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

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October 10, 2023

The federal budget deficit was $1.7 trillion in fiscal year 2023, the Congressional Budget Office estimates—$0.3 trillion more than the shortfall recorded during fiscal year 2022. Revenues fell by an estimated $455 billion (or 9 percent). Revenues were smaller than in fiscal year 2022, particularly for nonwitheld income taxes and remittances to the Treasury from the Federal Reserve. Outlays declined by an estimated $141 billion (or 2 percent).

Outlays were boosted at the end of 2022 and 2023 because October 1 (the first day of fiscal years 2023 and 2024, respectively) fell on a weekend. As a result, certain payments were shifted into the prior fiscal year—$63 billion from 2023 into 2022 and $72 billion from 2024 into 2023. Taken together, those timing shifts increased payments in 2023 by $9 billion. If not for those shifts, the deficit in fiscal year 2023 would have been 28 percent larger—instead of 23 percent larger—than it was in 2022.

Table 1.

Budget Totals, October–September

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	4,896	4,441	−455	−455	−9
Outlays	6,272	6,131	−141	−87	−1
Deficit (−)	−1,375	−1,690	−314	−368	28

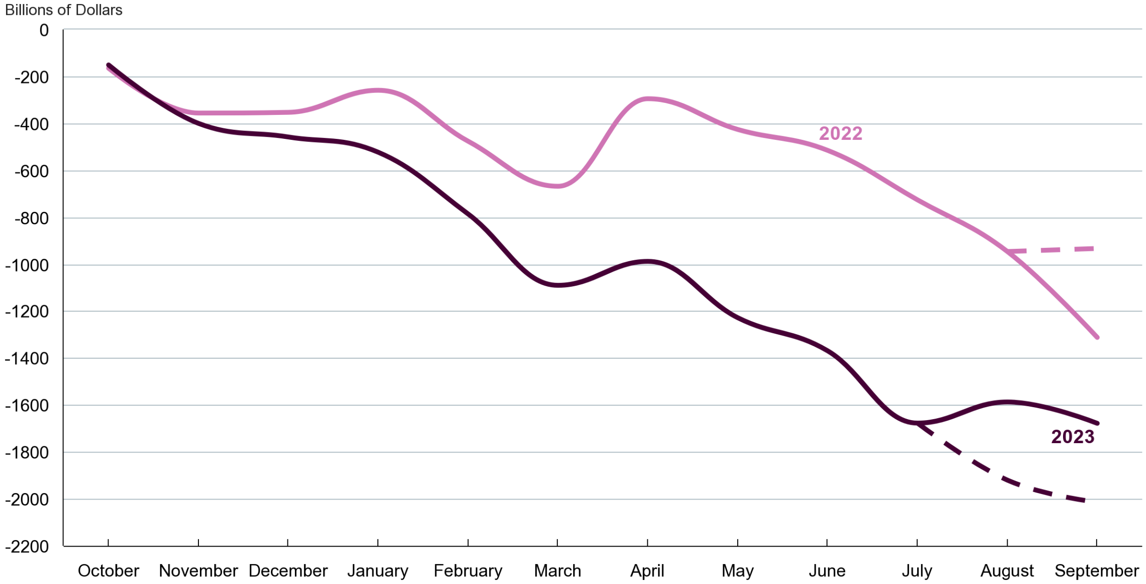
Data sources: Congressional Budget Office; Department of the Treasury. Based on the *Monthly Treasury Statement* for August 2023 and the *Daily Treasury Statements* for September 2023.

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 $1,312 billion for fiscal year 2022 and a deficit of $1,681 for fiscal year 2023, CBO estimates.

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 2022 and 2023



Data Sources: Congressional Budget Office; Department of the Treasury.
The value shown for September 2023 is CBO's estimate.
Values for all months have been adjusted to exclude the effects of timing shifts.
Dashed lines exclude the effects of the Administration's plan to cancel student loans.

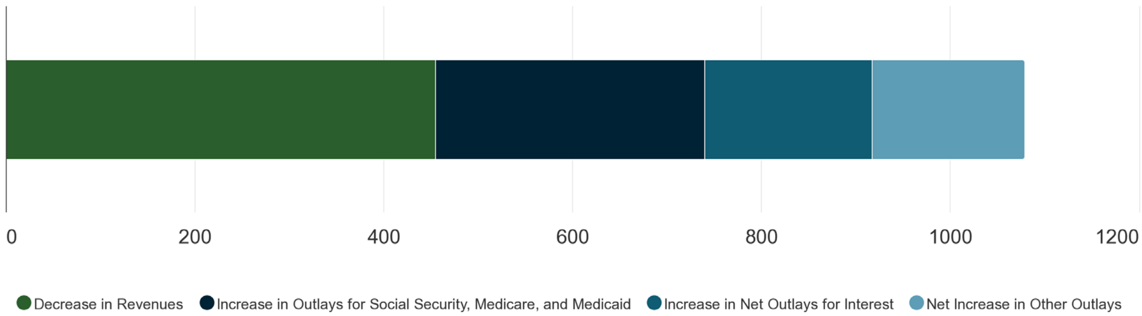
Actions related to the Administration's plan to cancel outstanding student loans for many borrowers resulted in largely offsetting changes to the deficit in 2022 and 2023. In September 2022, in keeping with the budgetary procedures used for federal credit programs, the Administration recorded outlays of $379 billion to reflect its estimate of the long-term costs of debt cancellation, which increased the deficit in fiscal year 2022. Because of a June 2023 Supreme Court decision, however, the cancellation plan was never implemented. As a result, in August 2023, the Administration recorded a $333 billion reduction in outlays for the student loan program. That action reduced the fiscal year 2023 deficit.

The outlay savings recorded by the Administration in August 2023 were smaller than the costs recorded in September 2022 primarily because of a new income-driven repayment (IDR) plan that the Administration finalized in June 2023; that plan increased the cost of outstanding student loans. In March 2023, CBO published an estimate for the proposed rule for the IDR plan.[1] Then, in September 2023, CBO posted an estimate for H.J. Res. 88, which would repeal the final rule for that plan.[2]

1. See Congressional Budget Office, letter to the Honorable Virginia Foxx and the Honorable William Cassidy, concerning the costs of the proposed income-driven repayment plan for student loans (March 13, 2023), www.cbo.gov/publication/58983.

2. See Congressional Budget Office, cost estimate for H.J. Res. 88, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Department of Education relating to "Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program," (September 18, 2023), www.cbo.gov/publication/59565.

Figure 2.
Increase in the Deficit From 2022 to 2023
Billions of Dollars



Data Sources: Congressional Budget Office; Department of the Treasury.
Values exclude the effects of timing shifts and of the Administration's plan to cancel student loans.

CBO estimates that if the actions concerning the Administration's plan for student loan cancellations were excluded from both years, the deficit for 2022 would have been smaller and the deficit for 2023 would have been larger. The deficit for 2022 was $1.3 trillion, after removing the effects of timing shifts. Excluding the cost recorded in 2022 for the student loan cancellation plan, the deficit that year would have been $0.9 trillion. Excluding the savings associated with reversing the effects of that policy, the deficit for 2023 would have been $2.0 trillion, instead of the $1.7 trillion CBO currently projects. Thus, without the effects of debt cancellation (and excluding the effects of timing shifts), the deficit would have grown by nearly $1.1 trillion from 2022 to 2023. That increase results from a combination of lower revenues and higher outlays, mostly for major mandatory programs and for payments of interest on the debt (see Figure 2).

Total Receipts: Down by 9 Percent in Fiscal Year 2023

Receipts totaled $4.4 trillion during fiscal year 2023, CBO estimates—$455 billion (or 9 percent) less than during fiscal year 2022. In the May 2023 baseline, CBO projected that receipts would be lower in 2023 than they were in 2022, but the decline was larger than expected.

Receipts collected through fiscal year 2023, net of refunds, were about $400 billion less than CBO projected, mainly because of smaller-than-anticipated collections of individual and corporate income taxes. The reasons for the difference will be better understood as additional information becomes available. One factor may be smaller collections of taxes on capital gains and other types of income; another may be higher-than-anticipated claims of the Employee Retention Tax Credit, which reduces receipts and, where refundable, increases outlays for U.S. Coronavirus Refundable Tax Credits (discussed in the section on total outlays). In addition, for taxpayers affected by natural disasters, including most taxpayers in California, the Internal Revenue Service (IRS) postponed the filing deadline for payments usually due throughout the year.[3]

The changes in revenues from fiscal year 2022 to fiscal year 2023 were as follows:

- **Individual income** and **payroll (social insurance) taxes** together declined by $326 billion (or 8 percent).
  - Amounts withheld from workers' paychecks increased by $115 billion (or 4 percent), a reflection of rising wages and salaries. The amount withheld from paychecks also depends on a taxpayer's expected tax bracket.

3. See Internal Revenue Service, "Oct. 16 Filing Extension Deadline Nears for Millions of Taxpayers" (news release, September 29, 2023), https://tinyurl.com/ytk4s5k3.

Table 2.

Receipts, October–September

Billions of Dollars

Major Program or Category	Actual, FY 2022	Preliminary, FY 2023	Estimated Change: Billions of Dollars	Estimated Change: Percent
Individual Income Taxes	2,632	2,177	−456	−17
Payroll Taxes	1,484	1,613	129	9
Corporate Income Taxes	425	420	−5	−1
Other Receipts	356	232	−124	−35
Total	**4,896**	**4,441**	**−455**	**−9**
Memorandum:				
Combined Individual Income and Payroll Taxes				
Withheld taxes	3,070	3,185	115	4
Other, net of refunds	1,046	604	−442	−42
Total	**4,116**	**3,789**	**−326**	**−8**

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

FY = fiscal year.

- Nonwithheld payments of income and payroll taxes fell by $296 billion (or 24 percent), relative to payments in fiscal year 2022. The decline began in January and continued through tax-filing season, mostly reflecting a decrease in payments for 2022 and 2023 tax liabilities. One factor may be smaller collections of taxes on capital gains, which were unusually high in 2022. In addition, payments from taxpayers in areas affected by natural disasters may have been delayed because the IRS postponed some filing deadlines; most of those payments are now due in mid-October.
- Individual income tax refunds were $129 billion (or 52 percent) higher than in 2022, reducing net receipts.
- Unemployment insurance receipts (one type of payroll tax) were $17 billion (or 25 percent) smaller in 2023 than in 2022 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—a federal program administered by the states.

■ Collections of **corporate income taxes** declined, on net, by $5 billion (or 1 percent). For many corporations in areas affected by natural disasters this year, the IRS postponed the deadline until mid-October for payments that usually are due throughout the year.

■ Receipts from **other sources,** on net, decreased by $124 billion (or 35 percent).

- Remittances from the Federal Reserve decreased from $107 billion in fiscal year 2022 to less than $1 billion for 2023. 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 $20 billion (or 20 percent), reflecting a reduction in imports.
- Excise taxes decreased by $9 billion (or 10 percent).
- Estate and gift taxes increased by $1 billion (or 4 percent).
- Collections of miscellaneous fees and fines increased by $9 billion (or 33 percent).

Total Outlays: Down by 2 Percent in Fiscal Year 2023

Outlays in fiscal year 2023 were $6.1 trillion, $141 billion (or 2 percent) less than in fiscal year 2022, CBO estimates. Outlays in both years were affected by the shifts of payments from October 1, 2022, and October 1, 2023—both of which fell on a weekend—into the previous fiscal years. Because of those shifts, outlays were higher by $63 billion in 2022 and by a net of $9 billion in 2023. If not for those shifts, outlays in 2023 would have been $87 billion less than in 2022. (The discussion below reflects adjustments to exclude the effects of those timing shifts.)

Table 3.

Outlays, October–September

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	1,206	1,342	135	135	11
Medicare[b]	751	846	96	126	18
Medicaid	592	616	24	24	4
Subtotal, Largest Mandatory Spending Programs	**2,549**	**2,804**	**255**	**285**	**11**
Department of Education	639	−41	−680	−680	−106
Refundable Tax Credits[c]	292	171	−120	−120	−41
Coronavirus Relief	106	1	−105	−105	−99
Spectrum Auction Receipts	−104	0	104	104	100
FDIC	−9	92	101	101	n.m.
PHSSEF	92	28	−65	−65	−70
PBGC	2	40	38	38	d
DoD—Military[e]	727	774	47	52	7
Net Interest on the Public Debt	534	711	177	177	33
Other	1,443	1,551	108	126	9
Total	**6,272**	**6,131**	**−141**	**−87**	**−1**

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 $6,208 billion in fiscal year 2022 and $6,121 billion in 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. Outlays in 2023 were about 20 times the amount in 2022.

e. Excludes a small amount of spending by DoD on civil programs.

CBO estimates that outlays by the Department of Education decreased by $680 billion (or 106 percent) from 2022 to 2023, mainly because the Administration's plan to cancel certain student loan repayments was never implemented. In 2022, outlays by the department increased by $379 billion for loan cancellations; in 2023, outlays decreased by $333 billion to reflect the Supreme Court's June 2023 decision that prevented those cancellations from being implemented. If those effects were excluded from both years, the department's outlays would have *increased* by $32 billion in 2023, and total federal outlays would have *increased* by $625 billion (or 11 percent) to about $6.5 trillion.

Outlays decreased in several other areas:

- Outlays for certain **refundable tax credits** totaled $171 billion—a decrease of $120 billion, or 41 percent.[4] 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.)
- Spending by the Treasury on **coronavirus relief** to state, local, tribal, and territorial governments decreased by $105 billion.
- Outlays from the **Public Health and Social Services Emergency Fund** decreased by $65 billion (or 70 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 Department of Agriculture's **Food and Nutrition Service** (included in "Other" in Table 3) decreased by $21 billion (or 11 percent), in part because emergency allotments for the Supplemental Nutrition Assistance Program ended earlier in 2023.

Outlays for the largest mandatory spending programs increased by a total of $285 billion (or 11 percent):

- Spending for **Social Security** benefits rose by $135 billion (or 11 percent) because of increases in the average benefit payment (stemming mostly from cost-of-living adjustments) and also because of increases in the number of beneficiaries.
- **Medicare** outlays increased, on net, by $126 billion (or 18 percent) because of increased benefit payments and because of decreased recoveries of payments made through the COVID-19 Accelerated and Advance Payments Program.
- **Medicaid** outlays increased by $24 billion (or 4 percent) as a result of enrollment increases that were mainly attributable to provisions in the Families First Coronavirus Response Act that required 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, in April 2023 states could start 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 as states continue the process, probably through fiscal year 2024.

Net outlays for **interest on the public debt** rose by $177 billion (or 33 percent), mainly because interest rates were significantly higher than they were in fiscal year 2022.

4. 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 increased in several other areas:

- 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 fiscal year 2022, receipts totaled $104 billion. No such receipts were collected during 2023, resulting in a net increase in outlays.
- Outlays of the **Federal Deposit Insurance Corporation** (FDIC) rose by $101 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.
- Spending by the **Department of Defense** was $52 billion (or 7 percent) more than in fiscal year 2022; 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 $38 billion, driven by onetime payments to certain multiemployer pension plans under the Special Financial Assistance Program.
- Spending by the **Department of Veterans Affairs** (included in "Other" in Table 3) increased by $37 billion (or 14 percent), mostly because of increased spending per person and increased use of health care services.
- Outlays related to **U.S. Coronavirus Refundable Credits** (also 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 $52 billion—an increase of $22 billion over last year's total. Much of that increase stems from claims of the Employee Retention Tax Credit made on amended quarterly payroll tax forms this year. That credit was a refundable payroll tax credit for employers for 2020 and 2021; those credits have increased outlays as well as reduced receipts.
- Outlays for **Ginnie Mae and other mortgage loan programs** (in "Other") administered by the Department of Housing and Urban Development were $20 billion higher than last year, largely because, in June 2022, the department recorded a downward revision of about $23 billion to the estimated subsidy costs of housing loans previously made by the Federal Housing Administration.

Estimated Deficit in September 2023: $166 Billion

The government incurred a deficit of $166 billion in September 2023, CBO estimates, $264 billion less than the deficit recorded in September 2022. Revenues were $19 billion less this September than they were last September. Outlays decreased by $283 billion. If not for shifts in the timing of certain payments, the decrease in outlays would have been larger and the deficit would have been smaller.

CBO estimates that receipts in September 2023 totaled $469 billion—$19 billion (or 4 percent) less than in September 2022. Most of that change reflects a decrease in individual and corporate tax payments. Payments for individual income and payroll taxes, net of refunds, were $5 billion (or 1 percent) lower. Corporate income tax receipts were $10 billion (or 10 percent) lower. Although most corporations and some individual filers make quarterly tax payments in September, many taxpayers in areas affected by natural disasters have until mid-October to make those payments. Estate and gift taxes and customs duties each declined by $2 billion.

Table 4.

Budget Totals for September

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	488	469	−19	−19	−4
Outlays	917	635	−283	−292	−34
Deficit (−)	−430	−166	264	273	−75

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 $367 billion in September 2022 and $93 billion in September 2023, CBO estimates.

Total outlays in September 2023 were $635 billion, CBO estimates—$283 billion (or 31 percent) less than in September 2022. Outlays in September of each fiscal year were boosted by the shifting of certain payments—totaling $63 billion in 2022 and $72 billion in 2023—into those months because October 1 (the first day of fiscal years 2023 and 2024, respectively) fell on a weekend. If not for those shifts, the deficit in September 2023 would have been $93 billion—$273 billion less than in September 2022.

The decrease in outlays stems primarily from $446 billion in costs estimated and recorded by the Department of Education in September 2022, mostly to reflect the long-term costs of certain parts of the student loan program, including $379 billion for the cancellation of loans for many borrowers. By contrast, in September 2023 the department's outlays were $23 billion—a decrease of $422 billion. If the $379 billion that was recorded in September 2022 for debt cancellation was excluded, and an adjustment made for shifts in the timing of other outlays, total federal outlays in September 2023 would have *increased* by $87 billion (or 18 percent). In that case, CBO estimates, the federal government would have realized a *surplus* of $12 billion in September 2022, compared with a $93 billion deficit in September 2023.

The change in outlays relative to September 2022 also is a result of increases in several other areas of the budget. The largest were as follows:

- Outlays of the **Federal Deposit Insurance Corporation** increased by $49 billion as a result of the ongoing resolution of bank failures in the spring of 2023.
- Net outlays for **interest on the public debt** rose by $29 billion (or 75 percent).
- 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 September 2022, those receipts totaled $22 billion. No such receipts were collected during September 2023, resulting in a net increase in outlays.
- Outlays for **Social Security** increased by $12 billion (or 12 percent).
- Outlays for **Medicare** increased by $10 billion (or 16 percent).

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

Actual Surplus in August 2023: $89 Billion

The Treasury Department reported a surplus of $89 billion for August—$1 billion less than CBO estimated last month, on the basis of the *Daily Treasury Statements,* in the *Monthly Budget Review: August 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. Jennifer Shand and Jon Sperl prepared the report with assistance from Aaron Feinstein and with guidance from Christina Hawley Anthony, Barry Blom, Chad Chirico, Sam Papenfuss, and Joshua Shakin. It was reviewed by Mark Hadley, edited by Kate Kelly, and prepared for publication by Janice Johnson. An electronic version is available on CBO's website, www.cbo.gov/publication/59544.

Phillip L. Swagel
Director