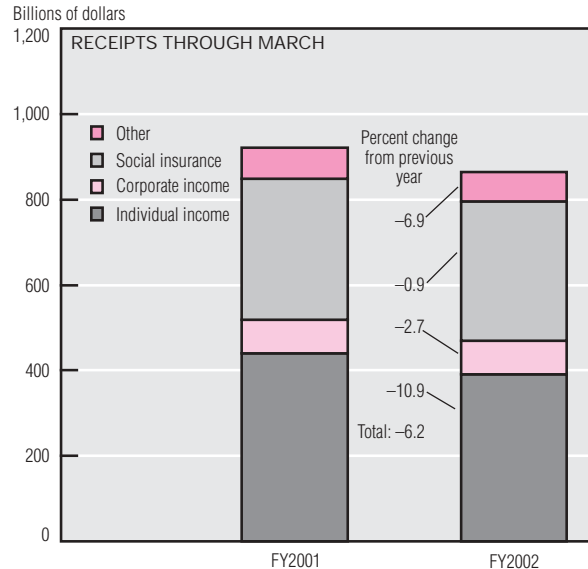
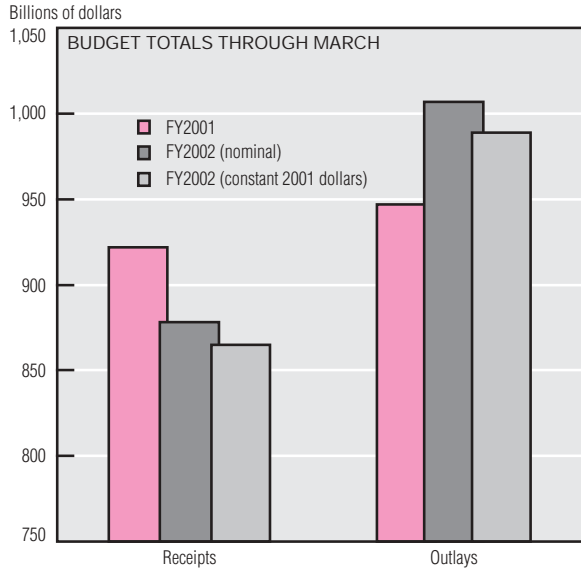
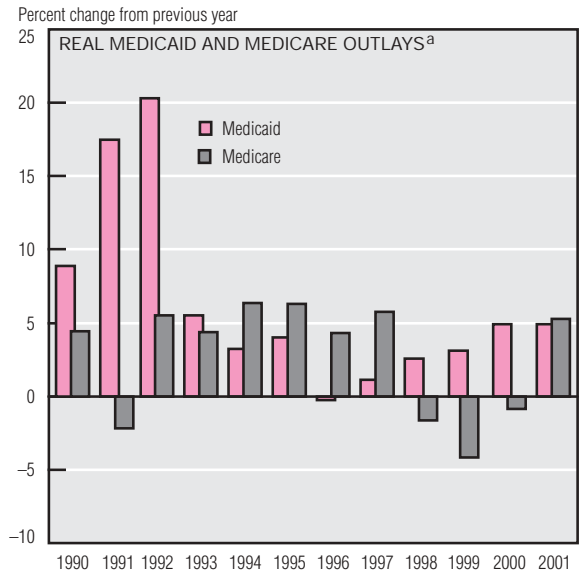


New Federal Budget Estimates



Outlays through March

	Billions of dollars		Real percent change
	FY2001	FY2002 (real)	
Defense/military	144	156	8.1
Social Security benefits	210	219	4.1
Medicare	117	118 ^a	0.5
Medicaid	63	69 ^a	9.2
Unemployment insurance	15	24	57.6
Other programs and activities	286	314	9.8
Net interest on the public debt	113	89	-21.6
Total	947	987	4.2



NOTE: The federal government's fiscal year begins in October. Unless otherwise noted, numbers are given as constant 2001 dollars, calculated using the seasonally adjusted urban Consumer Price Index (CPI-U) for the period.
 a. Calculated using the seasonally adjusted CPI-U for health care.
 SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; and Congressional Budget Office.

Federal receipts fell \$44 billion between the first half of fiscal year (FY) 2001 and the first half of FY2002. In real terms, total receipts declined 6.2% over these two periods. Individual income taxes dropped \$42 billion (10.9% in real terms), about half of which resulted from the 2001 tax cut. Receipts through March mostly reflect economic activity in 2001:IVQ, and do not yet confirm other macroeconomic indications of a strong rebound.

Federal outlays were \$60 billion higher in the first half of the current fiscal year than in the same period

last year. Adjusting for inflation and excluding the effects of payment shifts across fiscal years, total federal outlays rose 4.2%—somewhat faster than average GDP growth over the same period.

Real Medicare outlays have been stable so far this year, but Medicaid spending growth has been especially rapid, with outlays for the first half of FY2002 (October 2001–March 2002) up 9.2% from the same period in FY2001. Rising enrollment, more intensive use of services, and rising prices have ramped up health care costs; Medicare and Medicaid are

growing considerably faster than in the mid-1990s.

The economic slowdown has caused real outlays on unemployment benefits to surge 57.6%. Without a quicker, sharper economic rebound, these outlays are likely to remain high because of the recent extension of unemployment benefits. Overall, federal spending is expected to strengthen in the second half of FY2002, especially in the areas of defense and transportation. Moreover, the FY2003 budget proposes to increase discretionary authority 9% in nominal terms.