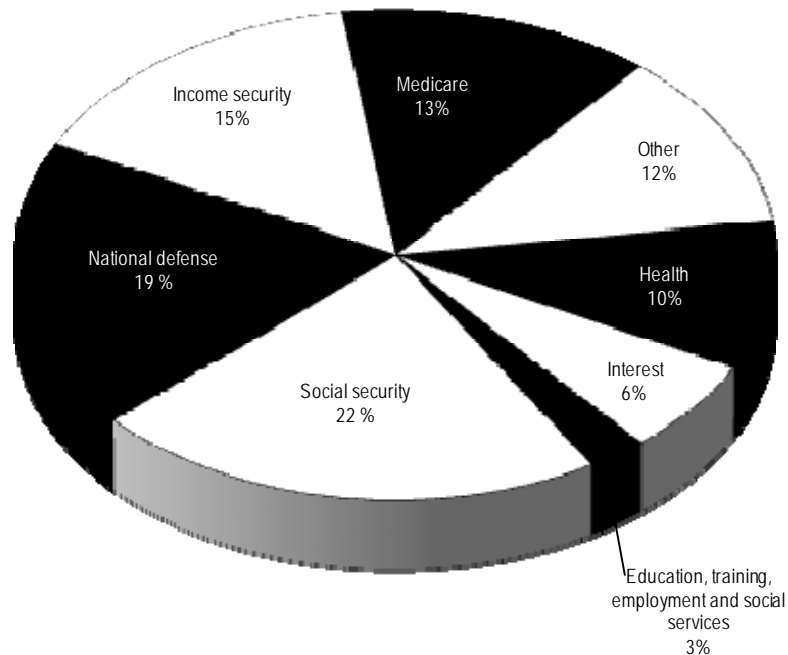


OUTLAYS BY FUNCTION

Outlays occur when the Government pays its obligations, whether with cash, check or electronic funds transfer. Total outlays were \$3,538.3 billion in fiscal 2012, a decrease of \$61.0 billion or 1.7 percent below the amount from fiscal 2011. The text below shows how outlays were divided in fiscal 2012. 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 2012 and 2011 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 2012 decreased by \$27.9 billion to \$680.4 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 2012, a decrease of 10.4 percent or \$10.3 billion from fiscal 2011 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 \$346.7 billion in fiscal 2012. This represents a decrease of \$26.0 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 \$471.8 billion in fiscal 2012. That is a decrease of 2.9 percent or \$13.9 billion over fiscal 2011 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 \$542.1 billion in fiscal 2012—a decrease of 9.4 percent or \$56.2 billion under the fiscal 2011 level.
- Social security**— Through social security, the Federal Government contributes to the income security of aged and disabled Americans. This function's outlays were \$773.3 billion for fiscal 2012. That represents an increase of 5.8 percent or \$42.5 billion over fiscal 2011 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 decreased in fiscal 2012 to \$222.5 billion. This is a 2.0 percent or \$4.5 billion decrease from the prior fiscal year.

OUTLAYS BY FUNCTION

IN MILLIONS OF DOLLARS

	Fiscal 2012	Fiscal 2011		Amount change from 2011	Percent change
National defense	680,407	708,257	r	-27,850	-3.9
International affairs.....	47,186	45,681	r	1,505	3.3
General science, space, and technology.....	29,226	29,831	r	-605	-2.0
Energy.....	14,756	12,075		2,681	22.2
Natural resources and environment.....	41,843	43,284	r	-1,441	-3.3
Agriculture.....	19,711	22,583	r	-2,872	-12.7
Commerce and housing credit.....	40,333	-13,027	r	53,360	409.6
Transportation.....	91,206	93,220	r	-2,014	-2.2
Community and regional development.....	26,113	24,882	r	1,231	4.9
Education, training, employment and social services.....	89,063	99,395	r	-10,332	-10.4
Health.....	346,707	372,671	r	-25,964	-7.0
Medicare.....	471,789	485,652		-13,863	-2.9
Income security.....	542,100	598,279	r	-56,180	-9.4
Social security.....	773,288	730,811		42,476	5.8
Veterans benefits and services.....	124,603	127,188		-2,585	-2.0
Administration of justice.....	57,557	57,345	r	212	0.4
General Government.....	23,448	22,620	r	828	3.7
Net interest.....	222,484	227,006	r	-4,522	-2.0
Undistributed offsetting receipts.....	-103,535	-88,469	r	-15,066	-17.0
Total outlays.....	3,538,286	3,599,285	r	-60,999	-1.7

Details may not add to totals due to rounding.

r = revised