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Paul Ryan
PRSRT STD M.C.

2003 ANNUAL REPORT



on the
**UNITED STATES
GOVERNMENT**



**CONGRESSMAN PAUL RYAN
SERVING WISCONSIN'S 1ST DISTRICT**

ANNUAL REPORT TO TAXPAYERS



*U.S. House of Representatives
Congressman Paul Ryan*

Dear fellow taxpayer:

As taxpayers, we are shareholders in the federal government. Therefore, we are entitled to know how much money the government collects from us and how our money is spent. That is why I am sending you this 2003 Annual Report, which summarizes the U.S. government's finances.

It is important to consider a number of points as you analyze this year's report.

- Since 2001, the economy has been struggling to recover from a recession. Consequently, tax revenues are down, while government spending is up. However, there are encouraging signs of economic improvement. The national economic growth rate was 8.2% in the 3rd quarter, the highest in 20 years. Also, 328,000 new jobs have been added over the past four months.
- Recent economic success is partly due to the tax cuts and economic growth package passed last year. The pro-investment components resulted in 3rd quarter business investment increasing at 14% annually—the highest in 3 years. Fueled by income tax rate cuts and child tax credits, consumer spending increased at a 6.6% annual rate last quarter, the fastest since 1997.
- To ensure a full economic recovery, our number one priority should be to prevent the loss of more manufacturing jobs. First, we must stop pushing jobs overseas by reducing the cost of doing business in the U.S. This can be done by lowering taxes and health care and energy costs. Second, we must prevent jobs from being taken away unfairly by countries, such as China, that manipulate exchange rates, subsidize manufacturing and infringe on patents.
- Finally, we will not be able to erase growing budget deficits if government spending continues to outpace the additional tax revenues now being created by our growing economy. I have introduced legislation to cut pork-barrel spending by requiring projects to be voted on individually rather than tucked into massive spending bills.

I hope you find this Annual Report helpful. As always, please feel free to contact me if I can be of assistance to you in dealing with the federal government. I am always happy to respond and be of service to you.

Sincerely,

Paul Ryan

Paul Ryan
Serving Wisconsin's 1st District

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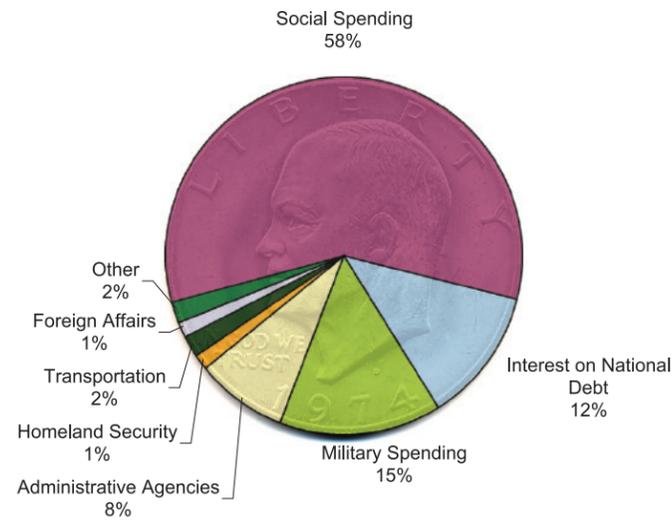
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Composition of Federal Spending - 2003

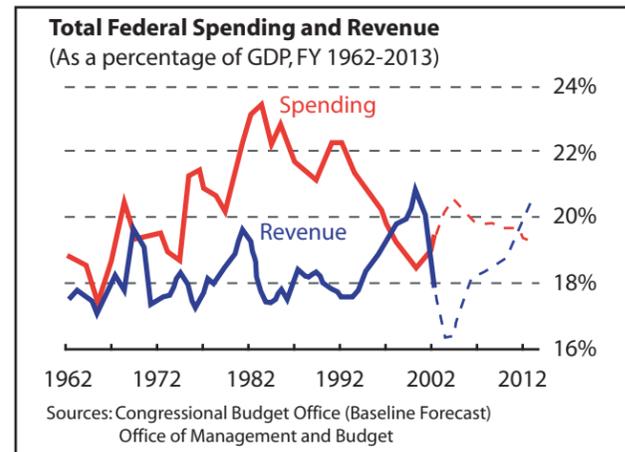


Current Deficit Spending and Future Revenues

The federal government recorded a total budget deficit of \$374 billion for fiscal year (FY) 2003, \$216 billion more than the deficit recorded in FY2002. This is the largest deficit ever in nominal terms; however, it falls short of the high federal spending records set in the late 1980s and early 1990s for deficits as part of gross domestic product (GDP).

The FY2003 deficit is \$27 billion less than the Congressional Budget Office had originally estimated. The reason this deficit was lower than expected is because the government spent \$14 billion less than projected due to lower-than-anticipated spending on defense, education, unemployment benefits, welfare, and other payments, and revenues were \$13 billion higher than expected.

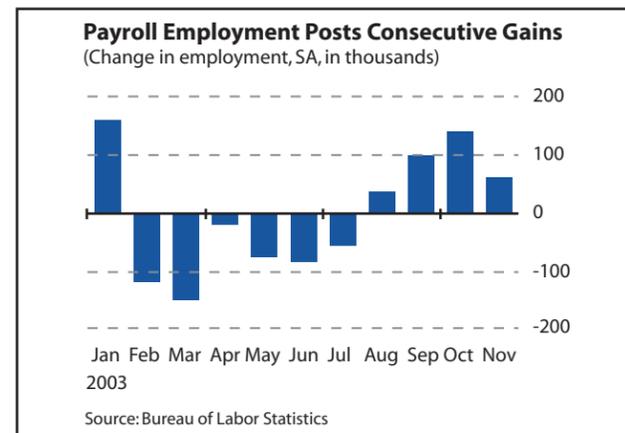
As the graph indicates, it is expected that as the economic growth legislation passed in Congress continues to take effect, revenues will continue to rise. Furthermore, many one-time expenditures, such as the war in Iraq and certain homeland security projects, will not be repeated. That means that the lines are expected to cross within ten years, returning the budget to a surplus. As such, the better the economy grows and the less the federal government spends, the sooner the deficit will be eliminated.



Economic Recovery and Growth in Employment

The recession that began in 2001 has hit the First Congressional District especially hard, causing the loss of 75,000 manufacturing jobs in Wisconsin alone. Portions of the First Congressional District are still experiencing unemployment rates that are higher than the national average of 5.9 percent.

Although Wisconsin's economy is still struggling, the strengthening of the national economy is encouraging. Both manufacturing and non-manufacturing businesses have recently reported increases in backlogged orders and new orders, meaning they have needed to increase their productivity and hire more employees to meet rising demand. The indication that more jobs are becoming available is good news considering that some struggling industry sectors are still facing layoffs. Across-the-board indicators suggest that the economic recovery we are seeing nationally will start to be felt in Wisconsin and result in a strengthening of our manufacturing sector.



Statement of Revenues and Expenses

Revenues

	Fiscal Year ¹			
	2002	2003	% of total	% of change
Individual income taxes	\$858,345,000,000	\$ 793,699,000,000	36%	-7.5%
Social insurance taxes ²	700,762,000,000	712,978,000,000	32%	1.7%
User fees, earmarked taxes and receipts	430,484,000,000	449,831,000,000	20%	4.5%
Corporation taxes	148,044,000,000	131,778,000,000	6%	-11.0%
Excise taxes and customs duties	85,591,000,000	87,384,000,000	4%	2.1%
Miscellaneous receipts	33,977,000,000	34,519,000,000	2%	1.6%
Death taxes ³	26,507,000,000	21,959,000,000	1%	-17.2%
Total Revenues	\$2,283,710,000,000	2,232,148,000,000		-2.3%

Expenses

Social spending ⁴	\$1,404,482,000,000	\$1,504,803,000,000	58%	7.1%
Interest on national debt	332,537,000,000	318,149,000,000	12%	-4.3%
Military spending	329,771,000,000	386,002,000,000	15%	17.1%
Administrative agencies ⁵	201,088,000,000	211,896,000,000	8%	5.4%
Homeland Security ⁶	19,043,000,000	35,108,000,000	1%	84.4%
Transportation	56,531,000,000	51,222,000,000	2%	-9.4%
State and foreign affairs ⁷	36,116,000,000	35,755,000,000	1%	-1.0%
Environment, fish, wildlife, parks and interior ⁸	37,987,000,000	38,859,000,000	1%	2.3%
NASA	14,429,000,000	14,552,000,000	1%	0.9%
Judiciary	4,857,000,000	5,186,000,000	*	6.8%
Congress	3,113,000,000	3,324,000,000	*	6.8%
The President	1,528,000,000	1,514,000,000	*	-0.9%
Total Expenses	\$2,441,482,000,000	\$2,606,370,000,000		6.8%
Surplus (DEFICIT)⁹	(\$157,772,000,000)	(\$374,222,000,000)		137.2%

Source: Congressional Budget Office

* indicates less than 1%

Notes

- The U.S. Government fiscal year begins on October 1 and ends on September 30.
- Includes direct taxes and payroll taxes from individuals and employers for disability insurance, Social Security and other federal retirement programs, hospital insurance taxes, and unemployment insurance taxes.
- Repealed effective January 1, 2010 (Public Law 107-16).
- Includes arts, education, labor, benefits (such as public housing, child nutrition, food stamps and other agricultural programs) to people and families with incomes below certain levels, federal retirement programs (including Social Security and Medicare), health care services to low-income seniors and families, unemployment benefits, veterans' pensions, and drug control programs.
- Includes Small Business Administration, the Departments of Energy, Commerce and Justice, as well as EEOC, FCC, FDIC, FEMA and independent agencies.
- FY03 includes the Transportation Security Administration and other administrative agencies formally under the jurisdiction of the Department of Justice.
- Includes Department of State, Peace Corps, Overseas Private Investment Corporation, U.S. Agency for International Development, foreign military sales, and other international assistance programs.
- Includes EPA, National Park Service, Fish and Wildlife Service, Bureau of Land Management, Forest Service, National Oceanic and Atmospheric Administration, Army Corps of Engineers, and major environmental programs of federal agencies.
- Represents unified budget surplus/deficit.

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