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JOINT STATEMENT OF JOHN W. SNOW, SECRETARY OF THE TREASURY, AND JOSHUA B. BOLTEN, DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET, ON BUDGET RESULTS FOR FISCAL YEAR 2004

SUMMARY

The Administration today is releasing the September 2004 Monthly Treasury Statement of Receipts and Outlays of the United States Government[1]. The statement shows the actual budget totals for the fiscal year that ended September 30, 2004, as follows:

- A deficit of $413 billion;
- total receipts of $1,880 billion; and
- total outlays of $2,292 billion.

(MORE)

[1] The September 2004 Monthly Treasury Statement of Receipts and Outlays of the United States Government containing these results can be found on the Financial Management Service website at: www.fms.treas.gov.

“We are encouraged by the progress our economy has made – GDP is growing, more than 1.9 million new jobs have been created in the past 13 months, unemployment rates are below the averages of the 1970’s, 1980’s, and 1990’s, homeownership is at an all-time high, and government receipts are rising. All of this shows that the President’s tax relief initiatives are having the intended effects.

With the economy performing better, the deficit is lower than originally forecast in the Mid-Session Review and the President’s FY 2005 Budget. The combination of a growing economy bringing in increased revenues, along with tight controls on spending, will enable us to reach the President’s goal of cutting the budget deficit in half in five years, bringing it to a level that will be low by historical standards at less than 2 percent of GDP.”

- Secretary John W. Snow

“The improvement in the Nation’s budget picture since the President’s Budget was released last February is a clear reflection of our strengthening economy and improving fiscal performance. While the deficit is unwelcome, if we stick with the President's plan of economic growth and spending discipline, we will continue to see improvement and we will cut the deficit by more than half in five years. The President’s budget policies have steadily reduced the growth of discretionary spending in non-defense, non-security-related areas of the budget. And thanks to tax relief, regulatory reform, and expanded international trade, the economy is strong and this year’s deficit is below the level previously forecast by the Administration, the Congressional Budget Office, and private forecasters.”

- Director Joshua B. Bolten

Table 1. TOTAL RECEIPTS, OUTLAYS AND SURPLUS/DEFICIT (-)
(in billions of dollars)

	Receipts	Outlays	Surplus/Deficit (-)
2003 Actual....................................	1,782	2,159	-377
FY 2004 Estimates:			
FY 2005 Budget........................	1,798	2,319	-521
FY 2005 Mid-Session Review...	1,874	2,319	-445
Actual...	1,880	2,292	-413

NOTE: Details may not add to totals due to rounding. The FY 2003 deficit is $2 billion higher than previously reported due to a retroactive accounting revision in Federal Communications Commission outlays.

The FY 2004 unified deficit was $413 billion, or an estimated 3.6 percent of the Gross Domestic Product (GDP). As a percent of GDP, the 2004 deficit is lower than the deficits of nine of the last 25 years. The deficit for FY 2004 is $32 billion, or 7.2 percent, lower than projected in the Mid-Session Review (MSR). Receipts were higher by $5 billion and outlays were lower by $27 billion. The deficit is $108 billion, or 20.8 percent, lower than projected less than a year ago in the FY 2005 Budget. Receipts were higher by $82 billion and outlays were lower by $27 billion.

Receipts in 2004 were 5.5 percent higher than in 2003, the first increase in receipts since 2001. Outlays grew by 6.2 percent above the previous year, lower than the prior year's growth rate of 7.4 percent.

RECEIPTS

Total receipts for FY 2004 were $1,880 billion, $5 billion higher than the MSR estimate of $1,874 billion. Nearly $3 billion of this increase was attributable to higher-than-estimated collections of corporation income taxes and social insurance and retirement receipts, which were partially offset by lower-than-estimated collections of individual income taxes. Most of the remaining increase was attributable to higher-than-expected collections of estate and gift taxes and miscellaneous receipts. Table 2 displays actual receipts and estimates from the Budget and the MSR by source.

Individual income taxes were $809 billion, $7 billion lower than the MSR estimate. This decrease was due in large part to lower-than-estimated payments of withheld taxes and higher-than-estimated refunds. Reallocations of receipts from the Social Security and Medicare Trust Funds to individual incomes taxes were lower-than-expected and accounted for about $2 billion of the shortfall in individual income taxes. These reallocations, which are accounting adjustments based on more recent data, did not change the overall level of receipts, only the allocation of collections between individual income taxes and the social insurance trust funds (see the discussion of social insurance and retirement receipts below).

Corporation income taxes were $189 billion, $8 billion greater than the MSR estimate. Under the Economic Growth and Tax Relief Reconciliation Act, corporations were allowed to delay 20 percent of the estimated payment otherwise due on September 15, 2004 until October 1, 2004. Delayed payments were $2 billion less than expected, which increased fiscal year 2004 collections by $2 billion relative to the MSR. Higher-than-expected payments, unrelated to timing delays, and lower-than-estimated refunds accounted for most of the remaining increase of $6 billion.

Social insurance and retirement receipts were $733 billion, $2 billion higher than the MSR estimate. This increase was primarily attributable to lower-than-expected reallocations of receipts from the Social Security and Medicare Trust Funds to individual income taxes. The adjustment offsets the adjustment to individual income taxes described above; there is no impact on total receipts.

Estate and gift taxes and miscellaneous receipts each exceeded the corresponding MSR estimate by $1 billion.

OUTLAYS

Total outlays were $2,292 billion, $27 billion or 1.2 percent below the MSR estimate. Most agency outlays were down from the MSR, although increases occurred in Defense operations and maintenance and the Department of Justice. Table 3 displays actual outlays by agency and major program as well as estimates from the Budget and the MSR. The largest changes in outlays were in the following areas:

- Department of Health and Human Services – Actual outlays for the Department of Health and Human Services were $543 billion, $9 billion lower than the MSR estimate. Actual Medicare outlays were $2 billion lower than the MSR estimate. This reflects the net impact of lower spending for Medicare Part A and Medicare's Transitional Prescription Drug Assistance, partly offset by higher spending for Medicare Part B. Although FY 2004 outlays for Medicaid were nearly 9.7 percent higher than in FY 2003, the outlays were $4 billion less than the MSR estimate, which assumed an even higher rate of growth in State spending. Outlays for the Temporary Assistance for Needy Families program were $1 billion less than the MSR estimate as a result of slower-than-expected spending by States.

- Department of Agriculture – Actual outlays for the Department of Agriculture were $72 billion, a decrease of $4 billion from the MSR estimate. Commodity Credit Corporation (CCC) outlays were $2 billion below the MSR estimate due to higher-than-anticipated surplus commodity sales proceeds and loan repayments for the commodity marketing loans, lower-than-anticipated storing and handling costs, and lower-than-expected payments for Non-Insured Assistance Payments and environmental programs. Net outlays for the Rural Utilities Service were $1 billion below the MSR mainly due to increased collections of borrower prepayments on pre-Credit Reform loans, as borrowers refinanced at current low interest rates. Crop insurance outlays were $1 billion lower because crop insurance losses were lower than forecast. Food and Nutrition Service outlays of $1 billion below the MSR estimates were caused by lower-than-anticipated costs for Child Nutrition and Food Stamps.

- Department of Homeland Security – Outlays for the Department of Homeland Security were $27 billion in FY 2004, $4 billion below the MSR estimate. Much of this difference is attributable to the rate at which state and local governments have drawn down obligations of grant funds. Outlays for Science and Technology and Emergency Preparedness and Response were $1 billion lower in FY2004 than estimated as a result of later-than-anticipated signing of Inter-Agency agreements and obligations of funds for the Flood Map Modernization program.

- Department of Defense - Military – In FY 2004, outlays for the Department of Defense – Military were $437 billion, an increase of $3 billion from the MSR estimate. This difference can be attributed primarily to higher-than-anticipated fuel prices as well as the increased operational activity resulting from the Global War on Terror.

- Department of Education – Department of Education outlays in FY 2004 were $63 billion, $3 billion below the MSR estimates. Most of this decrease was in the Office of Elementary and Secondary Education, and was attributable to slower-than-anticipated State implementation of some elementary and secondary education programs.

- Department of Transportation – Department of Transportation outlays were $55 billion in FY 2004, $3 billion below the MSR estimate. Outlays were $1 billion below the MSR for the Federal Highway Administration due to the delayed enactment of pending surface transportation legislation that prevented the obligation of some funding for the Federal-aid Highway Program. Federal Aviation Administration (FAA) outlays were $1 billion below MSR estimates due to slower-than-anticipated obligation and spending of funds for capital modernization and airport grants.

- Department of Justice – FY 2004 outlays for the Department of Justice were $29 billion, up $3 billion from the MSR estimates. The largest difference, $1 billion, was in the Federal Bureau of Investigation, due to stronger funds management and improved adherence to project schedules. Outlays for the Office of Justice Programs were $1 billion higher than anticipated because State and local agencies are submitting requests for reimbursement more quickly than in previous years.

- International Assistance Programs – In FY 2004, outlays for International Assistance Programs were $14 billion, $3 billion less than the MSR estimate. A large difference, as in previous years, was in the International Monetary Program, which was $1 billion lower than the MSR estimate due to valuation changes in the U.S. reserve position (which is similar to a deposit) in the International Monetary Fund (IMF). Outlays for the Foreign Military Sales program were $1 billion lower than the MSR due to higher-than-estimated payments that arrived in the last quarter of FY 2004. Other differences from the MSR estimates included slight decreases in outlays for Foreign Military Financing and other International Assistance Programs, and in the U.S. Agency for International Development.

- Federal Communications Commission – FY 2004 Federal Communications Commission (FCC) outlays were $4 billion, $3 billion less than the MSR estimate. Actual outlays for the Universal Service Fund (USF) were $3 billion, $3 billion lower than the MSR estimate. This difference was largely related to a transition from private sector to government reporting standards. As part of the transition, USF cash balances previously held in non-Federal money market funds were moved into Federal investments to ensure sufficient budgetary resources to meet program obligations. The redemption of non-Federal securities resulted in lower net outlays in 2004.

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