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

Monthly Budget Review: March 2023

April 10, 2023

The federal budget deficit was $1.1 trillion in the first half of fiscal year 2023, the Congressional Budget Office estimates—$430 billion more than the shortfall recorded during the same period last year—and consistent with projections CBO released in February.[1] Outlays were 13 percent higher and revenues were 3 percent lower from October through March than during the same period in fiscal year 2022.

Outlays in the past six months 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. At the same time, outlays *increased* through March 2023 because certain payments that otherwise would have been due on April 1, a weekend, were made in March. The deficit in the first half of fiscal year 2023 would have been $10 billion smaller if those various shifts had not occurred.

Table 1.

Budget Totals, October–March

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	2,122	2,049	−73	−73	−3
Outlays	2,790	3,147	357	346	12
Deficit (−)	−668	−1,099	−430	−420	63

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

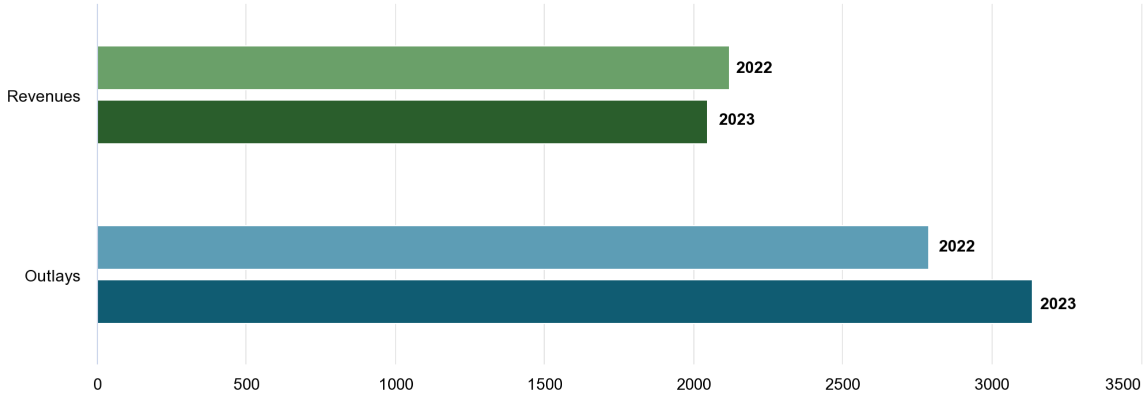
FY = fiscal year.

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 $1,088 billion rather than $1,099 billion from October 2022 through March 2023, CBO estimates.

1. Congressional Budget Office, *The Budget and Economic Outlook: 2023 to 2033* (February 2023), www.cbo.gov/publication/58848.

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.
October-March Revenues and Outlays
Fiscal Years 2022 and 2023
Billions of Dollars



Data sources: Congressional Budget Office; Department of the Treasury.
Amounts included for March 2023 are CBO's estimates.
All months have been adjusted to exclude the effects of timing shifts.

Total Receipts: Down by 3 Percent in Fiscal Year 2023

Receipts totaled $2.0 trillion during the first half of fiscal year 2023, CBO estimates—$73 billion (or 3 percent) less than during the same period a year before.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $33 billion (or 2 percent) because individual income tax refunds more than offset increases in some other categories.
  - Amounts withheld from workers' paychecks increased by $45 billion (or 3 percent). Those taxes are withheld on wages and salaries, including bonus income; the amount withheld depends on a taxpayer's expected tax bracket.
  - Nonwithheld payments of income and payroll taxes rose by $1 billion (or less than 1 percent) compared with the same period last fiscal year. October payments—mostly from taxpayers with filing extensions for 2021—rose by $14 billion (or 37 percent). Receipts in January 2023 included estimated individual income taxes for the first quarter of the current fiscal year and were largely for 2022 tax liabilities. Payments from January through March were $13 billion (or 6 percent) less than those in the same months last year.
  - Unemployment insurance receipts (one type of payroll tax) were $11 billion (or 39 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, which is a federal program administered by the states.
  - Individual income tax refunds rose by $68 billion (or 56 percent), thereby reducing net receipts. 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 number of refunds issued through the fourth week of March was 3 percent greater than in the same period in 2022.

Table 2.

Receipts, October–March

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,124	1,030	−94	−8
Payroll Taxes	698	760	62	9
Corporate Income Taxes	127	140	13	10
Other Receipts	172	119	−53	−31
Total	**2,122**	**2,049**	**−73**	**−3**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,637	1,682	45	3
Other, net of refunds	186	108	−78	−42
Total	**1,822**	**1,790**	**−33**	**−2**

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

FY = fiscal year.

- Collections of **corporate income taxes** increased, on net, by $13 billion (or 10 percent).
- Receipts from **other sources,** on net, decreased by $53 billion (or 31 percent).
  - Remittances from the Federal Reserve decreased from $61 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.
  - Customs duties declined by $7 billion (or 15 percent).
  - Estate and gift taxes increased by $7 billion (or 50 percent), a likely result of estate tax collections, which generally are due nine months after the estate owner's death.
  - Collections of miscellaneous fees and fines increased by $5 billion (or 54 percent).

Total Outlays: Up by 13 Percent in Fiscal Year 2023

Outlays in the first six months of fiscal year 2023 were $3.1 trillion, $357 billion (or 13 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 $346 billion (or 12 percent) more than during the same period in fiscal year 2022. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–March

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	590	652	61	61	10
Medicare[b]	346	403	58	49	14
Medicaid	288	310	22	22	8
Subtotal, Largest Mandatory Spending Programs	**1,224**	**1,365**	**141**	**132**	**11**
Refundable Tax Credits[c]	202	116	−86	−86	−43
PHSSEF	59	17	−42	−42	−72
Small Business Administration	18	1	−17	−17	−94
Spectrum Auction Receipts	−81	0	81	81	−100
Department of Education	70	123	53	53	75
PBGC	−1	37	38	38	n.m.
DoD—Military[d]	358	385	27	27	7
Net Interest on the Public Debt	219	308	90	90	41
Other	721	795	74	72	10
Total	**2,790**	**3,147**	**357**	**346**	**12**

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

DoD = Department of Defense; FY = fiscal year; PBGC = Pension Benefit Guaranty Corporation; PHSSEF = Public Health and Social Services Emergency Fund; n.m. = not meaningful.

a. 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 $3,137 billion in the first half of fiscal year 2023.

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.

Outlays for the largest mandatory spending programs increased, on net, by $132 billion (or 11 percent):

- Spending for **Social Security** benefits rose by $61 billion (or 10 percent) because of increases both in the number of beneficiaries and in the average benefit payment, which rose primarily because of cost-of-living adjustments.
- **Medicare** outlays increased by $49 billion (or 14 percent) because of changes in payment rates and in the types and quantity of care beneficiaries received.
- **Medicaid** outlays increased by $22 billion (or 8 percent) as a result of enrollment increases that were mainly attributable to provisions in the Families First Coronavirus Response Act requiring 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 federal actions taken during the pandemic, which increased outlays last year:

- Outlays for certain **refundable tax credits** totaled $116 billion—a decrease of $86 billion, or 43 percent.[2] That reduction occurred because the expanded child tax credit has expired. (In tax year 2021, eligibility for and the size of the child tax credit were expanded, and advance payments were made between July and December 2021.)
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $42 billion (or 72 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 $17 billion, or 94 percent. In the first half of fiscal year 2022, that agency recorded nearly $18 billion in outlays, mostly for disaster loans and for grants to operators of shuttered entertainment venues. Those outlays declined toward the end of fiscal year 2022, and there has been little such spending in the current fiscal year.

Outlays increased substantially in several other areas:

- Net outlays for **interest on the public debt** increased by $90 billion (or 41 percent), mainly because interest rates are significantly higher than they were in the first six months of fiscal year 2022.
- 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 six months of fiscal year 2022, receipts totaled $81 billion—all recorded in January. No such receipts were collected during the first six months of 2023, resulting in a net increase in outlays.
- Outlays of the **Department of Education** increased by $53 billion (or 75 percent), primarily because the Administration has recorded the costs associated with the extension of the pause on student loan payments, interest accrual, and collection of loans in default.
- Net spending by the **Pension Benefit Guaranty Corporation** increased by $38 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC; included in “Other” in Table 3) rose by $29 billion when it invoked a “systemic risk exception” in March in response to a pair of bank failures. (Federal spending rises when the FDIC makes payments to cover deposits at failed banks.) The FDIC expects to recover much of that amount by liquidating the banks’ assets and collecting higher premiums from FDIC-insured institutions over the next several years.
- Spending by the **Department of Defense** was $27 billion (or 7 percent) greater than in the same period last fiscal year; the largest increases were for operations and maintenance and research and development.
- Spending by the **Department of Veterans Affairs** (also in “Other” in Table 3) increased by $15 billion (or 12 percent), mostly because of increased use of health care services and per capita increases in veterans’ benefits.

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.

- Outlays related to **U.S. Coronavirus Refundable Credits** (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 $26 billion, more than double last year's amount.
- Outlays for **international assistance programs** (in "Other") increased by $8 billion (or 65 percent), primarily because of emergency support for Ukraine.

Estimated Deficit in March 2023: $376 Billion

The federal government incurred a deficit of $376 billion in March 2023, CBO estimates—$183 billion more than the shortfall recorded in March 2022. Outlays in March 2023 were affected by shifts in the timing of certain federal payments that otherwise would have been due on April 1, which fell on a weekend (those payments were made in March). If not for those shifts, the deficit in March 2023 would have been smaller—$302 billion.

Table 4.

Budget Totals for March

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	315	314	−2	−2	−1
Outlays	508	690	182	108	21
Deficit (−)	−193	−376	−183	−110	57

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 April 1. If not for those shifts, the budget would have shown a deficit of $302 billion in March 2023, CBO estimates.

CBO estimates that receipts in March 2023 totaled $314 billion—$2 billion (or 1 percent) less than the amount recorded in the same month last year. That comparison reflects offsetting changes among sources. Specifically, income and payroll taxes rose by $13 billion (or 5 percent), and corporate income taxes rose by $1 billion (or 11 percent). Those increases were offset by a decrease of $13 billion in remittances from the Federal Reserve and a decline of $4 billion (or 86 percent) in unemployment insurance receipts.

Total spending in March 2023 was $690 billion, CBO estimates—$182 billion (or 36 percent) more than last year. If not for timing shifts that increased spending in March of this year, outlays would have been $108 billion (or 21 percent) more than in March 2022. That overall change is the net result of increases and decreases in several areas. The largest increases were as follows:

- Outlays of the **Department of Education** increased by $34 billion, reflecting the costs associated with extending the pause on student loan repayments.
- Spending by the **Federal Deposit Insurance Corporation** increased by $29 billion to cover deposits at two failed banks.
- Net outlays for **interest on the public debt** increased by $24 billion (or 53 percent).
- Outlays for **Medicare** increased by $12 billion (or 21 percent).
- Outlays for **Social Security** increased by $12 billion (or 12 percent).

- Spending by the **Department of Defense** rose by $11 billion (or 18 percent).
- Spending for **Medicaid** increased by $8 billion (or 14 percent).

The largest decreases were as follows:

- Outlays for certain **refundable tax credits** decreased by $18 billion (or 36 percent).
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $6 billion (or 74 percent).

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

Actual Deficit in February 2023: $262 Billion

The Treasury Department reported a deficit of $262 billion for February—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: February 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. Aldo Prosperi 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/58995.

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