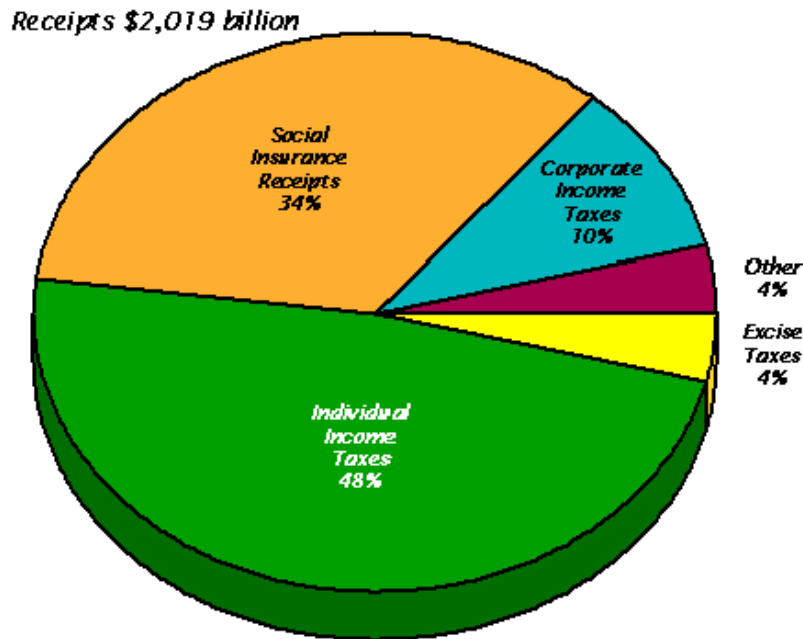


Where the Money Comes From



Revenues Sources

- Individual income taxes will raise an estimated \$972 billion in 2001, equal to about 9.7 percent of GDP.
- Social insurance payroll taxes include Social Security taxes, Medicare taxes, unemployment insurance taxes, and Federal employee retirement payments. This category has grown from two percent of GDP in 1955 to an estimated 6.8 percent in 2001.
- Corporate income taxes, which will raise an estimated \$195 billion, have shrunk steadily as a percent of GDP, from 4.5 percent in 1955 to an estimated 1.9 percent in 2001.
- Excise taxes apply to various products, including alcohol, tobacco, transportation fuels, and telephone services. The Government earmarks some of these taxes to support certain activities--including highways and airports and airways--and deposits others in the general fund.
- The Government also collects estate and gift taxes, customs duties, and miscellaneous revenues--e.g., Federal Reserve earnings, fines, penalties, and forfeitures.

The Budget

The Federal budget is:

- a plan for how the Government spends your money.
- a plan for how the Government pays for its activities.
- a plan for Government borrowing or repayment of borrowing.
- something that affects the Nation's economy.
- an historical record.

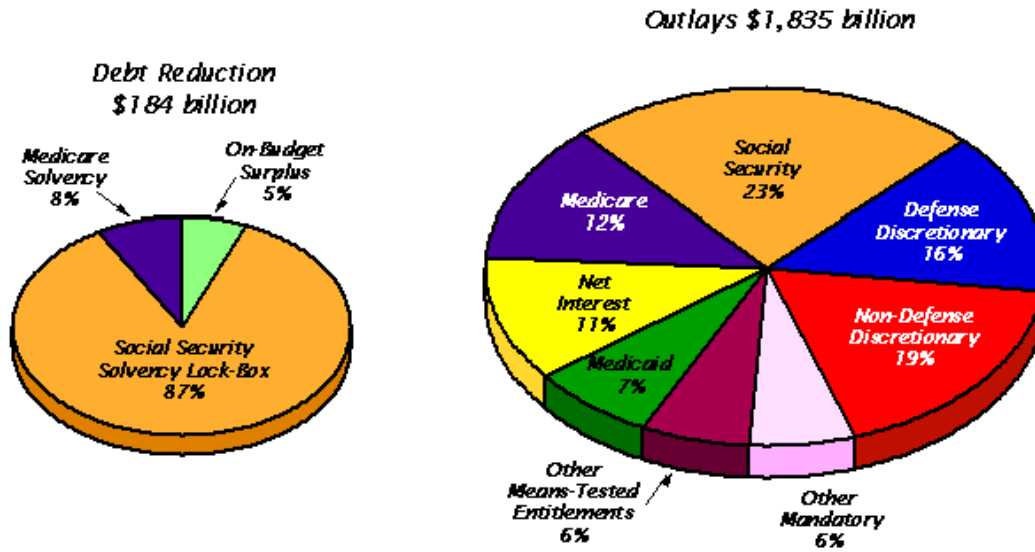
The 2003 Budget is a document that embodies the President's budget proposal to Congress for fiscal 2003, the fiscal year that begins on October 1, 2002. It reflects the President's priorities and proposes that Social Security be protected and solvency of the trust funds extended. With enactment of these reforms, as well as strengthening of Medicare, additional resources would be made available for national needs, including health care initiatives and a tax cut.

Revenue By Source- Summary

Source	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
Individual income taxes	879	952	972	995	1,026	1,066	1,117
Corporate income taxes	185	192	195	195	196	200	206
Payroll taxes	612	650	682	712	742	771	815
Excise taxes	70	68	77	80	81	82	83
Estate and gift taxes	28	30	32	35	36	39	37
Customs duties	18	21	21	23	24	26	28
Miscellaneous revenues	35	43	40	41	43	53	55
Total revenues	1,827	1,956	2,019	2,081	2,147	2,236	2,341

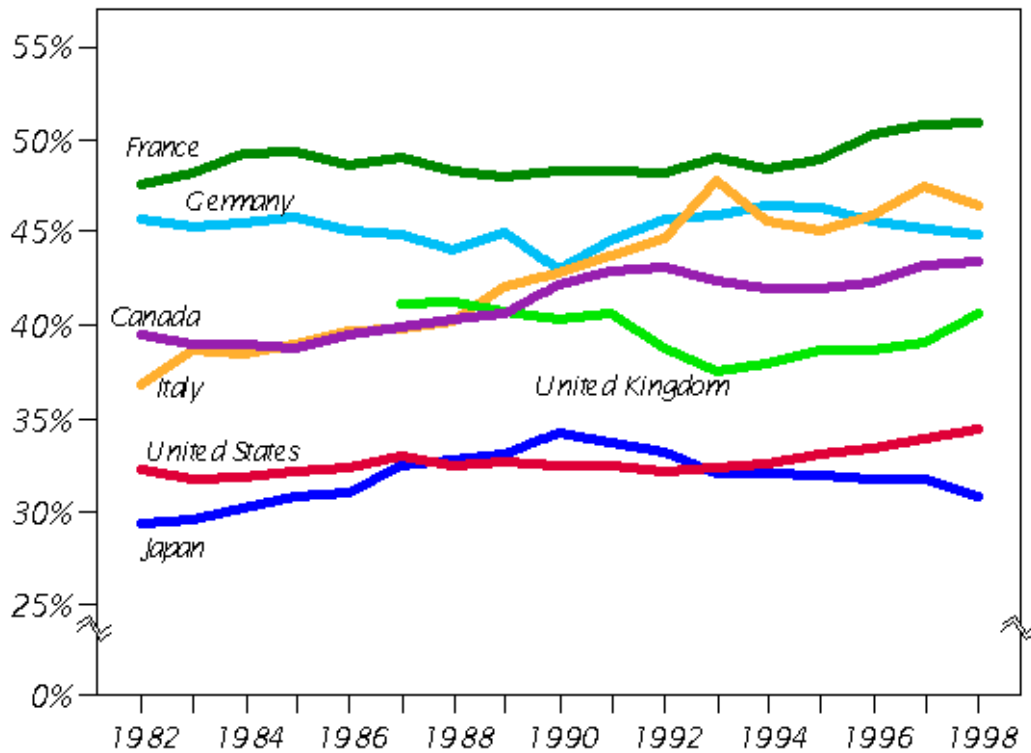
**Numbers are in billions

The Federal Government Dollar— Where It Goes



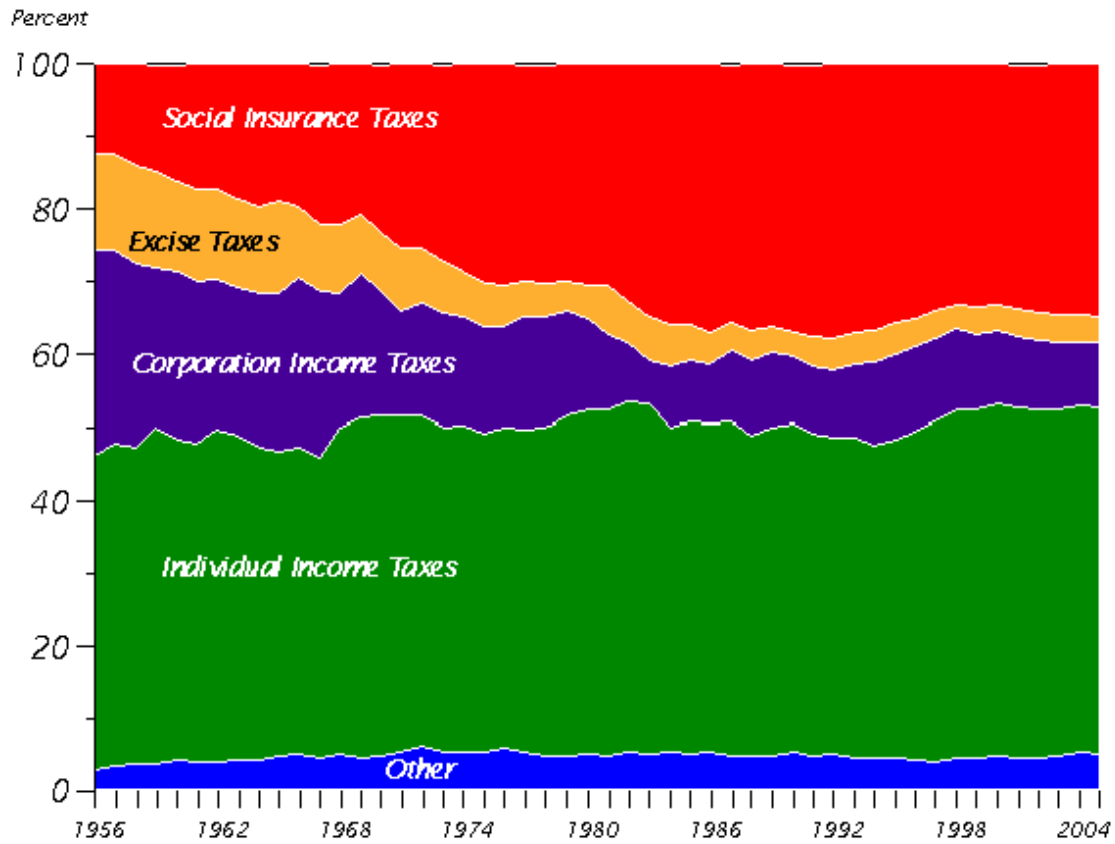
**Means-tested entitlements are those for which eligibility is based on income. The Medicaid program is also a means-tested entitlement.*

Total Government Outlays as a Percent of GDP



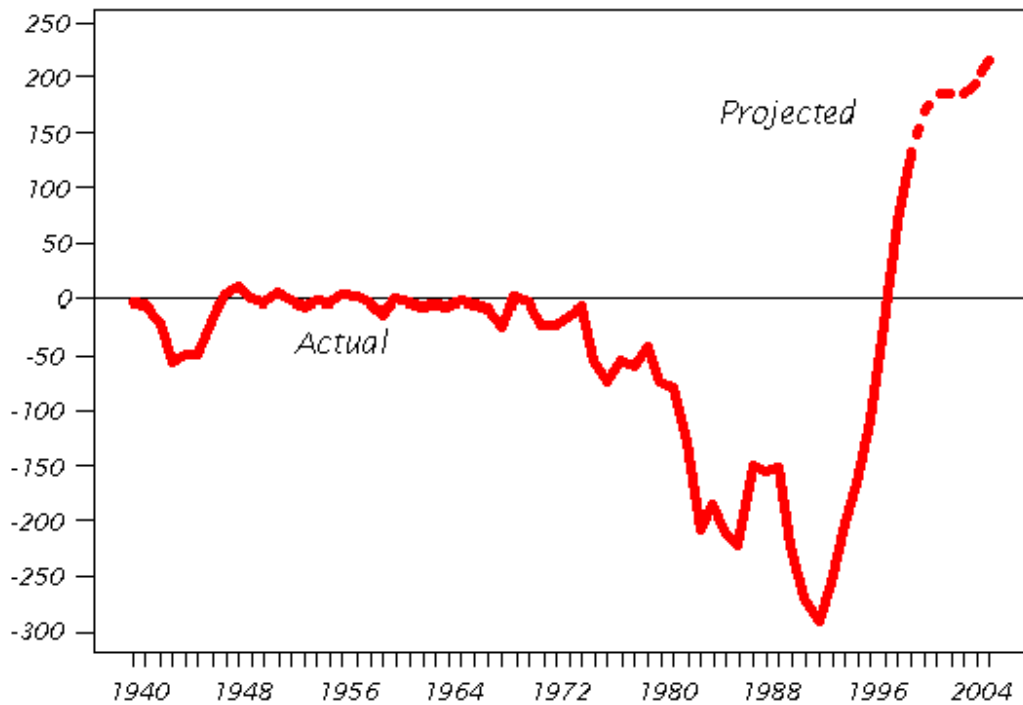
Source: OECD, calendar year data.

Composition of Revenues



Past and Future Budget Deficits or Surplus

Surplus (+)/deficit (-) in billions of dollars



Total Spending by Function

Function	1999 Actual	Estimate					
		2000	2001	2002	2003	2004	2005
National defense:							
Department of Defense-Military	261	277	277	284	293	302	316
Other	13	13	14	14	14	15	15
Total, national defense	275	291	291	298	307	317	331
International affairs	15	17	20	19	19	19	20
General science, space, and technology . . .	18	19	20	21	21	21	22
Energy	1	-2	-1	-1	-*	-1	-1
Natural resources and environment	24	24	25	26	25	26	26
Agriculture	23	32	22	18	14	12	11
Commerce and housing credit	3	6	3	2	2	2	2
Transportation	43	47	50	51	52	54	55
Community and regional development	12	11	10	10	10	10	9
Education, training, employment, and social services	56	63	68	74	77	79	81
Health	141	154	167	181	195	211	227
Medicare	190	203	221	229	242	265	287
Income security	238	251	260	276	288	301	314
Social security	390	407	426	447	469	493	520
Veterans benefits and services	43	47	46	49	51	53	56
Administration of justice	26	27	31	31	31	31	32
General government	16	15	15	16	16	17	17
Net interest	230	220	208	199	189	178	164
Allowances		1	-1	-*	-*	-*	-*
Undistributed offsetting receipts	-40	-43	-46	-49	-47	-47	-48
Total	1,703	1,790	1,835	1,895	1,963	2,041	2,125

* \$500 million or less.

Glossary

The Budget of the United States Government Fiscal Year 2001

Appropriation: An appropriation is an act of Congress that enables Federal agencies to spend money for specific purposes.

Authorization: An authorization is an act of Congress that establishes or continues a Federal program or agency, and sets forth the guidelines to which it must adhere.

Balanced Budget: A balanced budget occurs when total revenues equal total outlays for a fiscal year.

Budget Authority (BA): Budget authority is what the law authorizes, or allows, the Federal program or agency, and sets forth the guidelines to which it must adhere.

Budget Enforcement Act (BEA) of 1990: The BEA is the law that was designed to limit discretionary spending while ensuring that any new entitlement program or tax cuts did not make the deficit worse. It set annual limits on total discretionary spending and created “pay-as-you-go” rules for any changes in entitlements and taxes (see “pay-as-you-go”).

Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings): The Balanced Budget and Emergency Deficit Control Act of 1985 was designed to end deficit spending. It set annual deficit targets for five years, declining to a balanced budget in 1991. If necessary, it required across-the-board cuts in programs to comply with the deficit targets. It was never fully implemented.

Budget Resolution: The budget resolution is the annual framework within which Congress makes its decisions about spending and taxes. This framework includes targets for total spending, total revenues, and the deficit, as well as allocations, within the spending target, for discretionary and mandatory spending.

“Cap”: A “cap” is a legal limit on annual discretionary spending.

Deficit: The deficit is the difference produced when spending exceeds revenues in a fiscal year.

Discretionary Spending: Discretionary spending is what the President and Congress must decide to spend for the next fiscal year through 13 annual appropriations bills. Examples include money for such activities as the FBI and the Coast Guard, housing and education, space exploration and highway construction, and defense and foreign aid.

Entitlement: An entitlement is a program that legally obligates the Federal government to make payments to any person who meets the legal criteria for eligibility. Examples include Social Security, Medicare, and Medicaid.

Excise Taxes: Excise taxes apply to various products, including alcohol, tobacco, transportation, fuels, and telephone service.

Federal Debt: The gross Federal debt is divided into two categories: debt held by the public and debt the government owes itself. Another category is debt subject to legal limit.

- **Debt Held by the Public:** Debt held by the public is the total of all Federal deficits, minus surpluses, over the years. This is the cumulative amount of money the Federal government has borrowed from the public through the sale of notes and bonds of varying sizes and time period until maturity.

- **Debt the Government Owes Itself:** Debt the government owes itself is the total of all trust fund surpluses over the years, like the Social Security surplus, that the law says must be invested into Federal securities.
- **Debt Subject to Legal Limit:** Debt subject to legal limit, which is roughly the same as gross Federal debt, is the maximum amount of Federal securities that may be legally outstanding at any time. When the limit is reached, the President and Congress must enact a law to increase it.

Fiscal Year: The fiscal year is the government's accounting period. It begins October 1 and ends on September 30. For example, fiscal 2001 ended September 30, 2001.

Gramm-Rudman-Hollings: See "Balanced Budget and Emergency Deficit Control Act of 1985."

Gross Domestic Product (GDP): GDP is the standard measurement of the size of the economy. It is the total production of goods and services within the United States.

Mandatory Spending: Mandatory spending is authorized by permanent law. An example is Social Security. The President and Congress can change the law to change the level of spending on mandatory programs--but they don't have to.

"Off-Budget": By law, the Government must distinguish "off-budget" programs separately for the budget totals. Social Security and the Postal Service are "off-budget."

"On-Budget": Those programs not legally designated as "off-budget."

Outlays: Outlays are the amount of money the government actually spends in a given fiscal year.

"Pay-As-You-Go": Set forth by the BEA, "pay-as-you-go" refers to requirements that new spending proposals on entitlements or tax cuts must be offset by cuts in other entitlements or by other tax increases, to ensure that the deficit does not rise (see Budget Enforcement Act of 1990).

Receipt, or Revenue: This includes the collections that result from government activity, such as taxes. It does not include collections that result from the government's business-like activities, such as the entrance fees at national parks. Business-like collections are subtracted from total spending to calculate outlays for the year.

Social Insurance Payroll Taxes: This tax category includes Social Security taxes, Medicare taxes, unemployment insurance taxes, and Federal employee retirement payments.

Surplus: A surplus is the amount by which revenue exceed outlays.

Trust Funds: Trust funds are government accounts, set forth by law as trust funds, for revenues and spending designated for specific purposes.

Unified Federal Budget: The unified budget, the most comprehensive display of the government's finances, is the presentation of the Federal budget in which revenues from all sources and outlays to all activities are consolidated.

From "A Citizen's Guide to the Federal Budget: Budget of the United States Government Fiscal Year 2001" created by the Executive Office of the President of the United States.
<http://w3.access.gpo.gov/usbudget/fy2001/guide02.html>