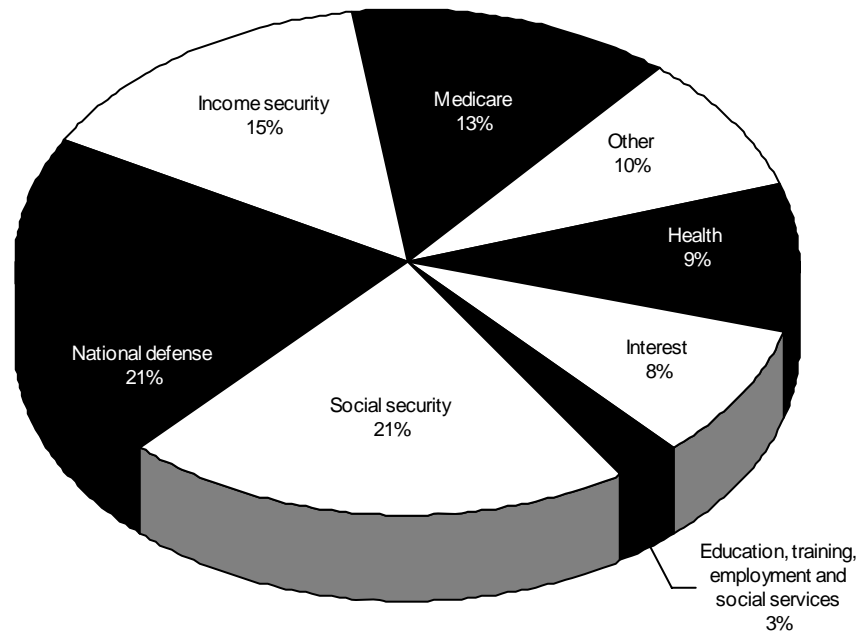


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$2,978.4 billion in fiscal 2008 an increase of \$249.2 billion or 9.1 percent over the amount from fiscal 2007. The text below shows how outlays were divided in fiscal 2008. 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 2008 and 2007 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 2008 increased by \$72.8 billion to \$624 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 \$89.1 billion for fiscal 2008, a decrease of 2.5 percent or \$2.2 billion from fiscal 2007 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 \$280.6 billion in fiscal 2008. This represents an increase of \$14.2 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 \$390.8 billion in fiscal 2008. That is an increase of 4.1 percent or \$15.3 billion over fiscal 2007 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 \$432.5 billion in fiscal 2008—an increase of 18.2 percent or \$66.5 billion over the fiscal 2007 level.
- Social security**— Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$617 billion for fiscal 2008. That represents an increase of 5.3 percent or \$30.9 billion over fiscal 2007 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 2008 to \$248.9 billion. This is a 4.6 percent or \$11 billion increase from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2008	Fiscal 2007	Amount change from 2007	Percent change
National defense	624,065	551,286 r	72,779	13.2
International affairs.....	28,825	28,510 r	315	1.1
General science, space, and technology.....	23,951	25,566 r	-1,615	-6.3
Energy.....	531	-925 r	1,456	-157.4
Natural resources and environment.....	30,177	31,772 r	-1,595	-5.0
Agriculture.....	22,056	17,662 r	4,394	24.9
Commerce and housing credit.....	27,814	388 r	27,426	7,068.7 ¹
Transportation.....	77,660	72,905 r	4,755	6.5
Community and regional development.....	22,535	29,567 r	-7,032	-23.8
Education, training, employment and social services.....	89,120	91,361 r	-2,241	-2.5
Health.....	280,616	266,383 r	14,233	5.3
Medicare.....	390,755	375,407 r	15,347	4.1
Income security.....	432,519	365,983 r	66,536	18.2
Social security.....	617,028	586,153 r	30,875	5.3
Veterans benefits and services.....	84,687	72,847 r	11,841	16.3
Administration of justice.....	47,418	41,244 r	6,174	15.0
General Government.....	16,001	17,456 r	-1,455	-8.3
Net interest.....	248,915	237,872 r	11,043	4.6
Undistributed offsetting receipts.....	-86,242	-82,238 r	-4,005	4.9
Total outlays.....	2,978,433	2,729,199 r	249,233	9.1

Details may not add to totals due to rounding.

r = revised

¹ Includes \$17,470 million reported by the Federal Deposit Insurance Corporation to cover insured deposits at failed financial institutions and \$4.600 million reported by the Federal Housing Administration to cover guaranteed mortgages.