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JOINT STATEMENT OF PAUL H. O'NEILL, SECRETARY OF THE TREASURY, AND MITCHELL E. DANIELS, JR., DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET, ON BUDGET RESULTS FOR FISCAL YEAR 2002

SUMMARY

The Administration is today releasing the September 2002 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, 2002, as follows:

- A deficit of $159 billion;
- total receipts of $1,853 billion; and
- total outlays of $2,012 billion.

"Consistent with our July projections, these results reflect the recession, the declines in the stock market and the consequences of the September 11 attacks, which slowed the economy and led to new defense and homeland security expenditures. Together these events created a deficit. But going forward, I am confident that we are on the road to recovery and fiscal stability."

[1] The September 2002 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.

- Secretary Paul H. O'Neill

"It's now clear that the unexpected surge in revenues toward the end of the last decade was temporary, and that revenues are returning to historic levels for reasons unrelated to legislated changes. At the same time, unexpected new defense and homeland security spending is needed to protect America from new threats. Given these two developments, it is absolutely essential that we set aside business as usual and keep tight control over all other spending."

- Director Mitchell E. Daniels, Jr.

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

	Receipts	Outlays	Surplus/Deficit (-)
2001 Actual....................................	1,991	1,864	127
FY 2002 Estimates:			
FY 2003 Budget...........................	1,946	2,052	-106
FY 2003 Mid-Session Review......	1,867	2,032	-165
Actual...	1,853	2,012	-159

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

The FY 2002 unified deficit was $159 billion, or 1.5 percent of the Gross Domestic Product (GDP). The deficit for FY 2002 is $7 billion lower than projected in the Mid-Session Review (MSR) with receipts lower by $14 billion and outlays lower by $21 billion. Outlays increased by 8.0 percent this year, the largest percentage increase since FY 1990.

RECEIPTS

Total receipts for FY 2002 were $1,853 billion, $14 billion lower than the MSR estimate. The shortfall was largely due to lower-than-expected collections of individual income taxes and social insurance and retirement receipts. Excise and estate and gift taxes for FY 2002 were also slightly below forecast. The shortfalls in these receipt sources were partially offset by higher-than-expected collections of corporate income taxes, customs duties, and miscellaneous receipts. Table 2 displays actual receipts and estimates from the MSR by source.

The recent decline in receipts is predominately due to the 2001 recession and the decline in the stock market. Preliminary information suggests that much of the decline in receipts is attributable to reductions in relatively highly taxed forms of income, especially wages and salaries, and that much of the decline in these forms of income is attributable to the recession. At the same time, the decline in the stock market reduced capital gains receipts and further reduced taxes on wage and salary income. Specific factors attributing to the FY 2002 receipts shortfall will not be available for some time.

Individual income taxes were $858 billion in FY 2002, $15 billion lower than the MSR estimate. Most of the shortfall in individual income taxes was due to lower-than-estimated payments of withheld taxes. In addition, payments of non-withheld taxes were slightly below forecast and refunds were slightly above forecast.

Corporation income taxes were $148 billion, $3 billion above the MSR estimate. Higher-than-estimated corporate tax payments were partially offset by higher-than-estimated refunds.

Social insurance and retirement receipts were $701 billion, $2 billion lower than the MSR estimate. Lower-than-expected collections of Social Security and Medicare health insurance payroll taxes and unemployment insurance taxes largely account for the shortfall in this source of receipts.

For explanations of shortfalls in receipts relative to the FY 2003 Budget, see the FY 2003 Mid-Session Review, pp. 3-6 and pp. 17-18.

OUTLAYS

Total outlays were $2,012 billion, $21 billion or 1.0 percent below the MSR estimate. Most agency outlays were down though notably Medicare outlays were up. Table 3 displays actual outlays by agency and major program as well as estimates from the MSR. The largest changes in outlays were in the following areas:

- Department of Health and Human Services – up $5 billion mainly due to higher Medicare outlays.

- Department of Agriculture – down $4 billion mainly due to lower outlays by the Commodity Credit Corporation.

- Department of Defense - Military – down $4 billion due primarily to the late enactment of the second supplemental.

- Department of Transportation – down $3 billion mainly due to lower outlays by the Transportation Security Agency.

- All Other Agencies – down $15 billion from a shortfall in outlays in a broad range of agencies.

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