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*The  
United States  
Budget  
in Brief*

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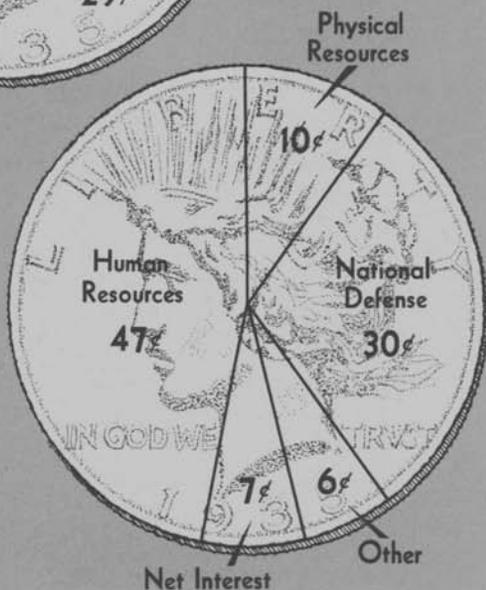
*Fiscal Year 1974*

# THE BUDGET DOLLAR

Fiscal Year 1974 Estimate



*Where it goes...*



*Human Resources* include: Education & Manpower, Health, Income Security, and Veterans Benefits and Services.

*Physical Resources* include: Agriculture and Rural Development, Natural Resources and Environment, Commerce and Transportation, and Community Development & Housing.

*Other* includes: General Revenue Sharing, General Government, International Affairs and Finance, Space Research and Technology, the Federal Government share of Federal Employees Retirement and Allowances.

*Interest* is net of: Interest paid to the Trust Funds.

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## INTRODUCTION

In July 1972 the President instructed me to prepare a budget for fiscal year 1974 which would serve the real needs of the American people, and be balanced on a full employment basis.

He also directed me to submit recommendations to reduce and terminate programs which were not working well or wasting money, so that we could reduce outlays for fiscal 1973 to \$250 billion, and have better programs.

This budget achieves these Presidential goals.

By so doing it eliminates the twin threats of a tax increase and another punishing round of inflation caused by excessive Federal spending.

This budget goes farther. It contains a budget for fiscal year 1975 which also demonstrates that we will not need a tax increase through that fiscal year, for the spending recommended for 1975 should be well within the normal growth of our revenues.

If the President's instructions had not been issued and followed, we would have had tax-increasing, inflation-producing deficits of about \$30 billion in *each* of fiscal years 1973, 1974 and 1975. That could still happen if the President's recommendations are disregarded in the days ahead.

The *Budget in Brief* is published to help us understand the complex and technical problems set forth at length in *The Budget of the United States Government*, also published today.

This booklet will have served its purpose if it makes us all aware of the great issues now before us. For only if we know what our Government is trying to do and why, can we hope to participate significantly in these decisions which affect us all so vitally.

CASPAR W. WEINBERGER,

*Director, Office of Management and Budget.*

Note.—All years referred to are fiscal years, unless otherwise noted. Details in the tables, text, and charts of this booklet may not add to totals because of rounding.

## PART 1

# FROM THE PRESIDENT'S BUDGET MESSAGE

"The 1974 budget fulfills my pledge to hold down Federal spending so that there will be no need for a tax increase.

"This is a budget that will continue to move the Nation's economy toward a goal it has not achieved in nearly two decades: a high-employment prosperity for America's citizens without inflation and without war.

"Rarely is a budget message perceived as a dramatic document. In a real sense, however, the 1974 budget is the clear evidence of the kind of change in direction demanded by the great majority of the American people. No longer will power flow inexorably to Washington. Instead the power to make many major decisions and to help meet local needs will be returned to where it belongs—to State and local officials, men and women accountable to an alert citizenry and responsive to local conditions and opinions.

"The 1974 budget proposes a leaner Federal bureaucracy, increased reliance on State and local governments to carry out what are primarily State and local responsibilities, and greater freedom for the American people to make for themselves fundamental choices about what is best for them.

"This budget concerns itself not only with the needs of all the people, but with an idea that is central to the preservation of democracy: the 'consent of the governed.'

"The American people as a whole—the 'governed'—will give their consent to the spending of their dollars if they can be provided a greater say in how the money is spent and a greater assurance that their money is used wisely and efficiently by government. They will consent to the expenditure of their tax dollars as long as individual incentive is not sapped by an ever-increasing percentage of earnings taken for taxes.

“Since the mid-1950’s, the share of the Nation’s output taken by all governments in the United States—Federal, State, and local—has increased from a quarter to a third. It need not and should not go higher.

“The increase in government claims on taxpayers was not for defense programs. In fact, the defense share of the gross national product declined by one-quarter while the share for civilian activities of all governments grew by three-fourths, rising from 14% of the gross national products in 1955 to about 25% in 1972.

“During the past 2 years, with the economy operating below capacity and the threat of inflation receding, the Federal budget provided fiscal stimulus that moved the economy toward full employment. The 1974 budget recognizes the Federal Government’s continuing obligation to help create and maintain—through sound monetary and fiscal policies—the conditions in which the national economy will prosper and new job opportunities will be developed. However, instead of operating primarily as a stimulus, the budget must now guard against inflation.

*“The surest way to avoid inflation or higher taxes or both is for the Congress to join me in a concerted effort to control Federal spending. I therefore propose that before the Congress approves any spending bill, it establish a rigid ceiling on spending, limiting total 1974 outlays to the \$268.7 billion recommended in this budget.*

“I do not believe the American people want higher taxes any more than they want inflation. I am proposing to avoid both higher taxes and inflation by holding spending in 1974 and 1975 to no more than revenues would be at full employment.

### 1975 PROJECTIONS IN THE 1974 BUDGET

“This year’s budget presents, for the first time, a detailed preview of next year’s. I have taken this step to demonstrate that if we stay within the 1974 and 1975 estimated outlays presented in this budget, we will prevent a tax increase—and that the 1974 budget is a sound program for the longer range future, not simply for today. This innovation in budget presentation is a blueprint for avoiding inflation and tax increases, while framing

more responsive instruments of government and maintaining prosperity.

“Our ability to carry out sound fiscal policy and to provide the resources needed to meet emerging problems has been limited by past decisions. In 1974, \$202 billion in outlays, or 75% of the budget, is *virtually uncontrollable* due to existing law and prior-year commitments. But just as every budget is heavily influenced by those that have preceded it, so it strongly influences those that follow.

“Control over the budget can be improved by projecting future available resources and the known claims on them, and then making current decisions within the constraints they impose. That is why this budget projects, in agency and functional detail, the outlays in 1975 that will result from the major program proposals in 1974 budget, including the outlay savings that can be realized from program reductions in 1973 and 1974. In so doing, it takes into consideration the longer range effect of each of our fiscal actions.

“Most importantly, this budget shows the narrow margin between projected outlays and full-employment revenues in 1975, despite the economy measures that are recommended. Program reductions and terminations of the scale proposed are clearly necessary if we are to keep control of fiscal policy in the future.

“The 1974 budget program implies 1975 full-employment outlays of about \$288 billion, \$19 billion (7%) more than in 1974. This is within our estimate of full-employment revenues of \$290 billion for 1975. There is, however, very little room for the creation of new programs requiring additional outlays in 1975 and *no room for the postponement of the reductions and terminations proposed in this budget*. The program reductions and terminations I have proposed will result in more significant savings in 1975 and later years than in 1973 and 1974. It is for this reason, too, that I have included the 1975 projections in my budget this year. The Federal spending pipeline is a very long one in most cases, and the sooner we start reducing costs the better for the Nation.

“The estimated 1975 outlays for the various Federal agencies are, of course, tentative. The outlay total, however, is the approximate amount that will represent appropriate Federal spending in 1975 if we are to avoid new taxes and inflation.

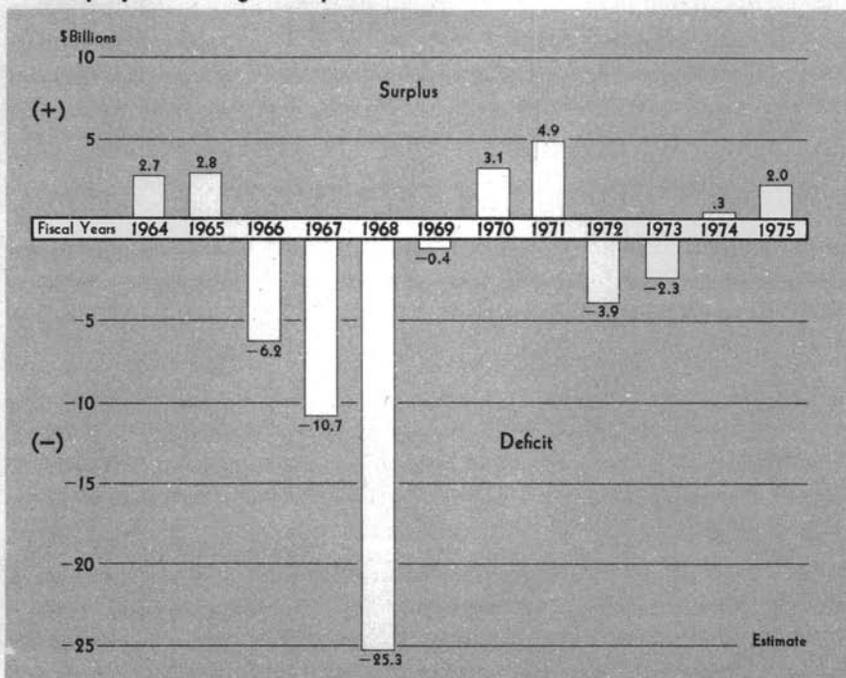
## FISCAL POLICY AND THE BUDGET PROCESS

*“Fiscal policy.*—In July 1970 I adopted the full-employment budget principle in order to make the budget a tool to promote orderly economic expansion.

“Consistent with this principle, the budget that I submitted to the Congress last January proposed fiscal stimulus as part of a balanced economic program that included sound monetary policy and the new economic policy that I launched on August 15, 1971. My confidence that the American economy would respond to sensible stimulus in this context has been fully justified. During 1972, employment increased by 2.3 million persons, real output rose by 7½%, business fixed investment was almost 14% higher, and the rate of increase in the consumer prices has declined.

“From 1971 through 1973, the full-employment budget principle permitted and called for substantial actual budget deficits. For this reason, some people have forgotten the crucial point that the full-employment principle requires that deficits be reduced as the economy approaches full employment—and that it estab-

Full Employment Budget—Surplus or Deficit



lishes the essential discipline of an upper limit on spending at all times.

“The full-employment budget principle permits fiscal stimulation when stimulation is appropriate and calls for restraint when restraint is appropriate. But it is not self-enforcing. It signals us what course to steer, but requires us to take the actions necessary to keep on course. These steps are not taken for us, and they are rarely easy.

“As we look ahead, with the economy on the upswing, the full-employment budget principle—and common sense—prescribe a shift away from fiscal stimulus and toward smaller budget deficits. We *must* do what is necessary to make this shift.

“Holding 1973 spending to \$250 billion and achieving full-employment balance in 1974 and in 1975 will be difficult. Reduction of some activities and termination of others are necessary and are proposed in this budget. Nonetheless, the budget provides significant increases for many important programs.

“If we did not budget with firm restraint, our expenditures in 1973 would be over \$260 billion. The ballooning effect of one year’s expenditures on the next would in turn have meant that 1974’s expenditures would be about \$288 billion, far beyond full-employment receipts, and 1975’s expenditures would be approximately \$312 billion, leading to a huge inflationary deficit.

“If spending is to be controlled, the Congress must establish a spending ceiling promptly. Otherwise, the seeds sown in individual authorization and appropriation actions will produce ever-growing Federal spending not only in the coming fiscal year but in the years beyond.

“Should the Congress cause the total budgeted outlays to be exceeded, it would inescapably face the alternatives of higher taxes, higher interest rates, renewed inflation, or all three. I oppose these alternatives; with a firm rein on spending, none of them is necessary.

“*Reforming congressional budget procedures.*—Delay in congressional consideration of the budget is a major problem. Each time I have submitted a budget, the Congress has failed to enact major portions of it before the next budget was prepared. Instead, it has resorted to the device of continuing resolutions to carry on the activities for which it has not made appropriations. Such delay needlessly compounds the complexities of budget prepara-

tion, and frustrates the potential of the budget as an effective management and fiscal tool.

“The complexity of the budgeting process is another problem. Because of modifications made to reflect the desires of the more than 300 congressional committees and subcommittees that influence it, the process has become more complicated and less comprehensible.

“The fragmented nature of congressional action results in a still more serious problem. Rarely does the Congress concern itself with the budget totals or with the effect of its individual actions on those totals. Appropriations are enacted in at least 15 separate bills. In addition, ‘backdoor financing’ in other bills provides permanent appropriations, authority to contract in advance of appropriations, authority to borrow and spend without an appropriation, and program authorizations that require mandatory spending whether or not it is desirable in the light of current priorities.

“At the same time, a momentum of extravagance is speeded by requirements created initially by legislative committees sympathetic to particular and narrow causes. These committees are encouraged by special interest groups and by some executive branch officials who are more concerned with expansion of their own programs than with total Federal spending and the taxes required to support that spending.

“Last October, the Congress enacted legislation establishing a joint committee to consider a spending ceiling and to recommend procedures for improving congressional control over budgetary outlay and receipt totals.

“I welcome this effort and pledge the full cooperation of my Administration in working closely with the committee and in other efforts of the Congress toward this end.

“Specific changes in congressional procedures are, of course, the business of the Congress. However, the manner in which the Congress reviews and modifies the budget impinges so heavily on the management of the executive branch that I am impelled to suggest a few subjects that deserve high priority in the committee’s deliberations, including:

- adoption of a *rigid* spending ceiling to create restraint on the total at the beginning of each annual review;
- avoidance of new ‘backdoor financing’ and review of existing legislation of this type;

- elimination of annual authorizations, especially annual authorizations in specific amounts; and
- prompt enactment of all necessary appropriation bills before the beginning of the fiscal year.

“The Congress must accept responsibility for the budget *totals* and must develop a systematic procedure for maintaining fiscal discipline. To do otherwise in the light of the budget outlook is to accept the responsibility for increased taxes, higher interest rates, higher inflation, or all three.

“I will do everything in my power to avert the need for a tax increase, but I cannot do it alone. The cooperation of the Congress in controlling total spending is absolutely essential.

### SUMMARY OF THE 1974 BUDGET

“The 1974 budget proposes an approximate balance in full-employment terms and an actual deficit that is about one-half the 1973 deficit. The 1975 budget totals I propose here would also yield a balance in full-employment terms.

#### THE BUDGET TOTALS

[Fiscal years. In billions]

Description	1972 actual	1973 estimate	1974 estimate	1975 estimate
<b>Budget receipts</b> .....	\$208.6	\$225.0	\$256.0	*
<b>Budget outlays</b> .....	231.9	249.8	268.7	*
Deficit (—).....	—23.2	—24.8	—12.7	*
<b>Full-employment receipts</b> .....	225.0	245.0	268.0	\$290.0
<b>Full-employment outlays</b> <sup>1</sup> .....	228.9	247.3	267.7	288.0
<b>Full-employment surplus or deficit (—)</b> .....	—3.9	—2.3	+0.3	+2.0
<b>Budget authority</b> .....	248.1	280.4	288.0	313.5

\*Estimates of actual receipts and outlays have not been made at this time.

<sup>1</sup>In these estimates, outlays for unemployment insurance benefits and the Emergency Employment Act program are calculated as they would be under conditions of full employment.

“The full-employment budget balance in 1974 assures support for continuation of the economy’s upward momentum without rekindling inflation. Greater stimulus in 1974 would be dangerous, and would put an unsupportable burden on future budgets.

“*Budget receipts* in 1974 are estimated to be \$256 billion. This is an increase of \$31 billion over 1973, reflecting growing

prosperity, higher personal income, and rising corporate profits. The receipts estimates also reflect the impact of tax cuts resulting from the Tax Reform Act of 1969, the new economic policy and the Revenue Act of 1971, as well as the payroll tax increases enacted to finance higher social security benefits.

“*Budget outlays* in 1974 are expected to be \$268.7 billion. The total would have been substantially greater—probably about \$288 billion—had my Administration not made an extraordinary effort to hold to the fiscal guidelines of a \$250 billion maximum in 1973 rather than the nearly \$261 billion which otherwise would have occurred, and to full-employment balance in 1974.

“Even so, this budget proposes an increase in outlays of \$19 billion, or nearly 8% over the previous year. It provides amply for America’s security and well-being in the year ahead.

“The 1974 budget program projects full-employment outlays of \$288 billion in 1975, which together with the receipts that would be produced under existing law, will mean full-employment balance in that year.

“About \$288 billion of *budget authority*—the new authority to make commitments to spend—is requested for 1974. Of the total, about \$173 billion will require new action by the Congress.”

### BUDGET RECEIPTS

The basic economic assumptions underlying the estimates of receipts in 1973 and 1974 are summarized in the following table.

#### ECONOMIC ASSUMPTIONS

[Calendar years. In billions of dollars]

Description	1971 actual	1972 estimate	1973 estimate
Gross national product.....	1,050	1,152	1,267
Personal income.....	861	936	1,018
Corporate profits before tax.....	83	94	108

Total budget receipts in 1974 are estimated at \$256 billion, compared with \$225 billion in 1973, an increase of \$31 billion.

## BUDGET RECEIPTS

[Fiscal years. In billions of dollars]

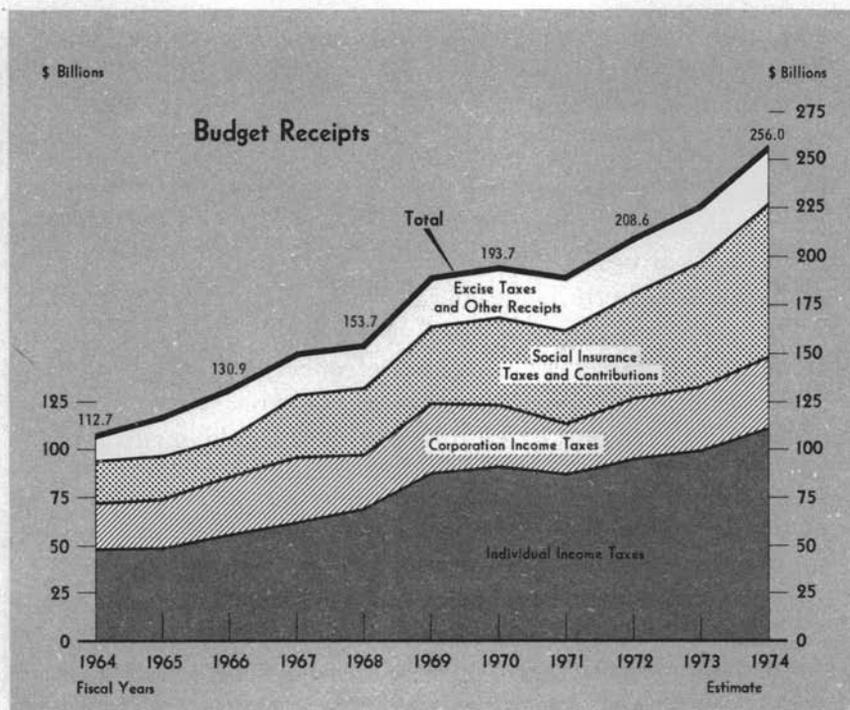
Source	1972 actual	1973 estimate	1974 estimate
Individual income taxes.....	94.7	99.4	111.6
Corporation income taxes.....	32.2	33.5	37.0
Social insurance taxes and contributions.....	53.9	64.5	78.2
Excise taxes.....	15.5	16.0	16.8
Other receipts.....	12.4	11.6	12.4
Total budget receipts.....	208.6	225.0	256.0

The Federal tax system relies heavily on *income taxes*, with 58% of total budget receipts coming from this source in 1974. Individual income tax receipts are estimated at \$111.6 billion in 1974, \$12.2 billion more than in 1973. The increase results largely from growth in taxable personal income. Corporate income tax receipts are estimated at \$37.0 billion in 1974, an increase of \$3.5 billion. This increase reflects the rising share of corporate profits in gross national product that normally occurs whenever the economy expands toward full employment.

*Social insurance taxes and contributions* are expected to total \$78.2 billion in 1974, up by \$13.6 billion from 1973. This category includes payroll taxes to finance social security and hospital insurance; unemployment insurance taxes; contributions to the railroad retirement system; civil service retirement contributions by Federal employees and premiums for supplementary medical insurance. The relatively large increase in receipts from this source reflects:

- The increase in the combined employer-employee social payroll tax rate from 10.4% to 11.7% that became effective January 1, 1973;
- Increases in the taxable earnings base under social security from \$9,000 to \$10,800 effective January 1, 1973, and from \$10,800 to \$12,000 effective January 1, 1974; and
- Legislation to provide the increased receipts required to finance the present level of benefits under the railroad retirement system.

Excise taxes levied on a variety of products, activities, and services, are expected to provide 7% of total budget receipts in 1973. Excise tax receipts in both 1973 and 1974 reflect the start of phasing out the telephone excise tax. This tax rate is reduced from 10% to 9% on January 1, 1973, and to 8% on January 1, 1974.



All other receipts, including estate and gift taxes, customs duties, and miscellaneous receipts, will amount to 5% of total receipts in 1974.

### IMPROVING GOVERNMENT

*“The role of government.*—The last article of the Bill of Rights says:

‘The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.’

‘The philosophy of the Founding Fathers embodied in this amendment is also my philosophy. I believe that a larger share

of our national resources must be retained by private citizens and State and local governments to enable them to meet their individual and community needs.

“Our goal must not be bigger government, but better government—at all levels. Our progress must not be measured by the amount of money we put into programs, but by the accomplishments which result from them.

“One of my first acts as President was to direct that an intensive review be made of our federal system of government. We found that:

- the executive branch was poorly organized to accomplish domestic program objectives;
- State and local governments often could not meet the basic needs of their citizens; and
- Federal programs to assist State and local governments had become a confusing maze, understood only by members of a new, highly specialized occupation—the grantsmen.

“My Administration has developed a comprehensive strategy for dealing with these problems through restructuring the executive departments and revitalizing the federal system.

**“A restructured Federal Government.**—A thorough overhaul of the Federal bureaucracy is long overdue, and I am determined to accomplish it.

“As the role of government has grown over the years, so has the number of departments and agencies which carry out its functions. Unfortunately, very little attention has been given to the ways in which each new unit would fit in with all the old units. The consequence has been a hodgepodge of independent, organizationally unrelated offices that pursue interrelated goals.

“To help remedy this situation, I proposed to the Congress in 1971 that the executive branch be restructured by consolidating many functions now scattered among several departments and agencies into four new departments. These new departments would be organized around four major domestic purposes of government: community development, human resources, natural resources, and economic affairs—thus consolidating in a single chain of command programs that contribute to the achievement of a clearly stated mission. Under this arrangement, we will be able to formulate policy more responsibly and carry out that policy more effectively. I welcome congressional cooperation in this important endeavor and will seek it in the weeks ahead. I

plan now to streamline the executive branch along these lines as much as possible within existing law, and to propose similar legislation on departmental reorganization to the 93d Congress.

“Meanwhile, I have already taken the first in a series of steps that will increase the management effectiveness of the Cabinet and the White House staff. I hope the smaller and more efficient Executive Office of the President will become a model for the entire executive branch.

“Reorganization of the executive branch is a necessary beginning but reorganization alone is not enough.

“Increased emphasis will also be placed on program performance. Programs will be evaluated to identify those that must be redirected, reduced, or eliminated because they do not justify the taxes required to pay for them. Federal programs must meet their objectives and costs must be related to achievements.

“The Federal Assistance Review program, which I began in 1969, has made important progress in decentralizing and streamlining Federal grant programs. To speed the process of decentralization, improve program coordination, and eliminate unnecessary administrative complications, I have strengthened the Federal Regional Council system. These councils, working with State and local governments, have played an impressive and growing role in coordinating the delivery of Federal services.

*“A revitalized federal system.*—Restructuring of the Federal Government is only one step in revitalizing our overall federal system. We must also make certain that State and local governments can fulfill their role as partners with the Federal Government.

“On October 20, 1972, I signed a program of General Revenue Sharing into law. This program provides State and local governments with more than \$30 billion over a 5-year period beginning January 1, 1972. This historic shift of power away from Washington will help strengthen State and local governments and permit more local decisionmaking about local needs.

“Although final congressional action was not taken on my special revenue sharing proposals, I remain convinced that the principle of special revenue sharing is essential to continued revitalization of the federal system. I am, therefore, proposing the creation of special revenue sharing programs in the 1974 budget.

“These four programs consist of broad-purpose grants, which will provide State and local governments with \$6.9 billion to

use with considerable discretion in the areas of education, law enforcement and criminal justice, manpower training, and urban community development. They will replace over 70 outmoded, narrower categorical grant programs and will, in most cases, eliminate matching requirements.

“The funds for special revenue sharing will be disbursed according to formulas appropriate to each area. In the case of manpower revenue sharing, an extension of existing law will be proposed. Current administrative requirements will be removed so that State and local governments can group manpower services in ways that best meet their own local needs.

“The inefficiency of the present grant systems makes favorable action on special revenue sharing by the Congress an urgent priority.

“The federal system is dynamic, not static. To maintain its vitality, we must constantly reform and refine it. The executive branch reorganization and special revenue sharing programs that I am proposing, along with continued decentralization of Federal agencies, are essential to that vitality.

## CONCLUSION

“The respect given to the common sense of the common man is what has made America the most uncommon of nations.

“Common sense tells us that government cannot make a habit of living beyond its means. If we are not willing to make some sacrifices in holding down spending, we will be forced to make a much greater sacrifice in higher taxes or renewed inflation.

“Common sense tells us that a family budget cannot succeed if every member of the family plans his own spending individually—which is how the Congress operates today. We must set an overall ceiling and affix the responsibility for staying within that ceiling.

“Common sense tells us that we must not abuse an economic system that already provides more income for more people than any other system by suffocating the productive members of the society with excessive tax rates.

“Common sense tells us that it is more important to save tax dollars than to save bureaucratic reputations. By abandoning programs that have failed, we do not close our eyes to problems that exist; we shift resources to more productive use.

“It is hard to argue with these common sense judgments; surprisingly, it is just as hard to put them into action. Lethargy, habit, pride, and politics combine to resist the necessary process of change, but I am confident that the expressed will of the people will not be denied.

“Two years ago, I spoke of the need for a new American Revolution to return power to people and put the individual *self* back in the idea of *self*-government. The 1974 budgets moves us firmly toward that goal.”

A handwritten signature in cursive script, reading "Richard Nixon". The signature is written in dark ink on a light-colored background.

## PART 2

# PERSPECTIVES ON THE BUDGET

This part discusses some special aspects of the budget that are not elaborated in Part 1: the restructuring of the Executive Office of the President, a detailed preview of the 1975 budget with a discussion of the longer range outlook, program reductions and terminations, and the national debt.

### RESTRUCTURING THE EXECUTIVE OFFICE OF THE PRESIDENT

Two major changes are being made in the Executive Office of the President to enable the President to discharge his duties more effectively. First, the organizational units in the Executive Office are being reduced in size and number; second, the personal staff of the President is being reduced and restructured to insure more effective communication with departments and agencies.

*Executive Office structure.*—Steps have already been taken to reduce personnel levels below those authorized in the 1973 budget. Additional reductions are now proposed for 1974. As experience is gained with revised staffing arrangements, further reductions or abolitions may be possible. Based upon actions now being taken, six staff offices will be discontinued, and personnel will be reduced by 60%. The six staff offices include: the Office of Science and Technology; the National Aeronautics and Space Council; the Office of Emergency Preparedness; the Office of Intergovernmental Relations; the Office of Consumer Affairs; and the Office of Economic Opportunity. Most of the functions of these staff offices will be transferred to the appropriate agencies.

The table below shows the change in the full-time permanent personnel level in the Executive Office of the President between the level in the 1973 budget and the 1974 level.

	Full-time permanent positions	
	1973 in 1973 budget	1974
The White House.....	510	480
Executive Residence.....	75	75
Special Assistance to the President.....	39	30
Council of Economic Advisers.....	57	46
Council on Environmental Quality and Office of Environmental Quality.....	65	50
Council on International Economic Policy.....	29	29
Domestic Council.....	66	30
National Aeronautics and Space Council <sup>1</sup> .....	16	0
National Security Council.....	79	79
Office of Consumer Affairs <sup>2</sup> .....	52	0
Office of Emergency Preparedness <sup>3</sup> .....	323	0
Office of Intergovernmental Relations <sup>4</sup> .....	9	0
Office of Management and Budget.....	660	660
Office of Science and Technology <sup>3</sup> .....	50	0
Office of Telecommunications Policy.....	65	52
Special Action Office for Drug Abuse Prevention.....	174	110
Special Representative for Trade Negotiations.....	46	45
Office of Economic Opportunity <sup>3</sup> .....	1,935	0
<b>Total full-time permanent personnel.....</b>	<b>4,250</b>	<b>1,686</b>

<sup>1</sup> Abolition proposed by reorganization plan.

<sup>2</sup> Transferred to HEW in 1973.

<sup>3</sup> Functions to be transferred and office abolished or discontinued.

<sup>4</sup> Combined with Domestic Council in 1973.

**Presidential staff realignment.**—In order to insure more effective coordination of programs and better identification and solution of policy problems, a new staff arrangement is being implemented.

The revised staff is comprised of five assistants with designated areas of responsibility—the White House Office, executive management, foreign and defense matters, economic affairs, and domestic affairs. In addition, three departmental secretaries will serve simultaneously as Counsellors to the President with coordinating responsibilities in three broad areas: human resources, community development, and natural resources.

These changes will eliminate the need for numerous White House staff organizations, facilitate communication, permit a more comprehensive analysis of problems presented to the President, and provide for a more responsive congressional channel to the President.

## THE BUDGET OUTLOOK FOR 1975 AND BEYOND

This year's budget decisions establish program trends that will help shape the level and composition of budgets for years into the future. This Administration has emphasized the longer range implications of current decisions. The last three budgets have each presented a 5-year projection of the outlook for Federal outlays and receipts. This budget presents, for the first time, a detailed preview of next year's budget.

Careful consideration of the longer range implications of budget decisions is essential if we are to insure a reasonable degree of continuity of policy from one year to the next, avoid becoming prisoners of the unintended consequences of past decisions, and maintain consistency between fiscal and other policies in the longer run. The exercise of such foresight provides a corrective to the temptations of expediency that could lead to program increases that the Nation can ill afford. A sober examination of the budgetary realities we will face in 1975 will serve as advance notice to all concerned as to the general direction programs must take if inflation, higher interest rates, and tax increases are to be avoided. Unrealistic expectations and aspirations of advocates of special interests must be set aside if the overriding public interest in a noninflationary prosperity and stable tax rates is to prevail.

*Budget policy.*—The momentum of program and expenditure growth in the Federal Government is extremely powerful. Unchecked, it would quickly lead to renewed inflation, tax increases, or both, and a boom-and-bust cycle in the economy.

This Administration is committed to orderly economic expansion without the stimulus of war and to price stability without the burden of tax increases. If these objectives are to be met, the upward momentum of Federal spending must be reduced and the Federal house kept in order through effective budget discipline. The 1974 budget imposes a firm fiscal discipline on 1973 and 1974 outlays.

Heading off renewed inflation and tax increases are problems not just for 1973 and 1974, however, but for the longer run future

as well. Fiscal restraint will be necessary during the next few years if we are to keep the economy from overheating, without resorting to tax increases.

*The budget in 1975.*—Continued strong expansion is moving the Nation's economy to full employment. If the Administration's goal of maintaining the delicate balance of prosperity with price stability is to be sustained, the 1975 budget must adhere to the full employment budget principle. Accordingly, this year's budget has been carefully designed so that it could assure a full employment balance in 1975, as well as in 1974.

These projections below indicate that the 1973 and 1974 program proposals in this budget are consistent with a sound fiscal policy in 1975 as well as in the current year. The projections should also stand as a warning and challenge to anyone who would change the budget recommendations—particularly the recommendations for program reductions and terminations—that they must consider the 1975 and subsequent implications of such proposals, as this Administration has done.

#### THE 1975 OUTLOOK

[In billions of current dollars]

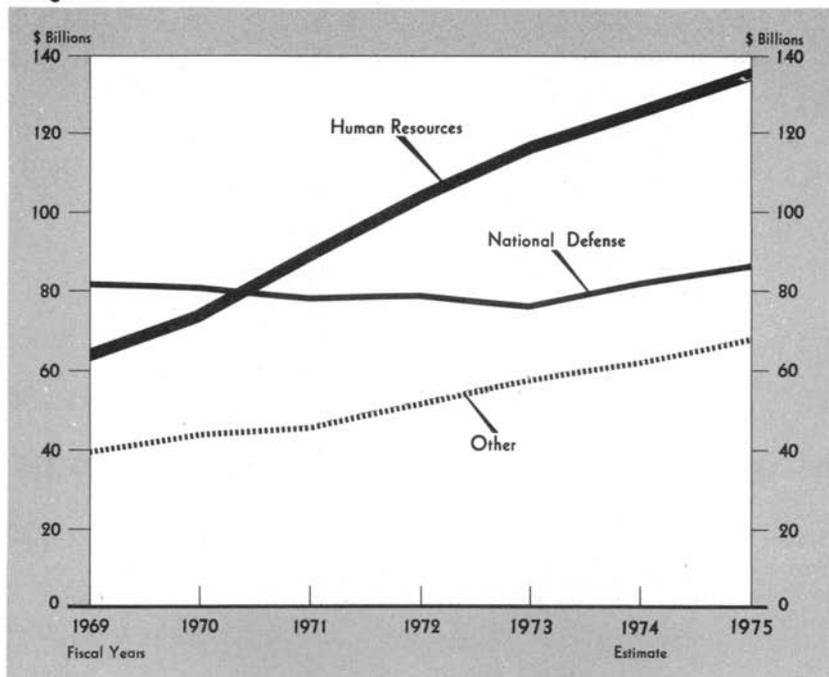
Item	1972	1973	1974	1975
Total outlays, unconstrained basis . . . . .	232	261	288	312
Savings projected in this budget (—):				
Program reductions and terminations . . . . .		—7	—17	—22
Other . . . . .		—5	—2	—2
Adjustment to full employment basis <sup>1</sup> . . . . .	—3	—2	—1	.....
Total, full employment outlays . . . . .	229	247	268	288
Total, full employment receipts . . . . .	225	245	268	290
Full employment surplus or deficit (—) . . . . .	—4	—2	.....	2

<sup>1</sup> Consists mainly of excess of unemployment insurance benefits over the amount payable at a national unemployment rate of 4%.

The Administration firmly intends to hold spending in 1975 to the outlay total projected here—\$288 billion. Changing conditions during the coming year will make increases necessary in some areas and decreases necessary in others. But the 1975 total is presented as an upper limit, or ceiling, that should not be breached.

The projections show that 1974 budget recommendations represent a workable plan, under current conditions, for achieving the Administration's fiscal policy objectives for the longer run. Full employment outlays projected for 1975 are 7% higher than 1974 outlays. The average rate of increase over the 3 years, 1973 through 1975, will be 7½%, which is the same growth rate as the average over the past two decades. This is the maximum rate at which outlays should be permitted to grow during the next few years if steady economic growth is to be maintained.

### Budget Trends



Outlays for human resources programs are projected to increase in 1975 by 7½% over their 1974 level. In contrast, outlays for national defense are projected to increase by only 5½%. As the chart above indicates, outlays for human resources programs are expected to more than double between 1969 and 1975, while national defense outlays will increase less than 6% in the same period. These relative changes reflect the shift in national priorities toward peacetime domestic concerns that has been underway since this Administration took office.

These projections demonstrate that we can afford to continue worthwhile ongoing programs, and to increase spending for the most important, within the constraints of responsible fiscal policy. We can maintain a strong defense posture and yet permit high priority domestic programs to grow. To make this possible, however, some lower priority programs will have to be cut back or eliminated. Our national priorities must be carefully ordered to insure that our total available resources are used most effectively to meet national objectives.

### CONTROLLABILITY OF BUDGET OUTLAYS

[In billions of dollars]

Description	1972 actual	1973 estimate	1974 estimate	1975 estimate
<b>Relatively uncontrollable under present law:</b>				
Social insurance trust funds.....	61.7	71.7	80.4	<sup>1</sup> 87.6
Interest.....	20.6	22.8	24.7	25.4
Other open-ended programs and fixed costs.....	37.1	46.7	47.5	50.8
Subtotal, open-ended programs and fixed costs.....	119.3	141.3	152.6	163.8
Outlays from prior-year contracts and obligations.....	39.2	40.6	49.2	132.5
<b>Relatively controllable outlays.....</b>	81.2	75.8	75.2	
<b>Undistributed intragovernmental transactions and allowance for contingencies.....</b>	-7.9	-7.9	-8.4	-8.3
<b>Total budget outlays.....</b>	231.9	249.8	268.7	288.0

<sup>1</sup> Estimated on full-employment basis.

As in past years, outlays in 1975 will increase due to factors beyond the control of the executive branch. These factors include growth in the number of people eligible by law for various types of Federal benefits, and various increases in costs. Increases in open-ended programs and fixed costs alone are expected to account for \$11 billion (58%) of the \$19 billion total increase in outlays between 1974 and 1975. This provides a measure of the acute fiscal problem confronted in the 1974 budget. The terminations and reductions of existing programs, will reduce 1975 outlays by about \$24 billion below the excessive level—\$312 billion—they would attain in that year if these essential economies were not made. As a result of these economy measures,

outlays classified as relatively controllable will decline by about \$6 billion between 1972 and 1974, from \$81.2 billion to \$75.2 billion. This decrease affects both defense and nondefense programs.

*The longer range outlook.*—If the recommendations presented in this budget are followed, and if this disciplined approach to Federal spending is firmly adhered to in the years ahead, it will be possible for the Federal Government to live within its income for the foreseeable future, *without resorting to tax increases*. The social security taxable earnings base will be adjusted automatically under current law as wage levels rise and benefit payments increase. Increases in income tax rates or enactment of new taxes, however, can be avoided.

Projections of outlays based on the recommendations contained in this budget, and of full-employment receipts based on current tax law, indicate future budget margins growing from \$2 billion in 1975 to \$35 billion in 1978. The margins projected for these years are potential Federal surpluses, assuming current and proposed tax legislation, and continuation of all current and proposed expenditure programs, but no new Federal initiatives beyond those proposed in the 1974 budget. The projections also assume that all recommended program economies are carried out. Thus the projected margin for 1978 is an estimate of the fiscal resources that would be available under current tax law to cover all new proposals over and above those presented this year—including tax reductions, reductions in the public debt, and new programs.

As indicated in the table below, built-in increases in ongoing programs would average about \$16 billion a year between 1974 and 1978, if we ignore the impact of recommended program reductions. The costs of new programs proposed in this budget are expected to add \$1 billion in 1978 for a total unconstrained 1978 outlay level of \$352 billion. The outlay impacts of program terminations and reductions, however, will offset \$25 billion of this amount, so that net outlays projected for 1978, \$327 billion, will be \$35 billion less than full-employment revenues in that year (\$362 billion).

While the proposed program terminations and reductions are desirable in their own right, since benefits from these programs no longer justify the added taxes that would be required to pay for them, fiscal policy considerations make them imperative.

All of the recommended economy measures have been weighed against the only responsible alternative—that of a tax increase. In each case, the benefits to be derived from continuation of the program at its current level have been judged insufficient to justify an increase in the current tax burden. It is imperative that all future proposals for program expansion not budgeted this year be weighed against the only real alternatives open: tax increases, or offsetting terminations or reductions in costs of existing programs that are being proposed for continuation.

### PROJECTED BUDGET MARGINS

[In billions of current dollars]

Item	1974	1975	1978
Total outlays, unconstrained basis . . . . .	288	312	352
Savings projected in this budget (—):			
Program reductions and terminations . . . . .	-17	-22	-25
Other . . . . .	-2	-2	.....
Adjustment to full employment basis <sup>1</sup> . . . . .	-1	.....	.....
Total, full employment outlays . . . . .	268	288	327
Total, full employment receipts . . . . .	268	290	362
Margin . . . . .	.....	2	35

<sup>1</sup> Consists mainly of excess of unemployment insurance benefits over the amount payable at a national unemployment rate of 4%.

The projected budget margins for 1975–78 are relatively small and quite precarious. Nevertheless, enormous expenditure demands will inevitably be made upon them. Most of these demands will have to be successfully resisted, and the stringent economies and program terminations proposed in the budget will have to be adopted if budget margins are to be realized.

### PROGRAM REDUCTIONS AND TERMINATIONS

A responsive government continually adjusts its activities to changing national needs. New programs are often required to meet emerging problems. At the same time, some existing programs prove to be ineffective, become obsolete, outmoded, achieve their purposes or decline in relative importance. Further, there is a need for a continuing evaluation of the proper Federal role in all program areas.

Unless vigorous and determined efforts are made in programs which should be restructured, reduced, or terminated they continue—and even grow. In so doing, they prevent the most effi-

cient of governments from operating within the limits of sound fiscal policy.

The 1974 budget incorporates the results of an intensive effort to identify programs that could be reduced, terminated, or reformed. One major criterion used to identify such programs was: Would they justify an increase in present tax rates to pay for their continuation? The 1974 budget proposes reducing or eliminating programs that do not meet this criterion.

There is no responsible alternative to reductions and terminations. Unchecked spending would result in substantial full-employment deficits in 1973, 1974, and beyond—and loss of effective control over Federal spending.

*Avenues to outlay reduction.*—To minimize as much as possible the need for sharp cuts in ongoing Federal programs, the first effort was directed to making reductions through such means as the disposal of additional materials from the Government stockpile, the development of non-Federal financing for various credit programs (mainly through the sale of loan and mortgage paper), and the increase of those Federal receipts that are offset against each agency's outlays.

However, most of these budget savings were nonrecurring and did not slow the expenditure impact in future years of the 1973 program momentum. Therefore, individual Federal programs had to be examined and evaluated. Ineffective activities and those that had already served their purposes had to be terminated, marginal activities reduced or slowed and excessively costly ones restructured. The resulting reconciliation of 1973 outlays from the unconstrained \$261 billion level estimated last fall to the current estimate of under \$250 billion is shown here:

	<i>Billions</i>
Unconstrained estimate.....	\$261.0
Savings from:	
Additional stockpile disposals.....	\$-0.4
Additional non-Federal financing for Federal credit programs....	-1.1
Deferral of various payments:	
General Revenue Sharing.....	-1.5
Other.....	-0.5
Additional offshore oil receipts.....	-1.0
Increases in user charges and other actions.....	-0.2
Program reductions and terminations.....	1-6.5
<b>Total savings.....</b>	<b>-11.2</b>
<b>Current estimate.....</b>	<b>249.8</b>

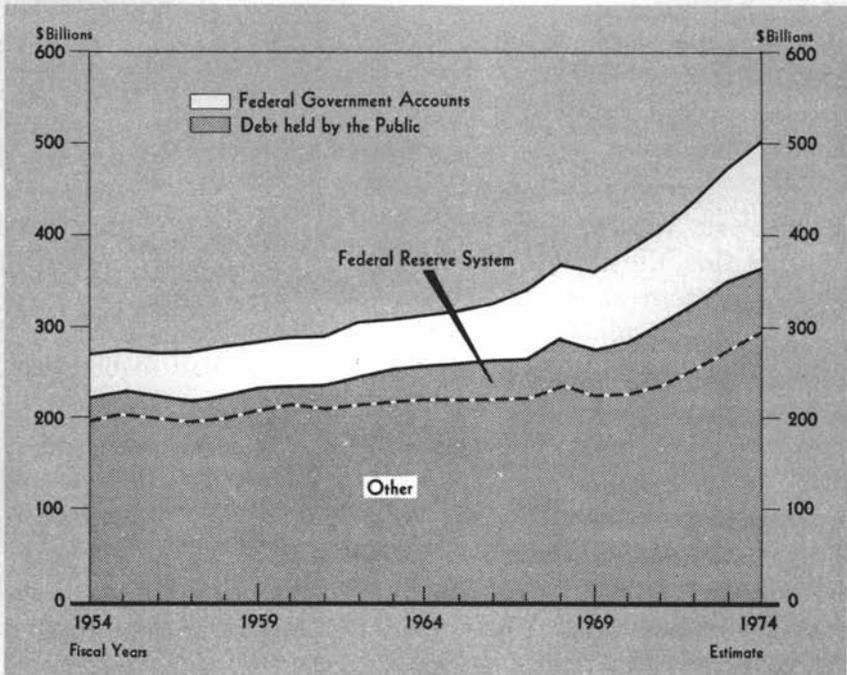
<sup>1</sup> Includes \$2.3 billion of savings accomplished by enactment of Administration-supported limitation on open-end social services grant program.

The actions to reduce the 1973 budget, when combined with 1974 budget proposals, will reduce Federal outlays by \$17 billion in 1974 and by \$22 billion in 1975. More broadly, if the Administration had accepted the \$261 billion level for 1973 and had allowed this program momentum to proceed on course, then the unconstrained total of outlays would have been \$288 billion in 1974 and about \$312 billion in 1975. Totals of this size are simply inconsistent with the effective management or control of the budget.

## THE FEDERAL DEBT

The Federal debt is largely an internal debt, owed by the Nation primarily to our own citizens. In a very real sense, then, we owe the debt to ourselves.

### Ownership of the Federal Debt



The chart above shows gross Federal debt separately held by Federal Government accounts and debt held by the public. The debt held by the public is further separated between that held by the Federal Reserve System and that held by other sectors, which comprise commercial banks, foreign central banks, other financial institutions, and individuals. Between 1964 and 1974,

gross Federal debt is projected to increase by \$189 billion, or 60%. Debt held by the public other than the Federal Reserve, on the other hand, is projected to increase by \$71 billion, or 32%.

The concept of debt held by the public other than the Federal Reserve is important for budget purposes, because only this debt has a significant effect on the unified budget surplus or deficit. Interest on debt held by Government accounts has offsetting entries in other parts of the budget, and most of the interest on securities held by the Federal Reserve System is returned to Treasury and shows up as receipts. A more detailed discussion of interest on the public debt can be found in the functional discussion in Part 4.

## PART 3

# THE BUDGET PROGRAM BY FUNCTION

The outlays of the Federal Government are grouped into 14 functional categories according to the general purpose served, regardless of the administering agency. This section describes the trends and administrative initiatives in the major programs under each of these functions.

In addition to the outlays estimated in the functional categories, the budget includes \$1.8 billion for pay raises for civilian agencies and unforeseen contingencies and for programs on which detailed proposals have not yet been completely formulated. The national defense total includes a similar allowance of \$2.7 billion for military and civilian pay raises in the Defense Department.

The size and composition of budget outlays have changed substantially over the last three decades as shown in the table below.

*1970-74.*—Reform of Federal programs and a continued shift in budget priorities mark these years. Total outlays grew at an average annual rate of 8% during this period, compared to an average rate of 10% during the previous 4-year period. Human resources outlays are estimated to grow at an average annual rate of 15% from 1970 to 1974, considerably faster than other spending. As a result, human resource programs are estimated to rise to 47% of the 1974 budget. Defense will drop to an estimated 30% of total spending in 1974.

### CHANGING COMPOSITION OF THE BUDGET

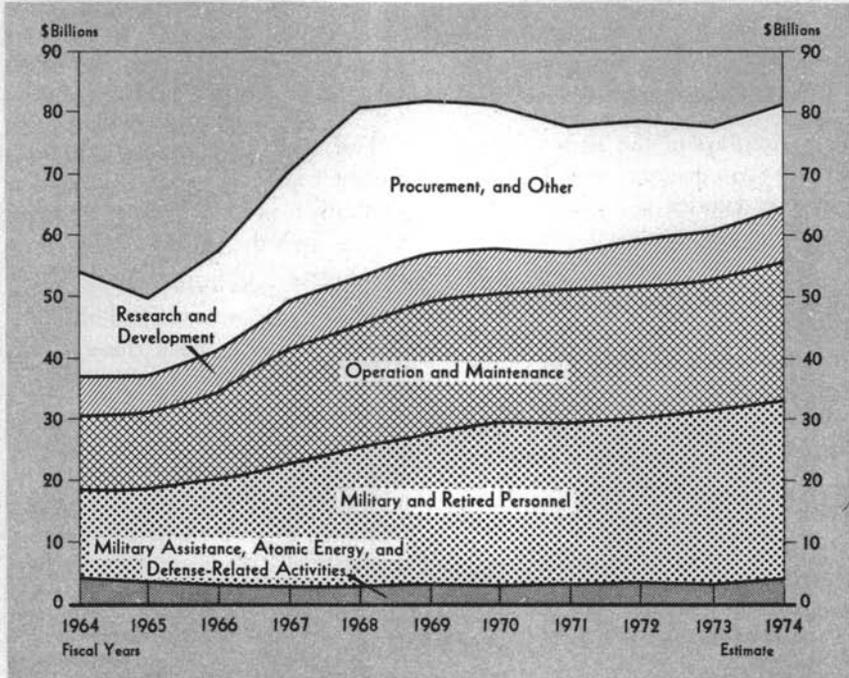
[Dollars in billions]

Function	Percent of total budget							Outlays 1974
	1945	1950	1955	1960	1965	1970	1974	
National defense.....	85.7	30.4	58.7	49.8	41.9	40.8	30.2	\$81.1
International affairs and finance.....	3.5	11.1	3.0	3.3	3.7	1.8	1.4	3.8
Space research and technology.....	*	.1	.1	.4	4.3	1.9	1.2	3.1
Physical resources.....	6.2	13.7	8.3	10.9	12.3	10.7	9.6	25.7
Agriculture and rural development.....	1.7	6.5	5.9	3.6	4.1	3.2	2.1	5.6
Natural resources and environment.....	.3	2.9	.7	1.1	1.7	1.3	1.4	3.7
Commerce and transportation.....	4.4	3.9	1.6	5.2	6.2	4.7	4.3	11.6
Community development and housing.....	-2.2	.6	*	1.1	.2	1.5	1.8	4.9
Human resources.....	2.9	32.5	21.1	27.6	29.9	37.0	46.7	125.5
Education and manpower.....	.2	.5	.8	1.1	1.9	3.7	3.8	10.1
Health.....	.2	.6	.4	.8	1.5	6.6	8.1	21.7
Income security.....	1.2	10.9	13.3	19.7	21.7	22.3	30.5	82.0
Veterans benefits and services.....	1.2	20.5	6.6	5.9	4.8	4.4	4.4	11.7
General government.....	.8	2.7	1.7	1.4	1.9	1.7	2.2	6.0
Interest.....	3.7	13.3	8.8	9.0	8.7	9.3	9.2	24.7
General Revenue Sharing.....							2.2	6.0
Allowances.....							.6	1.8
Undistributed deductions.....	-2.8	-3.9	-1.8	-2.5	-2.6	-3.2	-3.4	-9.1
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	268.7

\*Less than 0.05%.

# NATIONAL DEFENSE

## National Defense Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Our national security strategy is designed to move us toward the goal of a generation of peace through strength, partnership with our allies, and the willingness to negotiate.

We have improved our relations with the Soviet Union and the People's Republic of China. These developments and the increased effectiveness of modern weapon systems have enabled us to reduce our military forces without jeopardizing our strength or abandoning our commitments. Further force adjustment, however, depends upon achieving effective arms limitation agreements.

### Program Highlights

- Provided a sufficient nuclear deterrent while seeking permanent

mutual limitations in strategic offensive forces.

- Initiated modernization of the general purpose forces.
- Conducted a vigorous research and development program.

### Budget Proposals

- Maintain military strength as a foundation for negotiations.
- Increase total national defense outlays from \$76.4 billion in 1973 to \$81.1 billion in 1974 and \$85.5 billion in 1975 primarily due to pay and price increases.
- Offset selected increases necessary to maintain the strength and readiness of our combat forces by savings and reductions.

- Achieve an All-Volunteer Force.

Increases required in 1974 to maintain our combat forces have been offset by savings and reductions. Total outlays increase primarily as a result of an additional \$4.1 billion required for increases in military and civilian pay, pay and benefit raises sufficient to achieve an All-Volunteer Force, normal price increases, and higher military retirement annuities. National defense outlays are expected to increase in 1975 also primarily due to pay and price increases.

#### **Department of Defense—Military**

The DOD budget continues to provide the strong defense essential for our security and for the support of negotiations.

The surge in manpower costs experienced over the past few years is being curbed by holding pay and benefit increases to much lower levels than those of recent years, by further reductions in personnel, and by other means. Through these actions defense military and civilian manpower strengths will be budgeted at the lowest level since 1950.

**Strategic forces.**—Our nuclear forces must be sufficient to deter nuclear attack against the United States and our allies. In accord with the terms of the SALT treaty, we have reduced the planned deployment of our ABM system. The SALT talks also resulted in an interim agreement to limit offensive nuclear forces and have led to further negotiations aimed at achieving an equitable and effective treaty on offensive force limitations. However, until such a treaty is negotiated, we will maintain our current strength to insure the viability of our deterrent and to provide the Soviet

Union an incentive for meaningful negotiations. We will: (1) continue development of the Trident sea-based ballistic missile system; (2) further develop the B-1 advanced manned strategic bomber; (3) continue the conversion of ballistic missile forces to the Minuteman III and Poseidon systems; and (4) begin development of a strategic submarine-launched cruise missile.

**General purpose forces.**—The improvement in our relations with the Warsaw Pact countries and the People's Republic of China is encouraging evidence that further progress toward a relaxation of international tension may be possible. Diplomatic efforts to achieve balanced force reductions are underway. But, until mutual reductions are achieved, we will continue to maintain the strong and ready general purpose forces needed to provide, in conjunction with the forces of our allies, a realistic and credible deterrent to aggression at any level.

Our *land forces* will be modernized and maintained at a high state of readiness. Armored capability will be increased and field Army and Marine Corps defenses against low and medium altitude supersonic aircraft will be improved.

The United States relies on *naval forces* to preserve our right to use the seas. We plan to support a more ready and capable, though smaller, fleet through the retirement or modernization of existing ships and a vigorous shipbuilding program. This budget provides for procurement of five nuclear-powered submarines, construction of a nuclear-powered aircraft carrier, and the modernization of three guided-missile frigates.

Aircraft development and procurement provided for in this budget will assure continued air superiority for the *tactical air forces*. For the Air Force, additional quantities of F-15 fighters will be purchased and development will continue on the A-X close air-support system. The Navy will initiate deployment of its new fleet fighter, the F-14. Modernization of the Marine Air Wings will be accomplished with procurement of the F-4 Phantom, A-4 aircraft, and vertical takeoff and landing aircraft.

**Research and development.**—A vigorous research and development program is essential to maintain force effectiveness. At a time when high manpower costs and the transition to an All-Volunteer Force place greater emphasis on effective manpower usage, investment in military technology is necessary to assure increasing individual effectiveness.

#### **Military Assistance**

Military assistance and credit sales programs help other countries provide for their own defense—a fundamental requirement for the success of the Nixon doctrine. Outlays will be \$600 million in 1973 and \$800 million in 1974.

#### **Atomic Energy**

The Atomic Energy Commission is responsible for developing and

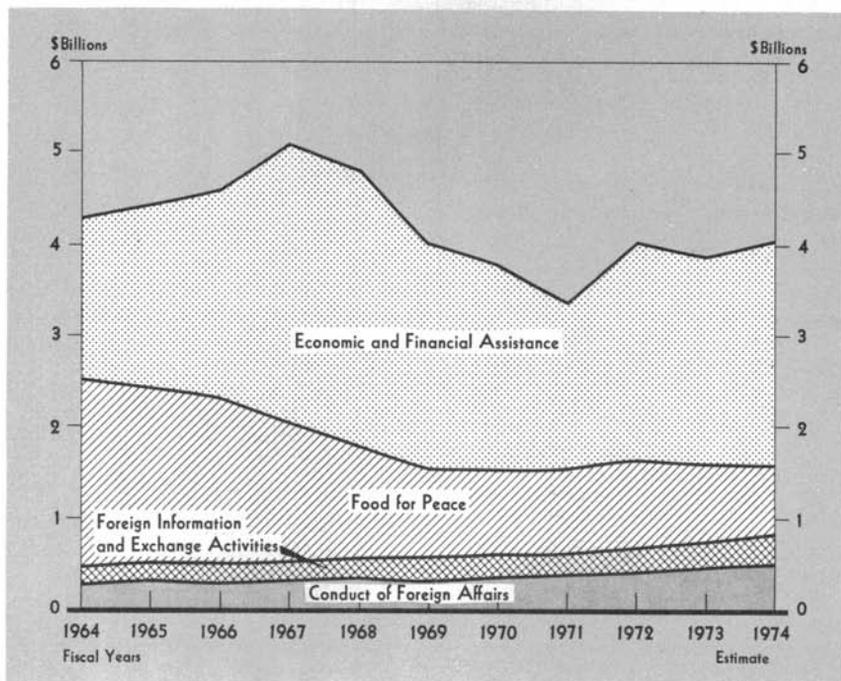
manufacturing nuclear weapons and improving nuclear power reactors for propulsion of naval vessels. AEC also develops designs of improved nuclear powerplants and enriches nuclear fuels for commercial powerplants. It pursues other peaceful applications of atomic energy and conducts basic and applied research in the physical and biomedical sciences.

The 1974 outlays of \$2.4 billion reflect primarily increases in military programs, accelerated development of the “fast breeder” power reactor concept, and expansion of AEC’s capability to enrich nuclear powerplant fuels. These program increases will be partly offset by an increase in retained revenues.

#### **National Defense**

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$81,074	30.2%
1973 estimate....	76,435	30.6
1972.....	78,336	33.8
1971.....	77,661	36.7
1970.....	80,295	40.8
1969.....	81,232	44.0
1968.....	80,517	45.0
1967.....	70,081	44.3
1966.....	56,785	42.2
1965.....	49,578	41.9
1964.....	53,591	45.2
1963.....	52,257	46.9

## INTERNATIONAL AFFAIRS AND FINANCE



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

The United States is moving to end the postwar era of confrontation and build a durable structure of peace in which all nations will share both burdens and benefits. International programs and expenditures for 1974 thus reflect not only our own steadfastness of purpose, but also the growing involvement of our partners in peace. Outlays will be \$3.8 billion in 1974 and are also expected to be \$3.8 billion in 1975.

### Program Highlights

- Concluded initial strategic arms limitation agreements.
- Began progress toward a new international monetary system.
- Streamlined administration of foreign economic assistance.

- Expanded international narcotics control programs.
- Provided relief assistance to Bangladesh and the Philippines.

### Budget Proposals

- Continue security assistance to friendly nations.
- Concentrate bilateral economic aid on critical development problems.
- Share in funding international development institutions.
- Contribute to a new United Nations Environment Fund.
- Expand cultural exchange programs.

## **Economic and Financial Assistance**

**International security assistance.**—Security assistance actively encourages friendly countries to strengthen their own defense. The Secretary of State determines security assistance policy and coordinates the military and supporting assistance components.

**Military assistance,** classified in the national defense function, includes grants for training and equipment as well as credit sales. Recent improvements in the economies of grant recipients will allow increased emphasis on credit sales in 1974.

**Security supporting assistance** provides financial and technical aid to promote economic and political stability abroad. Outlays are estimated at \$708 million in 1974.

**Multilateral development assistance.**—Through contributions to international development institutions, the United States shares equitably with other industrialized countries the responsibility for assisting developing nations. Outlays are estimated at \$682 million in 1974.

**Bilateral development assistance.**—The Agency for International Development administers bilateral development loans and technical assistance. Loans support the development efforts of lower-income countries by financing specific projects and general import programs. Outlays are estimated to be \$871 million in 1974.

The Overseas Private Investment Corporation facilitates U.S. investments in developing countries.

**The President's foreign assistance contingency fund.**—This fund is

used to meet unforeseen circumstances requiring security, development, or humanitarian assistance.

## **Food for Peace**

The United States donates and sells agricultural commodities on favorable terms to friendly nations to combat hunger and malnutrition, promote economic growth in developing nations, and expand export markets for U.S. commodities. Outlays will be \$766 million in 1974.

## **Foreign Information and Exchange Activities**

Important mutual benefits flow from widened contacts among the people of the world. Cultural and educational exchange activities of the State Department will be expanded. Activities of the U.S. Information Agency, Radio Free Europe and Radio Liberty will continue at current levels.

## **Conduct of Foreign Affairs**

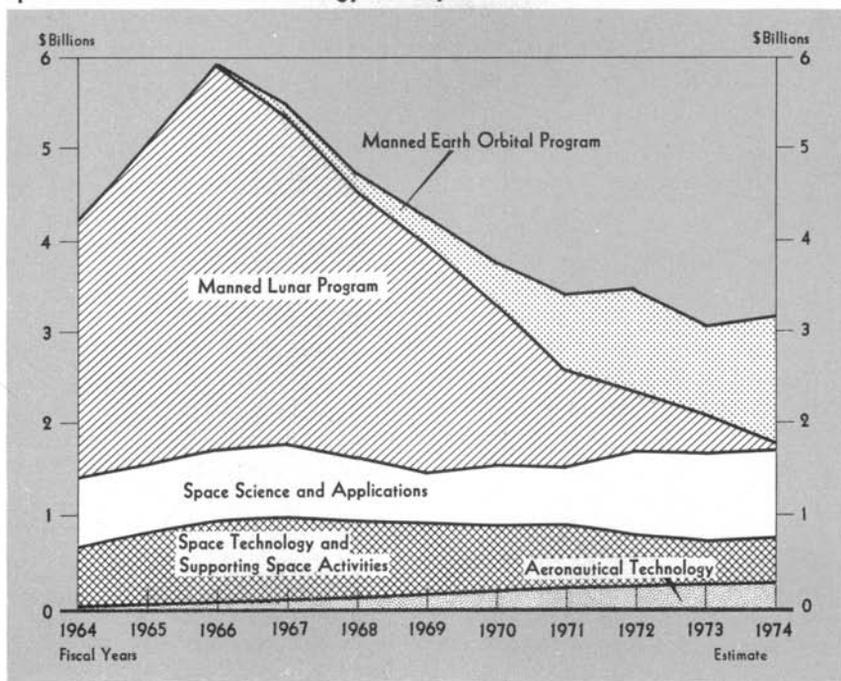
Overseas operating costs of the State Department and assessed contributions to international organizations will increase.

### **International Affairs and Finance**

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$3,811	1.4%
1973 estimate....	3,341	1.3
1972.....	3,726	1.6
1971.....	3,095	1.5
1970.....	3,570	1.8
1969.....	3,785	2.1
1968.....	4,619	2.6
1967.....	4,547	2.9
1966.....	4,490	3.3
1965.....	4,340	3.7
1964.....	4,117	3.5
1963.....	4,115	3.7

# SPACE RESEARCH AND TECHNOLOGY

## Space Research and Technology Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

The 1974 budget provides for a balanced space program with steady progress in science, applications, and aeronautics. Outlays will be \$3.1 billion in 1974 and are expected to be \$3.2 billion in 1975.

### Program Highlights

- Completed Apollo lunar landings.

### Budget Proposals

- Develop manned reusable space shuttle transportation system.
- Conduct manned docking mission with Soviet spacecraft.

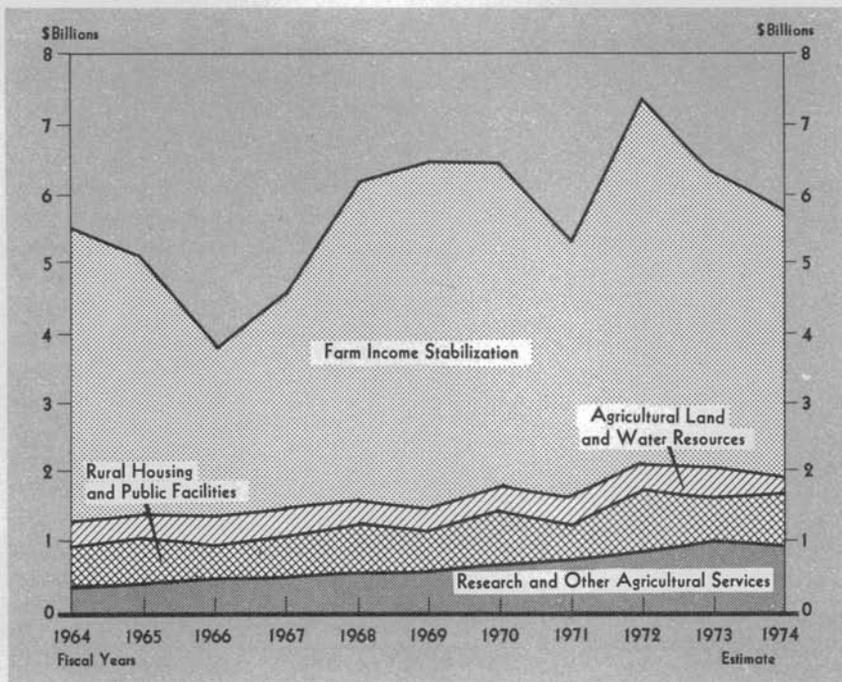
**Manned space flight.**—The last planned manned visit to the moon was completed in December 1972. In 1973, Skylab, an experimental space station, will obtain data about man in space, solar astronomy, and earth resources. In 1975, the United States and the U.S.S.R. will con-

duct a joint mission with manned spacecraft. By about 1980, the space shuttle will begin to reduce the cost of operations in earth orbit.

**Space science and applications.**—Development will continue on spacecraft for the unmanned exploration of the planets. A new weather satellite will also be developed.

**Space and aeronautical technology.**—Technology will be advanced to provide improved capabilities for future space systems. Aeronautical technology will emphasize reductions in aircraft noise and exhaust pollution and improvements in performance. Advanced supersonic transport research will be continued. The space program as a percentage of total budget outlays has declined from 4.4% in 1966 to 1.2% in 1974.

## AGRICULTURE AND RURAL DEVELOPMENT



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Agriculture and rural development programs improve income opportunities and living conditions for farmers and rural residents, help assure reasonably priced and wholesome food supplies for the consumer, and provide food assistance to the poor. Outlays for these programs will be \$5.6 billion in 1974 and are expected to be \$5.8 billion in 1975. Excluding the impact of changes in asset sales, outlays in 1974 will be \$1.1 billion less than in 1973.

### Program Highlights

- Maintained high levels of farm income through increased emphasis on market opportunities and exports.
- Started implementation of the Rural Development Act.

### Budget Proposals

- Strengthen rural development efforts through greater private participation and State and local control over programs.
- Reduce outlays for commodity price support, in line with rising farm marketing incomes.
- Shift rural electrification loan financing from subsidized direct loans at 2% interest to insured loans.
- Reduce unnecessary Federal subsidization of normal farm conservation practices.
- Expand meat and poultry inspection.

**Farm income stabilization.**—A primary objective of agricultural programs is to improve private sector income opportunities for Amer-

ican farmers and reduce dependence on Government subsidies.

Under the Agricultural Act of 1970, farmers have greater freedom to utilize their land to best advantage, and farm income and farm exports are at record levels. In 1973, a larger part of the total productive capacity of American agriculture will be used to meet foreign and domestic needs. A third of the land idle in 1972 will be returned to production. Increased incomes from sales of commodities in the private marketplace will reduce farmers' dependence on Government subsidies. As a result, total outlays for price support and related programs will decline by \$694 million in 1974, to \$2.7 billion.

Agricultural programs continue to contribute to the elimination of hunger and malnutrition through the donation of foods to needy families, institutions and schools. Donations are expected to decline somewhat as more areas convert to the food stamp program.

**Rural housing and public facilities.**—The Rural Development Act of 1972 authorizes a wide range of new Federal programs for the development of rural communities. These programs are being administered by the Department of Agriculture and will strengthen State and local control over investment decisions.

The unsubsidized portions of the rural housing program will be continued in 1974. However, the subsidized housing programs of the Department of Agriculture have been temporarily suspended in order to permit consideration of more effective approaches to housing problems.

Loans for electric and telephone service in rural areas will be shifted

from direct loans to guaranteed or insured loans, beginning in 1973, under the terms of the Rural Development Act of 1972. This will make possible an expanded loan program of about \$760 million in both 1973 and 1974 at reduced Federal cost.

In addition, lending by the telephone bank and the private electric bank is expected to increase by about \$110 million over the 1973 level.

**Agricultural land and water resources.**—Programs to encourage conservation practices on private land originated many years ago and have generally achieved their objectives. Therefore, subsidies under the rural environmental assistance program are being terminated.

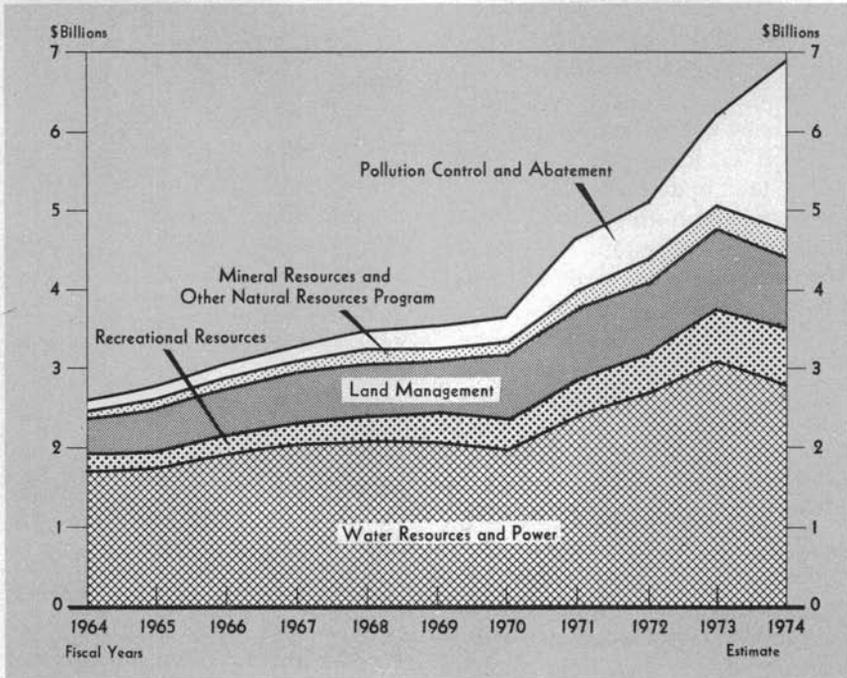
**Research and other agricultural services.**—Total outlays for research and extension will decrease by \$14 million to \$471 million in 1974 as research is redirected toward meeting the most pressing problems. The Federal meat and poultry inspection program will be expanded.

#### Agriculture and Rural Development

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate. . . . .	\$5, 572	2. 1%
1973 estimate. . . . .	6, 064	2. 4
1972. . . . .	7, 063	3. 0
1971. . . . .	5, 096	2. 4
1970. . . . .	6, 201	3. 2
1969. . . . .	6, 218	3. 4
1968. . . . .	5, 940	3. 3
1967. . . . .	4, 373	2. 8
1966. . . . .	3, 676	2. 7
1965. . . . .	4, 805	4. 1
1964. . . . .	5, 184	4. 4
1963. . . . .	5, 138	4. 6

# NATURAL RESOURCES AND ENVIRONMENT

## Natural Resources and Environment Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Natural resources and environment programs serve both to protect and enhance the quality of the environment and to further the conservation and wise use of resources. Gross outlays will rise to \$6.9 billion in 1974 and are expected to be \$8.4 billion in 1975. After deducting offsetting receipts, net outlays in 1974 will be \$3.7 billion.

### Program Highlights

- Provided \$8.9 billion in 1972 and 1973 for grants for construction of sewage treatment facilities.
- Assisted State and local governments in acquiring 134,000 acres of recreation lands in 1973.

### Budget Proposals

- Increase outlays for municipal sewage treatment facilities 120%.

- Increase by \$34 million outlays for grants to State and local governments for parks.
- Purchase about 346,000 acres of lands for Federal parks and recreation areas in 1973 and 1974.
- Start construction of facilities for the American Revolution Bicentennial Celebration.
- Accelerate research on obtaining clean energy from coal.

**Pollution control and abatement.**—These programs involve air and water pollution control and other environmental concerns, including pesticides, radiation, and noise. Outlays for all pollution control and abatement programs will increase by \$980 million to a level

of \$2.1 billion in 1974. Allotments to the States from contract authority for construction of waste treatment facilities total \$5 billion. Outlays for these facilities will total \$727 million in 1973 and \$1.6 billion in 1974. Additional outlays of \$317 million for abating pollution at Federal facilities are classified under other budget functions.

**Recreational resources.**—Recreation programs involve purchase, development, and operation of nationally significant natural areas and historic sites, and grants to State and local governments for purchase and development of park and recreation areas. Outlays for these programs will increase by \$60 million over the 1973 level to \$701 million in 1974. Outlays for grants to State and local governments will increase by \$34 million in 1974, to a level of \$160 million. Outlays for Federal purchases of park and recreation lands will decline from \$104 million in 1973 to \$80 million in 1974.

**Water resources and power.**—Water resources projects provide irrigation, water supplies, electric power, and recreation. They also help control floods, erosion and water pollution, and aid navigation. Outlays for construction projects will be \$1.3 billion in 1974 compared to \$1.5 billion in 1973 and \$1.3 billion in 1972. Construction on projects scheduled for completion in 1974 will continue at optimal rates. Delays are expected on some projects due to opposition on environmental grounds. Outlays for power programs will decrease from \$598 million in 1973 to \$518 million in 1974. Total outlays for water resources and power programs will decline by \$269 million to \$2.8 billion in 1974.

**Land management.**—These programs provide for use and protection of public lands and national forests. Outlays will decline by \$78 million in 1974 due to unusually high fire fighting costs in 1973 and a reduction in Federal road construction. Funds are provided to implement proposed legislation on land use control.

**Mineral resources.**—Mineral resources programs include research on conservation and development of minerals and fuels and research in metallurgy and mining. Outlays for research on producing low-pollution energy from coal and on magnetohydrodynamic generation of electricity will increase substantially, as will total outlays for energy research and development.

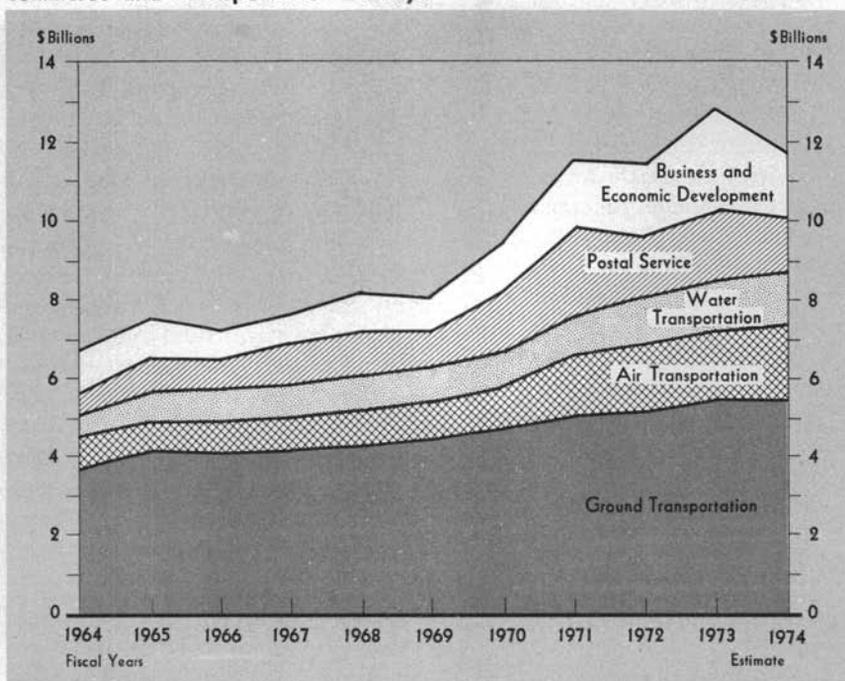
**Other natural resources programs.**—These programs include water resources investigations, geological and mineral resource surveys, and topographic mapping. The budget provides funds for evaluation of the experimental earth resources satellite, earthquake prediction and control efforts, and investigation of geothermal resources.

#### Natural Resources and Environment

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$3,663	1.4%
1973 estimate....	876	.4
1972.....	3,761	1.6
1971.....	2,716	1.3
1970.....	2,568	1.3
1969.....	2,169	1.2
1968.....	1,722	1.0
1967.....	1,878	1.2
1966.....	2,036	1.5
1965.....	2,056	1.7
1964.....	1,966	1.7
1963.....	1,498	1.3

# COMMERCE AND TRANSPORTATION

## Commerce and Transportation Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

### Program Highlights

- Expanded the role of small businesses and minority businessmen in the Nation's economy.
- Revitalized rail passenger service through Amtrak.

### Budget Proposals

- Propose urban transportation legislation to increase State and local flexibility.
- Continue rail passenger service beyond the experimental period ending June 30, 1973.
- Increase funds for weather prediction and warning programs.

Outlays for commerce and transportation will be \$11.6 billion in 1974 and are expected to be \$12.4 billion in 1975.

*Ground transportation.*—A major Administration proposal will be submitted to provide State and local governments with needed flexibility in making and implementing local transportation decisions. The present system of categorical highway grants restricts outlays according to source, as in the case of the Highway trust fund. This proposal will ensure that cities and States can make capital investments in highways, bus, or rail rapid transit systems without the present Federal restrictions. To support this legislation, the Administration is proposing 1974 outlays of about \$650 million for urban highways and \$494 million for urban mass transit programs. Outlays for other Federal-aid highway

grants, primarily for the Interstate System, will be \$3.9 billion in 1974.

Revitalization of rail passenger service will continue. Amtrak's operating charter will be extended beyond June 1973 and a new high speed improved passenger train will be demonstrated in 1975.

**Air transportation.**—The Administration will propose new legislative and administrative user charges, so that the costs of the national aviation system are borne by its direct beneficiaries. These charges will cover the increasing costs of an enlarged and safer system without sacrificing fiscal responsibility. An improved and more automated air traffic control system will be fully operational in 1974.

**Water transportation.**—The Administration will continue the merchant ship construction subsidy at the current overall level. Emphasis will be placed on energy ships, including liquid natural gas carriers and large tankers.

The Coast Guard will concentrate in 1974 on improved safety for mariners. Vessel traffic systems will be established in New York and New Orleans along with a radar system for Puget Sound. New technology permits the elimination of the international ocean station vessel program at an annual savings of approximately \$25 million.

**Postal Service.**—The Postal Reorganization Act of 1970 created the Postal Service as an independent agency within the executive branch. Only the Federal payment now appears in the budget. This subsidy covers public service costs, reductions in revenue associated with free and reduced-rate mail, and transition costs resulting from reorganization. The 1974 subsidy of \$1.4 billion is \$172 million less than

authorized in expectation of full rather than subsidized rates for regular-rate third-class mail.

**Advancement of business.**—Outlays in this area will significantly decrease in 1974 because of smaller outlays for disaster relief. Increased financial and management assistance by the Small Business Administration and the Department of Commerce will help expand the role of small businesses and minority businessmen in the Nation's economy. Additional funding for the National Oceanic and Atmospheric Administration (NOAA) will permit improved weather prediction.

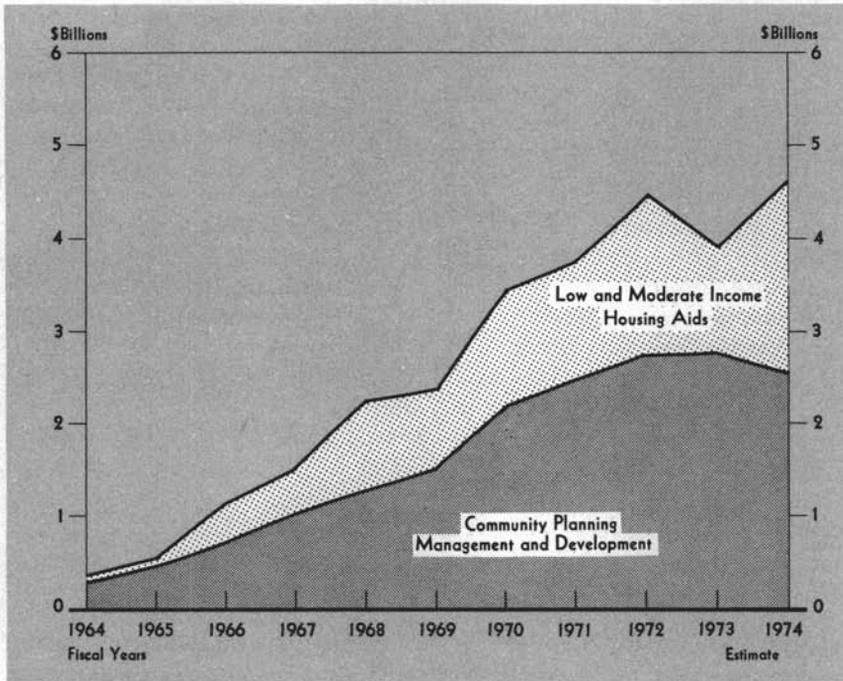
**Area and regional development.**—Programs of the Economic Development Administration are being replaced with better integrated and less costly programs for stimulating rural development and encouraging private investment in economic development. Funding for the regional planning commissions will be shifted from the Department of Commerce to the Department of Housing and Urban Development, thus consolidating all major programs of planning and management assistance to States and regions.

#### Commerce and Transportation

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$11,580	4.3%
1973 estimate....	12,543	5.0
1972.....	11,201	4.8
1971.....	11,310	5.3
1970.....	9,310	4.7
1969.....	7,921	4.3
1968.....	8,094	4.5
1967.....	7,594	4.8
1966.....	7,171	5.3
1965.....	7,399	6.2
1964.....	6,511	5.5
1963.....	5,765	5.2

# COMMUNITY DEVELOPMENT AND HOUSING

## Community Development and Housing Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

The objectives of the Administration's policies for community development and housing are to: (1) insure that the private market is able to meet the Nation's housing needs; (2) help State and local governments solve their own development problems; and (3) focus the Federal role on those activities it can do more effectively than others.

### Program Highlights

- Provided the economic and institutional climate needed for record housing production levels.
- Focused Federal support on programs to strengthen State and local government capabilities.
- Provided support for over 2.5 million subsidized housing units.

### Budget Proposals

- Resubmit legislation for: (a) Planning and management assistance to States and local governments; (b) major flood insurance amendments; and (c) urban community development revenue sharing, to be effective July 1, 1974.
- Halt new project approvals under seven outmoded urban development programs.
- Temporarily suspend new commitments under four ineffective housing programs pending a review of program deficiencies.

Budget outlays in 1974 for community development and housing will total \$4.9 billion, an increase of \$1.0 billion over outlays in

1973. Most of these outlays result from commitments made in prior years; but commitment reductions will substantially reduce outlays over time. Outlays for 1975 are estimated at \$5.4 billion.

**Maintenance of the housing mortgage market.**—A stable mortgage market is a major goal of fiscal and monetary policies. The Home Loan Bank system, the Home Loan Mortgage Corporation, and the Federal National Mortgage Association continue as major supporting mechanisms for housing finance.

**Low- and moderate-income housing aids.**—The Federal Government has, to date, committed itself to long-term housing assistance payments on behalf of over 2.5 million families at an estimated cost of between \$57 and \$82 billion, as well as additional sums for various tax subsidies, over the life of the projects. The results of these programs have not justified their high cost.

The Administration is evaluating alternative means of enabling families to afford adequate housing, and will: (a) continue efforts to bring down the cost of housing through research and development of improved building techniques; (b) enforce laws against discrimination which prevent families from obtaining decent housing; and (c) continue insuring low down payment mortgages.

While commitments already made under the low-rent public housing, rent supplement, homeownership assistance, and rental housing assistance programs will be honored, further commitments have been halted pending review of program deficiencies.

**Community planning, management, and development.**—In 1974,

HUD will not approve any new projects under seven programs. Instead, support will center on strengthening the capacity of communities to meet their own development needs. Legislation for urban community development revenue sharing will be resubmitted to start July 1, 1974, with first-year funding of \$2.3 billion. Planning and management assistance legislation to help State and local governments strengthen managerial capabilities will be resubmitted, and 1974 commitments of \$110 million will be made.

In 1974, certain programs now funded through the Office of Economic Opportunity will be assumed by other agencies. In addition, legislation will be submitted to establish a Legal Services Corporation, effective July 1, 1973. No 1974 funds are requested for OEO, and new funding for Community Action Agencies will be at the discretion of local communities.

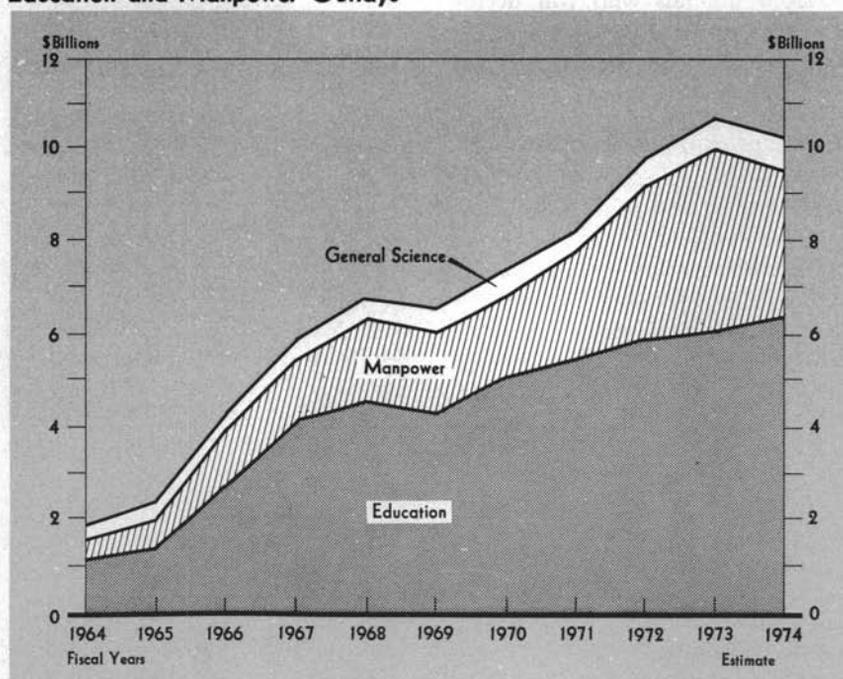
In 1974, domestic volunteer programs administered by Action will continue at their current levels using an estimated 5,000 full-time and 70,600 part-time volunteers.

#### Community Development and Housing

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$4, 931	1.8%
1973 estimate....	3, 957	1.6
1972.....	4, 282	1.8
1971.....	3, 357	1.6
1970.....	2, 965	1.5
1969.....	1, 961	1.1
1968.....	4, 076	2.3
1967.....	2, 616	1.7
1966.....	2, 644	2.0
1965.....	288	0.2
1964.....	-185	.....
1963.....	-880	.....

# EDUCATION AND MANPOWER

## Education and Manpower Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Education, general science, and manpower programs increase the Nation's general scientific knowledge, improve the educational process, and help people acquire skills and find jobs. Outlays will be \$10.1 billion in 1974, and \$10.2 billion by 1975.

### Program Highlights

- Established new Student Loan Marketing Association to expand the guaranteed student loan program.
- Increased welfare recipients placed in jobs under revised work incentive program from 150,000 in 1973 to 165,000 in 1974.
- Increased Federal occupational safety and health inspections from 55,000 in 1973 to 80,000 in 1974.

### Budget Proposals

- Implement education and manpower revenue sharing to enable State and local governments to decide uses of Federal funds.
- Provide \$948 million in basic education opportunity grants to more than 1,500,000 needy post-secondary students.
- Strengthen basic and problem-related research.
- Expand the role of the new National Institute of Education.
- Increase enforcement of occupational safety and health laws.
- Discontinue emergency employment assistance.

*Elementary, secondary and vocational education.*—The Administration's education revenue

sharing proposal will allocate nearly \$2 billion to State and local government officials who will decide how to spend the funds for education programs. New legislation will be proposed to aid parents of students enrolled in nonpublic elementary and secondary schools.

Awards for emergency school assistance will be made to assist school districts that are desegregating, pending enactment of legislation to be proposed to enhance equal educational opportunities.

**Higher education.**—The Administration accords the greatest funding priority in higher education to achieving equal access to post-secondary education. Proposed funding is increased and other on-going programs are reordered so that every eligible student needing financial aid will receive his full basic opportunity grant of up to \$1,400 by the 1974–75 school year.

**Other education aids.**—The new National Institute of Education will fund and manage research and development efforts designed to achieve national educational goals. The National Foundation for the Arts and the Humanities will expand preparation for the American Revolution Bicentennial.

**General science.**—The Administration's initiatives to strengthen basic and problem-related research in the National Science Foundation will be continued in 1974. Emphasis will be given to research related to national needs in areas such as environment, natural hazards, and energy.

**Manpower training and employment services.**—Outlays for manpower training and employment services will be \$3.3 billion in

1974. Using existing law, manpower revenue sharing will be instituted administratively, giving greater authority to States and local governments to design and execute manpower programs. The emergency employment assistance program, under which States and localities have hired the unemployed to provide needed public services, will be discontinued in 1974, consistent with the increase in new jobs in the private sector.

The work incentive program will be expanded to help more welfare recipients prepare for and find work. In 1974, about 165,000 welfare recipients will be placed in jobs and an average of 132,000 will be in training programs.

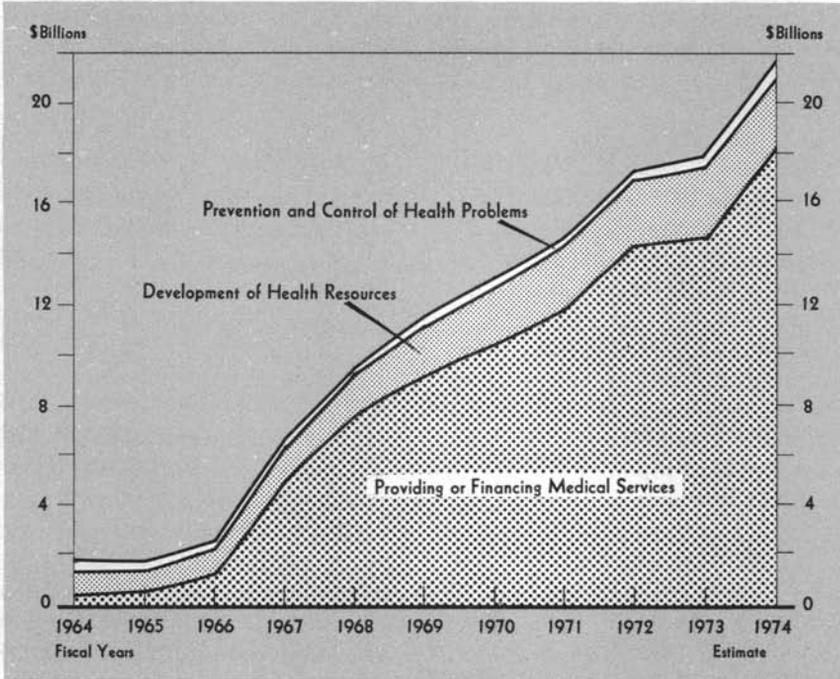
**Other manpower aids.**—Outlays for occupational safety and health programs will increase as more workplaces are inspected and grants are made to States to reduce work-related accidents and disease. The Equal Employment Opportunity Commission and the Office of Federal Contract Compliance will expand efforts to assure all an equal chance for employment.

#### Education and Manpower

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$10, 110	3. 8%
1973 estimate....	10, 500	4. 2
1972.....	9, 751	4. 2
1971.....	8, 226	3. 9
1970.....	7, 289	3. 7
1969.....	6, 525	3. 5
1968.....	6, 739	3. 8
1967.....	5, 853	3. 7
1966.....	4, 258	3. 2
1965.....	2, 284	1. 9
1964.....	1, 751	1. 5
1963.....	1, 502	1. 3

# HEALTH

## Health Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

The 1974 budget increases funds for cancer and heart disease research, continues funding of vital health manpower programs, and provides protection for the individual consumer of health services.

### Program Highlights

- Increased funding for cancer and heart disease research.
- Increased protection for health consumers through cost controls, quality review of medical care, and consumer safety activities.
- Extended financial support for health service to 5 million additional poor, aged, and disabled persons.

### Budget Proposals

- Target Federal health manpower

support on highest priorities areas including training of physicians and dentists.

- Terminate Federal support for medical facilities construction and the regional medical program.
- Reform Medicaid and Medicare to assure greater effectiveness.
- Recommend national health insurance legislation.

Outlays for Federal health programs are estimated at \$21.7 billion in 1974, a rise of \$3.7 billion (21%) from 1973. Health programs will account for 8.1% of the total Federal budget in 1974. Outlays in 1975 are expected to be \$25.1 billion.

**Health resources.**—Outlays will increase by \$34 million in 1974 over 1973. Research on cancer and heart disease—the two leading causes of death in the United States—will be stressed. Other significant research areas include sickle cell anemia, family planning, aging, venereal disease, drug addiction, and environmental health factors.

Health manpower programs will be targeted on high priority fields, primarily physicians and dentists. Efforts will continue to develop new types of manpower and improve access to health professions education by the minorities and the disadvantaged. New scholarships will be available in return for commitments to public service.

Federal grants and guaranteed loans for construction and modernization of health care facilities have met their objectives and are being terminated. The current national oversupply of hospital beds has been a contributory factor in inflationary medical care costs.

Major changes are planned for Federal health planning and development activities. Legislation will be submitted to strengthen State and local comprehensive health planning. The regional medical program will be terminated because of its limited effectiveness.

**Providing or financing medical services.**—In 1974, outlays for programs to finance medical services will rise to \$18.4 billion, or 84% of total Federal health outlays. Current financing mechanisms—Medicaid and Medicare—cover the needy, the elderly, and the disabled. National health insurance proposals will be submitted.

Quality and appropriateness of medical services will be improved by expansion of utilization review in Medicare and Medicaid and by establishment of a national system of Professional Standards Review Organizations. Reform of the deductible and copayment provisions in Medicare will reduce financial burdens of lengthy, unnecessary, and expensive hospitalization.

**Prevention and control of health problems.**—Outlays for all prevention and control activities are estimated to increase by \$54 million to a level of \$656 million in 1974, an increase of 9%. Consumer safety activities in the Food and Drug Administration and the new Consumer Product Safety Commission will be stressed.

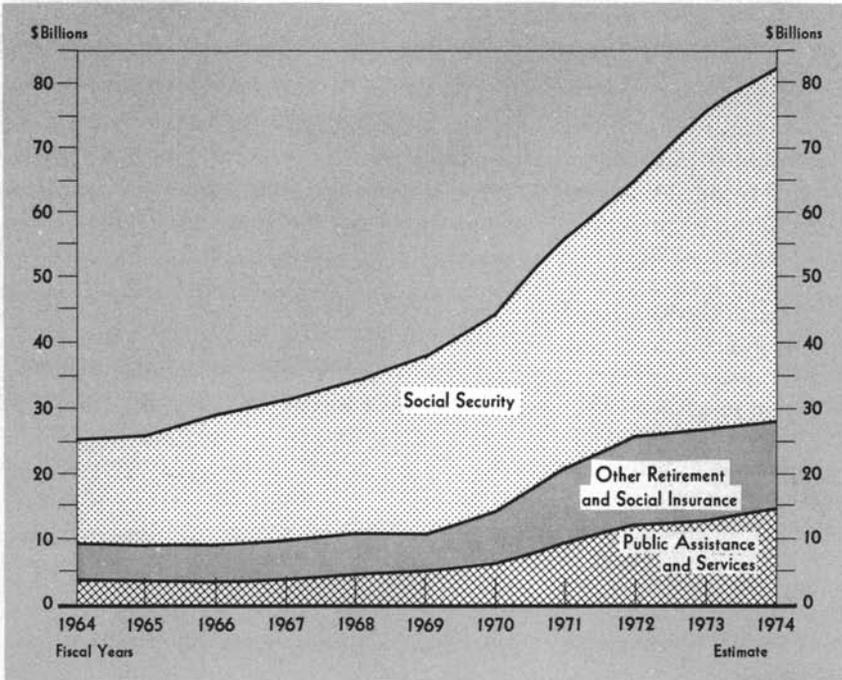
The intensified drug abuse program will approach its goal of providing the capacity to treat every addict who seeks treatment. Support for community mental health centers will be replaced by financing essential mental health services under the national health insurance proposals.

### Health

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$21, 730	8. 1%
1973 estimate....	17, 991	7. 2
1972.....	17, 112	7. 4
1971.....	14, 463	6. 8
1970.....	12, 907	6. 6
1969.....	11, 611	6. 3
1968.....	9, 608	5. 4
1967.....	6, 667	4. 2
1966.....	2, 509	1. 9
1965.....	1, 704	1. 4
1964.....	1, 716	1. 4
1963.....	1, 379	1. 3

# INCOME SECURITY

## Income Security Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Federal income security programs, which provide benefits to millions of Americans, are designed to provide income assistance to those families whose income has been lost or impaired by retirement, disability, illness, unemployment, poverty, or death. The major policy thrusts in recent years have been to reform income security programs to provide for more equitable treatment of recipients, to eliminate inefficient management of welfare programs, and assure an equitable sharing of the Nation's economic output to its older citizens. Outlays for 1974 will be \$82 billion and are expected to be \$87.6 billion in 1975.

### Program Highlights

- Increased cash benefits for social security from \$27 billion in 1969 to \$54 billion in 1974.
- Transferred administration of welfare benefits for 6 million adult recipients to the Federal Government beginning on January 1, 1974, with benefits totaling \$1.7 billion in the second half of 1974.
- Decreased unemployment insurance benefit outlays from \$5.7 billion in 1973 to \$5.1 billion in 1974.
- Continued special emphasis on assistance for older Americans.

### Budget Proposals

- Require more effective and economical management of welfare benefit and service programs at all levels of government.
- Phase down unneeded and narrowly focused training programs for social work and related fields.

**Retirement and social insurance.**—The social security system is the largest social insurance system in the world. Net outlays for cash benefits are estimated to total \$54 billion in 1974, more than one-fifth of all Federal budget outlays. Retired or disabled railroad workers and Federal civil servants receive benefits under separate systems, for which outlays are expected to total \$7.3 billion in 1974.

Total outlays for the unemployment insurance program exceeded \$5.7 billion in 1973, but are expected to decline to \$5.1 billion in 1974 as the unemployment rate continues to decline.

**Public assistance.**—Beginning January 1, 1974, the Federal Government under the new supplemental security income program will provide a basic cash payment for the aged, blind, and disabled. Benefits will total \$1.7 billion for the second half of 1974, aiding about 6 million people. The program of aid to families with dependent children, however, remains a State administered program. Reflecting management reforms begun in 1973, the Federal costs will be \$4.0 billion in 1974, up only \$100 million from 1973.

Welfare recipients and other low-income families also receive benefits under many other programs. Federal outlays for food and nutrition programs, for example, are expected to be \$4 billion in 1974.

### Social and individual services.—

The cost of social services for welfare recipients grew rapidly until a ceiling of \$2.5 billion was placed on the program in 1973. Efforts are now devoted to management reforms which will assure effective and prudent use of available funds.

There will be continued special emphasis on programs for the aging and further growth in the vocational rehabilitation program. Outlays for these and related service programs will rise from \$906 million in 1973 to \$984 million in 1974. Within this total, however, research activity will be slightly reduced and training will be substantially phased down in 1974. The latter reflects a determination to rely more heavily on general student aid in lieu of specialized training programs.

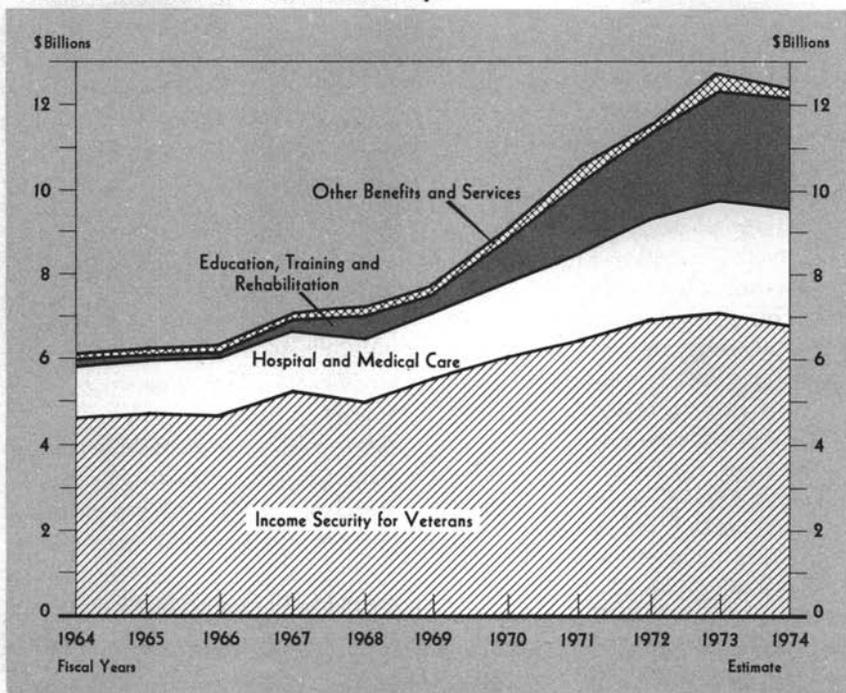
Outlays for disaster relief activities are expected to decline to \$250 million in 1974, well under the \$325 million estimated for 1973. The high 1973 outlays reflect the heavy impact of tropical storm Agnes and other natural disasters.

### Income Security

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate....	\$81,976	30.5%
1973 estimate....	75,889	30.4
1972.....	64,876	28.0
1971.....	56,140	26.6
1970.....	43,790	22.3
1969.....	37,699	20.4
1968.....	34,108	19.1
1967.....	31,164	19.7
1966.....	29,016	21.5
1965.....	25,702	21.7
1964.....	25,110	21.2
1963.....	24,084	21.6

# VETERANS BENEFITS AND SERVICES

## Veterans Benefits and Services Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

The 1974 budget reaffirms the Administration's commitment to help veterans reenter civilian life and aid those disabled in service.

Outlays will be \$11.7 billion in 1974 and are expected to be \$11.9 billion in 1975.

### Program Highlights

- Increased compensation and pension benefits.
- Improved medical care through addition of over 19,000 staff, 544 specialized medical units, and seven new hospitals since 1969.
- Broadened eligibility and increased education benefits.

### Budget Proposals

- Improve the effectiveness and equity of compensation, pension,

and burial programs by administrative and legislative reforms.

- Increase hospital patient turnover and improve the quality of medical care through greater managerial efficiency.
- Provide educational benefits, counseling, and job assistance.
- Improve services to veterans through new organizational and management arrangements.

### Income security for veterans.—

Income benefits are provided to veterans and their dependents when disability or death of a veteran reduces family earning ability. Outlays for these programs will total \$6.2 billion in 1974.

Veterans receive *compensation* for disability resulting from military

service. The amount of payment is based on the extent to which the veteran's earning ability becomes impaired. Veterans compensation payments were increased by an average of 10%, effective August 1, 1972. In 1974, 2.6 million beneficiaries will be paid \$3.8 billion in compensation. Survivors may also receive special compensatory payments when a veteran's death results from military service.

Veterans may qualify for monthly *pensions* if they served during periods of war, are totally disabled, and demonstrate financial need. Widows and surviving children may also qualify for pensions based on financial need. In 1974, 2.3 million beneficiaries will be paid \$2.4 billion in pensions.

In 1974, 8.9 million veterans and families of servicemen will be provided protection under several veterans *life insurance* programs, with a total of \$90.8 billion in coverage.

**Veterans education, training, and rehabilitation.**—The GI bill provides assistance for education, training, and rehabilitation to enable returning veterans (and dependents) to reenter civilian life. In 1974, an estimated 2.0 million veterans and 91,000 dependents will receive a total of \$2.5 billion in education and training benefits.

**Veterans housing.**—The Veterans Administration will assist nearly 360,000 veterans to purchase homes in 1974 by guaranteeing privately financed mortgages. As a result of efforts to help veterans secure mortgage loans from private lenders, only 3,700 veterans will have to resort to the Government for a VA direct loan in 1974. This represents a reduction of almost 67%

from the volume of direct loans committed in 1969.

**Hospital and medical care for veterans.**—Comprehensive medical services are provided to eligible veterans. Outlays for veterans medical care will increase by \$133 million over 1973 to an estimated \$2.7 billion. An estimated 1.1 million veterans will be treated in hospitals and extended care facilities, with an additional 14 million outpatient visits.

The quality and management of VA medical programs will be improved by:

- Increasing the patient turnover in VA hospitals;
- Expending \$100 million to upgrade existing facilities and modernize or replace 5 hospitals; and
- Eliminating duplicative and underutilized services through the medical regionalization program.

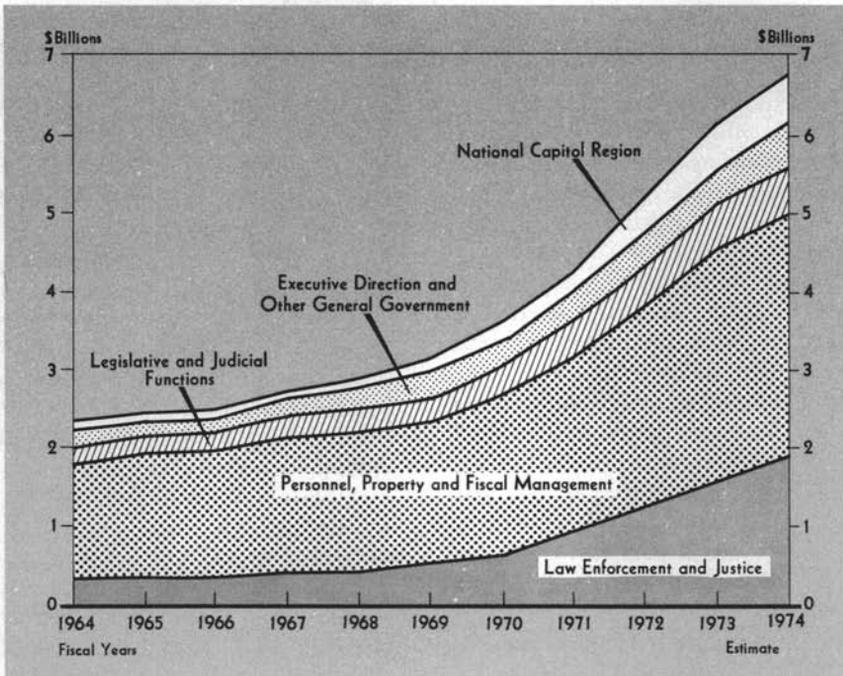
**Other veterans benefits and services.**—The cooperation of Federal agencies, State and local governments, voluntary agencies, and private employers will be continued in a special "six-point program" to assist Vietnam veterans to obtain job training and employment.

#### Veterans Benefits and Services

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate. . . .	\$11, 732	4. 4%
1973 estimate. . . .	11, 795	4. 7
1972. . . . .	10, 731	4. 6
1971. . . . .	9, 776	4. 6
1970. . . . .	8, 677	4. 4
1969. . . . .	7, 640	4. 1
1968. . . . .	6, 882	3. 8
1967. . . . .	6, 897	4. 4
1966. . . . .	5, 920	4. 4
1965. . . . .	5, 722	4. 8
1964. . . . .	5, 681	4. 8
1963. . . . .	5, 520	5. 0

# GENERAL GOVERNMENT

## General Government Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 5, table 3.

Effective law enforcement, an orderly and fair judicial system, full protection of civil rights, effective collection of revenues and provision of governmentwide support programs are the major objectives of general government programs. Total outlays for these programs will be \$6.0 billion in 1974 and are expected to be \$6.4 billion in 1975.

### Program Highlights

- Created the new Office of National Narcotics Intelligence.
- Initiated the Office for Drug Abuse Law Enforcement, a program aimed at street-level drug traffic.
- Extended the life of the Commission on Civil Rights for 5 years and expanded its jurisdiction to cover sex discrimination.

### Budget Proposals

- Provide State and local governments increased resources to fight crime through law enforcement revenue sharing.
- Increase resources for Federal civil rights activities.

*Law enforcement and justice.*—Outlays for law enforcement and criminal justice programs will total \$1.9 billion in 1974, a 15% increase over 1973. Program improvements will upgrade the quality of law enforcement, judicial processes, and criminal rehabilitation at the Federal, State, and local levels of government. Law Enforcement Assistance Administration grants to strengthen State and local criminal justice systems will be reorganized into law enforcement revenue shar-

ing, and outlays are expected to increase by one-third from \$590 million in 1973 to \$790 million in 1974. The fight against illegal drug trafficking will be strengthened and supported by outlays of \$245 million in 1974. Strike forces in 17 cities will continue to coordinate Federal enforcement efforts against organized crime. Three new Federal correctional facilities are expected to be opened in 1974.

The civil rights enforcement efforts of the Federal Government will be substantially strengthened to assure that there is no discrimination against minorities and women. The Commission on Civil Rights will receive expanded resources. The Department of Justice will also continue to expand efforts to assure the basic rights of all Americans in exercising their franchise and assuring that Federal assistance is rendered in a nondiscriminatory manner. Outlays for these purposes will grow by 62% in 1974. Under the emergency school assistance program \$204 million will be given to local communities to help them desegregate schools.

**Central fiscal operations.**—Outlays for the operations of the Internal Revenue Service will be over \$1.1 billion in 1974, enabling IRS to process 117 million tax returns.

**Executive direction and management.**—The Executive Office of the President is being streamlined; staff units will be reduced by 6 and personnel by 60%.

**General property and records management.**—The 1974 budget proposes a reduction in the GSA guard force at Federal buildings,

partially offsetting the 1971–72 buildup of protective services which was occasioned by a high level of militant demonstrations. Such demonstrations have decreased significantly in the last year.

General Services Administration warehouse supply inventories are being reduced. Direct shipment of more goods from manufacturer to Federal agencies will permit lower inventory levels.

**National Capital region.**—The transportation service in the District of Columbia region will be improved by public acquisition of area bus companies, funded on a two-thirds Federal—one-third local sharing basis.

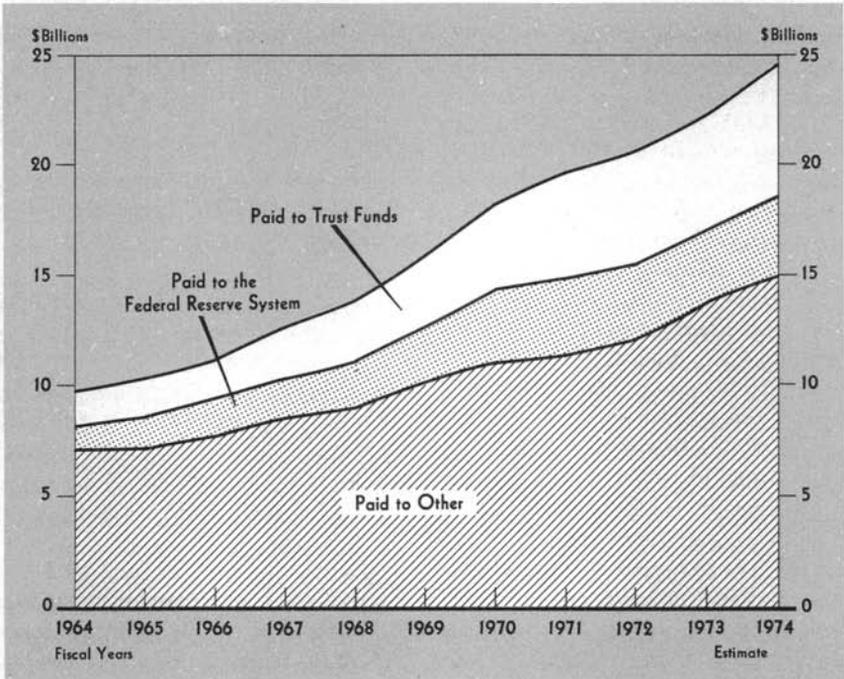
Plans and construction in preparation for the 1976 bicentennial commemoration are moving forward. Legislation will be proposed to strengthen the District's financial management by placing the Federal payment to the District on a predictable basis and granting the District bonding authority, effective in 1975.

#### General Government

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate. . . . .	\$6, 025	2. 2%
1973 estimate. . . . .	5, 631	2. 2
1972. . . . .	4, 891	2. 1
1971. . . . .	3, 970	1. 9
1970. . . . .	3, 336	1. 7
1969. . . . .	2, 866	1. 6
1968. . . . .	2, 561	1. 4
1967. . . . .	2, 510	1. 6
1966. . . . .	2, 292	1. 7
1965. . . . .	2, 210	1. 9
1964. . . . .	2, 040	1. 7
1963. . . . .	1, 810	1. 6

# INTEREST

## Interest Outlays



Interest costs, predominantly interest on the public debt, will rise by \$2.2 billion in 1973 and by another \$1.9 billion in 1974 reaching \$24.7 billion. By 1975 these costs are expected to reach \$25.4 billion.

Of the estimated net interest outlays of \$24.7 billion in 1974, \$6.0 billion will be paid to trust funds and other Government investment accounts on Government securities held by them. In addition \$3.7 billion of the interest paid on securities held by the Federal Reserve banks will be returned to Treasury as miscellaneous receipts. Hence, the net impact on the 1974 unified budget

deficit of the interest paid on the public debt will be \$15.0 billion.

### Interest

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1974 estimate. . . . .	\$24,672	9.2%
1973 estimate. . . . .	22,808	9.1
1972. . . . .	20,582	8.9
1971. . . . .	19,609	9.3
1970. . . . .	18,312	9.3
1969. . . . .	15,791	8.6
1968. . . . .	13,744	7.7
1967. . . . .	12,588	8.0
1966. . . . .	11,285	8.4
1965. . . . .	10,357	8.7
1964. . . . .	9,810	8.3
1963. . . . .	9,215	8.3

## GENERAL REVENUE SHARING

General Revenue Sharing, enacted into law in October 1972, is a major reform of the federal system which enhances the relationship between the Federal Government and State and local governments. Federal revenues are shared with States and localities with a minimum of restrictions, thus moving spending decisions closer to the people. This demonstrates the Administration's belief that State and local governments are in the best position to identify and solve local problems.

General Revenue Sharing authorizes payments of \$30.2 billion from mid-1972 to mid-1977. Outlays of \$6.8 billion in 1973 contain retroactive payments for 1972 and thus are larger than subsequent annual payments. These funds will help States and localities provide needed services, helping to avoid tax increases and permitting tax reductions.

General Revenue Sharing funds are distributed among States on the basis of one of two formulas. The "three-factor" formula distributes the funds on the basis of population, tax effort, and per capita income. The "five-factor" formula includes two additional factors, urbanized population and State income tax collections. Each State amount is determined by the formula that maximizes its share. If the total of the shares is greater than the available authorization, all shares are reduced proportionally.

Within the State one-third of all funds go to the State government, two-thirds to local governments. Distribution among local governments is based on the three-factor formula.

The essence of revenue sharing is Federal aid with few strings attached. The legislation, however, contains some minimal restrictions.

- Local governments must spend their allotments within a wide grouping of "priority" areas: public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor and aged, financial administration, and "ordinary and necessary" capital expenditures. This restriction does not apply to State governments;
- Discrimination on the basis of race, color, national origin, or sex is not permitted in any program financed with revenue sharing funds;
- Funds may not be used by State and local governments to match Federal funds provided under other grant programs;
- Construction workers paid with revenue sharing funds must be paid at least the wage prevailing in similar construction activities in the locality; and
- State and local governments must account for the use of revenue sharing funds.

### GENERAL REVENUE SHARING

(Billions of dollars)

	Budget authority	Estimated outlays
1977.....	3.3	4.9
1976.....	6.4	6.3
1975.....	6.2	6.2
1974.....	6.1	6.0
1973.....	8.3	6.8
<b>Total.....</b>	<b>30.2</b>	<b>30.2</b>

## PART 4

# THE BUDGET SYSTEM

The budget sets forth the President's financial plan of operation and thus serves as an important vehicle for determining national priorities. In the raising of tax revenues and the making of various payments, the Federal Government allocates resources between the pri-

vate and public sectors of the economy. Within the public sector, the distribution of outlays among individual programs reflects the priorities that are determined through the interaction of the President, the executive agencies, and the Congress.

### THE FEDERAL BUDGET PROCESS

The budget process has four identifiable phases: (1) Executive formulation and submission; (2) congressional authorization and appropriation; (3) budget execution and control; and (4) review and audit. Each of these phases interrelates and overlaps with the others. The budget process is described below.

*Executive formulation and submission.*—The President's transmission of his budget proposals to the Congress each year climaxes many months of planning and analysis throughout the executive branch. Formulation of the 1974 budget, which covers the fiscal year beginning July 1, 1973, and ending June 30, 1974, began in the spring of 1972. About 10 months later, in January 1973, the budget was formally transmitted to Congress.

During the period when a budget is being formulated in the executive branch, there is a continuous exchange of information, proposals, evaluations, and policy determina-

tions among the President, the Office of Management and Budget, and the various Government agencies.

In the spring, each agency evaluates its programs, identifies policy issues, and makes budgetary projections, giving attention both to important modifications, reforms, and innovations in its programs, and to alternative long-range program plans. After review in the agency and by the Office of Management and Budget, preliminary plans are presented to the President for his consideration. The President also receives projections of the economic outlook and revenue estimates prepared jointly by the Treasury Department, the Council of Economic Advisers, and the Office of Management and Budget.

Following a review of both sets of projections, the President establishes general budget and fiscal policy guidelines for the fiscal year that will begin about 12 months later. Tentative policy determina-

tions and planning targets are then given to the agencies as guidelines for the preparation of their budgets.

Individual budgets are formulated by each agency, reviewed in detail by the Office of Management and Budget throughout the fall and early winter and then presented to the President. Overall fiscal policy problems—relating to total budget receipts and outlays—are also reviewed again. Thus, the budget process involves the consideration simultaneously of individual program levels, and total budget outlays and receipts appropriate to the needs of the economy. The budget submitted to Congress reflects both of these considerations.

***Congressional authorization and appropriation.***—Congressional review starts when the President sends his budget to the Congress. The Congress can change programs, eliminate them, or add programs not requested by the President. It can increase or decrease the amounts recommended by the President to finance existing and proposed new programs. It also legislates the means of raising revenues.

The Congress does not vote on budget outlays directly. Rather it provides the authority to commit the Government to do certain things that usually require the future spending of money.

Under the traditional procedures, the Congress first enacts legislation which authorizes an agency to carry out a particular program and, in many cases, sets a limit on the amount that can subsequently be appropriated for the program. Many programs are authorized for a specified number of years, or even indefinitely; other programs, including atomic energy and space ex-

ploration, require annual authorizing legislation.

The granting of budget authority—which permits an agency to enter into obligations requiring either immediate or future payment of money—usually is a separate, subsequent action. Most budget authority is enacted in the form of appropriations, which may not exceed any limit established in the basic authorizing legislation for the program. In addition to appropriations, smaller amounts of budget authority are granted in the form of contract authority and authority to spend debt receipts.

In most cases, budget authority becomes available each year only as voted by the Congress. For example, this year \$172.8 billion of the recommended \$288.0 billion of new budget authority for 1974 is dependent upon action by the Congress. However, in some cases, the Congress has voted “permanent” budget authority, under which funds become available annually without further congressional action. Most trust fund appropriations are “permanent,” as is the appropriation to pay interest on the public debt.

The consideration of requests for changes in revenue laws and for appropriations follows an established pattern in the Congress. These requests are considered first in the House of Representatives. The Ways and Means Committee reviews all proposed revenue measures; the Appropriations Committee, through its 13 subcommittees, studies the proposals for appropriations and examines in detail each agency’s performance. Each committee then recommends the action to be taken by the House of Representatives.

As parts of the budget are approved by the House, the bills are forwarded by the House to the Senate, where a similar process is followed. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) meets to resolve the issues. The conference report is returned to both Houses for approval and the measure is then transmitted to the President, in the form of an appropriation or tax bill, for his approval or veto. (When the Congress fails to complete action on appropriations by the beginning of the fiscal year, the Congress may enact a "continuing resolution" to provide authority for the affected agencies to continue operations until their regular appropriations are enacted.)

**Budget execution and control.**—Once approved, the budget becomes the basis for the program operations of each agency during the fiscal year.

Central control over most of the budget authority made available to the executive branch is maintained through a system of "apportioning" the authority. Under the law, the Director of the Office of Management and Budget must distribute or apportion appropriations and other budget authority to each agency by time periods (usually quarterly), or by activities. Obligations may not be incurred in excess of the amounts apportioned. The objective of the apportionment system is to plan the effective and orderly use of available authority and—for annual appropriations—to prevent the need for requesting additional or supplemental authority where possible.

It is, of course, necessary to insure flexibility in case circumstances change. Under certain circumstances (for example, if develop-

ments indicate that an agency will not require all the authority made available during the immediate fiscal year, or if use of the authority might conflict with other laws), "reserves" are established by the Director of Office of Management and Budget (under authority delegated by the President) to withhold some of these amounts not needed. Such reserves may be released subsequently, if necessary, but only for the purposes of the appropriation. On the other hand, changes in laws or other factors may indicate the need for more authority, and supplemental requests may have to be made of the Congress.

**Review and audit.**—This is the final step in the budget process. The individual agencies are responsible for assuring—through their own review and control systems—that the obligations they incur and the resulting outlays are in accordance with the provisions of the authorizing and appropriating legislation. The Office of Management and Budget reviews substantive and financial reports keeping abreast of agency progress in attainment of program objectives. In addition, the General Accounting Office conducts a continuing program of auditing, examination, and evaluation of Government activities and their administration, with particular attention to aspects which appear to be in need of improvement. Its findings and recommendations for corrective action are made to the Congress, to the Office of Management and Budget, and to the agencies concerned.

The purpose of all these reviews is to assure that programs are carried out in an effective, efficient, and economical manner.

## RELATION OF BUDGET AUTHORITY TO OUTLAYS

The budget authority appropriated by the Congress for a fiscal year is more than the obligations or outlays within that year because:

- Budget authority for some major procurement and construction covers estimated full cost at the time programs are started, even though outlays take place over a number of years as the programs move toward completion.
- Budget authority for many loan and guarantee or insurance programs also provides financing for a period of years or represents a contingency backup.
- Budget authority for trust funds represents mainly receipts from special taxes, which are used as needed over a period of years for purposes specified in the law.

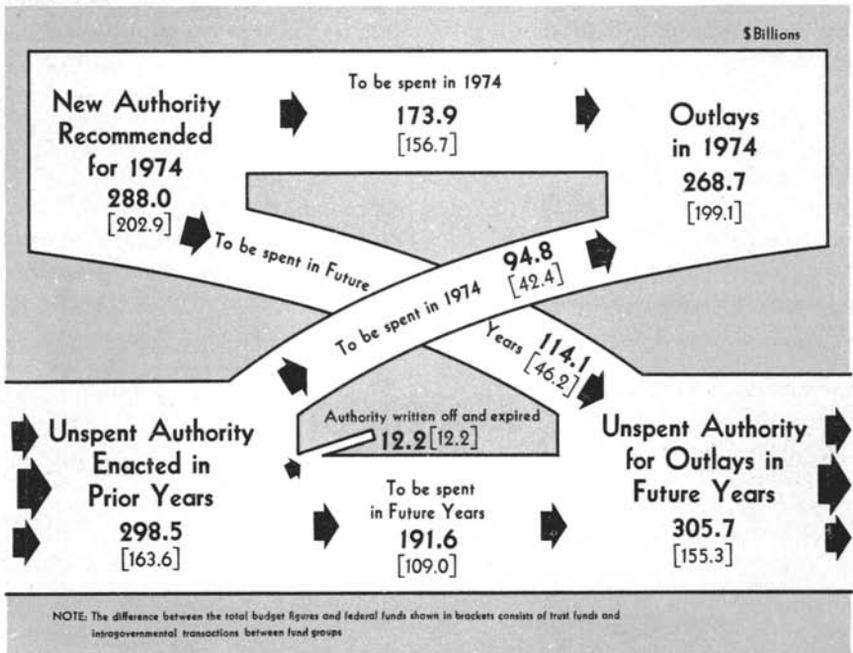
As a result, substantial unspent budget authority is always carried over from prior years. Most of it is earmarked for specified purposes, and is not available for new programs.

As shown in the chart below, \$94.8 billion—over 35% of 1974 outlays will be made under budget authority enacted in earlier years. Conversely, almost half of 1974 budget authority will be used in future years.

Therefore, when the Congress increases or decreases the budget authority requested by the President for a given year, budget outlays in that year are not necessarily changed by the same amount. The full effect of the change in budget authority on outlays will be felt over a period of years.

### Relation of Budget Authority to Outlays—1974 Budget

Figures in brackets represent Federal funds only



## PART 5

# BUDGET TABLES

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Table 1. BUDGET RECEIPTS, OUTLAYS, FINANCING, AND DEBT 1964-74 (in millions of dollars)

Description	Actual										Estimate	
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	
<b>Receipts and outlays:</b>												
Receipts:												
Federal funds.....	87,205	90,943	101,427	111,835	114,726	143,321	143,158	133,785	148,846	154,250	171,308	
Trust funds.....	28,518	29,230	32,997	42,935	44,716	52,009	59,362	66,193	72,959	91,952	105,471	
Intragovernmental transactions.....	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,156	-21,218	-20,797	
Total budget receipts.....	<u>112,662</u>	<u>116,833</u>	<u>130,856</u>	<u>149,552</u>	<u>153,671</u>	<u>187,784</u>	<u>193,743</u>	<u>188,392</u>	<u>208,649</u>	<u>224,984</u>	<u>255,982</u>	
Outlays:												
Federal funds.....	95,761	94,807	106,512	126,779	143,105	148,811	156,301	163,651	177,959	188,390	199,108	
Trust funds.....	25,884	26,962	31,708	36,693	41,499	43,284	49,065	59,361	67,073	82,624	90,354	
Intragovernmental transactions.....	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,156	-21,218	-20,797	
Total budget outlays.....	<u>118,584</u>	<u>118,430</u>	<u>134,652</u>	<u>158,254</u>	<u>178,833</u>	<u>184,548</u>	<u>196,588</u>	<u>211,425</u>	<u>231,876</u>	<u>249,796</u>	<u>268,665</u>	
Surplus or deficit (-):												
Federal funds.....	-8,556	-3,864	-5,085	-14,944	-28,379	-5,490	-13,143	-29,866	-29,114	-34,140	-27,800	
Trust funds.....	2,634	2,268	1,289	6,242	3,217	8,725	10,297	6,832	5,886	9,328	15,117	
Total budget.....	<u>-5,922</u>	<u>-1,596</u>	<u>-3,796</u>	<u>-8,702</u>	<u>-25,161</u>	<u>3,236</u>	<u>-2,845</u>	<u>-23,033</u>	<u>-23,227</u>	<u>-24,812</u>	<u>-12,683</u>	
<b>Budget financing:</b>												
Net borrowing from the public or repayment of borrowing (-).....	3,092	4,061	3,076	2,838	23,100	-1,044	3,814	19,448	19,442	25,000	16,500	
Other means of financing.....	2,830	-2,465	720	5,863	2,061	-2,192	-969	3,585	3,785	-188	-3,817	
Total means of financing.....	<u>5,922</u>	<u>1,596</u>	<u>3,796</u>	<u>8,702</u>	<u>25,161</u>	<u>-3,236</u>	<u>2,845</u>	<u>23,033</u>	<u>23,227</u>	<u>24,812</u>	<u>12,683</u>	
<b>Outstanding debt, end of year:</b>												
Gross Federal debt.....	316,763	323,154	329,474	341,348	369,769	367,144	382,603	409,467	437,329	473,325	505,453	
Held by:												
Government agencies.....	59,210	61,540	64,784	73,819	79,140	87,661	97,723	105,140	113,559	124,555	140,183	
The public.....	257,553	261,614	264,690	267,529	290,629	279,483	284,880	304,328	323,770	348,770	365,270	
Debt held by the public:												
Held by:												
The Federal Reserve System.....	34,794	39,100	42,169	46,719	52,230	54,095	57,714	65,518	71,426	-----	-----	
Others.....	222,759	222,514	222,521	220,810	238,399	225,388	227,166	238,810	252,344	-----	-----	

<sup>1</sup> Excludes changes due to reclassification and to conversion of mixed-ownership enterprises to private ownership. See footnotes to table 9 in the 1971 budget and table 10 in the 1972 budget.

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION 1964-74 (in millions of dollars)

Description	Actual										Estimate	
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	
<b>RECEIPTS BY SOURCE</b>												
Individual income taxes.....	48,697	48,792	55,446	61,526	68,726	87,249	90,412	86,230	94,737	99,400	111,600	
Corporation income taxes.....	23,493	25,461	30,073	33,971	28,665	36,678	32,829	26,785	32,166	33,500	37,000	
<b>Social insurance taxes and contributions (trust funds):</b>												
Employment taxes and contributions.....	16,959	17,359	20,662	27,823	29,224	34,236	39,133	41,699	46,120	55,610	67,866	
Unemployment insurance.....	4,045	3,819	3,777	3,659	3,346	3,328	3,464	3,674	4,357	5,262	6,267	
Contributions for other insurance and retirement.....	1,008	1,081	1,129	1,867	2,052	2,353	2,701	3,205	3,437	3,667	4,029	
<b>Total social insurance taxes and contributions.....</b>	<b>22,012</b>	<b>22,258</b>	<b>25,567</b>	<b>33,349</b>	<b>34,622</b>	<b>39,918</b>	<b>45,298</b>	<b>48,578</b>	<b>53,914</b>	<b>64,540</b>	<b>78,162</b>	
<b>Excise taxes:</b>												
Federal funds.....	10,211	10,911	9,145	9,278	9,700	10,585	10,352	10,510	9,506	9,683	10,198	
Trust funds.....	3,519	3,659	3,917	4,441	4,379	4,637	5,354	6,104	5,971	6,287	6,600	
<b>Total excise taxes.....</b>	<b>13,731</b>	<b>14,570</b>	<b>13,062</b>	<b>13,719</b>	<b>14,079</b>	<b>15,222</b>	<b>15,705</b>	<b>16,614</b>	<b>15,477</b>	<b>15,970</b>	<b>16,798</b>	
Estate and gift taxes.....	2,394	2,716	3,066	2,978	3,051	3,491	3,644	3,735	5,436	4,600	5,000	
Customs duties.....	1,252	1,442	1,767	1,901	2,038	2,319	2,430	2,591	3,287	3,000	3,300	
<b>Miscellaneous receipts:</b>												
Deposit of earnings by the Federal Reserve System.....	947	1,372	1,713	1,805	2,091	2,662	3,266	3,533	3,252	3,350	3,700	
Other miscellaneous receipts <sup>1</sup> .....	138	222	162	303	400	247	158	325	381	625	422	
<b>Total miscellaneous receipts.....</b>	<b>1,084</b>	<b>1,594</b>	<b>1,875</b>	<b>2,108</b>	<b>2,491</b>	<b>2,908</b>	<b>3,424</b>	<b>3,858</b>	<b>3,633</b>	<b>3,975</b>	<b>4,122</b>	
<b>Total receipts.....</b>	<b>112,662</b>	<b>116,833</b>	<b>130,856</b>	<b>149,552</b>	<b>153,671</b>	<b>187,784</b>	<b>193,743</b>	<b>188,392</b>	<b>208,649</b>	<b>224,984</b>	<b>255,982</b>	
<b>OUTLAYS BY FUNCTION<sup>1</sup></b>												
National defense.....	53,591	49,578	56,785	70,081	80,517	81,232	80,295	77,661	78,336	76,435	81,074	
International affairs and finance.....	4,117	4,340	4,490	4,547	4,619	3,785	3,570	3,095	3,726	3,341	3,811	
Space research and technology.....	4,170	5,091	5,933	5,423	4,721	4,247	3,749	3,381	3,422	3,061	3,135	
Agriculture and rural development.....	5,184	4,805	3,676	4,373	5,940	6,218	6,201	5,096	7,063	6,064	5,572	
Natural resources and environment.....	1,966	2,056	2,036	1,878	1,722	2,169	2,568	2,716	3,761	876	3,663	
Commerce and transportation.....	6,511	7,399	7,171	7,594	8,094	7,921	9,310	11,310	11,201	12,543	11,580	
Community development and housing.....	-185	288	2,644	2,616	4,076	1,961	2,965	3,357	4,282	3,957	4,931	
Education and manpower.....	1,751	2,284	4,258	5,853	6,739	6,525	7,289	8,226	9,751	10,500	10,110	
Health.....	1,716	1,704	2,509	6,667	9,608	11,611	12,907	14,463	17,112	17,991	21,730	
Income security.....	25,110	25,702	29,010	31,164	34,108	37,699	43,790	56,140	64,876	75,889	81,976	
Veterans benefits and services.....	5,681	5,722	5,920	6,897	6,882	7,640	8,677	9,776	10,731	11,795	11,732	
Interest.....	9,810	10,357	11,285	12,588	13,744	15,791	18,312	19,609	20,582	22,808	24,672	
General government.....	2,040	2,210	2,292	2,510	2,561	2,866	3,336	3,970	4,891	5,631	6,025	
General revenue sharing.....										6,786	6,035	
Allowances for contingencies and civilian agency pay raises.....										500	1,750	
Undistributed intragovernmental transactions.....	-2,877	-3,109	-3,364	-3,936	-4,499	-5,117	-6,380	-7,376	-7,858	-8,381	-9,130	
<b>Total outlays.....</b>	<b>118,584</b>	<b>118,430</b>	<b>134,652</b>	<b>158,254</b>	<b>178,833</b>	<b>184,548</b>	<b>196,588</b>	<b>211,425</b>	<b>231,876</b>	<b>249,796</b>	<b>268,665</b>	

<sup>1</sup> Includes both Federal funds and trust funds.

Table 3. BUDGET OUTLAYS BY SUBFUNCTION, 1964-74 (in millions of dollars)

Function and subfunction	Actual										Estimate	
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	
<b>National defense:</b>												
<b>Department of Defense—Military: <sup>1</sup></b>												
Military personnel.....	12,986	13,387	15,162	17,956	19,859	21,374	23,031	22,633	23,036	23,085	22,500	
Retired military personnel.....	1,209	1,384	1,591	1,830	2,095	2,444	2,849	3,386	3,885	4,442	4,706	
Operation and maintenance.....	11,932	12,349	14,710	19,000	20,578	22,227	21,609	20,941	21,675	21,540	21,662	
Procurement.....	15,351	11,839	14,339	19,012	23,283	23,988	21,584	18,858	17,131	15,600	16,490	
Research and development.....	7,021	6,236	6,259	7,160	7,747	7,457	7,166	7,303	7,881	7,622	8,069	
Military construction and other.....	1,236	928	2,279	2,636	3,975	525	1,059	1,552	1,655	1,312	1,684	
Allowances <sup>2</sup> .....										710	3,190	
Deductions for offsetting receipts <sup>3</sup> .....	-159	-150	-160	-138	-164	-143	-148	-126	-113	-111	-101	
<b>Subtotal, Department of Defense.....</b>	<b>49,577</b>	<b>45,973</b>	<b>54,178</b>	<b>67,457</b>	<b>77,373</b>	<b>77,872</b>	<b>77,150</b>	<b>74,546</b>	<b>75,151</b>	<b>74,200</b>	<b>78,200</b>	
Military assistance <sup>1</sup> .....	1,209	1,125	1,003	858	654	789	731	999	806	600	800	
Atomic energy <sup>1</sup> .....	2,764	2,625	2,403	2,264	2,466	2,450	2,453	2,275	2,392	2,194	2,374	
Defense-related activities.....	172	136	-62	-17	139	260	79	-70	95	192	83	
Deductions for offsetting receipts <sup>3</sup> .....	-130	-281	-738	-481	-116	-138	-118	-89	-108	-751	-382	
<b>Total national defense.....</b>	<b>53,591</b>	<b>49,578</b>	<b>56,785</b>	<b>70,081</b>	<b>80,517</b>	<b>81,232</b>	<b>80,295</b>	<b>77,661</b>	<b>78,336</b>	<b>76,435</b>	<b>81,074</b>	
<b>International affairs and finance:</b>												
<b>Conduct of foreign affairs <sup>1</sup></b>												
Economic and financial assistance.....	296	347	315	336	354	371	398	405	452	503	538	
Foreign information and exchange activities.....	1,756	2,041	2,329	3,057	3,053	2,420	2,231	1,807	2,287	2,273	2,408	
Food for Peace.....	207	223	227	245	237	235	235	242	274	294	312	
Deductions for offsetting receipts <sup>3</sup> .....	2,049	1,852	1,784	1,452	1,204	975	937	918	993	847	766	
	-191	-123	-165	-542	-245	-217	-232	-276	-280	-575	-213	
<b>Total international affairs and finance.....</b>	<b>4,117</b>	<b>4,340</b>	<b>4,490</b>	<b>4,547</b>	<b>4,619</b>	<b>3,785</b>	<b>3,570</b>	<b>3,095</b>	<b>3,726</b>	<b>3,341</b>	<b>3,811</b>	
<b>Space research and technology:</b>												
Manned space flight.....	2,768	3,538	4,210	3,649	3,096	2,781	2,209	1,885	1,740	1,417	1,450	
Space science and applications.....	754	751	778	796	700	569	656	661	890	943	966	
Space technology.....	432	484	435	440	410	344	328	272	228	156	139	
Aeronautical technology.....	40	58	75	89	128	168	188	210	227	249	269	
Supporting space activities.....	178	262	435	452	390	390	374	365	349	307	313	
Deductions for offsetting receipts.....	-1	-2	-1	-2	-3	-6	-6	-11	-13	-11	-1	
<b>Total space research and technology.....</b>	<b>4,170</b>	<b>5,091</b>	<b>5,933</b>	<b>5,423</b>	<b>4,721</b>	<b>4,247</b>	<b>3,749</b>	<b>3,381</b>	<b>3,422</b>	<b>3,061</b>	<b>3,135</b>	
<b>Agriculture and rural development:</b>												
Farm income stabilization.....	4,134	3,667	2,536	3,167	4,542	5,000	4,589	3,651	5,146	4,251	3,920	
Rural housing and public facilities.....	513	569	468	511	678	490	754	503	877	657	717	
Agricultural land and water resources.....	325	342	347	353	351	343	344	346	354	394	217	

Research and other agricultural services.....	440	483	528	567	615	642	730	813	916	1,001	971
Deductions for offsetting receipts.....	-228	-257	-203	-224	-246	-258	-216	-217	-230	-239	-253
<b>Total agriculture and rural development.....</b>	<b>5,184</b>	<b>4,805</b>	<b>3,676</b>	<b>4,373</b>	<b>5,940</b>	<b>6,218</b>	<b>6,201</b>	<b>5,096</b>	<b>7,063</b>	<b>6,064</b>	<b>5,572</b>
<b>Natural resources and environment:</b>											
Water resources and power.....	1,703	1,761	1,940	2,025	2,070	2,042	1,984	2,390	2,664	3,065	2,795
Land management.....	459	509	556	618	639	643	754	837	892	1,008	929
Mineral resources.....	46	59	62	73	85	71	94	130	112	151	131
Pollution control and abatement <sup>1</sup> .....	117	134	158	190	249	303	350	701	763	1,148	2,128
Recreational resources.....	202	215	241	285	331	372	370	479	524	641	701
Other natural resources programs.....	70	79	90	93	102	107	122	136	153	174	191
Deductions for offsetting receipts <sup>2</sup> .....	-632	-701	-1,011	-1,408	-1,754	-1,369	-1,106	-1,959	-1,347	-5,310	-3,214
<b>Total natural resources and environment.....</b>	<b>1,966</b>	<b>2,056</b>	<b>2,036</b>	<b>1,878</b>	<b>1,722</b>	<b>2,169</b>	<b>2,568</b>	<b>2,716</b>	<b>3,761</b>	<b>876</b>	<b>3,663</b>
<b>Commerce and transportation:</b>											
Air transportation <sup>1</sup> .....	835	875	879	945	951	1,042	1,223	1,602	1,685	1,760	1,877
Water transportation.....	658	728	708	773	852	870	909	1,049	1,106	1,200	1,282
Ground transportation.....	3,686	4,092	4,043	4,093	4,367	4,413	4,632	5,070	5,210	5,564	5,536
Postal Service.....	578	805	888	1,141	1,080	920	1,510	2,183	1,772	1,710	1,373
Advancement of business.....	252	405	351	332	447	152	487	738	645	1,476	548
Area and regional development.....	538	557	315	318	472	584	590	717	818	901	1,050
Regulation of business.....	91	98	99	119	99	108	121	181	168	175	168
Deductions for offsetting receipts <sup>2</sup> .....	-128	-160	-112	-127	-173	-170	-162	-230	-203	-244	-254
<b>Total commerce and transportation.....</b>	<b>6,511</b>	<b>7,399</b>	<b>7,171</b>	<b>7,594</b>	<b>8,094</b>	<b>7,921</b>	<b>9,310</b>	<b>11,310</b>	<b>11,201</b>	<b>12,543</b>	<b>11,580</b>
<b>Community development and housing:</b>											
Community planning, management, and development.....	320	460	721	1,023	1,277	1,509	2,171	2,486	2,878	2,822	2,590
Low- and moderate-income housing aids.....	37	81	391	478	948	871	1,280	1,243	1,595	1,120	2,009
Maintenance of the housing mortgage market.....	-511	-237	1,545	1,133	1,863	-406	-487	-319	-191	15	332
Deductions for offsetting receipts.....	-31	-16	-13	-19	-12	-13	-*	-53	-*	-*	-*
<b>Total community development and housing.....</b>	<b>-185</b>	<b>288</b>	<b>2,644</b>	<b>2,616</b>	<b>4,076</b>	<b>1,961</b>	<b>2,965</b>	<b>3,357</b>	<b>4,282</b>	<b>3,957</b>	<b>4,931</b>
<b>Education and manpower:</b>											
Elementary and secondary education.....	566	645	1,804	2,441	2,596	2,481	2,968	3,164	3,490	3,262	1,739
Higher education.....	383	414	705	1,159	1,392	1,231	1,382	1,429	1,434	1,496	1,635
Vocational education.....	41	132	136	250	265	262	289	415	521	557	308
Education revenue sharing.....											1,693
Other education aids.....	110	158	155	264	334	373	429	534	541	749	906
General science.....	310	309	368	415	449	490	464	522	567	573	586
Manpower training and employment services.....	299	534	989	1,236	1,587	1,560	1,602	1,952	2,894	3,486	2,847
Other manpower aids.....	49	100	112	100	132	142	169	223	318	393	411
Deductions for offsetting receipts.....	-5	-9	-11	-14	-16	-15	-15	-13	-13	-15	-15
<b>Total education and manpower.....</b>	<b>1,751</b>	<b>2,284</b>	<b>4,258</b>	<b>5,853</b>	<b>6,739</b>	<b>6,525</b>	<b>7,289</b>	<b>8,226</b>	<b>9,751</b>	<b>10,500</b>	<b>10,110</b>

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY SUBFUNCTION, 1964-74 (in millions of dollars)—Continued

Function and subfunction	Actual										Estimate	
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	
<b>Health:</b>												
Providing or financing medical services:												
Medicare (HI, SMI).....			64	3,411	5,347	6,598	7,149	7,875	8,819	9,573	12,096	
Medicaid.....	210	272	770	1,173	1,806	2,285	2,727	3,362	4,601	4,301	5,236	
Other <sup>1</sup> .....	183	221	331	410	363	533	608	689	824	833	1,027	
Subtotal, providing or financing medical services.....	393	493	1,165	4,994	7,516	9,416	10,484	11,926	14,245	14,707	18,358	
Development of health resources.....	1,163	1,023	1,140	1,424	1,829	1,920	2,122	2,221	2,479	2,688	2,722	
Prevention or control of health problems.....	161	189	204	252	265	277	307	319	391	602	656	
Deductions for offsetting receipts <sup>2</sup> .....	-1	-1	-1	-2	-3	-2	-6	-3	-3	-6	-7	
<b>Total health</b> .....	<b>1,716</b>	<b>1,704</b>	<b>2,509</b>	<b>6,667</b>	<b>9,608</b>	<b>11,611</b>	<b>12,907</b>	<b>14,463</b>	<b>17,112</b>	<b>17,991</b>	<b>21,730</b>	
<b>Income security:</b>												
Retirement and social insurance:												
Social security (OASDI) <sup>1</sup> .....	16,203	17,000	20,237	21,374	23,214	26,791	29,685	35,247	39,409	48,547	54,232	
Unemployment insurance.....	3,530	2,937	2,429	2,567	2,308	2,458	3,190	5,758	6,547	5,731	5,102	
Other retirement programs.....	2,501	2,592	2,897	3,410	4,044	3,291	4,400	5,743	6,772	8,745	8,672	
Subtotal, retirement and social insurance.....	22,234	22,530	25,563	27,351	29,566	32,540	37,275	46,749	52,728	63,023	68,006	
Public assistance.....	3,085	3,119	3,151	3,180	3,726	4,272	5,186	7,775	9,313	9,073	10,665	
Social and individual services.....	199	249	410	692	831	888	1,331	1,617	2,838	3,800	3,321	
Deductions for offsetting receipts <sup>2</sup> .....	-409	-196	-109	-59	-16	-1	-1	-1	-3	-6	-16	
<b>Total income security</b> .....	<b>25,110</b>	<b>25,702</b>	<b>29,016</b>	<b>31,164</b>	<b>34,108</b>	<b>37,699</b>	<b>43,790</b>	<b>56,140</b>	<b>64,876</b>	<b>75,889</b>	<b>81,976</b>	
<b>Veterans benefits and services:</b>												
Income security for veterans.....	4,646	4,710	4,700	5,209	4,997	5,528	6,021	6,448	6,833	7,025	6,814	
Veterans education, training, and rehabilitation.....	77	58	54	305	478	701	1,015	1,659	1,960	2,597	2,521	
Veterans housing.....	44	*	169	304	210	102	54	-179	-317	-449	-269	
Hospital and medical care for veterans.....	1,231	1,271	1,320	1,393	1,472	1,566	1,802	2,038	2,428	2,741	2,792	
Other veterans benefits and services.....	185	179	196	195	218	237	260	294	318	363	360	
Deductions for offsetting receipts.....	-502	-497	-518	-509	-492	-493	-477	-484	-491	-483	-486	
<b>Total veterans benefits and services</b> .....	<b>5,681</b>	<b>5,722</b>	<b>5,920</b>	<b>6,897</b>	<b>6,882</b>	<b>7,640</b>	<b>8,677</b>	<b>9,776</b>	<b>10,731</b>	<b>11,795</b>	<b>11,732</b>	
<b>Interest:</b>												
Interest on the public debt.....	10,666	11,346	12,014	13,391	14,573	16,588	19,304	20,959	21,849	24,200	26,100	
Interest on refunds of receipts.....	88	77	104	120	120	120	113	132	182	175	175	
Interest on uninvested funds.....	11	12	14	13	10	7	6	6	6	5	5	
Deductions for offsetting receipts.....	-955	-1,078	-846	-936	-959	-925	-1,110	-1,487	-1,455	-1,573	-1,608	
<b>Total interest</b> .....	<b>9,810</b>	<b>10,357</b>	<b>11,285</b>	<b>12,588</b>	<b>13,744</b>	<b>15,791</b>	<b>18,312</b>	<b>19,609</b>	<b>20,582</b>	<b>22,808</b>	<b>24,672</b>	

<b>General Government:</b>												
Legislative functions.....	126	142	159	167	180	192	229	256	311	329	383	
Judicial functions.....	66	76	79	87	94	110	133	146	173	194	206	
Executive direction and management.....	22	23	24	25	27	31	37	45	68	138	148	
Central fiscal operations.....	808	844	886	969	1,024	1,094	1,271	1,414	1,647	1,774	1,852	
General property and records management.....	576	606	585	658	591	590	619	640	725	902	917	
Central personnel management <sup>1</sup> .....	110	107	107	116	140	146	166	218	275	327	347	
Law enforcement and justice.....	335	366	385	426	452	534	666	959	1,233	1,630	1,877	
National capital region.....	58	61	73	87	143	205	265	275	450	506	634	
Other general government.....	189	190	192	218	243	268	273	341	345	406	429	
Deductions for offsetting receipts <sup>2</sup> .....	-249	-206	-197	-243	-333	-305	-322	-324	-335	-576	-768	
<b>Total general government.....</b>	<b>2,040</b>	<b>2,210</b>	<b>2,292</b>	<b>2,510</b>	<b>2,561</b>	<b>2,866</b>	<b>3,336</b>	<b>3,970</b>	<b>4,891</b>	<b>5,631</b>	<b>6,025</b>	
<b>General Revenue Sharing.....</b>										<b>6,786</b>	<b>6,035</b>	
Allowances for contingencies and civilian agency pay raises.....										500	1,750	
<b>Undistributed intragovernmental transactions:</b>												
Employer share, employee retirement.....	-1,256	-1,329	-1,447	-1,661	-1,825	-2,018	-2,444	-2,611	-2,768	-2,980	-3,157	
Interest received by trust funds.....	-1,621	-1,780	-1,917	-2,275	-2,674	-3,099	-3,936	-4,765	-5,089	-5,401	-5,974	
<b>Total outlays.....</b>	<b>118,584</b>	<b>118,430</b>	<b>134,652</b>	<b>158,254</b>	<b>178,833</b>	<b>184,548</b>	<b>196,588</b>	<b>211,425</b>	<b>231,876</b>	<b>249,796</b>	<b>268,665</b>	
<b>MEMORANDUM</b>												
Federal funds.....	95,761	94,807	106,512	126,779	143,105	148,811	156,301	163,651	177,959	188,390	199,108	
Trust funds.....	25,884	26,962	31,708	36,693	41,499	43,284	49,065	59,361	67,073	82,624	90,354	
Intragovernmental transactions.....	-3,601	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,156	-21,218	-20,797	

<sup>1</sup> Entries net of offsetting receipts.

<sup>2</sup> Includes allowances for All-Volunteer Force, retirement systems reform, and civilian and military pay raises for Department of Defense.

<sup>3</sup> Excludes offsetting receipts which have been distributed by subfunction above.

\*Less than \$500 thousand.

Table 4. BUDGET AUTHORITY AND OUTLAYS BY AGENCY

(in millions of dollars)

Department or other unit	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Legislative branch.....	577	581	590	487	527	607
The Judiciary.....	178	194	205	173	192	204
Executive Office of the President.....	60	111	121	54	96	89
Funds appropriated to the President.....	7,158	5,756	5,115	4,276	3,872	3,936
Agriculture.....	12,825	11,532	10,400	10,935	10,124	9,562
Commerce.....	1,479	1,826	1,242	1,250	1,318	1,431
Defense—Military <sup>1</sup> .....	75,084	77,804	83,481	75,151	74,200	78,200
Defense—Civil.....	1,625	1,881	1,514	1,530	1,753	1,623
Health, Education, and Welfare.....	75,708	87,859	101,880	71,780	83,580	93,822
Housing and Urban Development.....	4,081	5,048	3,713	3,642	3,364	4,768
Interior.....	1,652	-2,067	-356	1,256	-2,247	5
Justice.....	1,571	1,774	1,834	1,180	1,496	1,737
Labor.....	9,354	9,268	8,952	10,033	9,563	8,115
State.....	553	683	648	536	621	654
Transportation.....	8,658	11,327	9,025	7,531	8,042	8,139
Treasury.....	22,198	32,744	32,612	22,124	31,250	32,577
Atomic Energy Commission.....	2,293	2,633	2,429	2,392	2,194	2,374
Environmental Protection Agency.....	2,447	7,420	589	763	1,148	2,127
General Services Administration.....	790	96	175	589	40	499
National Aeronautical and Space Administration.....	3,307	3,407	3,015	3,422	3,061	3,135
Veterans Administration.....	11,292	12,566	12,209	10,710	11,758	11,703
Other Independent Agencies.....	13,064	15,553	15,765	9,919	11,726	10,738
Allowances for contingencies and civilian agency pay raises.....		750	2,000		500	1,750
Undistributed intragovernmental transactions:						
Employer share, employee retirement.....	-2,768	-2,980	-3,157	-2,768	-2,980	-3,157
Interest received by trust funds.....	-5,089	-5,401	-5,974	-5,089	-5,401	-5,974
<b>Total budget authority and outlays.....</b>	<b>248,097</b>	<b>280,366</b>	<b>288,029</b>	<b>231,876</b>	<b>249,796</b>	<b>268,665</b>

## MEMORANDUM

Portion available through current action by Congress <sup>2</sup> .....	164,806	182,844	172,820	115,353	120,346	120,615
Portion available without current action by Congress.....	102,793	131,653	146,477	40,813	66,431	74,074
Outlays from obligated balances.....				48,401	51,398	55,715
Outlays from unobligated balances.....				46,812	45,753	49,528
Deductions for offsetting receipts:						
Intrabudgetary transactions.....	-14,980	-23,285	-23,002	-14,980	-23,285	-23,002
Proprietary receipts from the public.....	-4,523	-10,846	-8,266	-4,523	-10,846	-8,266
<b>Total budget authority and outlays.....</b>	<b>248,097</b>	<b>280,366</b>	<b>288,029</b>	<b>231,876</b>	<b>249,796</b>	<b>268,666</b>

<sup>1</sup> Includes allowances for All-Volunteer Force, retirement systems reform, and civilian and military pay raises for Department of Defense.

<sup>2</sup> Budget authority excludes appropriations to liquidate contract authorizations. Outlays from such appropriations are included as outlays from balances below.

Table 5. OUTLAYS AND RECEIPTS OF TRUST FUNDS (in millions of dollars)

Description	Outlays			Receipts		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Funds to which receipts are appropriated:						
Federal old-age and survivors and disability insurance trust funds.....	40,157	49,376	55,229	43,207	50,030	58,278
Health insurance trust funds.....	8,819	9,573	12,096	8,765	11,505	16,196
State and local government fiscal assistance trust fund.....		6,786	6,035		8,295	6,055
Unemployment trust fund.....	6,926	6,100	5,500	5,438	5,973	6,768
Railroad employees retirement funds.....	2,139	2,459	2,631	2,039	2,283	3,187
Federal employees retirement funds.....	3,805	4,535	5,127	6,763	7,620	8,637
Airport and airway trust funds.....	1,389	567	563	1,551	844	851
Highway trust funds.....	4,690	4,839	4,712	5,528	5,751	6,041
Foreign military sales trust fund.....	1,184	2,140	2,500	1,097	2,298	2,491
Veterans life insurance funds.....	801	568	658	813	823	836
Other trust funds (nonrevolving).....	362	379	488	347	417	366
Trust revolving funds (table B-6).....	-612	-812	-950			
Subtotal.....	69,662	86,510	94,588	75,548	95,839	109,705
Interfund transactions.....	-768	-855	-1,021	-768	-855	-1,021
Proprietary receipts from the public.....	-1,821	-3,031	-3,214	-1,821	-3,031	-3,214
<b>Total.....</b>	<b>67,073</b>	<b>82,624</b>	<b>90,354</b>	<b>72,959</b>	<b>91,952</b>	<b>105,471</b>

**Table 6. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH**

Agency	As of June <sup>1</sup>				Change 1973-74
	1972 actual	1973 estimate		1974 estimate	
		In 1973 budget	Current		
Agriculture.....	82,511	83,400	83,400	78,800	-4,600
Commerce.....	28,412	29,700	28,200	28,400	200
Defense—military functions <sup>2</sup> .....	1,009,562	1,005,800	980,000	956,000	-24,000
Defense—civil functions.....	30,585	31,300	32,400	30,800	-1,600
Health, Education, and Welfare <sup>3</sup> .....	105,764	99,500	110,200	101,800	-8,400
Housing and Urban Development.....	15,200	16,000	15,800	13,900	-1,900
Interior.....	56,892	56,900	57,000	56,900	-100
Justice.....	45,446	46,300	47,200	47,100	-100
Labor.....	12,339	12,600	12,800	12,400	-400
State.....	22,699	22,800	23,200	23,400	200
Transportation.....	67,232	69,200	67,700	69,400	1,700
Treasury.....	95,728	99,200	103,000	104,000	1,000
Atomic Energy Commission.....	6,836	6,900	7,000	7,400	400
Environmental Protection Agency.....	7,835	8,500	8,900	9,200	300
General Services Administration.....	36,002	39,400	38,100	37,800	-300
National Aeronautics and Space Administration.....	27,428	26,800	26,800	25,000	-1,800
Veterans Administration.....	163,179	174,100	171,600	170,000	-1,600
Other agencies:					
Agency for International Development.....	11,719	11,800	10,800	9,900	-900
Civil Service Commission.....	5,260	6,000	6,000	6,000	-----
Selective Service System.....	5,791	6,100	5,700	3,900	-1,800
Small Business Administration.....	3,916	4,000	4,200	4,100	-100
Tennessee Valley Authority.....	14,001	14,000	14,000	14,000	-----
Panama Canal.....	13,777	14,000	14,000	14,000	-----
United States Information Agency.....	9,255	9,400	9,400	9,100	-300
Miscellaneous agencies.....	33,494	34,600	35,800	35,800	-----
Subtotal.....	1,910,863	1,928,300	1,913,200	1,869,100	-44,100
Allowance for contingencies <sup>4</sup> .....	-----	5,000	2,000	5,000	3,000
Subtotal.....	1,910,863	1,933,300	1,915,200	1,874,100	-41,100
Postal Service.....	594,834	618,500	569,500	564,500	-5,000
<b>Total.....</b>	<b>2,505,697</b>	<b>2,551,800</b>	<b>2,484,700</b>	<b>2,438,600</b>	<b>-46,100</b>

<sup>1</sup> Excludes disadvantaged worker-trainees in the Public Service Careers program.

<sup>2</sup> Excludes civilianization program of 5,000 in 1973 and 31,000 in 1974.

<sup>3</sup> To maintain comparability, excludes increases of approximately 9,000 in 1973 and 15,000 in 1974 for preparation and transfer of adult welfare categories to the Federal Government under Public Law 92-603 (effective Jan. 1, 1974); does reflect phasedown of Public Health Service hospitals and transfer of Saint Elizabeths Hospital to the District of Columbia during 1974.

<sup>4</sup> Subject to later distribution.

**Table 7. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-1973 (dollar amounts in billions)**

Fiscal year	Gross national product	Budget receipts		Budget outlays		Federal debt, end of year			
		Amount	Percent of GNP	Amount	Percent of GNP	Total		Held by the public	
						Amount	Percent of GNP	Amount	Percent of GNP
1954.....	362.1	69.7	19.3	70.9	19.6	270.8	74.8	224.5	62.0
1955.....	378.6	65.5	17.3	68.5	18.1	274.4	72.5	226.6	59.9
1956.....	409.4	74.5	18.2	70.5	17.2	272.8	66.6	222.2	54.3
1957.....	431.3	80.0	18.5	76.7	17.8	272.4	63.1	219.4	50.9
1958.....	440.3	79.6	18.1	82.6	18.8	279.7	63.5	226.4	51.4
1959.....	469.1	79.2	16.9	92.1	19.6	287.8	61.3	235.0	50.1
1960.....	495.2	92.5	18.7	92.2	18.6	290.9	58.7	237.2	47.9
1961.....	506.5	94.4	18.6	97.8	19.3	292.9	57.8	238.6	47.1
1962.....	542.1	99.7	18.4	106.8	19.7	303.3	55.9	248.4	45.8
1963.....	573.4	106.6	18.6	111.3	19.4	310.8	54.2	254.5	44.4
1964.....	612.2	112.7	18.4	118.6	19.4	316.8	51.7	257.6	42.1
1965.....	654.2	116.8	17.9	118.4	18.1	323.2	49.4	261.6	40.0
1966.....	721.2	130.9	18.1	134.7	18.7	329.5	45.7	264.7	36.7
1967.....	769.8	149.6	19.4	158.3	20.6	341.3	44.3	267.5	34.8
1968.....	826.0	153.7	18.6	178.8	21.6	369.8	44.8	290.6	35.2
1969.....	898.3	187.8	20.9	184.5	20.5	367.1	40.9	279.5	31.1
1970.....	955.0	193.7	20.3	196.6	20.6	382.6	40.1	284.9	29.8
1971.....	1,010.4	188.4	18.6	211.4	20.9	409.5	40.5	304.3	30.1
1972.....	1,093.1	208.6	19.1	231.9	21.2	437.3	40.0	323.8	29.6
1973 estimate.....	1,209.9	225.0	18.6	249.8	20.6	473.3	39.1	348.8	28.8

Table 8. BUDGET RECEIPTS AND OUTLAYS, 1789-1974 (in millions of dollars)

Fiscal year	Re- ceipts	Outlays	Surplus or defi- cit (-)	Fiscal year	Re- ceipts	Outlays	Surplus or defi- cit (-)
<b>ADMINISTRATIVE BUDGET</b>							
1789-1849.....	1, 160	1, 090	+70	1921.....	5, 571	5, 062	+509
1850-1900.....	14, 462	15, 453	-991	1922.....	4, 026	3, 289	+736
1901.....	588	525	+63	1923.....	3, 853	3, 140	+713
1902.....	562	485	+77	1924.....	3, 871	2, 908	+963
1903.....	562	517	+45	1925.....	3, 641	2, 924	+717
1904.....	541	584	-43	1926.....	3, 795	2, 930	+865
1905.....	544	567	-23	1927.....	4, 013	2, 857	+1, 155
1906.....	595	570	+25	1928.....	3, 900	2, 961	+939
1907.....	666	579	+87	1929.....	3, 862	3, 127	+734
1908.....	602	659	-57	1930.....	4, 058	3, 320	+738
1909.....	604	694	-89	1931.....	3, 116	3, 577	-462
1910.....	676	694	-18	1932.....	1, 924	4, 659	-2, 735
1911.....	702	691	+11	1933.....	1, 997	4, 598	-2, 602
1912.....	693	690	+3	1934.....	3, 015	6, 645	-3, 630
1913.....	714	715	-*	1935.....	3, 706	6, 497	-2, 791
1914.....	725	726	-*	1936.....	3, 997	8, 422	-4, 425
1915.....	683	746	-63	1937.....	4, 956	7, 733	-2, 777
1916.....	761	713	+48	1938.....	5, 588	6, 765	-1, 177
1917.....	1, 101	1, 954	-853	1939.....	4, 979	8, 841	-3, 862
1918.....	3, 645	12, 677	-9, 032				
1919.....	5, 130	18, 493	-13, 363				
1920.....	6, 649	6, 358	+291				
<b>CONSOLIDATED CASH STATEMENT</b>							
1940.....	6, 879	9, 589	-2, 710	1947.....	43, 531	36, 931	+6, 600
1941.....	9, 202	13, 980	-4, 778	1948.....	45, 357	36, 493	+8, 864
1942.....	15, 104	34, 500	-19, 396	1949.....	41, 576	40, 570	+1, 006
1943.....	25, 097	78, 909	-53, 812	1950.....	40, 940	43, 147	-2, 207
1944.....	47, 818	93, 956	-46, 138	1951.....	53, 390	45, 797	+7, 593
1945.....	50, 162	95, 184	-45, 022	1952.....	68, 011	67, 962	+49
1946.....	43, 537	61, 738	-18, 201	1953.....	71, 495	76, 769	-5, 274
<b>UNIFIED BUDGET</b>							
1954.....	69, 719	70, 890	-1, 170	1966.....	130, 856	134, 652	-3, 796
1955.....	65, 469	68, 509	-3, 041	1967.....	149, 552	158, 254	-8, 702
1956.....	74, 547	70, 460	+4, 087	1968.....	153, 671	178, 833	-25, 161
1957.....	79, 990	76, 741	+3, 249	1969.....	187, 784	184, 548	+3, 236
1958.....	79, 636	82, 575	-2, 939	1970.....	193, 743	196, 588	-2, 845
1959.....	79, 249	92, 104	-12, 855	1971.....	188, 392	211, 425	-23, 033
1960.....	92, 492	92, 223	+269	1972.....	208, 649	231, 876	-23, 227
1961.....	94, 389	97, 795	-3, 406	1973 estimate.....	224, 984	249, 796	-24, 812
1962.....	99, 676	106, 813	-7, 137	1974 estimate.....	255, 982	268, 665	-12, 683
1963.....	106, 560	111, 311	-4, 751				
1964.....	112, 662	118, 584	-5, 922				
1965.....	116, 833	118, 430	-1, 596				

\*Less than \$500 thousand.

Notes.—Certain interfund transactions are excluded from receipts and outlays starting in 1932. For years prior to 1932 the amounts of such transactions are not significant.

Refunds of receipts are excluded from receipts and outlays starting in 1913; comparable data are not available for prior years.

## GLOSSARY

- FISCAL YEAR**—Year running from July 1 to June 30 and designated by the calendar year in which it ends.
- AUTHORIZATION**—Basic substantive legislation enacted by Congress which sets up a Federal program or agency either indefinitely or for a given period of time. Such legislation sometimes sets limits on the amount that can subsequently be appropriated, but does not usually provide budget authority.
- BUDGET AUTHORITY (BA)**—Authority provided by the Congress, mainly in the form of appropriations, which allows Federal agencies to incur obligations to spend or lend money. Most budget authority is voted each year. Some budget authority is available from prior year balances, and occasionally some becomes available automatically under permanent laws, such as that which is needed to pay interest on the public debt.
- OBLIGATIONS**—Commitments made by Federal agencies to pay out money for products, services, or other purposes—as distinct from the actual payments. Obligations incurred may not be larger than the budget authority.
- OUTLAYS**—Checks issued, interest accrued on the public debt, or other payments made, net of refunds and reimbursements.
- BUDGET RECEIPTS**—Money collected because of the sovereign or other compulsory powers of the Government, net of refunds. (See offsetting receipts.)
- BUDGET SURPLUS OR DEFICIT**—The difference between budget receipts and outlays.
- FEDERAL FUNDS**—Funds collected and used by the Federal Government, as owner. The major federally owned fund is the general fund, which is derived from general taxes and borrowing and is used for the general purposes of the Government. Federal funds also include certain earmarked receipts, such as those generated by and used for the operations of Government-owned enterprises.
- TRUST FUNDS**—Funds collected and used by the Federal Government, as trustee, for specified purposes, such as social security and highway construction. Receipts held in trust are not available for the general purposes of the Government. Trust fund receipts which are not anticipated to be used in the immediate future are generally invested in Government securities and earn interest.
- OFFSETTING RECEIPTS**—Composed of (1) proprietary receipts from the public derived from Government activities of a business-type or market-oriented nature which are offset against related budget authority and outlays; and (2) intrabudgetary transactions between Federal funds and trust funds which are offset to avoid double counting.
- UNDISTRIBUTED INTRAGOVERNMENTAL TRANSACTIONS**—Composed of (1) payments to trust funds by Government agencies, as employer, for their employee's retirement; and (2) interest paid to trust funds on their investments in Government securities. To avoid double counting, these transactions are deducted from the budget totals.

**EXECUTIVE  
AND  
INDEPENDENT  
AGENCIES**

**THE PRESIDENT**

**EXECUTIVE OFFICE OF THE PRESIDENT**

The White House Office  
 Council of Economic Advisers  
 Council on Economic Policy  
 Council on Environmental Quality  
 Council on International Economic Policy  
 Domestic Council  
 National Aeronautics and Space Council<sup>1</sup>  
 National Security Council  
 Office of Economic Opportunity<sup>2</sup>  
 Office of Emergency Preparedness<sup>3</sup>  
 Office of Management and Budget  
 Office of Science and Technology<sup>3</sup>  
 Office of Telecommunications Policy  
 Special Action Office for Drug Abuse  
 Prevention  
 Special Representative for Trade Negotiations

**DEPARTMENT  
OF STATE**

**DEPARTMENT OF THE  
TREASURY**

**DEPARTMENT OF  
DEFENSE**

**DEPARTMENT OF  
JUSTICE**

**DEPARTMENT OF  
THE INTERIOR**

**DEPARTMENT OF  
AGRICULTURE**

**DEPARTMENT OF  
COMMERCE**

**DEPARTMENT OF  
LABOR**

**DEPARTMENT OF  
HEALTH, EDUCATION,  
AND WELFARE**

**DEPARTMENT OF  
HOUSING AND URBAN  
DEVELOPMENT**

**DEPARTMENT OF  
TRANSPORTATION**

**SELECTED AGENCIES, BOARDS AND COMMISSIONS**

<p><b>ACTION</b>          Administrative Conference of the United States          Advisory Commission on Intergovernmental Relations          American Battle Monuments Commission          Appalachian Regional Commission          Atomic Energy Commission          Canal Zone Government          Central Intelligence Agency          Civil Aeronautics Board          Commission on Fine Arts          Commission on Civil Rights          Consumer Product Safety Commission          Cost of Living Council          District of Columbia          Environmental Protection Agency          Equal Employment Opportunity Commission          Export-Import Bank of the United States          Farm Credit Administration</p>	<p>Federal Communications Commission          Federal Deposit Insurance Corporation          Federal Home Loan Bank Board          Federal Maritime Commission          Federal Mediation and Conciliation Service          Federal Power Commission          Board of Governors of the Federal Reserve System          Federal Trade Commission          Foreign Claims Settlement Commission          General Services Administration          Indian Claims Commission          Interstate Commerce Commission          National Aeronautics and Space Administration          National Capital Housing Authority          National Capital Planning Commission          National Credit Union Administration          National Foundation on the Arts and Humanities</p>	<p>National Labor Relations Board          National Mediation Board          National Science Foundation          Panama Canal Company          Railroad Retirement Board          Renegotiation Board          Securities and Exchange Commission          Selective Service System          Small Business Administration          Smithsonian Institution          Subversive Activities Control Board          Tennessee Valley Authority          U.S. Arms Control and Disarmament Agency          U.S. Civil Service Commission          United States Information Agency          United States Postal Service          United States Tariff Commission          Veterans Administration          Water Resources Council</p>
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<sup>1</sup>Abolition proposed by Reorganization plan.  
<sup>2</sup>Office to be discontinued, functions to be distributed to other agencies.  
<sup>3</sup>Abolition proposed by Reorganization plan, functions to be transferred to other agencies.

## ORGANIZATION CHART OF THE EXECUTIVE BRANCH

This foldout chart presents a graphic view of the major components of the Executive Branch of the Government as presently organized. Included are the staff offices that make up the Executive Office of the President, the 11 executive departments, and various agencies, boards, and commissions. Temporary commissions, and interagency and public advisory committees are not included.

For further details on the organization and functions of Federal agencies, see the *U.S. Government Organization Manual* (for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402).

The following additional budget documents can be purchased from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402:

1. *The Budget of the United States Government, 1974*.—Contains most of the facts, figures, and analyses that general users of the budget would normally desire or need.

2. *The Budget of the United States Government, 1974—Appendix*.—Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds.

3. *Special Analyses, Budget of the United States, 1974*.—Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program.

*Executive Office of the President  
Office of Management and Budget*