Student debt forgiveness causes monthly deficit to jump 562%
21 October 2022, by Josh Boak

The Treasury Department said Friday the federal budget deficit was 562% higher on a monthly basis compared with September 2021—largely reflecting President Biden’s plans to forgive student debt. Credit: AP Photo/Gene J. Puskar, File

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 the Education Department modified the terms of its loans for college and graduate school.

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.

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.

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.

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.

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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