

Student debt forgiveness causes monthly deficit to jump 562%

October 21 2022, by Josh Boak



President Joe Biden speaks about his infrastructure agenda while visiting the under construction Fern Hollow Bridge, in Pittsburgh, Thursday, Oct. 20, 2022. The Treasury Department said Friday that the federal budget deficit was 562% higher on a monthly basis compared to September 2021—largely reflecting President Biden's plans to forgive student debt. Credit: AP Photo/Gene J. Puskar, File

The Treasury Department said Friday the federal budget deficit was 562% higher on a monthly basis compared with September 2021, largely reflecting [President Joe Biden's plans to forgive student debt](#) as several years' worth of costs were compressed into one month.

Despite the monthly increase, over the fiscal year that ended last month, the [federal budget deficit](#) fell \$1.4 trillion. It roughly halved in size because of the end of spending tied to coronavirus pandemic relief and higher tax revenues as more Americans found jobs.

The federal budget deficit totaled \$1.38 trillion this year. That's down from \$2.78 trillion in fiscal 2021. Biden intends to speak about the figures on Friday as a sign that he has been responsible with federal finances.

Still, the federal deficit jumped in the final fiscal year month of September because of the Democratic president's plans to forgive [student debt](#) as the Education Department modified the terms of its loans for college and graduate school.

Biden in August announced \$10,000 in federal student [debt](#) cancellation for those with incomes below \$125,000 a year, or households that make less than \$250,000 a year. Those who received federal Pell Grants to attend college are eligible for an additional \$10,000 in forgiveness.

Biden's plan makes 20 million people eligible to get their federal student debt erased entirely.

Republican lawmakers have criticized the debt forgiveness as financially irresponsible, saying it's a giveaway to borrowers who attended college that comes at the expense of blue collar workers. States and groups affiliated with Republicans have filed lawsuits to try to block the forgiveness. A federal judge on Thursday dismissed a suit from six GOP-

led states, saying the states lacked legal standing, a decision that the states intend to appeal.

Federal finances improved over the past 12 months as the unemployment rate dropped to 3.5% from 4.7% in September 2021. The job gains enabled tax revenues to jump 21% from a year ago, while overall spending fell 8% as the government's coronavirus-related aid has faded.

In May, the Congressional Budget Office expected the federal deficit to fall in 2023 and then start to rise in the years ahead to \$2.25 trillion a decade from now.

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