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

Monthly Budget Review: May 2023

June 8, 2023

The federal budget deficit was $1.2 trillion in the first eight months of fiscal year 2023, the Congressional Budget Office estimates—$735 billion more than the shortfall recorded during the same period last year. Revenues were 11 percent lower and outlays were 9 percent higher from October through May than they were during the same period in fiscal year 2022.

Shifts in the timing of certain payments affect that comparison. Outlays this fiscal year 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 timing shifts, the deficit in the first eight months of fiscal year 2023 would have been larger—$1,224 billion rather than $1,161 billion.

Table 1.

Budget Totals, October–May

Billions of Dollars

	Actual, FY 2022	Preliminary, FY 2023	Estimated Change	Estimated Change With Adjustments for Timing Shifts in Outlays[a]	
				Billions of Dollars	Percent
Receipts	3,375	2,995	−380	−380	−11
Outlays	3,801	4,156	355	418	11
Deficit (−)	−426	−1,161	−735	−798	187

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

FY = fiscal year.

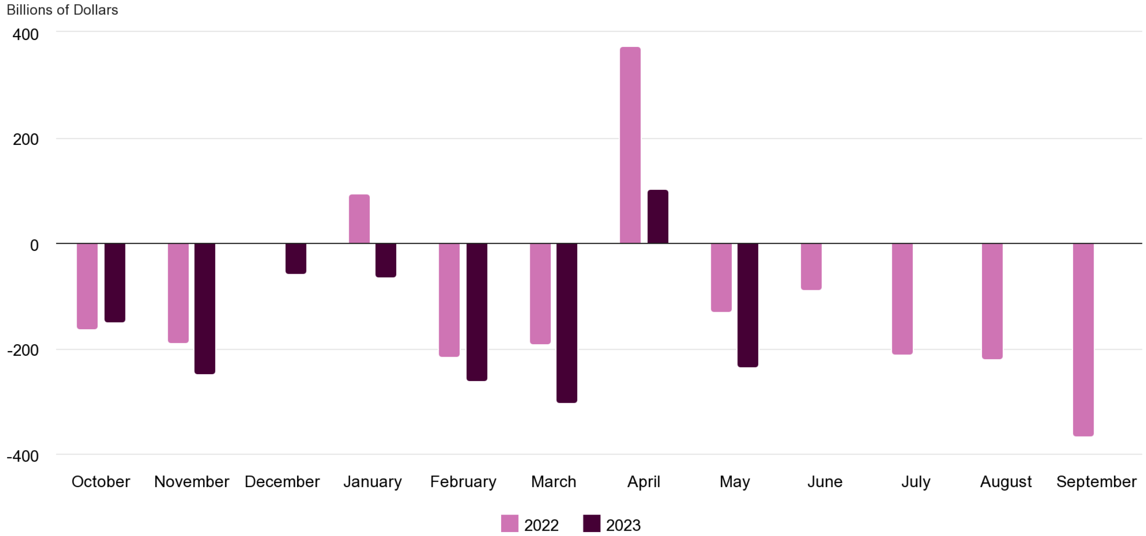
a. Adjusted amounts exclude the effects of shifting payments that otherwise would have been made on a weekend. If not for those shifts, the budget would have shown a deficit of $1,224 billion from October 2022 through May 2023, CBO estimates.

CBO's current projections show a federal budget deficit of $1.5 trillion for 2023.[1] That estimate is subject to considerable uncertainty, however. Revenue collections have been less than the agency expected, which could affect total revenues for the fiscal year. Outlays also could differ significantly from CBO's projections, most notably depending on the outcome of a case currently before the Supreme Court regarding the cancellation of outstanding student loan debt.

1. See Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2023 to 2033* (May 2023), www.cbo.gov/publication/59096.

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.
Monthly Total Deficits and Surpluses
Fiscal Years 2022 and 2023



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

Total Receipts: Down by 11 Percent in Fiscal Year 2023

Receipts totaled $3.0 trillion through May of fiscal year 2023, CBO estimates—$380 billion (or 11 percent) less than during the same period a year before. In its most recent baseline, CBO anticipated that receipts would decline this year, but the decline has been larger than expected.

Receipts collected through May 2023, net of refunds, were about $275 billion less than CBO anticipated. That decrease stems mainly from smaller-than-anticipated payments of individual income taxes collected in April. The reasons for the difference will be better understood as additional information becomes available, although one factor may be smaller collections of taxes on capital gains and other types of income.

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

- **Individual income** and **payroll (social insurance) taxes** together declined by $299 billion (or 10 percent).
    - Amounts withheld from workers' paychecks increased by $74 billion (or 3 percent). Those taxes are withheld from wages and salaries, including bonus income; the amount withheld depends on a taxpayer's expected tax bracket.
    - Nonwithheld payments of income and payroll taxes declined by $261 billion (or 28 percent) compared with the same period last fiscal year. That decline began in January and continued through tax-filing season, mostly reflecting a decrease in 2022 tax liabilities.

Table 2.
Receipts, October–May

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	1,935	1,553	−382	−20
Payroll Taxes	979	1,062	83	8
Corporate Income Taxes	223	228	5	2
Other Receipts	237	152	−86	−36
Total	**3,375**	**2,995**	**−380**	**−11**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	2,123	2,197	74	3
Other, net of refunds	790	417	−373	−47
Total	**2,914**	**2,615**	**−299**	**−10**

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

FY = fiscal year.

- Unemployment insurance receipts (one type of payroll tax) were $13 billion (or 24 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, mostly related to 2022 tax liabilities, rose by $99 billion (or 49 percent), thereby reducing net receipts.

■ Collections of **corporate income taxes** increased, on net, by $5 billion (or 2 percent).

■ Receipts from **other sources,** on net, decreased by $86 billion (or 36 percent).

- Remittances from the Federal Reserve decreased from $83 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 $12 billion (or 18 percent), reflecting a reduction in imports.
- Excise taxes declined by $2 billion (or 3 percent).
- Estate and gift taxes increased by $4 billion (or 20 percent), probably because of an increase in estate tax collections, which generally are due nine months after the estate owner’s death.
- Collections of miscellaneous fees and fines increased by $6 billion (or 44 percent).

Total Outlays: Up by 9 Percent in Fiscal Year 2023

Outlays in the first eight months of fiscal year 2023 were $4.2 trillion, $355 billion (or 9 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 $418 billion (or 11 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–May

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	Estimated Change With Adjustments for Timing Shifts in Outlays[a]: Percent
Social Security Benefits	795	880	85	85	11
Medicare[b]	458	496	39	77	17
Medicaid	386	417	31	31	8
Subtotal, Largest Mandatory Spending Programs	**1,639**	**1,794**	**155**	**193**	**12**
Refundable Tax Credits[c]	254	133	−120	−120	−47
Spectrum Auction Receipts	−81	0	81	81	−100
PHSSEF	74	21	−53	−53	−71
FDIC	−5	49	53	53	n.m.
Department of Education	98	146	48	48	49
PBGC	4	39	34	34	n.m.
Coronavirus Relief	33	1	−32	−32	−97
DoD—Military[d]	471	504	33	38	8
Net Interest on the Public Debt	325	437	112	112	34
Other	989	1,032	43	64	6
Total	**3,801**	**4,156**	**355**	**418**	**11**

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

DoD = Department of Defense; FDIC = Federal Deposit Insurance Corporation; 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 $4,219 billion in 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 by a total of $193 billion (or 12 percent):

- Spending for **Social Security** benefits rose by $85 billion (or 11 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 $77 billion (or 17 percent) because of changes in payment rates and in the types and quantity of care beneficiaries received.

- **Medicaid** outlays increased by $31 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. Because the Consolidated Appropriations Act, 2023, ended the continuous-enrollment requirement on March 31, 2023, April 2023 was the first month in which states could resume assessing the eligibility of enrollees and disenrolling those who no longer qualify. CBO expects enrollment to remain above last year's number for several months while states begin that process, which is likely to continue through fiscal year 2024.

Outlays increased substantially in several other areas:

- Net outlays for **interest on the public debt** rose by $112 billion (or 34 percent), mainly because interest rates are significantly higher than they were in the first eight 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 eight months of fiscal year 2022, receipts totaled $81 billion—all recorded in January. No such receipts were collected during the first eight months of 2023, resulting in a net increase in outlays.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC) rose by $53 billion as a result of facilitating the resolution of bank failures in the spring of 2023. The FDIC expects to recover much of that amount by continuing to liquidate the banks' assets and collecting higher premiums from FDIC-insured institutions over the next several years.
- Outlays of the **Department of Education** increased by $48 billion (or 49 percent), primarily because earlier in this fiscal year, the Administration recorded the costs associated with the final rule issued by the department on October 31, 2022, concerning student loans. That rule expanded eligibility for loan discharges, eliminated the addition of unpaid interest to loan balances in certain circumstances, and expanded eligibility for the Public Service Loan Forgiveness program.
- Spending by the **Department of Defense** was $38 billion (or 8 percent) more than in the same period last fiscal year; the largest increases were in the areas of operation and maintenance and research and development.
- Net spending by the **Pension Benefit Guaranty Corporation** increased by $34 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Outlays related to **U.S. Coronavirus Refundable Credits** (included in "Other" in Table 3), 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 $39 billion—more than double last year's amount over the same period.
- Spending by the **Department of Veterans Affairs** (also in "Other") increased by $19 billion (or 11 percent), mostly because of increased use of health care services and per capita increases in veterans' benefits.

Several large decreases in outlays this year were related to federal actions taken during the coronavirus pandemic, which increased outlays last year:

- Outlays for certain other **refundable tax credits** totaled $133 billion—a decrease of $120 billion, or 47 percent.[2] That reduction occurred because the expanded child tax credit has expired. (In tax year 2021, eligibility for the child tax credit was expanded and the size of the credit was increased; advance payments were made between July and December 2021.)
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $53 billion (or 71 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 Treasury on **coronavirus relief** to state, local, tribal, and territorial governments decreased by $32 billion.

Estimated Deficit in May 2023: $236 Billion

The deficit in May 2023 was $236 billion, CBO estimates—$170 billion greater than the amount recorded in May 2022. Revenues were $81 billion lower this May than they were in 2022; outlays increased by $89 billion.

Table 4.

Budget Totals for May

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	389	308	−81	−81	−21
Outlays	455	544	89	24	5
Deficit	−66	−236	−170	−105	80

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 $131 billion in May 2022, CBO estimates.

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.

However, outlays in May 2022 were reduced by the shifting of certain payments—a total of $65 billion—into April because May 1, 2022, was a Sunday. If not for those shifts, outlays would have totaled $520 billion last May, resulting in a larger deficit in that month—$131 billion instead of $66 billion. The increase from 2022 to 2023 in the May deficit would have been $105 billion.

CBO estimates that receipts in May 2023 totaled $308 billion—$81 billion (or 21 percent) less than the amount recorded in the same month last year. That change was driven principally by a decline of $74 billion (or 66 percent) in nonwithheld individual income taxes. (That difference arose in part because the Internal Revenue Service processed tax returns due last April more slowly than is typical, so a larger-than-normal share of those payments was recorded in May 2022.)

Other sources of the decline include the following:

- **Federal Reserve** remittances fell by $12 billion.
- **Refunds of individual income taxes** increased by $9 billion (or 38 percent).
- **Unemployment insurance** receipts fell by $3 billion (or 16 percent).
- **Customs duties** declined by $2 billion (or 23 percent).

Partially offsetting those declines was a $20 billion (or 8 percent) increase in individual income and payroll taxes withheld from workers' paychecks, in part because May 2023 had an additional business day.

Total outlays in May 2023 were $544 billion, CBO estimates—$89 billion (or 20 percent) more than a year ago. If not for timing shifts that decreased spending last May, that increase in outlays would have been significantly smaller, a total rise of $24 billion. The growth in outlays relative to May 2022 is the net outcome of increases and decreases in several areas of the budget. The largest increases (adjusted to exclude the effects of timing shifts) were as follows:

- Outlays for **Medicare** increased by $16 billion (or 29 percent).
- Spending by the **Federal Deposit Insurance Corporation** increased by $13 billion, as the FDIC facilitated the resolution of recently failed banks.
- Outlays for **Social Security** rose by $12 billion (or 11 percent).
- Outlays for **Medicaid** increased by $6 billion (or 12 percent).
- Net outlays for **interest on the public debt** increased by $5 billion (or 9 percent).

The largest decreases in May 2023 were as follows:

- Spending on **coronavirus relief** to state, local, tribal, and territorial governments fell by $30 billion—from $30 *billion* in May 2022 to $11 *million* in May 2023.
- Outlays from **Ginnie Mae and other mortgage loan programs** administered by the Department of Housing and Urban Development declined by $5 billion because of a downward revision to the subsidy costs of housing loans.

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

Actual Surplus in April 2023: $176 Billion

The Treasury Department reported a surplus of $176 billion for April—$3 billion more than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: April 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. Amber Marcellino and Jennifer Shand prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Chad Chirico, 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/59134.

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