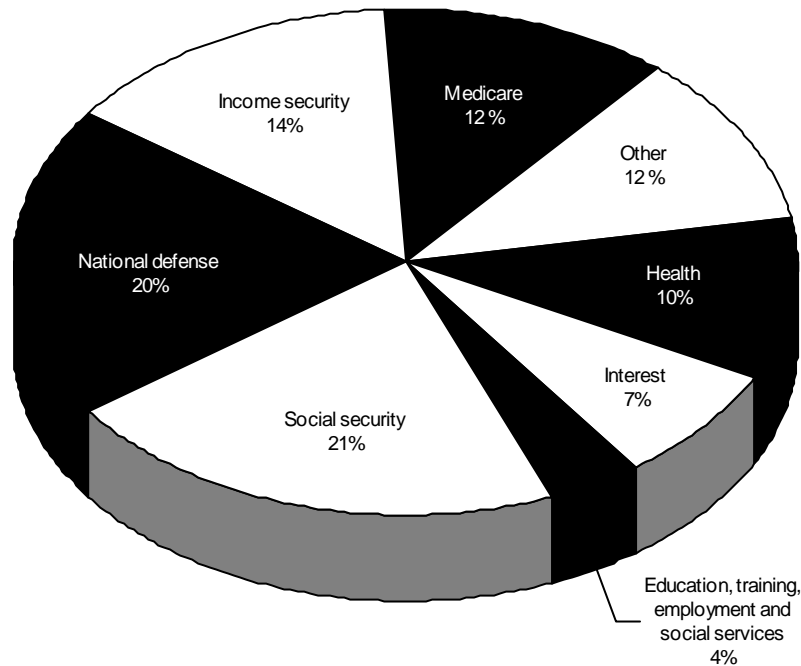


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$2,471.8 billion in fiscal 2005 an increase of \$179.2 billion or 7.8 percent over the amount from fiscal 2004. The seven largest categories of outlays are detailed below in the pie chart. 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 2005 and 2004 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.

- **Social security**—Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$523.3 billion for fiscal 2005. That represents an increase of 5.6 percent or \$27.8 billion over fiscal 2004 outlays.
- **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 2005 increased by \$38.0 billion, to \$493.9 billion.
- **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 \$346.8 billion in fiscal 2005—an increase of 4.1 percent or \$13.7 billion over the fiscal 2004 level.
- **Medicare**—Through Medicare, the Federal Government contributes to the health and well being of aged and disabled Americans. Outlays for this function were \$298.6 billion in fiscal 2005. That is an increase of 10.9 percent or \$29.3 billion over fiscal 2004 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 \$250.4 billion in fiscal 2005. This represents an increase of \$10.4 billion over the prior fiscal year.
- **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 2005 to \$183.9 billion. This is a 14.8 percent increase from the prior fiscal year.
- **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 \$97.9 billion for fiscal 2005, an increase of 11.3 percent or \$9.9 billion from fiscal 2004 outlays.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2005	Fiscal 2004	Amount change from 2004	Percent change
National defense.....	493,863	455,908 r	37,955	8.3
International affairs.....	34,492	26,751 r	7,741	28.9
General science, space, and technology.....	24,528	23,053 r	1,475	6.4
Energy.....	600	-214 r	814	380.4
Natural resources and environment.....	26,185	30,725 r	-4,540	-14.8
Agriculture.....	28,407	15,440 r	12,967	84.0
Commerce and housing credit.....	7,419	5,164 r	2,255	43.7
Transportation.....	68,102	64,627 r	3,475	5.4
Community and regional development.....	25,074	15,819 r	9,255	58.5
Education, training, employment and social services.....	97,880	87,945 r	9,935	11.3
Health.....	250,378	240,007 r	10,371	4.3
Medicare.....	298,638	269,360	29,278	10.9
Income security.....	346,785	333,070 r	13,715	4.1
Social security.....	523,333	495,548 r	27,785	5.6
Veterans benefits and services.....	70,150	59,779	10,371	17.3
Administration of justice.....	39,718	45,535 r	-5,817	-12.8
General Government.....	17,551	22,411 r	-4,860	-21.7
Net interest.....	183,916	160,245 r	23,671	14.8
Undistributed offsetting receipts.....	-65,223	-58,537 r	-6,686	-11.4
Total outlays.....	2,471,796	2,292,629 r	179,167	7.8

Details may not add to totals due to rounding.

r = revised