



Monthly Budget Review: August 2022

September 9, 2022

The federal budget deficit was \$944 billion in the first 11 months of fiscal year 2022 (that is, from October 2021 through August 2022), the Congressional Budget Office estimates—\$1.8 trillion less than it was at the same point last year. Revenues were \$822 billion (or 23 percent) higher and outlays were \$945 billion (or 15 percent) lower than they were during the same period a year ago. Revenues in all major categories rose, especially individual income taxes. Spending related to the coronavirus pandemic declined, particularly for the recovery rebates (also known as economic impact payments), unemployment compensation, pandemic relief through the Small Business Administration (SBA), and relief to state, local, tribal, and territorial governments.

Table 1.
Budget Totals, October–August

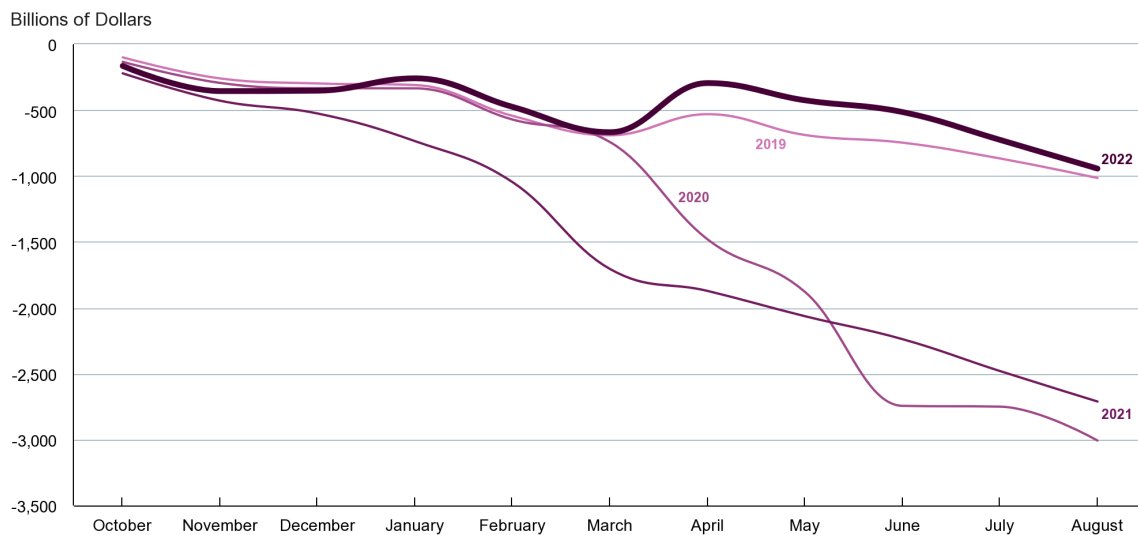
Billions of Dollars	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	3,586	4,409	822
Outlays	<u>6,297</u>	<u>5,352</u>	<u>-945</u>
Deficit (-)	-2,711	-944	1,767

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for July 2022 and the *Daily Treasury Statements* for August 2022.
FY = fiscal year.

On August 24, 2022, the Administration announced plans to forgive certain portions of federal student loans for many borrowers and other changes to the student loan program. CBO's budget estimates through August do not include outlays related to those actions because the Administration had not recorded any related costs.

Ordinarily, with just one month left in the fiscal year, projecting the annual deficit would be relatively straightforward. This year, however, the announced changes to the student loan program add significant uncertainty because they may lead to the recording of substantial outlays in September. Under the Federal Credit Reform Act, the estimated long-term effects of such changes to the terms of outstanding loans are recorded as an increase in outlays in the month when those terms are changed. This year, both the timing and the amounts of the changes to the student loan program are uncertain. Without the changes to student loans, CBO's projection of the 2022 budget deficit would be about \$1.0 trillion, compared with a \$2.8 trillion shortfall last year. If significant numbers of student loans are modified in September, the 2022 deficit could be considerably larger than CBO has estimated. Some of the announced changes (such as the changes to income-driven repayment plans) will increase deficits in future years.

Figure 1.
Cumulative Monthly Deficits
Fiscal Years 2019 to 2022



Data Sources: Congressional Budget Office; Department of the Treasury.
 The value shown for August 2022 is CBO's estimate.
 Values for all months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Up by 23 Percent in Fiscal Year 2022

Receipts totaled \$4.4 trillion during the first 11 months of fiscal year 2022, CBO estimates—\$822 billion more than during the same period a year ago.

- **Individual income and payroll (social insurance) taxes** together rose by \$742 billion (or 25 percent).
 - Amounts withheld from workers' paychecks rose by \$377 billion (or 15 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 \$314 billion (or 40 percent). Most of that increase occurred during April and May, when taxpayers made their final payments for 2021.
 - Individual income tax refunds were \$36 billion (or 14 percent) lower than in the same period a year ago. (The portion of refundable tax credits classified as outlays, including the recovery rebates and the expanded child tax credits, is discussed separately below.)
 - Unemployment insurance receipts (one type of payroll tax) were \$15 billion (or 29 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.

Table 2.
Receipts, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Individual Income Taxes	1,830	2,406	576	32
Payroll Taxes	1,191	1,356	165	14
Corporate Income Taxes	285	319	33	12
Other Receipts	<u>281</u>	<u>328</u>	<u>47</u>	17
Total	3,586	4,409	822	23
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,458	2,835	377	15
Other, net of refunds	<u>562</u>	<u>927</u>	<u>365</u>	65
Total	3,020	3,762	742	25

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

FY = fiscal year.

- Collections of **corporate income taxes** increased, on net, by \$33 billion (or 12 percent).
- Receipts from **other sources**, on net, rose by \$47 billion (or 17 percent).
 - Remittances from the Federal Reserve increased by \$17 billion (or 19 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
 - Customs duties rose by \$19 billion (or 26 percent), reflecting an increase in imports.
 - Excise taxes rose by \$12 billion (or 18 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 15 Percent in Fiscal Year 2022

Outlays in the first 11 months of fiscal year 2022 were \$5.4 trillion—\$945 billion (or 15 percent) less than during the same period last year, CBO estimates.

The largest decreases in spending were as follows:

- Outlays for certain **refundable tax credits** totaled \$281 billion—a decrease of \$469 billion, or 63 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 was higher spending on the child tax credit and the premium tax credit.
- Outlays for **unemployment compensation** decreased by \$346 billion because enhanced benefits that had been enacted earlier in the pandemic expired in September 2021 and because the number of people receiving unemployment benefits declined.

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

Table 3.
Outlays, October–August

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	
			Billions of Dollars	Percent
Social Security Benefits	1,029	1,103	74	7
Medicare ^a	634	649	16	2
Medicaid	475	541	65	14
Subtotal, Largest Mandatory Spending Programs	2,138	2,293	155	7
Refundable Tax Credits ^b	750	281	-469	-63
Unemployment Compensation	381	35	-346	-91
Small Business Administration	320	24	-296	-93
Coronavirus Relief	240	103	-138	-57
Spectrum Auction Receipts	-4	-81	-77	*
DoD—Military ^c	654	649	-5	-1
Net Interest on the Public Debt	379	501	121	32
Other	1,439	1,548	109	8
Total	6,297	5,352	-945	-15

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.

- Spending by the **Small Business Administration** decreased by \$296 billion. In the first 11 months of fiscal year 2021, the SBA recorded a total of \$320 billion in outlays, primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Spending by the Treasury on **coronavirus relief to state, local, tribal, and territorial governments** decreased by \$138 billion.
- Receipts from the **auction of licenses to use the electromagnetic spectrum** totaled \$81 billion in the first 11 months of the fiscal year, compared with \$4 billion in the same period last fiscal year. Auction proceeds are recorded in the budget as offsetting receipts—that is, as reductions in outlays.

Outlays for the largest mandatory spending programs increased by \$155 billion (or 7 percent):

- Spending for **Social Security** benefits rose by \$74 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicaid** outlays increased by \$65 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 coronavirus public health emergency.
- **Medicare** outlays increased, on net, by \$16 billion (or 2 percent) because of increases to benefit payments that were partially offset by increased recovery of payments that had previously been made to providers.

Net outlays for **interest on the public debt** increased by \$121 billion (or 32 percent), primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.

Outlays included in “Other” in Table 3 rose by \$109 billion, on net, with some increases and some decreases. The largest changes were these:

- Outlays of the **Department of Education** increased by \$41 billion (or 27 percent) because of increased spending from the Education Stabilization Fund, which provides funds to states, local education agencies, private schools, and postsecondary institutions, as well as higher spending on student loans.
- Spending by the Department of Agriculture’s **Food and Nutrition Service** increased by \$28 billion (or 19 percent), mainly because of higher average benefits under the Supplemental Nutrition Assistance Program and because nationwide waivers for child nutrition increased the number of free meals served at schools during the 2021-2022 school year.
- Spending on **U.S. Coronavirus Refundable Credits** (a group of tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers) and for the **child and dependent care tax credit** (which was made refundable for tax year 2021) rose by a total of \$25 billion, a nearly fourfold increase.
- Spending by the **Department of Veterans Affairs** increased by \$25 billion (or 12 percent) mostly because of increased use of health care services and per capita increases in veterans’ benefits.
- Outlays from the **Public Health and Social Services Emergency Fund** increased by \$24 billion (or 36 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 for **international assistance** programs increased by \$14 billion primarily because of increased spending authorized by ARPA and because of emergency support for Ukraine.
- Outlays from the Department of the Treasury’s **Exchange Stabilization Fund** were \$12 billion higher. That occurred because offsetting receipts—that is, negative outlays—shrank from \$12 billion last year to \$0.1 billion this year. In fiscal year 2020 the fund made equity investments of \$12 billion in certain Federal Reserve facilities that provided liquidity for a wide range of economic activities. Those facilities were designed to address financial strain caused by the pandemic. In fiscal year 2021 the Federal Reserve returned that \$12 billion to the fund, boosting its offsetting receipts.
- Spending by the Department of the Treasury for **payroll support for the aviation industry** fell by \$31 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; most of the funding had been exhausted by the end of fiscal year 2021.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by \$24 billion (or 72 percent). State and local governments received grants under the 2021 CAA and ARPA to assist low-income households with paying rent during the pandemic.

- Outlays for other programs administered by the **Department of Agriculture** decreased by \$12 billion (or 22 percent). Lower spending for the Coronavirus Food Assistance Program, which covers higher marketing costs related to the pandemic, was partially offset by higher spending on the Emergency Relief Program, which provides support to producers of livestock and crops for losses from natural disasters in 2020 and 2021.
- Spending by the **Department of Homeland Security** was \$10 billion (or 12 percent) lower than in the same period in 2021. Spending from the Disaster Relief Fund was boosted in the first half of fiscal year 2021 by payments for unemployment benefits under the provisions of a Presidential memorandum issued in August 2020.²

Estimated Deficit in August 2022: \$217 Billion

The federal government incurred a deficit of \$217 billion in August 2022, CBO estimates—\$47 billion more than the deficit recorded last August. Revenues and outlays were higher this August than they were a year ago. Outlays in August 2021 were affected by a shift in the timing of certain federal payments that otherwise would have been due on August 1, 2021, which fell on a weekend (those payments were made in July 2021). If not for those shifts, the August 2022 deficit would have been \$13 billion *less* than the deficit in August 2021.

Table 4.

Budget Totals for August

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays ^a	
				Billions of Dollars	Percent
Receipts	268	304	36	36	13
Outlays	<u>439</u>	<u>521</u>	<u>82</u>	<u>22</u>	4
Deficit (-)	-171	-217	-47	13	-6

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

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 \$231 billion in August 2021, CBO estimates.

CBO estimates that receipts in August totaled \$304 billion—\$36 billion (or 13 percent) more than in the same month last year—primarily because receipts of individual income and payroll taxes grew by \$34 billion (or 15 percent). The largest source of that increase was amounts withheld from workers' paychecks, which rose by \$22 billion (or 10 percent). The net collections of those taxes also were boosted by a decline in refunds of individual income taxes, which were \$8 billion (or 44 percent) lower than they were in August last year. Unemployment insurance receipts increased by \$3 billion (or 42 percent). Revenues from all other sources rose by \$2 billion, on net.

Outlays in August 2022 totaled \$521 billion, CBO estimates. If not for timing shifts that decreased spending in August 2021, outlays in August 2022 would have been \$22 billion more than in August 2021, an increase of 4 percent. The largest contributors were as follows:

2. See the White House, Presidential Memoranda, "Memorandum on Authorizing the Other Needs Assistance Program for Major Disaster Declarations Related to Coronavirus Disease 2019" (August 8, 2020), <https://tinyurl.com/53uw7sbz>.

- Net outlays for **interest on the public debt** increased by \$29 billion, primarily because higher inflation this year has resulted in large adjustments to the principal of inflation-protected securities.
- Outlays by the **Small Business Administration** were an estimated \$19 billion higher this August than in the same month last year; SBA recorded net outlays of –\$18 billion in August 2021. That amount consists of approximately \$27 billion in downward revisions to the subsidy costs of loans made under the Disaster Loan and Business Loan programs and \$9 billion in spending by the agency. SBA’s spending in August 2022 was \$1 billion.
- Outlays for the **Department of Education** increased by \$18 billion—from \$15 billion to \$33 billion. Beginning in March 2020, payments and interest accrual on most outstanding student loans were suspended by a series of administrative and legislative actions. The net present value of the costs of those pauses is recorded as an outlay under the procedures established in the Federal Credit Reform Act. The Administration determines in which fiscal year and month to record those costs. The estimated \$20 billion cost of suspending payments and interest accrual from May 1, 2022, through August 31, 2022, was recorded in August 2022. No such outlays were recorded in August 2021.
- Outlays for **Social Security** increased by \$8 billion.
- Outlays for **Medicaid** increased by \$7 billion.
- Outlays for **Medicare** increased by \$5 billion.
- Spending for the military programs of the **Department of Defense** increased by \$5 billion.

Partially offsetting those increases, outlays for some activities decreased:

- Outlays for **unemployment compensation** were \$2 billion in August 2022, a decrease of \$27 billion.
- Spending on **coronavirus relief to state, local, tribal, and territorial governments** fell by \$25 billion—from \$29 billion in August 2021 to \$4 billion in August 2022.
- Payments of **refundable tax credits** decreased by \$22 billion, mostly because advance payments of the child tax credit were made between July and December 2021.

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

Actual Deficit in July 2022: \$211 Billion

The Treasury Department reported a deficit of \$211 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 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/58416.



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