



**ANNUAL REPORT**  
**ON THE**  
**UNITED STATES GOVERNMENT**  
**1998**



**House Policy Committee**  
**Christopher Cox, Chairman**

## Statement of Revenues and Expenses

<b>Revenues</b>	<i>Fiscal Year</i> <sup>1</sup>		<i>Percent of Total 1998</i>
	<i>1997</i>	<i>1998</i>	
Individual income taxes .....	\$ 737,466,000,000	\$ 828,597,000,000	39%
Social insurance taxes <sup>2</sup> .....	539,370,000,000	571,834,000,000	27%
User fees, earmarked taxes and receipts <sup>3</sup> .....	381,612,000,000	379,238,000,000	18%
Corporation income taxes .....	182,294,000,000	188,677,000,000	9%
Excise taxes and customs duties .....	74,853,000,000	75,966,000,000	4%
Miscellaneous receipts .....	25,127,000,000	32,270,000,000	2%
Death taxes (including unified estate and gift taxes) .....	19,845,000,000	24,076,000,000	1%
<b>Total Revenues</b> .....	<b>\$ 1,960,567,000,000</b>	<b>\$ 2,100,658,000,000</b>	
<b>Expenses</b>			
Social spending <sup>4</sup> .....	\$ 1,083,291,000,000	\$ 1,116,974,000,000	55%
Interest on national debt .....	355,796,000,000	363,824,000,000	18%
Military spending .....	255,436,000,000	253,167,000,000	12%
Administrative agencies <sup>5</sup> .....	164,599,000,000	174,512,000,000	9%
Transportation .....	44,296,000,000	44,177,000,000	2%
State and foreign affairs <sup>6</sup> .....	33,280,000,000	30,665,000,000	2%
Environment, fish, wildlife, parks and interior <sup>7</sup> .....	25,322,000,000	26,513,000,000	1%
NASA .....	14,358,000,000	14,206,000,000	1%
Judiciary .....	3,299,000,000	3,506,000,000	*
Congress .....	1,765,000,000	1,839,000,000	*
The President .....	1,082,000,000	1,238,000,000	*
<b>Total Expenses</b> .....	<b>\$ 1,982,524,000,000</b>	<b>\$ 2,030,621,000,000</b>	
<b>Surplus (Deficit)<sup>8</sup></b> .....	<b>(\$ 21,957,000,000)</b>	<b>\$ 70,037,000,000</b>	

\* Less than 1%

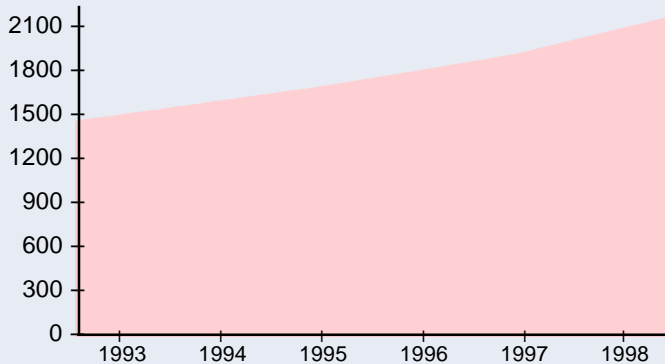
### Notes

- The U.S. Government fiscal year begins on October 1 and ends on September 30.
- Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
- Represents receipts of federal departments and agencies netted from gross outlays in Treasury reports (such as proprietary receipts from the public, receipts from off-budget federal entities, and intrabudgetary transactions) and total undistributed offsetting receipts (including interest received by federal trust funds and rents and royalties on Outer Continental Shelf Lands).
- Includes arts, education, labor, health and human services, low income and public housing, WIC, welfare block grants, food stamps and other agricultural programs, and federal retirement programs (including Social Security).
- Includes SBA, GSA, DOE, Commerce, Corporation for Public Broadcasting, District of Columbia, EEOC, Export-Import Bank, FCC, FEMA, FTC, Government Printing Office, Justice, Library of Congress, National Archives and Records Administration, National Credit Union Administration, Savings & Loan and bank insurance, independent agencies.
- Includes outlays for Department of State, Peace Corps, OPIC, AID, foreign military sales, and other international assistance programs.
- Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, and major environmental programs of federal agencies.
- For fiscal years 1991 and beyond, the excess of Social Security taxes over outlays for Social Security is excluded by law from deficit or surplus calculations. This amount was \$86 billion in 1998. The Clinton administration, however, has elected to include the Social Security Trust Fund in their deficit and surplus calculations, which has the effect of turning the budget deficit into an apparent budget surplus. Exclusion of the Trust Fund surplus results in an actual deficit of \$16 billion for 1998.

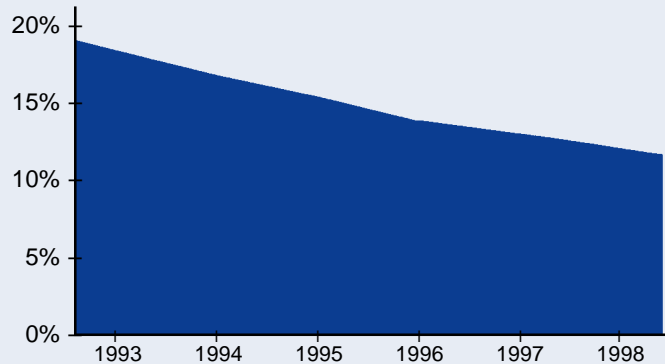
## Growth in Taxes, 1993-1998

In the first five years of the Clinton administration, federal income taxes on working Americans increased by 63%. From \$1.5 trillion in fiscal 1993, the total federal tax burden grew to \$2.1 trillion in 1998. In 1998, total federal taxes topped 20% of the economy — exceeding the wartime levels of 1944, and by far the highest level in American peacetime history.

**Total Tax Burden**  
(Billions of dollars)



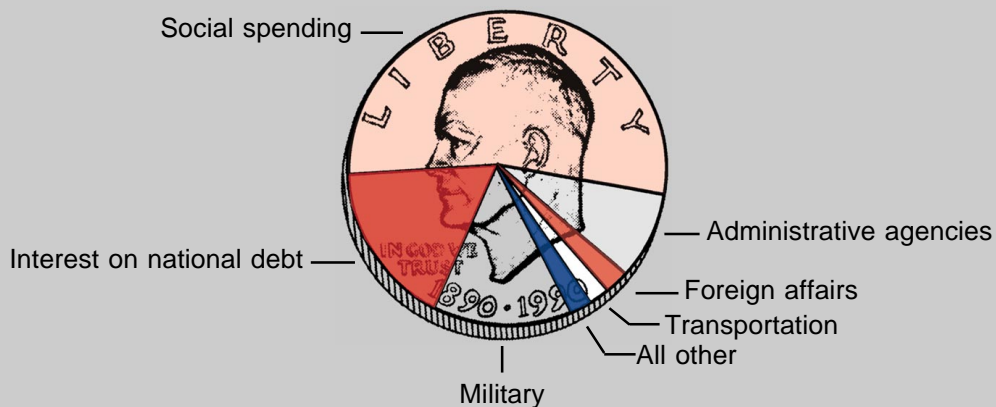
**National Defense**  
(as Share of Total Tax Burden)



## Decline in National Defense, 1993-1998

National defense — more than 50% of the budget during the Kennedy Administration — fell to its lowest share of the federal budget in American history in 1998. As in each of the preceding 12 years, real resources to support the U.S. military again declined. Beginning in 1993, the inflation-adjusted budget for our armed forces had been cut 23% by 1998. As a share of the economy, national defense has been cut *more than half* since 1985.

## Composition of Federal Spending, FY 1998



## Macroeconomic Comparisons, 1998 vs. 1997

	<i>Increase</i>
Individual Income Taxes .....	+12.4%
All Federal Taxes .....	+ 7.1%
Gross Domestic Product .....	+ 4.9%
Federal Spending .....	+ 2.4%
National Debt .....	+ 2.1%

[Source: Congressional Budget Office; U.S. Census Bureau; Department of the Treasury.]



Congress of the United States  
House of Representatives  
Washington, DC 20515-0515

**Dear Taxpayer:**

In 1998, the federal budget was balanced for the first time in three decades. Or was it?

In fact, last year's record-high tax collections did exceed the government's expenses, producing a surplus of \$70 billion.

But the surplus would disappear if Social Security payroll taxes weren't used to pay for other deficit spending. In 1998, Social Security payroll taxes exceeded Social Security benefit payments by \$86 billion. If those extra payroll taxes hadn't been spent on other programs, the federal government would have shown a deficit of \$16 billion for 1998.

That's just one of the important facts that can be gleaned from this year's Annual Report. Each year since 1989, I have provided this summary of the federal government's financial operations because, as a taxpayer, you are entitled to it.

The results for 1998 also reveal that federal spending topped \$2 trillion for the first time, while the federal tax burden also reached a record high. In 1998, Americans paid *63% more* in taxes than they did when Bill Clinton took office in 1993. Despite all the Washington talk about "reducing" the size of government, it's growing still.

There is still much to do to put Washington's fiscal house in order. This Annual Report is meant to help assess our problems, and point out solutions. I hope you find it useful.

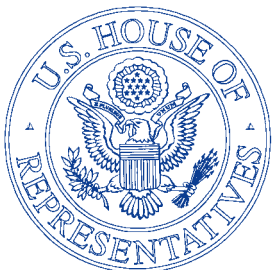
Sincerely,

Christopher Cox  
United States Representative

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

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**ANNUAL REPORT TO TAXPAYERS**