Fund—and because revenues were lower.

In its May report on the budget outlook, CBO projected a deficit of $1.0 trillion for 2022.[1] Given the results through June, however, CBO expects that the deficit this year will be smaller than that.

1. That estimate reflects the assumption that laws governing taxes and spending that were in effect on April 8, 2022, remain unchanged. See Congressional Budget Office*, The Budget and Economic Outlook: 2022 to 2032* (May 2022), www.cbo.gov/publication/57950.

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 June 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 $3.8 trillion during the first nine months of fiscal year 2022, CBO estimates—$779 billion more than during the same period a year ago.

- **Individual income** and **payroll (social insurance) taxes** together rose by $690 billion (or 27 percent).
  - Amounts withheld from workers' paychecks rose by $338 billion (or 17 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 timing shifts in the collection of payroll taxes. 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, or 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 $311 billion (or 42 percent). Most of that increase occurred during April and May, when taxpayers made their final payments of taxes for 2021.
  - Individual income tax refunds were $27 billion (or 11 percent) lower than in the same period a year ago. (The portion of refundable tax credits that are classified as outlays, including the recovery rebates and the expanded child tax credits, are reported separately below.)

Table 2.

Receipts, October–June

Billions of Dollars

			Estimated Change	
Major Program or Category	**Actual, FY 2021**	**Preliminary, FY 2022**	**Billions of Dollars**	**Percent**
Individual Income Taxes	1,591	2,136	545	34
Payroll Taxes	981	1,125	145	15
Corporate Income Taxes	265	306	41	15
Other Receipts	220	268	48	22
Total	**3,056**	**3,835**	**779**	**25**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,021	2,359	338	17
Other, net of refunds	550	903	352	64
Total	**2,571**	**3,261**	**690**	**27**

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

FY = fiscal year.

- Unemployment insurance receipts (one type of payroll tax) were $14 billion (or 36 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—a federal program administered by the states.

■ Collections of **corporate income taxes** increased, on net, by $41 billion (or 15 percent).

■ Receipts from **other sources** rose, on net, by $48 billion (or 22 percent).

- Remittances from the Federal Reserve increased by $24 billion (or 35 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
- Customs duties rose by $16 billion (or 29 percent), reflecting an increase in imports.
- Excise taxes rose by $11 billion (or 21 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 18 Percent in Fiscal Year 2022

Outlays in the first nine months of fiscal year 2022 were $4.3 trillion—$945 billion (or 18 percent) less than during the same period last year, CBO estimates, the net result of large decreases in pandemic-related spending offset by smaller increases in other spending.

Table 3.
Outlays, October–June

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	840	898	58	7
Medicare[a]	517	522	5	1
Medicaid	383	438	55	14
Subtotal, Largest Mandatory Spending Programs	**1,740**	**1,857**	**118**	**7**
Refundable Tax Credits[b]	688	262	−426	−62
Small Business Administration	325	22	−303	−93
Unemployment Compensation	323	31	−292	−90
Coronavirus Relief Fund	196	90	−107	−54
Spectrum Auction Receipts	−4	−81	−77	*
DoD—Military[c]	542	531	−10	−2
Net Interest on the Public Debt	294	370	76	26
Other	1,191	1,267	76	6
Total	**5,294**	**4,349**	**−945**	**−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 $262 billion—a decrease of $426 billion, or 62 percent.[2] 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 boosted outlays this fiscal year: Eligibility was expanded and the amount was increased; advance payments of the credit were made between July and December 2021.
- Spending by the **Small Business Administration** decreased by $303 billion. In the first nine months of fiscal year 2021, the SBA recorded a total of $325 billion in outlays, primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Outlays for **unemployment compensation** decreased by $292 billion, from $323 billion in the first nine months of fiscal year 2021 to $31 billion in the first nine months of 2022. That spending declined both because enhanced benefits that had been enacted earlier in the pandemic expired in September 2021 and because unemployment declined.

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

- Spending from the **Coronavirus Relief Fund,** created by the American Rescue Plan Act of 2021 (ARPA), decreased by $107 billion to $90 billion. The Treasury used those funds to provide grants to state, local, tribal, and territorial governments.
- 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 nine 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 $118 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $58 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicaid** outlays increased by $55 billion (or 14 percent). Enrollment has risen largely because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the public health emergency.
- **Medicare** outlays increased, on net, by $5 billion (or 1 percent) because of increases to benefit payments that were partially offset by increased recoveries of payments that had previously been made to providers.

Net outlays for **interest on the public debt** increased by $76 billion (or 26 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

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 28 percent), in large part because of an increase in average benefits under the Supplemental Nutrition Assistance Program.
- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by $30 billion. Fiscal year 2021 spending included outlays from funding provided by the CARES Act, ARPA, and the Consolidated Appropriations Act, 2021 (2021 CAA). Fiscal year 2022 spending includes a small share of outlays resulting from those laws because most of the funding was exhausted by the end of fiscal year 2021.
- Outlays from the **Public Health and Social Services Emergency Fund** increased by $26 billion (or 51 percent) because 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 of the **Department of Education** increased by $26 billion (or 21 percent), primarily because of increased spending from the Education Stabilization Fund, which provides funds to states, local educational agencies, private schools, and institutions of higher education.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $25 billion (or 76 percent). State and local governments received grants under the 2021 CAA and ARPA to assist low-income households with paying rent during the pandemic. The decrease in outlays relative to the same period last year is the result of an ARPA provision requiring grantees to meet spending targets before accessing a portion of the funds.
- Spending by the **Department of Veterans Affairs** increased by $21 billion (or 12 percent) mostly because of increased use of health care services and per capita increases in veterans' benefits.

- Outlays from **Ginnie Mae and other mortgage loan programs** administered by the Department of Housing and Urban Development (HUD) were an estimated $18 billion lower than last year, largely because of a downward revision, recorded in June 2022, of about $23 billion to the estimated subsidy costs of housing loans previously made by the Federal Housing Administration.
- Outlays for other programs administered by the **Department of Agriculture** decreased by $16 billion (or 32 percent), in part because of lower spending for the Coronavirus Food Assistance Program, which covered higher marketing costs related to the pandemic.

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

Estimated Deficit in June 2022: $88 Billion

The federal government incurred a deficit of $88 billion in June 2022, CBO estimates—$86 billion less than the deficit recorded last June.

Table 4.

Budget Totals, June

Billions of Dollars

			Estimated Change	
	Actual, FY 2021	Preliminary, FY 2022	Billions of Dollars	Percent
Receipts	449	461	11	3
Outlays	623	548	−75	−12
Deficit (−)	−174	−88	86	−49

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

FY = fiscal year.

CBO estimates that receipts in June totaled $461 billion—$11 billion (or 3 percent) more than in the same month last year. Receipts of individual income and payroll taxes grew by $3 billion (or 1 percent). The net collections of those taxes were boosted by a decline in refunds of individual income taxes, which were $16 billion (or 64 percent) less than they were last June, in part because of the different tax-filing deadlines this year and last. But nonwithheld payments for those sources, which included a quarterly estimated payment for the current tax year, declined by $8 billion (or 6 percent), and amounts withheld from workers' paychecks declined by $5 billion (or 2 percent). Corporate income taxes increased by $8 billion (or 11 percent) relative to collections last June.

Total spending in June 2022 was $548 billion, CBO estimates—$75 billion (or 12 percent) less than in the same month last year. The largest contributors to that reduction were as follows:

- Outlays for **unemployment compensation** decreased by $38 billion—from $40 billion in June 2021 to $2 billion in June 2022.
- Outlays by the **Small Business Administration** decreased by $32 billion.
- Outlays by **Ginnie Mae and other mortgage loan programs** administered by HUD were an estimated $23 billion lower this June than in June 2021, largely because of a downward revision to the subsidy costs of housing loans (discussed above).
- Spending by the Department of the Treasury from the **Coronavirus Relief Fund** fell by $9 billion, from $65 billion in June of 2021 to $57 billion in June of 2022.

- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by $7 billion. Most funding for the program was exhausted in June 2021, and no outlays were made in June 2022.

Partially offsetting those reductions, outlays for some activities increased:

- Outlays from the Department of the Treasury's **Exchange Stabilization Fund** (included in "Other" in Table 3) were $10 billion higher, largely because the Treasury collected $10 billion in June of last year from equity investments in certain credit, liquidity, and loan facilities of the Federal Reserve. Those facilities were created to mitigate financial stress caused by the pandemic, and their proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays. The collections in 2021 were offset by outlays recorded in 2020, when the Treasury made the original investments.
- Outlays for **Medicaid** increased by $8 billion.
- Outlays for **Social Security** increased by $8 billion.
- Spending by the Department of the Treasury for the **Emergency Capital Investment Program** increased by $6 billion. The 2021 CAA provided $9 billion for the Treasury to make capital investments in low- and moderate-income community financial institutions. The program began making significant investments in April and May 2022.
- Net outlays for **interest on the public debt** increased by $3 billion.

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

Actual Deficit in May 2022: $66 Billion

The Treasury Department reported a deficit of $66 billion for May—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: May 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 Dan Ready 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/58219.

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