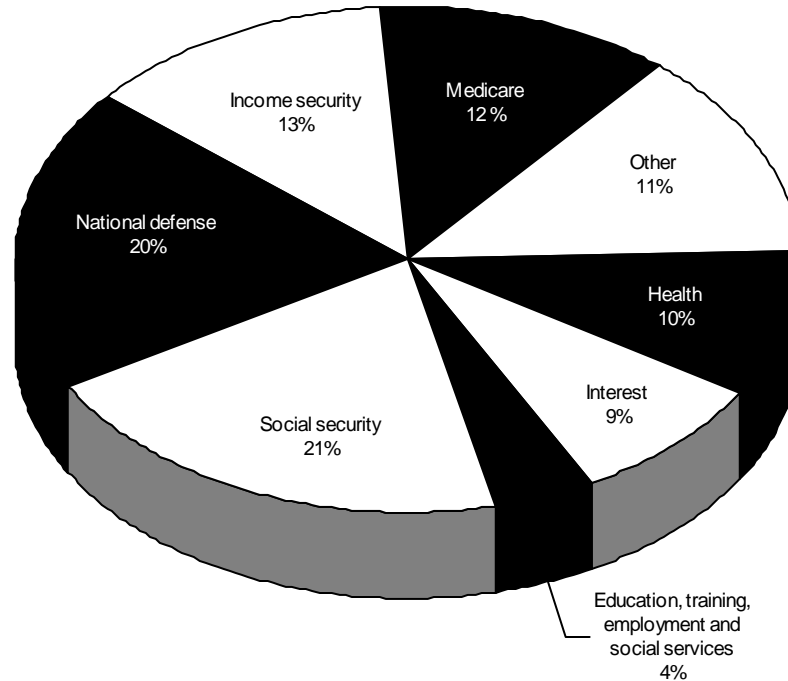


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$2,654.9 billion in fiscal 2006, an increase of \$183.2 billion or 7.4 percent over the amount from fiscal 2005. The text below shows how outlays were divided in fiscal 2006. 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 2006 and 2005 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 2006 increased by \$33.5 billion, to \$528.8 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 \$116.5 billion for fiscal 2006, an increase of 19.4 percent or \$18.9 billion from fiscal 2005 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 \$252.6 billion in fiscal 2006. This represents an increase of \$2.1 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 \$329.9 billion in fiscal 2006. That is an increase of 10.5 percent or \$31.2 billion over fiscal 2005 outlays.
- **Income security**—Income security benefits are paid to the aged, the disabled, and 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 \$353.7 billion in fiscal 2006—an increase of 2.3 percent or \$8.1 billion over the fiscal 2005 level.
- **Social security**—Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$548.6 billion for fiscal 2006. That represents an increase of 4.8 percent or \$25.3 billion over fiscal 2005 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 2006 to \$226.6 billion. This is a 23.2 percent increase from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2006	Fiscal 2005	Amount change from 2005	Percent change
National defense.....	528,811	495,335 r	33,476	6.8
International affairs.....	29,491	34,592 r	-5,101	-14.7
General science, space, and technology.....	20,218	23,674 r	-3,456	-14.6
Energy.....	755	429 r	326	76.1
Natural resources and environment.....	33,062	28,023 r	5,039	18.0
Agriculture.....	27,907	26,566 r	1,341	5.0
Commerce and housing credit.....	6,085	7,422 r	-1,337	-18.0
Transportation.....	70,801	67,894 r	2,907	4.3
Community and regional development.....	53,925	26,264 r	27,661	105.3
Education, training, employment and social services.....	116,472	97,526 r	18,946	19.4
Health.....	252,609	250,487 r	2,122	0.8
Medicare.....	329,867	298,638	31,229	10.5
Income security.....	353,701	345,605 r	8,096	2.3
Social security.....	548,573	523,305 r	25,268	4.8
Veterans benefits and services.....	69,843	70,151 r	-308	-0.4
Administration of justice.....	35,503	40,019 r	-4,516	-11.3
General Government.....	18,871	16,955 r	1,916	11.3
Net interest.....	226,631	183,986 r	42,645	23.2
Undistributed offsetting receipts.....	-68,249	-65,224 r	-3,025	-4.6
Total outlays.....	2,654,878	2,471,647	183,230	7.4

Details may not add to totals due to rounding.

r = revised