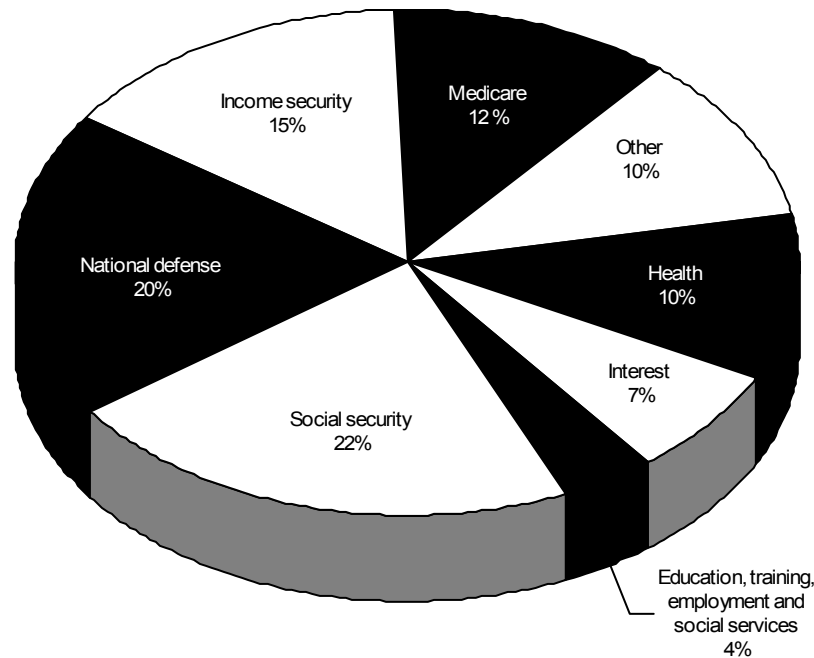


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$2,292.1 billion in fiscal 2004 an increase of \$132.8 billion or 6.2 percent over the amount from fiscal 2003. The text below shows how outlays were divided in fiscal 2004. 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 2004 and 2003 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 2004 increased by \$50.6 billion, to \$455.5 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 \$87.6 billion for fiscal 2004, an increase of 6.1 percent or \$5.0 billion from fiscal 2003 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 \$239.8 billion in fiscal 2004. This represents an increase of \$20.5 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 \$269.4 billion in fiscal 2004. That is an increase of 8 percent or \$19.9 billion over fiscal 2003 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 \$334.6 billion in fiscal 2004—an increase of less than 1 percent or \$0.1 billion over the fiscal 2003 level.
- **Social security**—Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$495.6 billion for fiscal 2004. That represents an increase of 4.4 percent or \$20.9 billion over fiscal 2003 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 increased in fiscal 2004 to \$160.5 billion. This is a 4.8 percent increase from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2004	Fiscal 2003	Amount change from 2003	Percent change
National defense	455,548	404,920 r	50,628	12.5
International affairs	26,423	20,724 r	5,699	27.5
General science, space, and technology.....	23,652	20,873 r	2,779	13.3
Energy	-265	-777 r	512	65.9
Natural resources and environment	28,722	29,703 r	-981	-3.3
Agriculture.....	17,317	22,526 r	-5,209	-23.1
Commerce and housing credit	5,168	697 r	4,471	641.5 ¹
Transportation.....	64,436	67,069 r	-2,633	-3.9
Community and regional development.....	14,878	18,850 r	-3,972	-21.1
Education, training, employment and social services	87,615	82,568 r	5,047	6.1
Health	239,842	219,386 r	20,456	9.3
Medicare	269,360	249,433 r	19,927	8.0
Income security.....	334,561	334,443 r	118	*
Social security.....	495,564	474,680 r	20,884	4.4
Veterans benefits and services	59,779	57,022 r	2,757	4.8
Administration of justice	44,864	35,408 r	9,456	26.7
General Government	22,659	23,030 r	-371	-1.6
Net interest	160,475	153,076 r	7,399	4.8
Undistributed offsetting receipts	-58,536	-54,382 r	-4,154	-7.6
Total outlays	2,292,061	2,159,249 r	132,813	6.2

Details may not add to totals due to rounding.

r = revised

¹ This percent change was largely related to a transition from private sector to Government reporting standards of the Universal Service Fund for the Federal Communications Commission.

* Change is less than 0.1 percent.