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 2003

SUMMARY

The Administration is today releasing the September 2003 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, 2003, as follows:

- A deficit of $374 billion;
- total receipts of $1,782 billion; and
- total outlays of $2,157 billion.

[1] The September 2003 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.

"Today's budget numbers reinforce the indications we have seen for some months now: that the economy is well on the path to recovery. Increased consumer income and spending, a robust housing market, improved business spending - coupled with low inflation and low interest rates - all show we are heading in the right direction of an accelerating recovery. As the economy grows, government revenues will go up, which will help keep the deficit under control. Going forward, it is essential that we keep our focus on maintaining these favorable conditions that will lead to job creation and economic growth, while keeping tight control over federal spending."

- Secretary John W. Snow

“The improvement in our budget picture since our forecast last July is an encouraging sign that the economic recovery is gaining momentum. Although the deficit is still projected to increase in 2004, and will likely exceed $500 billion even with the strengthening economy, we can put the deficit on a responsible downward path if we continue pro-growth economic policies and exercise responsible spending restraint. The President’s budget does precisely that, halving the deficit from its 2004 peak within five years.”

- Director Joshua B. Bolten

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

	Receipts	Outlays	Surplus/Deficit (-)
2002 Actual....................................	1,853	2,011	-158
FY 2003 Estimates:			
FY 2004 Budget........................	1,836	2,140	-304
FY 2004 Mid-Session Review...	1,756	2,212	-455
Actual..	1,782	2,157	-374

NOTE: Details may not add to totals due to rounding.

The FY 2003 unified deficit was $374 billion, or an estimated 3.5 percent of the Gross Domestic Product (GDP). The deficit for FY 2003 is $81 billion lower than projected in the Mid-Session Review (MSR) with receipts higher by $26 billion and outlays lower by $55 billion.

Receipts in 2003 were 3.8 percent below the level in 2002, while outlays grew by 7.2 percent above the previous year. Departments with the largest rates of growth included Education (24 percent), Defense (17 percent), and the newly created Homeland Security Department.

RECEIPTS

Total receipts for FY 2003 were $1,782 billion, $26 billion higher than the MSR estimate of $1,756 billion. The MSR estimate contained an adjustment for revenue uncertainty beyond what the economic and tax models forecast. This adjustment accounts for $15 billion of the increase in receipts relative to the MSR. The remaining $11 billion increase in collections relative to the MSR was largely due to higher-than-expected collections of individual and corporation income taxes of $4 billion and $6 billion, respectively. Excise taxes and social insurance and retirement receipts were also above forecast, but were partially offset by lower-than-estimated collections of other sources of receipts. Table 2 displays actual receipts and estimates from the Budget and the MSR by source.

Individual income taxes were $794 billion, $4 billion higher than the MSR estimate. This increase was due to higher-than-estimated payments of withheld and non-withheld taxes, which were partially offset by higher-than-expected refunds.

Corporation income taxes were $132 billion, $6 billion greater than the MSR estimate. Higher-than-estimated corporate tax payments and lower-than-estimated refunds were responsible for this increase.

Social insurance and retirement receipts were $713 billion, $2 billion higher than the MSR estimate. A one-time unexpected increase in State deposits to the unemployment insurance trust fund accounted for a large part of this increase.

Miscellaneous receipts were $35 billion, $1 billion lower than the MSR estimate. Lower-than-estimated deposits of earnings by the Federal Reserve accounted for most of the decline in this source of receipts.

OUTLAYS

Total outlays were $2,157 billion, $55 billion or 2.5 percent below the MSR estimate. Most agency outlays were down, although increases occurred in Medicare and Defense procurement. 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 Defense - Military – In FY 2003, outlays for the Department of Defense – Military were $389 billion, a decrease of $20 billion from the MSR estimate. Of this difference, $17 billion is due to the operations and maintenance (O&M) accounts outlaying their FY 2003 obligations at a slower than expected rate, particularly obligations funded under the supplemental appropriations for Iraq. The MSR estimates applied O&M outlay rates that are appropriate for annual appropriations, received in the first quarter of the year. These outlay rates overestimate outlays for funds made available in the third quarter of the year, such as the Iraq supplemental. The MSR did not fully recognize the impact of the late enactment of the supplemental. In addition, the MSR estimates did not foresee a $3.5 billion rescission to the supplemental's Iraqi Freedom Fund, which is largely comprised of O&M activities. Moreover, the MSR assumed that all of the Iraqi Freedom Fund would be spent on O&M, whereas several billion of these funds are being used for slower-spending procurement purposes. The slower-than-anticipated outlays in FY 2003 and the unusually large percentage of O&M obligations made late in FY 2003 are expected to result in increased outlays for FY 2004.

- Department of Treasury – The Department of Treasury had FY 2003 actual outlays of $367 billion, $7 billion lower than the MSR estimate. Interest on the public debt, which includes interest paid to government accounts as well as interest paid to the public, was $318 billion, $6 billion below the MSR estimate. This difference was largely due to lower interest paid to trust funds ($4 billion below the MSR) and other government accounts ($1 billion). However, these interest payments to trust funds and other government accounts had no impact on the deficit, because they were offset by changes in undistributed offsetting receipts (discussed below) and various agency totals. Interest paid to the public was $1 billion below the MSR estimate.

- Department of Agriculture – Actual outlays for the Department of Agriculture were $72 billion, a decrease of $5 billion from the MSR estimate. Commodity Credit Corporation (CCC) outlays were $1 billion below the MSR estimate. A third of the reduction is due to a lag in making disaster assistance payments, while about one quarter is due to smaller-than-anticipated disaster payments. Nearly one-quarter was due to lower Milk Income Loss Contract payments caused by stronger-than-anticipated milk prices. Most of the remainder of the difference resulted from lower-than-expected net lending and export credit guarantees volumes. Net outlays for the Rural Utilities Service were $1 billion below MSR mainly due to increased collections of borrower prepayments associated with borrower refinancing at current low interest rates. Lower Food and Nutrition Service outlays of $1 billion below MSR estimates were caused by lower-than-anticipated participation in the Child Nutrition programs and Special Supplemental Nutrition program for Women, Infants and Children (WIC) and a lag in Food Stamp program State administrative expenses.

- Department of Homeland Security – Actual outlays for the Department of Homeland Security were $32 billion in FY 2003, $4 billion below the MSR estimate. The Department has outlayed funds more slowly than anticipated in the MSR for a variety of reasons. Within the Border and Transportation Security and Emergency Preparedness and Response divisions, several large contracts and inter-agency agreements were signed later in the fiscal year than anticipated. In addition, flood insurance funds were disbursed at a slower rate than expected since this year's flood season was less severe than anticipated.

- International Assistance Programs – FY 2003 outlays for International Assistance Programs were $13 billion, $3 billion less than the MSR estimate. The largest difference is in the International monetary program, which experienced an increase of $2 billion from 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). The valuation gains are accounted for as an offset to outlays because they represent an unrealized gain on an asset. Outlays for the Economic Support Fund were $1 billion lower than MSR, largely because Supplemental funds for Turkey, which have been obligated, were not in fact disbursed in FY 2003. Other differences from MSR estimates included a slight decrease in outlays for Foreign Military Financing, other than funds for Israel, and a slight increase in outlays for Foreign Military Sales.

- Department of Health and Human Services – Actual outlays for the Department of Health and Human Services were $505 billion, $3 billion lower than the MSR estimate. Although FY 2003 outlays for Medicaid were nearly 9 percent higher than FY 2002, the outlays were $3 billion lower than the MSR estimate, due to lower-than-expected growth in State spending. Outlays for the Administration for Children and Families were $1 billion less than the MSR estimate as a result of slower-than-expected spending in the Temporary Assistance for Needy Families and Child Support Enforcement programs. These decreases were partly offset by

Medicare outlays, which were $1 billion above the MSR estimate, largely due to higher-than-projected utilization of physician-administered drugs and durable medical equipment and higher-than-projected outlays for hospital outpatient services.

- Department of Education – Department of Education outlays in FY 2003 were $57 billion, $2 billion below MSR estimates. Most of this decrease was in the Office of Elementary and Secondary Education, and is attributable to slower-than-anticipated State implementation of some elementary and secondary education programs.

- Office of Personnel Management – FY 2003 Office of Personnel Management outlays were $54 billion, a decrease of $2 billion from MSR. The bulk of the decrease occurred in the Civil Service Retirement and Disability Fund ($1 billion) due largely to lower-than-expected retirements, and in the Employees and Retired Employees Health Benefits Funds ($1 billion) due mostly to lower-than-estimated claims and contingency reserve payments.

- Undistributed offsetting receipts – Undistributed offsetting receipts were $210 billion in FY 2003, $1 billion below the MSR estimate. Offsetting receipts are deducted from gross outlays in calculating net outlays; therefore, decreases in these figures increase the deficit. The largest increase was in interest received by trust funds, $4 billion below MSR. As indicated in the paragraph above on the Department of Treasury, this difference is offset by lower interest paid on the public debt by Treasury and does not affect total outlays. This difference was largely offset by increased receipts for Employer share, employee retirement, of $3 billion more than the MSR estimate. Of this increase, $2 billion was in receipts for military retirement and health.

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