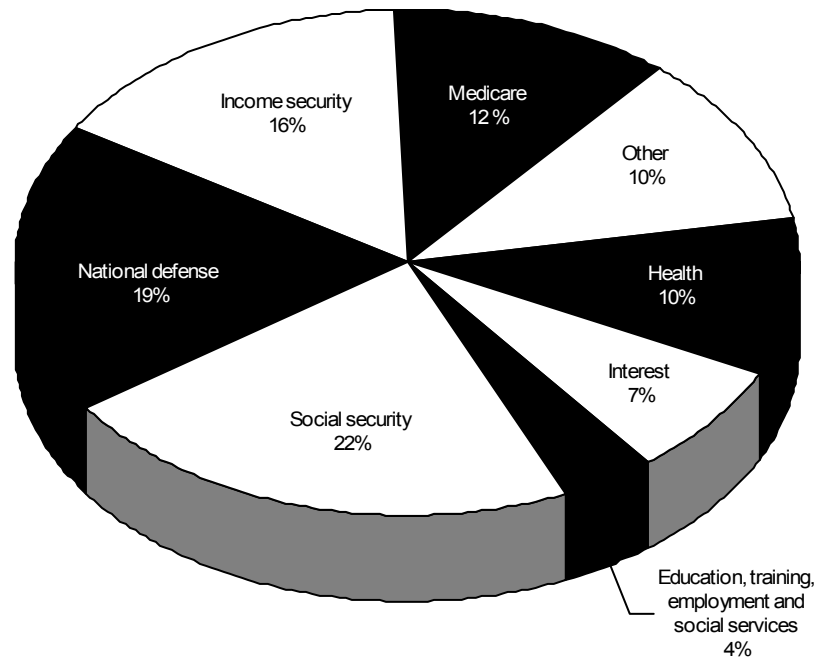


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$2,156.9 billion in fiscal 2003 an increase of \$146.0 billion or 7.3 percent over the amount from fiscal 2002. The text below shows how outlays were divided in fiscal 2003. The seven largest categories of outlays are detailed below. These seven categories correspond directly to the Government's functional classification system.

The functional classification system groups Government activities—budget authority and outlays, loan guarantees and tax expenditures—into categories that reflect the national need addressed by each transaction. The system identifies 17 broad categories that address national needs. This provides a coherent and comprehensive basis for analyzing and understanding the budget. Two additional categories—interest and undistributed offsetting receipts—do not address specific national needs but are included to cover the entire budget. Under the functional classification system, each outlay is assigned to a classification that best defines its most important purpose, even though the outlay may serve more than one purpose.



The table that follows shows fiscal 2003 and 2002 outlays for each functional classification. It also shows the amount and percentage change in outlay levels between these 2 fiscal years. Changes in outlays for the largest functional classifications are discussed briefly below.

- National defense**—This function includes those activities directly related to the defense and security of the United States. This amount encompasses Government spending for conventional forces, strategic forces, atomic energy defense activities and other defense related activities. National defense outlays for fiscal 2003 increased by \$55.6 billion, to \$404.2 billion.
- Education, training, employment and social services**—These programs assist citizens in developing and learning skills to expand their potential opportunities and job placement possibilities. Outlays for this function were \$82.2 billion for fiscal 2003, an increase of 16.5 percent or \$11.7 billion from fiscal 2002 outlays.
- Health**—The Federal Government helps meet the nation's health care needs by financing and providing health care services, aiding disease prevention, and supporting research and training. Outlays for this function were \$219.2 billion in fiscal 2003. This represents an increase of \$22.8 billion over the prior fiscal year.
- Medicare**—Through Medicare, the Federal Government contributes to the health and well being of aged and disabled Americans. Outlays for this function were \$249.4 billion in fiscal 2003. That is an increase of 8 percent or \$18.6 billion over fiscal 2002 outlays.
- Income security**—Income security benefits are paid to the aged, the disabled, the unemployed and low-income families. Included within this classification are programs such as general retirement and disability, public assistance and unemployment compensation. Outlays for these benefits were \$336.1 billion in fiscal 2003—an increase of 7.5 percent or \$23.5 billion over the fiscal 2002 level.
- Social security**—Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$474.7 billion for fiscal 2003. That represents an increase of 4 percent or \$18.3 billion over fiscal 2002 outlays.
- Interest**—This function includes interest paid by the Federal Government offset by interest collections from the public and interest received by Government trust funds. Net interest outlays are very sensitive to both interest rates and the amount of debt outstanding. Net interest outlays decreased in fiscal 2003 to \$153.0 billion. This is a 10.6 percent decrease from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2003	Fiscal 2002	Amount change from 2002	Percent change
National defense	404,159	348,555 r	55,604	16.0
International affairs	20,591	22,330 r	-1,739	-7.8
General science, space, and technology.....	22,578	20,772 r	1,806	8.7
Energy	-820	483 r	-1,303	-269.8
Natural resources and environment	27,601	29,475 r	-1,874	-6.4
Agriculture.....	24,653	22,188 r	2,465	11.1
Commerce and housing credit	-1,620	-394 r	-1,226	-311.2
Transportation.....	65,239	61,837 r	3,402	5.5
Community and regional development.....	17,723	12,991 r	4,732	36.4
Education, training, employment and social services	82,205	70,544 r	11,661	16.5
Health	219,192	196,421 r	22,771	11.6
Medicare	249,432	230,855	18,577	8.0
Income security.....	336,065	312,523 r	23,542	7.5
Social security.....	474,710	456,413 r	18,297	4.0
Veterans benefits and services	57,025	50,984 r	6,041	11.8
Administration of justice	36,073	34,148 r	1,925	5.6
General Government	23,447	17,427 r	6,020	34.5
Net interest	153,034	171,125 r	-18,091	-10.6
Undistributed offsetting receipts.....	-54,380	-47,806 r	-6,574	-13.8
Total outlays	2,156,906	2,010,871 r	146,036	7.3

Details may not add to totals due to rounding.

r = revised