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

Monthly Budget Review: May 2022

June 8, 2022

The federal budget deficit was $423 billion in the first eight months of fiscal year 2022 (that is, from October 2021 through May 2022), the Congressional Budget Office estimates. That amount is about one-fifth of the $2.1 trillion shortfall recorded during the same period in 2021. Revenues were $768 billion (or 29 percent) higher and outlays were $873 billion (or 19 percent) lower than during the same period a year ago.

Table 1.

Budget Totals, October–May

Billions of Dollars

	Actual, FY 2021	Preliminary, FY 2022	Estimated Change
Receipts	2,607	3,375	768
Outlays	4,671	3,798	−873
Deficit (−)	−2,064	−423	1,641

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

FY = fiscal year.

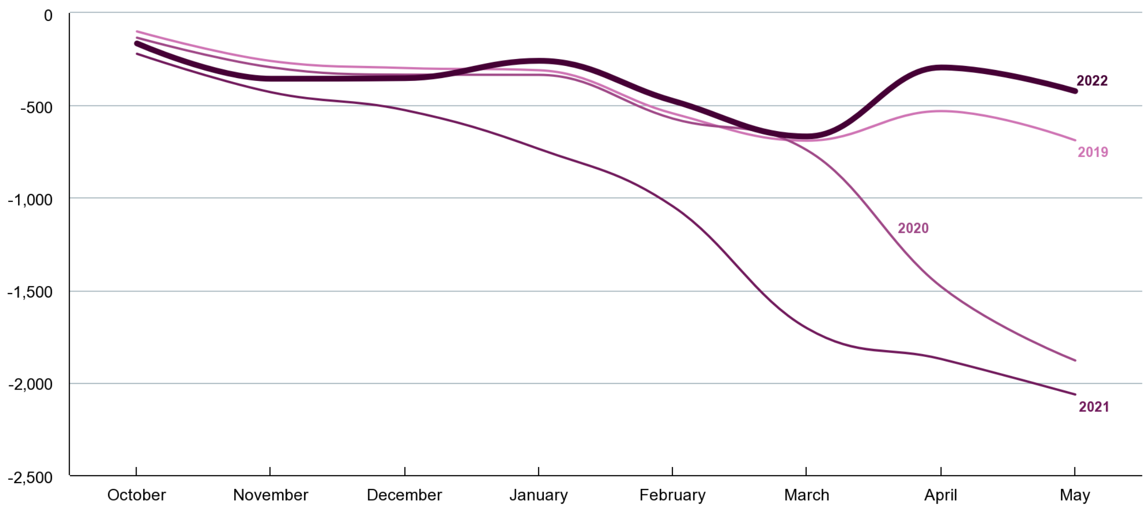
The deficit at this point last year was much larger because of spending in response to the coronavirus pandemic—mostly for the recovery rebates (also known as economic impact payments), unemployment compensation, pandemic relief through the Small Business Administration (SBA), and the Coronavirus Relief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

In its recently published report on the budget outlook, taking into account legislation enacted through April 8, CBO projected a deficit of $1.0 trillion for 2022, $1.7 trillion less than the shortfall recorded last year.[1]

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
Billions of Dollars



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

Total Receipts: Up by 29 Percent in Fiscal Year 2022

Receipts totaled $3.4 trillion during the first eight months of fiscal year 2022, CBO estimates—$768 billion more than during the same period a year ago. CBO projects that, for the fiscal year as a whole, revenues will total $4.8 trillion, a year-over-year increase of 19 percent.

- **Individual income** and **payroll (social insurance) taxes** together rose by $687 billion (or 31 percent).
  - Amounts withheld from workers' paychecks rose by $345 billion (or 19 percent). That result was attributable in part to higher nominal 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 50 percent). Most of that increase occurred during April and May, when taxpayers made their final payments of taxes for the prior year. (Last year, the deadline was in May; this year, it was in April.)
  - Unemployment insurance receipts (one type of payroll tax) were $13 billion (or 34 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–May

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,326	1,935	610	46
Payroll Taxes	901	978	77	9
Corporate Income Taxes	191	224	33	17
Other Receipts	189	238	48	26
Total	**2,607**	**3,375**	**768**	**29**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,781	2,126	345	19
Other, net of refunds	446	788	342	77
Total	**2,227**	**2,914**	**687**	**31**

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

FY = fiscal year.

- Individual income tax refunds were $17 billion (or 8 percent) less than in the same period a year ago. (The amounts of refundable tax credits that are classified as outlays, including the recovery rebates and the expanded child tax credits, are reported separately below.)

■ Collections of **corporate income taxes** increased, on net, by $33 billion (or 17 percent).

■ Receipts from **other sources,** on net, rose by $48 billion (or 26 percent).

- Remittances from the Federal Reserve increased by $25 billion (or 43 percent). Additional interest earnings on assets purchased since last year contributed to the rise.
- Customs duties rose by $15 billion (or 30 percent), reflecting an increase in imports.
- Excise taxes rose by $10 billion (or 23 percent), reflecting a general increase in economic activity.

Total Outlays: Down by 19 Percent in Fiscal Year 2022

Outlays in the first eight months of fiscal year 2022 were $3.8 trillion—$873 billion (or 19 percent) less than during the same period last year, CBO estimates. Excluding the effects of any legislation enacted after April 8, 2022, CBO projects that, for the fiscal year as a whole, outlays will amount to $5.9 trillion, a decline of 14 percent.[2]

2. CBO estimates that, excluding the effects of timing shifts, outlays in 2022 will be $5.8 trillion.

Table 3.

Outlays, October–May

Billions of Dollars

Major Program or Category	Actual, FY 2021	Preliminary, FY 2022	Estimated Change: Billions of Dollars	Estimated Change: Percent
Social Security Benefits	745	795	50	7
Medicare[a]	453	458	5	1
Medicaid	339	386	47	14
Subtotal, Largest Mandatory Spending Programs	**1,538**	**1,639**	**101**	**7**
Refundable Tax Credits[b]	672	251	−421	−63
Small Business Administration	294	23	−271	−92
Unemployment Compensation	283	29	−254	−90
Coronavirus Relief Fund	131	33	−98	−75
Spectrum Auction Receipts	−4	−81	−77	*
DoD—Military[c]	480	471	−9	−2
Net Interest on the Public Debt	253	325	73	29
Other	1,025	1,108	82	8
Total	**4,671**	**3,798**	**−873**	**−19**

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 $251 billion—a decrease of $421 billion, or 63 percent.[3] 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 $271 billion. In the first eight months of fiscal year 2021, the SBA recorded a total of $294 billion in outlays, primarily for loans and loan guarantees made to small businesses under the Paycheck Protection Program.
- Outlays for **unemployment compensation** decreased by $254 billion, from $283 billion in the first eight months of fiscal year 2021 to $29 billion in the first eight months of 2022. That spending declined both because the enhanced benefits that were enacted earlier in the pandemic expired in September 2021 and because unemployment declined.

3. 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 $98 billion to $33 billion. The Treasury used those sums to provide grants to state, local, tribal, and territorial governments to offset expenses stemming from the pandemic.
- 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 eight 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 $101 billion (or 7 percent):

- Spending for **Social Security** benefits rose by $50 billion (or 7 percent) because of increases both in the number of beneficiaries and in the average benefit payment.
- **Medicare** outlays increased 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.
- **Medicaid** outlays increased by $47 billion (or 14 percent). Enrollment has risen because the Families First Coronavirus Relief Act requires states to maintain the eligibility of all enrollees until the end of the public health emergency.

Net outlays for **interest on the public debt** increased by $73 billion (or 29 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 $35 billion (or 36 percent), in large part because average benefits rose under the Supplemental Nutrition Assistance Program.
- Outlays of the **Department of Education** increased by $27 billion (or 37 percent), primarily because of increased spending on emergency grants through the Education Stabilization Fund.
- Outlays of the **Public Health and Social Services Emergency Fund** increased by $26 billion (or 54 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.
- Spending by the **Department of Veterans Affairs** increased by $17 billion (or 11 percent) mostly because of increased use of health care services and per capita increases in veterans’ benefits.
- Outlays for the **Emergency Rental Assistance Program** of the Department of the Treasury decreased by $25 billion (or 78 percent). State and local governments received grants under the Consolidated Appropriations Act, 2021 (2021 CAA), and ARPA to assist low-income households with paying rent during the pandemic. The decrease in spending 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 the Treasury for **payroll support for the aviation industry** fell by $24 billion. Fiscal year 2021 spending included outlays from funding provided by the CARES Act, the 2021 CAA, and ARPA. Fiscal year 2022 spending includes a small share of outlays from those laws because most of the funding was exhausted by the end of fiscal year 2021.

- Outlays for other programs administered by the **Department of Agriculture** decreased by $19 billion (or 42 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 May 2022: $63 Billion

The federal government incurred a deficit of $63 billion in May 2022, CBO estimates—$69 billion less than the deficit recorded last year.

Table 4.

Budget Totals for May

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
	Actual, FY 2021	Preliminary, FY 2022	Estimated Change	Billions of Dollars	Percent
Receipts	464	389	−74	−74	−16
Outlays	596	452	−144	−139	−21
Deficit (−)	−132	−63	69	64	−34

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 $127 billion in May 2022 and a deficit of $192 billion in May 2021, CBO estimates.

Outlays in May, this year and last, were affected by shifts in the timing of certain federal payments that otherwise would have been due on a weekend. Shifts of payments from May into April decreased outlays by $65 billion in May 2022 and by $60 billion in May 2021. If not for those shifts, the deficit in May 2022 would have been $127 billion and the improvement from last year would have been $64 billion.

CBO estimates that receipts in May totaled $389 billion—$74 billion (or 16 percent) less than in the same month last year. That decrease is mostly caused by lower nonwithheld individual income taxes, which decreased by $140 billion (or 58 percent), partially offset by a reduction of $20 billion (or 52 percent) in individual refunds. Those changes occurred in part because of differing tax-filing deadlines. The tax-filing deadline for individual income taxes was postponed until May last year; it occurred as usual in April this year.

In addition, withheld individual income and payroll taxes increased by $38 billion (or 19 percent). That increase occurred in part because this May had one more business day than last May; it also reflects growth in wages and salaries.

Total spending in May 2022 was $452 billion, CBO estimates—$144 billion (or 24 percent) less than in the same month last year. If not for timing shifts that increased spending in May of each year, outlays in May 2022 would have been $139 billion less than outlays recorded for May 2021. The largest contributors to that reduction were as follows:

- Spending by the Department of the Treasury from the **Coronavirus Relief Fund** fell by $100 billion. May 2021 saw very large expenditures from that fund.
- Outlays by the **Small Business Administration** fell by $51 billion.
- Outlays for **unemployment compensation** decreased by $33 billion.

- Payments of **refundable tax credits** decreased by $13 billion. That reduction occurred largely because some of the third round of recovery rebates were still being paid in May 2021 and the tax filing deadline was extended to May 17, 2021, which shifted some outlays for the earned income tax credit into May of that year.
- Outlays for the **Emergency Rental Assistance Program** decreased by $6 billion.

Partially offsetting those reductions, outlays for some activities increased:

- Net outlays for **interest on the public debt** increased by $19 billion.
- Outlays for **Medicaid** increased by $8 billion.
- Outlays for **Social Security** increased by $8 billion.

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

Actual Surplus in April 2022: $308 Billion

The Treasury Department reported a surplus of $308 billion for April—the same amount that CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: April 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. 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/58111.

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