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

Monthly Budget Review: January 2023

February 8, 2023

The federal budget deficit was $459 billion in the first four months of fiscal year 2023, the Congressional Budget Office estimates—$200 billion more than the shortfall recorded during the same period last year. Outlays were 9 percent higher and revenues were 3 percent lower from October through January than 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 would have been $522 billion, double the shortfall during the same period in fiscal year 2022.

Table 1.

Budget Totals, October–January

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	1,517	1,474	−43	−43	−3
Outlays	1,776	1,933	157	220	12
Deficit (−)	−259	−459	−200	−263	102

Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for December 2022 and the *Daily Treasury Statements* for January 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 $522 billion rather than $459 billion from October 2022 through January 2023, CBO estimates.

Total Receipts: Down by 3 Percent in Fiscal Year 2023

Receipts totaled $1.5 trillion during the first four months of fiscal year 2023, CBO estimates—$43 billion less than during the same period a year before.

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.

Table 2.
Receipts, October–January

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	825	782	−42	−5
Payroll Taxes	469	504	35	7
Corporate Income Taxes	112	112	−1	−1
Other Receipts	111	75	−35	−32
Total	**1,517**	**1,474**	**−43**	**−3**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	1,079	1,098	19	2
Other, net of refunds	215	188	−27	−12
Total	**1,294**	**1,287**	**−7**	**−1**

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

FY = fiscal year.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $7 billion (or 1 percent), reflecting offsetting changes among categories.
  - Amounts withheld from workers' paychecks increased by $19 billion (or 2 percent). Those taxes are withheld on wages and salaries, including bonus income, and the amount withheld depends on a taxpayer's expected tax bracket.
  - Nonwithheld payments of income and payroll taxes rose by $4 billion (or 2 percent). October payments—mostly from taxpayers with filing extensions for 2021—rose by $14 billion (or 37 percent); January payments declined by $10 billion (or 7 percent). Payments in January included the first quarterly payments of estimated individual income taxes in the current fiscal year and were largely for 2022 tax liabilities.
  - Unemployment insurance receipts (one type of payroll tax) were $6 billion (or 33 percent) smaller this year. Those receipts were larger in 2022 because states were replenishing 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, which is a federal program administered by the states.
  - Individual income tax refunds increased by $24 billion (or 81 percent), reducing net receipts. Most refunds typically are made from February through April.
- Collections of **corporate income taxes** decreased, on net, by $1 billion (or 1 percent).

- Receipts from **other sources,** on net, decreased by $35 billion (or 32 percent).
  - Remittances from the Federal Reserve decreased from $37 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 fell by $4 billion (or 11 percent).
  - Collections of miscellaneous fees and fines increased by $4 billion (or 64 percent).

Total Outlays: Up by 9 Percent in Fiscal Year 2023

Outlays in the first four months of fiscal year 2023 were $1.9 trillion, CBO estimates, $157 billion more than during the same period last year. If not for the shifts in the timing of certain payments, outlays so far in fiscal year 2023 would have been $220 billion (or 12 percent) more than outlays during the same four months in fiscal year 2022. The discussion below reflects adjustments to exclude the effects of those timing shifts.

Table 3.

Outlays, October–January

Billions of Dollars

				Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
Major Program or Category	**Actual, FY 2022**	**Preliminary, FY 2023**	**Estimated Change**	**Billions of Dollars**	**Percent**
Social Security Benefits	387	424	37	37	10
Medicare[b]	233	221	−12	26	11
Medicaid	183	196	13	13	7
Subtotal, Largest Mandatory Spending Programs	**803**	**841**	**38**	**76**	**9**
Refundable Tax Credits[c]	81	32	−49	−49	−60
PHSSEF	43	14	−29	−29	−68
Small Business Administration	14	1	−13	−13	−95
Spectrum Auction Receipts	−81	0	81	81	n.m.
PBGC	−2	36	38	38	n.m.
Department of Education	54	71	18	18	33
DoD—Military[d]	241	251	10	15	6
Net Interest on the Public Debt	140	198	58	58	41
Other	482	489	7	27	6
Total	**1,776**	**1,933**	**157**	**220**	**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.

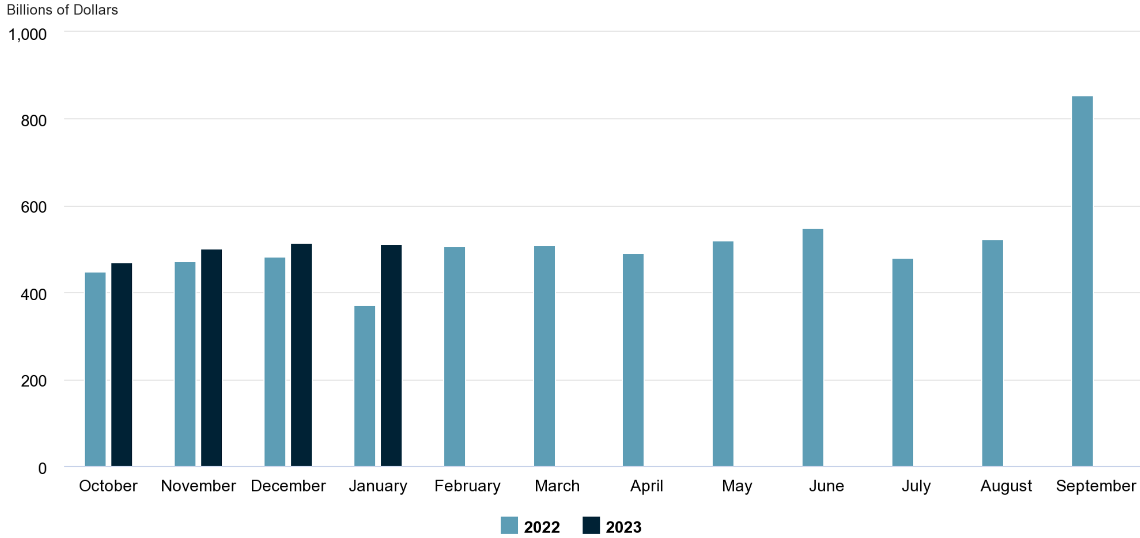
a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those timing shifts, outlays would have been $1,996 billion in the first four months of fiscal year 2023.

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.

Figure 1.
Monthly Total Outlays
Fiscal Years 2022 and 2023



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

Outlays for the largest mandatory spending programs increased by $76 billion (or 9 percent):

- Spending for **Social Security** benefits rose by $37 billion (or 10 percent) because of increases both in the number of beneficiaries and in the average benefit payment, which was boosted beginning in January 2023 by an 8.7 percent cost-of-living adjustment.
- **Medicare** outlays increased by $26 billion (or 11 percent) because of changes in payment rates and in the types and quantity of care beneficiaries used.
- **Medicaid** outlays increased by $13 billion (or 7 percent) as a result of enrollment increases, mainly attributable to provisions in the Families First Coronavirus Response Act that require 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 the evolving federal response to the pandemic:

- Outlays for certain **refundable tax credits** totaled $32 billion—a decrease of $49 billion, or 60 percent.[1] That reduction occurred because advance payments of the child tax credit ended. (Those payments were made between July and December 2021.)
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $29 billion (or 68 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.

1. 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.

- Spending by the **Small Business Administration** decreased by $13 billion. In the first four months of fiscal year 2022, that agency recorded nearly $14 billion in outlays, mostly for disaster loans and for grants to operators of shuttered entertainment venues. Those outlays trailed off toward the end of fiscal year 2022, and there has been little such spending in the current fiscal year.

Outlays increased substantially in several areas:

- The largest increase in outlays was related to receipts from the **auction of licenses to use the electromagnetic spectrum**. Proceeds from such auctions are recorded in the budget as offsetting receipts—that is, as reductions in outlays. In the first four months of fiscal year 2022, receipts totaled $81 billion—all recorded in January of that year. No such receipts were collected during the first four months of 2023, resulting in a net increase in outlays.
- Net outlays for **interest on the public debt** increased by $58 billion (or 41 percent), mainly because interest rates are significantly higher than they were in the first four months of fiscal year 2022.
- Net spending by the **Pension Benefit Guaranty Corporation** (PBGC) increased by $38 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program. During the first four months of 2022, PBGC recorded net collections of about $2 billion.
- Spending on **U.S. Coronavirus Refundable Credits** (included in “Other” in Table 3), a group of temporary tax credits for employers for sick and family leave, employee retention, and continuation of health insurance for certain workers, was $18 billion, nearly triple last year’s amount.
- Outlays of the **Department of Education** increased by $18 billion (or 33 percent), primarily because the Administration recorded the costs associated with final rules published in November 2022 that modified student loan repayments. Those rules expanded eligibility for the discharge of loans, eliminated the addition of unpaid interest to loan balances in certain circumstances, and increased eligibility for the Public Service Loan Forgiveness program.
- Spending by the **Department of Defense** was $15 billion (or 6 percent) greater than in the same period last fiscal year; the largest increases were for military personnel and operations and maintenance.
- Spending by the **Department of Veterans Affairs** (also in “Other”) increased by $8 billion (or 10 percent), mostly because of increased use of health care services and per capita increases in veterans’ benefits.

Estimated Deficit in January 2023: $38 Billion

The federal government incurred a deficit of $38 billion in January 2023, CBO estimates, compared with a *surplus* of $119 billion in January 2022—a difference of $157 billion. In both years, January outlays were affected by shifts in the timing of certain federal payments that otherwise would have been due on January 1. Payment shifts from January into December decreased outlays by $26 billion in January 2023 and by $24 billion in January 2022. If not for the shifting of those payments, the deficit in January 2023 would have been $64 billion, compared with a *surplus* of $94 billion in January 2022.

Table 4.

Budget Totals for January

Billions of Dollars

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Billions of Dollars	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Receipts	465	448	−17	−17	−4
Outlays	346	486	139	142	38
Deficit (−)	119	−38	−157	−159	−168

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 January 1. If not for those shifts, the budget would have shown a deficit of $64 billion in January 2023 and a surplus of $94 billion in January 2022, CBO estimates.

CBO estimates that receipts in January 2023 totaled $448 billion—$17 billion (or 4 percent) less than the amount recorded in the same month last year. That decrease was driven by smaller remittances from the Federal Reserve, which fell by $10 billion. Income and payroll taxes together fell by $5 billion (or 1 percent), further contributing to the decline.

Total spending in January 2023 was $486 billion, CBO estimates—$139 billion more than in the same month last year. If not for the shift of outlays from January to December both this year and last, outlays would have been $512 billion in January 2023 and $371 billion in January 2022. The largest increases were as follows (the amounts reflect adjustments to exclude the effects of the timing shifts):

- The largest increase in outlays was related to receipts from the **auction of licenses to use the electromagnetic spectrum.** Proceeds from such auctions are recorded in the budget as offsetting receipts—that is, as reductions in outlays. In January 2022, receipts totaled $81 billion; no receipts were collected this January.
- Net spending by the **Pension Benefit Guaranty Corporation** increased by $37 billion in January, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program. PBGC made less than $1 billion in such payments in January 2022.
- Net outlays for **interest on the public debt** increased by $13 billion (or 35 percent).
- Outlays for **Social Security** increased by $12 billion (or 12 percent), largely driven by a cost-of-living adjustment that took effect in January 2023.
- Outlays for **Medicare** increased by $6 billion (or 10 percent).

The largest decreases were as follows:

- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $8 billion (or 75 percent).
- Spending by the **Department of Transportation** decreased by $4 billion (or 33 percent).

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

Actual Deficit in December 2022: $85 Billion

The Treasury Department reported a deficit of $85 billion for December—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: December 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. Nathaniel Frentz and Jon Sperl 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/58882.

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