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1961

FEDERAL BUDGET

in Brief

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Bureau of the Budget

Executive Office of the President



The Federal Budget in Brief
for the fiscal year 1961

The plans presented in the 1961 budget meet the Nation's immediate needs and will support continuing sound economic growth in the future. The achievement of these plans, however, will in the last analysis depend on the people themselves.

I believe our people have the determination to hold expenditures in check, to pay their own way without borrowing from their children, to choose wisely among priorities, and to match sound public policy with private initiative. It is that determination which is the key to continued progress and sound growth with security. It is that determination which reinforces the recommendations I have made.

DWIGHT D. EISENHOWER.

JANUARY 18, 1960.

Introduction

The budget of the U.S. Government affects all Americans. In it the President sets forth his proposals for meeting our national objectives, indicating the money needed to carry them out and how the money will be raised. The Federal Budget in Brief is prepared each year to make available to the public in summary form the major facts about the budget.

The 1961 budget, which President Eisenhower sent to the Congress on January 18, 1960, presents his financial plan for the year which runs from July 1, 1960, to June 30, 1961. In the next few months the national issues which are reflected in this budget will be discussed and debated in the Congress. Important decisions affecting all Americans, now and in the years to come, will be made.

It is our hope that this booklet will contribute to a greater understanding of the Federal Government's activities, and to a more widespread public participation in the processes by which its affairs are guided.

A handwritten signature in black ink, reading "Maurice H. Stans". The signature is written in a cursive, flowing style.

Director, Bureau of the Budget.

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Note.—Detail in the tables and charts of this booklet may not add to the totals because of rounding.

The Tax Dollar

Where it comes from . . .



- 52¢ Individual Income Taxes
- 28¢ Corporation Income Taxes
- 11¢ Excise Taxes
- 9¢ All Other Receipts

Where it goes . . .

- 54¢ Major National Security
- 11¢ Interest
- 7¢ Agriculture
- 7¢ Veterans
- 16¢ Other
- 5¢ Debt Retirement



Fiscal Year 1961 Estimate

*Part 1 Excerpts from the
President's Budget Message*

Part 1 of this booklet presents excerpts from the opening section of the President's budget message for 1961. It outlines the major policies and recommendations in the budget and summarizes the budget figures.

Thus, it provides an overall view of the President's program for the year ahead. More details on this program are presented in part 2.



From the President's 1961 Budget Message

To the Congress of the United States:

With this message, transmitting the Budget of the United States for the fiscal year 1961, I invite the Congress to join with me in a determined effort to achieve a substantial surplus. This will make possible a reduction in the national debt. The proposals in this budget demonstrate that this objective can be attained while at the same time maintaining required military strength and enhancing the national welfare.

This budget attests to the strength of America's economy. At the same time, the budget is a test of our resolve, as a nation, to allocate our resources prudently, to maintain the Nation's security, and to extend economic growth into the future without inflation.

In highlight, this budget proposes:

1. Revenues of \$84 billion and expenditures of \$79.8 billion, leaving a surplus of \$4.2 billion. This surplus should be applied to debt reduction, which I believe to be a prime element in sound fiscal policy for the Nation at this time.

2. New appropriations for the military functions of the Department of Defense amounting to \$40.6 billion, and expenditures of \$41 billion. These expenditures, which will be slightly higher than the 1960 level, will provide the strong and versatile defense which we require under prevailing world conditions.

3. Increased appropriations (including substantial restoration of congressional reductions in the 1960 budget), and a virtual doubling of expenditures, for nonmilitary space projects under the National Aeronautics and Space Administration. This furthers our plans to keep moving ahead vigorously and systematically with our intensive program of scientific exploration and with the development of the large boosters essential to the conquest of outer space.

4. Nearly \$4.2 billion in new appropriations for mutual security programs, an increase of about \$950 million above appropriations for the current year, with an increase of \$100 million in expenditures. This increase in program is needed to accelerate

BUDGET TOTALS

[Fiscal years. In billions]

	<i>1959 actual</i>	<i>1960 estimate</i>	<i>1961 estimate</i>
Budget receipts	\$68.3	\$78.6	\$84.0
Budget expenditures	80.7	78.4	79.8
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Budget deficit	12.4		
Budget surplus (applied to debt retirement)2	4.2
	<hr style="width: 50%; margin: 0 auto;"/>		
New obligational authority	81.4	79.7	79.4
	<hr style="width: 50%; margin: 0 auto;"/>		
Public debt at end of year	284.7	284.5	280.0

economic and technical assistance, chiefly through the Development Loan Fund, and to strengthen free world forces, in particular the forces of the North Atlantic Treaty Organization, with advanced weapons and equipment.

5. A record total of expenditures, \$1.2 billion, for water resources projects under the Corps of Engineers and the Bureau of Reclamation. In addition to funds for going work, this amount provides for the initiation of 42 new high-priority projects, which will require \$38 million in new appropriations for 1961, and will cost a total of \$496 million over a period of years.

6. Substantially higher ex-

penditures in a number of categories which under present laws are relatively uncontrollable, particularly \$9.6 billion for interest; \$3.9 billion to help support farm prices and income; \$3.8 billion for veterans compensation and pensions; and \$2.4 billion in aid to State and local governments for public assistance and employment security activities. The aggregate increase in these relatively uncontrollable expenditures is more than \$1 billion over 1960.

7. Research and development expenditures of \$8.4 billion—well over one-half of the entire Nation's expenditures, public and pri-

vate, for these purposes—in order to assure a continuing strong and modern defense and to stimulate basic research and technological progress.

8. Recommendations for prompt legislative action to increase taxes on highway and aviation fuels, and to raise postal rates. These measures are needed to place on the users a proper share of the rising costs of the Federal airways and postal service, and to support the highway program at an increased level.

9. Recommendations to extend for another year present corporation income and excise tax rates.

10. A constructive legislative program to achieve improvements in existing laws relating to governmental activities and to initiate needed actions to improve and safe-

guard the interests of our people.

In short, this budget and the proposals it makes for legislative action provide for significant advances in many aspects of national security and welfare. The budget presents a balanced program which recognizes the priorities appropriate within an aggregate of Federal expenditures that we can soundly support.

I believe that the American people have made their wishes clear: The Federal Government should conduct its financial affairs with a high sense of responsibility, vigorously meeting the Nation's needs and opportunities within its proper sphere while at the same time exercising a prudent discipline in matters of borrowing and spending, and in incurring liabilities for the future.

BUDGET TOTALS

During the present fiscal year we have made encouraging progress in achieving sound fiscal policy objectives. The deficit of \$12.4 billion in fiscal 1959, which was largely caused by the recession, is expected to be followed by a

surplus of \$217 million in the current year. To safeguard this small surplus, I am directing all Government departments and agencies to exercise strict controls over the expenditure of Federal funds. Even so, the slender

margin of surplus can be attained only if economic growth is not interrupted.

For the fiscal year 1961, I am proposing a budget surplus of \$4.2 billion to be applied to debt retirement. In my judgment this is the only sound course. Unless some amounts are applied to the reduction of debt in prosperous periods, we can expect an ever larger public debt if future emergencies or recessions again produce deficits.

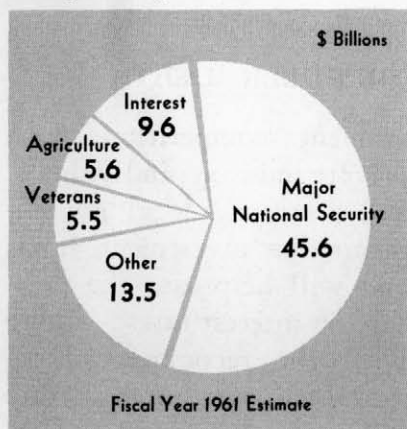
In times of prosperity, such as we anticipate in the coming year, sound fiscal and economic policy requires a budget surplus to help counteract inflationary pressures, to ease conditions in capital and credit markets, and to increase the supply of savings available for the productive

investment so essential to continued economic growth.

The budget recommendations for 1961 lay the groundwork for a sound and flexible fiscal policy in the years ahead. A continuance of economic prosperity in 1962 and later years can be expected to bring with it further increases in Federal revenues. If expenditures are held to the levels I am proposing for 1961 and reasonable restraint is exercised in the future, higher revenues in later years will give the next administration and the next Congress the choice they should rightly have in deciding between reductions in the public debt and lightening of the tax burden, or both. Soundly conceived tax revision can then be approached on a comprehensive and orderly basis, rather than by haphazard piecemeal changes, and can be accomplished within a setting of economic and fiscal stability.

Budget expenditures in 1961 are estimated at \$79.8 billion, which is \$1.4 billion more than the 1960 level. The total increase is attributable to (1) an increase of more than \$1 billion in relatively uncontrollable expend-

Budget Expenditures



itures for farm price supports fixed by law, interest on the public debt, veterans compensation and pensions, and public assistance grants, and (2) an increase of about \$500 million in expenditures because of commitments made in prior years for Federal housing programs, for civil public works projects and other construction, for loans under the mutual security program, and for other programs.

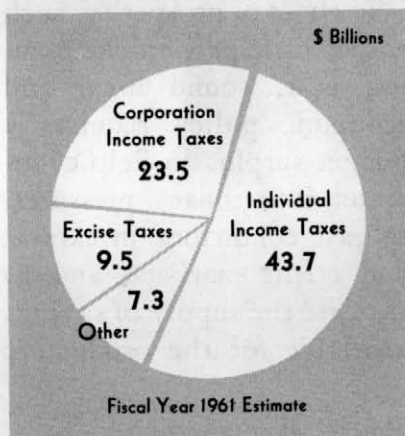
New activities and expansion of certain other programs have been included on a selective basis of need. These increases are offset by reductions in other existing programs, including the proposed elimination of the postal deficit.

New obligational authority recommended for the fiscal year 1961 totals \$79.4 billion.

This is \$306 million less than the amounts already enacted and recommended for 1960, and \$401 million less than estimated expenditures in 1961.

Budget receipts under existing and proposed legislation are expected to rise substantially to \$84 billion in 1961. This compares with the revised estimate of \$78.6 billion for 1960 and actual receipts of \$68.3 billion in 1959.

Budget Receipts



MANAGEMENT OF THE PUBLIC DEBT

Achievement of the proposed budget surplus will provide an opportunity to offset part of the deficits incurred in the fiscal years 1958 and 1959 largely because of the recession. The corresponding reduction of the public debt will reduce Gov-

ernment competition with private industry, individuals, and State and local governments for investment funds and will help ease the pressure on interest rates. Along with the recommended removal of the interest rate ceiling on long-term Federal

Management of the Public Debt:

LEGISLATIVE PROPOSALS

1. Remove interest ceiling on Treasury bonds.
2. Provide temporary increase in debt limit.

debt, this will help hold down budget expenditures for interest, which now amount to almost one-eighth of the whole budget.

Statutory debt limit.—It is estimated that the public debt, which stood at \$284.7 billion on June 30, 1959, will be \$284.5 billion on June 30, 1960, and will decline to \$280 billion at the end of fiscal 1961. Thus, the budget surplus estimated for fiscal 1961 will permit the Government to end the year with desirable operating leeway within the permanent debt limit of \$285 billion. However, the fluctuating seasonal pattern in receipts will again require a temporary increase in the debt limit during the fiscal year 1961, since the present temporary limit of \$295 billion expires on June 30, 1960. It is expected that the request for a new temporary limit will be for less than

the present \$295 billion if the Congress accepts my budgetary proposals.

Interest ceiling.—Effective management of a debt of this size requires a reasonable distribution among securities maturing at different times. Three-fourths of all marketable Treasury securities outstanding today come due in less than five years, of which \$80 billion will mature in less than a year. As long as the rate that would have to be paid on newly issued bonds exceeds the present statutory ceiling of $4\frac{1}{4}\%$, it is impossible to issue and sell any marketable securities of over five years' maturity.

Exclusive reliance on borrowing in a limited sector of the market is an expensive and inefficient way to manage the debt. Inflationary pressures increase as the volume of short-term and hence highly liquid securities

mounts, especially if these securities are acquired by commercial banks. Further, effective monetary policy becomes more difficult when the Treasury has to refinance often. To make possible prudent and flexible management of the public debt, to permit sale of a modest amount of intermediate and

longer term bonds when market conditions warrant such action, and to keep the average maturity of the debt from constantly shortening, it is imperative that the Congress immediately act to remove the 42-year-old 4¼% limitation on interest rates on Government securities maturing after five years.

BUDGET RECEIPTS

Estimated budget receipts of \$84 billion in the fiscal year 1961 assume a high and rising level of economic activity in calendar year 1960. Specifically, this revenue estimate is consistent with an increase in the gross national product from about \$480 billion for calendar 1959 to about \$510 billion for calendar 1960. Personal incomes and corporate profits are expected to rise considerably beyond last year's levels, which were depressed somewhat by the long duration of the steel strike. The accompanying table shows the sources of Government receipts for the fiscal years 1959, 1960, and 1961.

The estimates for 1961 assume (1) extension of present tax rates and (2) the adoption of modifications recom-

mended last year for certain tax laws. These are summarized in the following paragraphs.

Extension of present tax rates.—In order to maintain Federal revenues, it is necessary that the present tax rates on corporation profits and certain excises be extended for another year beyond their scheduled expiration date of June 30, 1960. The scheduled reductions in the excise tax rates on transportation of persons and the scheduled repeal of the tax on local telephone service, which were enacted in the last session of the Congress, should be similarly postponed.

Improvement of the tax system.—The recent tax revision hearings of the Ways and Means Committee have pro-

Budget Receipts:

LEGISLATIVE PROPOSALS

1. Extend corporate and excise tax rates scheduled for expiration or reduction June 30, 1960.
2. Provide equitable taxation of cooperatives.
3. Prevent excessive depletion allowances on mineral products (issue now before Supreme Court).
4. Revise tax on gains from sales of depreciable personal property.
5. Adopt clarifying technical amendments to income tax laws.
6. Increase aviation fuel taxes and credit them to general fund.
7. Establish adequate fees and charges for special services or benefits.

vided valuable information bearing on changes in the tax laws. The Treasury will continue to work in cooperation with the committees of the Congress in developing sound and attainable proposals for long-range improvement of the tax laws.

As the development of a comprehensive tax revision program will take time, the

Congress should consider this year certain changes in the tax laws to correct inequities. These include amendments of the laws on taxation of cooperatives, now before the Congress, and a number of technical changes on which the Treasury Department has been working with committees of Congress. There is also before the Congress an

BUDGET RECEIPTS

[Fiscal years. In billions]

Source	1959 actual	1960 estimate	1961 estimate
Individual income taxes	\$36.7	\$40.3	\$43.7
Corporation income taxes	17.3	22.2	23.5
Excise taxes	8.5	9.1	9.5
All other receipts	5.8	7.0	7.3
Total	68.3	78.6	84.0

HIGHLIGHTS OF LEGISLATIVE PROGRAM

(In addition to proposals on public debt and budget receipts, and extensions of existing programs)

AUTHORIZE:

1. Financial incentives for local school construction.
2. Financial assistance for construction of college facilities.
3. Loans and grants to assist areas with chronic unemployment.
4. Negotiations with Mexico for joint construction of Amistad (Diablo) Dam.
5. Payment of certain Philippine war damage claims.
6. Acquisition of three undeveloped shore areas for public use.
7. Long-range policy for financing civil service retirement.
8. Additional Federal judgeships.

PROVIDE:

9. Effective civil rights legislation.
10. Home rule for District of Columbia.
11. Reimbursement to citizens for certain World War II property damage.
12. Effective conservation of helium.
13. Additional highway trust fund revenues.
14. Increased postal rates.
15. Revised interest rates for rural electric and telephone loans.

BROADEN:

16. Coverage of unemployment compensation system.
17. Protection of Fair Labor Standards Act.
18. "Food for peace" program.

REVISE AND IMPROVE:

19. Agricultural price support programs, and extend with revisions the conservation reserve program.
20. Cost sharing on flood protection projects.
21. Welfare and Pension Plan Disclosure Act.
22. Immigration and nationality laws.
23. Organization and management of outer space programs.

REPEAL:

24. Reservation with respect to jurisdiction of World Court.

amendment to prevent unintended and excessive depletion deductions resulting

from the computation of percentage depletion allowances on the selling price of fin-

ished clay, cement products, and mineral products generally; unless the problem is satisfactorily resolved in a case now pending before the Supreme Court, the need for corrective legislation in this area will continue.

Aviation fuel taxes.—To help defray the cost of the Federal airways system, the effective excise tax rate on aviation gasoline should be promptly increased from 2 to 4½ cents per gallon and an equivalent excise tax should be imposed on jet fuels, which now are untaxed. The conversion from piston engines to jets is resulting in serious revenue losses to the Government. These losses will increase unless the tax on jet fuels is promptly enacted.

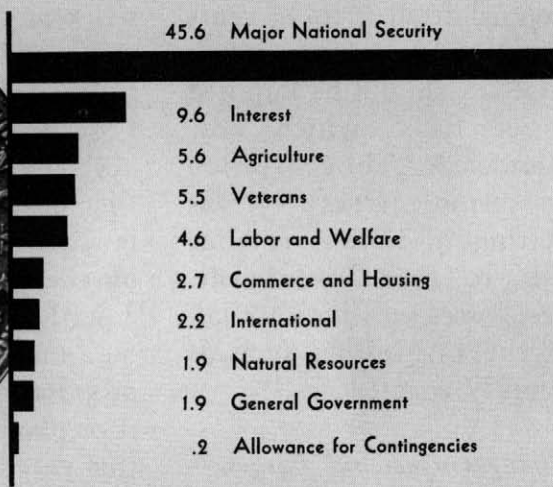
Changes in fees and charges.—The cost of other Federal pro-

grams which provide measurable special benefits to identifiable groups or individuals should be recovered through charges paid by beneficiaries rather than by taxes on the general public. Whenever feasible, fees or charges should be established so that the beneficiaries will pay the full cost of the special services they receive. To help accomplish this purpose, I have directed that further work be done by the departments and agencies on a carefully defined inventory of Federal services which convey such special benefits. In the meantime, the Congress is requested to act favorably on the postal rate proposals described in this message and on a number of other specific proposals now pending before it or planned to be submitted this year for increased fees or charges for special services.

1961 Expenditures by Function



Total \$79.8 Billion



Part 2 Budget Information by Function

Most of the President's budget message following the excerpts already presented consists of a discussion of policies and proposals for each of nine major functions of Government. The discussion is summarized in this section of the booklet.

The charts in this section show the 1961 estimates of expenditures for programs within each major function. Data on budget expenditures for these same programs since 1954 can be found on pages 44 and 45, and most references made here to increases and decreases from 1960 to 1961 are to amounts cited on those pages.



Major National Security

\$45,568 million . . . 57.1% of 1961 budget expenditures

The budget proposals for major national security programs are designed to strengthen the defensive power of the United States and its allies. They reflect the conviction that the free world must remain strong while striving to achieve a safeguarded disarmament.

Expenditures for the military functions of the Department of Defense, estimated at \$41 billion in 1961, emphasize the modernization of our Armed Forces. This task is greatly complicated by the recent tremendous advances in military technology, which have necessitated a continuous review of the defense program in order to apply resources to the newer and more important weapons systems. The high cost of developing a major weapon system requires that great care be taken in selecting new systems for development, in determining their rate of development, and in deciding when to produce or abandon them.

The 1961 budget recognizes that the military forces must be capable of contending successfully with all types of warfare, from limited emergencies to all-out nuclear general war.

The forces to be supported include an Army of 14 divisions, a Navy of 817 active ships, a Marine Corps of 3 divisions and 3 air wings, and an Air Force of 91 combat wings.

Military procurement expenditures will be \$13,602 million in 1961. While aircraft procurement will decline, expenditures for the

four main strategic missiles—Atlas, Titan, Minuteman, and Polaris—will be further increased, and a wide variety of other missiles will be procured for the air defense, sea control, and tactical ground forces. The 1961 shipbuilding program includes a conventionally powered aircraft carrier, 3 new Polaris submarines, and 16 other new ships. Modernization of 14 destroyers is also planned. About 18,000 tactical vehicles will be procured in 1961, along with an increased quantity of rifles, machineguns, and other equipment.

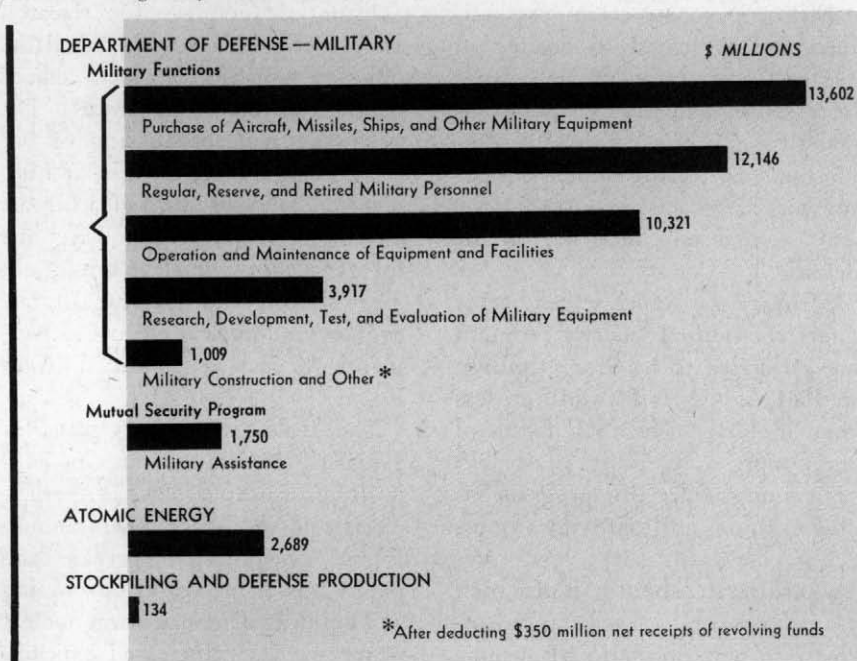
Personnel costs are expected to be \$12,146 million in 1961, which is \$187 million over 1960. The budget provides for a strength of 2,489,000 in the Active Forces on June 30, 1961, the same as planned for June 30, 1960. Expenditures for active duty personnel will rise, however, because of increases in longevity and proficiency pay, more dependents, and higher social security taxes required of the Government as employer.

[In millions]

Fiscal year	Budget expenditures	New obligatory authority
1961 estimate.	\$45,568	\$45,282
1960 estimate.	45,650	44,749
1959.	46,426	45,517
1958.	44,142	40,448
1957.	43,270	40,234
1956.	40,641	35,903
1955.	40,626	33,656
1954.	46,904	38,901

Major National Security

Estimated Budget Expenditures in 1961



Expenditures of \$10,321 million in 1961 for operation and maintenance are estimated at \$184 million over 1960, largely because of the growing complexity of weapons and equipment. For example, the operating costs for a nuclear-powered submarine are over three times as high as for a conventionally powered submarine. A large increase is estimated for operating additional communications systems related to air defense. The Strategic Air Command has been authorized to begin to acquire a standby airborne alert capability, which would permit a portion of the heavy bomber force to be on continuous airborne alert if the need

should arise. Among other factors increasing costs is the civilian employee health insurance program enacted last year. In total, the increases outweigh savings from declining programs and economy measures.

Expenditures for research, development, test, and evaluation of weapons and equipment are estimated to rise by \$237 million to \$3,917 million in 1961. The largest amount of funds will be for work on missiles and related equipment, including the Polaris missile and a full scale testing of the Nike-Zeus antimissile system under realistic field conditions. Other research and development efforts include

tactical aircraft, antisubmarine warfare, and satellite systems for early warning.

Military construction expenditures are estimated to decline in 1961. Construction of air defense installations and Strategic Air Command bases is moving toward completion. Increasing emphasis is being placed on missile installations and on electronic facilities for air defense.

Military assistance expenditures under the mutual security program are estimated to be \$1,750 million in 1961, which is \$50 million less than in 1960. The total forces of the countries receiving equipment or training under this program include about 5 million Army troops, 2,200 combatant ships, and over 25,000 aircraft, about half of which are jet powered. A substantial increase in new obligational authority is recommended for 1961 for this program in order to provide the training and materiel required for support of these forces. Many of the countries in NATO have now assumed the responsibility for producing or purchasing conventional arms and equipment, but still require help to meet the pressing need for new and costly advanced weapons. In other countries, bordering on aggressive regimes or confronted with strong internal subversive elements, the strengthening of conventional forces is emphasized in keeping with the nature of the threat in each area. Many of these nations have joined in mutual defense organizations or have bilateral defense agreements with the United States.

Expenditures in 1961 for atomic energy activities will be \$2,689 million, about the same as in 1960. Substantial increases for research and development activities will be offset by reductions in procurement of uranium ore concentrates. Development and production of nuclear weapons will remain at high levels. Funds are provided for the development of nuclear powerplants for naval ships, nuclear ramjet engines for missiles, nuclear aircraft engines, and nuclear electric powerplants for use at remote military bases.

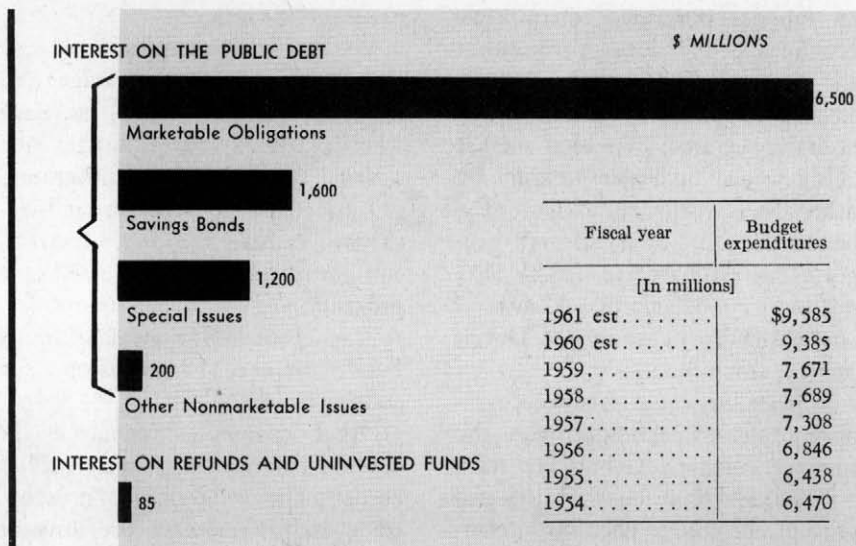
The atomic energy program for 1961 includes expenditures of \$250 million for development of civilian electric power. Part of this amount is for assistance to private and public power groups in developing and building demonstration nuclear powerplants. Increased expenditures are estimated for research in the physical and life sciences, and development work will continue on nuclear-powered rockets in support of the civilian space program, on thermonuclear power, and on applications of nuclear explosives to civilian uses.

Most of the objectives for the stockpile of strategic and critical materials have been met. Fewer materials will be received under contracts to promote expansion of defense production as the number of such contracts still in effect declines. Therefore, expenditures for stockpiling and defense production are estimated to decline from \$230 million in 1960 to \$134 million in 1961.

Interest

\$9,585 million . . . 12% of 1961 budget expenditures

Estimated Budget Expenditures in 1961



Interest payments are estimated to be \$200 million more in 1961 than in 1960. These payments are almost entirely for interest on the public debt. A relatively minor proportion is required for interest on refunds of taxes and for interest on uninvested funds held by the Treasury.

For a year and a half now, market rates of interest have been increasing, reflecting inflationary pressures, the high level of investment demands in our economy, and heavy Federal borrowing required by the 1958 and 1959 budget deficits. The rise in market rates requires the Treasury to pay higher interest on

securities issued to refinance the heavy volume of maturing obligations, which were issued when interest rates were lower.

The Congress is again being asked to lift the present legal ceiling of 4¼% on interest rates on Government bonds with maturities of five years or more. Since market rates of interest now exceed this limit, it is impossible to issue and sell new long-term Treasury bonds in the market. Restricting the Treasury to short-term borrowing not only interferes seriously with the effective management of the public debt, but also serves to increase interest costs.

International Affairs and Finance

\$2,242 million . . . 2.8% of 1961 budget expenditures

The United States is continuing to support programs to improve economic conditions throughout the free world. In this effort, emphasis is being placed on multi-lateral programs, in which we are being joined in larger measure by other free world countries. Expenditures for international programs are estimated to rise by \$177 million in 1961, mainly because of larger disbursements by the Development Loan Fund.

Defense support assists less-developed countries participating in the common defense. To help maintain political and economic stability and prevent the cost of necessary defensive forces from unduly hindering economic development, the United States provides economic aid principally by supplying commodities for consumption and raw materials and machinery for industrial production.

The Development Loan Fund provides capital to less-developed countries on terms more favorable than are available from other sources, including the option to repay in the borrower's own currency. Over three-fourths of the projects the Fund is financing are for roads, railroads, electric power generation, and industry.

Through technical cooperation, American experts are sent abroad to teach the skills required in a modern economy and foreign technicians are brought to the United States for training. The budget also provides for our contributions

to the United Nations technical assistance programs.

Mutual security programs also include (1) special assistance to promote economic and political stability in various countries not covered by other aid programs; (2) assistance to refugees and escapees, grants of atomic research equipment for the Atoms for Peace program, and the U.S. contribution to the United Nations Children's Fund; and (3) provision for contingencies.

Other economic assistance includes emergency famine relief abroad, and programs to promote trade and to increase the flow of private capital to less-developed countries.

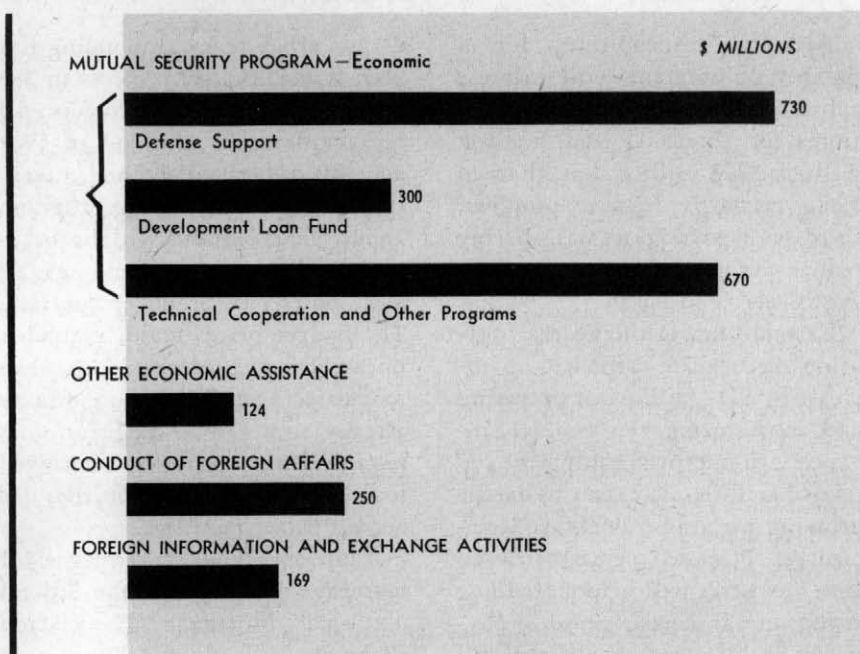
The first installment of the U.S. investment in the new Inter-American Development Bank is expected to be paid in 1960. In addition, legislation will be requested when appropriate for U.S. participation in the proposed International Development Association, which would be connected with the International Bank for Reconstruction

[In millions]

Fiscal year	Budget expenditures	New obligatory authority
1961 estimate	\$2, 242	\$2, 715
1960 estimate	2, 066	2, 697
1959	3, 780	6, 982
1958	2, 231	3, 979
1957	1, 973	2, 238
1956	1, 843	2, 120
1955	2, 181	2, 304
1954	1, 732	1, 838

International Affairs and Finance

Estimated Budget Expenditures in 1961



and Development and would make loans on more flexible terms than the Bank can now offer.

The Export-Import Bank, the oldest Federal agency specializing in foreign lending, will devote more of its program in 1961 to transactions which support economic development abroad. By encouraging more private participation in its loan program and by using funds obtained from loan repayments, the Bank does not expect to incur net budgetary expenditures in 1961.

Special studies have been made of ways to increase private investment abroad. Tax treaties with investment incentive clauses are being

negotiated. The budget proposes that taxation of income earned on American investments in only the less-developed countries be deferred until repatriated.

In the conduct of foreign affairs, the Department of State plans to expand its language training programs, to open several new posts, and to increase its disarmament staff. Legislation is requested for payment of certain war claims of the Philippine Government.

Exchanges of leaders and teachers with about 80 countries will be increased. The United States Information Agency plans to expand its programs in Africa and Latin America.

Commerce and Housing

\$2,709 million . . . 3.4% of 1961 budget expenditures

Although expenditures for a number of programs will increase substantially in 1961, total expenditures for commerce and housing will be \$293 million less than in 1960, primarily because proposed increases in postal rates will sharply reduce the net expenditures of the Post Office.

Expenditures of the Federal Aviation Agency are estimated to increase by \$114 million for operating and modernizing the Federal airways with improved equipment and related facilities necessary to handle growing air traffic safely and efficiently. Proposed increases in aviation fuel taxes will help meet these rising airway costs. Subsidy payments to local service airlines will also increase in 1961.

The National Aeronautics and Space Administration will about double its 1960 expenditures in 1961 in carrying forward its present programs and those related to the development of very high thrust space booster vehicles which are becoming its responsibility in 1961. It is expected that manned space flights will be attempted within the next two years, and that in the not too distant future we will be able to launch the large space vehicles with which to extend the conquest of space.

Expenditures for water transportation will be sharply higher in 1960 and 1961 than in 1959, because of past commitments for ship operating and construction subsidies.

With Federal aid, over the past

decade urban renewal planning has been started on 647 projects in 385 communities. Over 90 projects will be completed by the end of 1961 and 510 others will be under way. Under the public housing program, about 500,000 units will be occupied by the end of 1961 and 125,000 more units will be under contract. The budget places major emphasis on accelerating progress on urban renewal and public housing projects already authorized. Legislation is requested to authorize continued loans to small communities for needed public facilities.

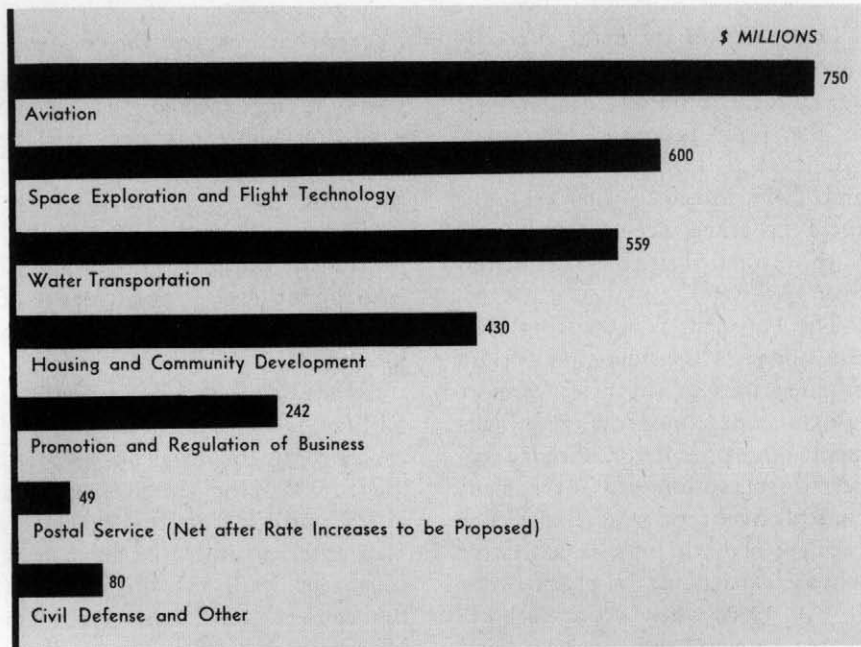
Additional funds are requested for mortgage purchases by the Federal National Mortgage Association to be used chiefly for housing in urban renewal areas, housing for the relocation of displaced families, and housing for the elderly. Legislation is proposed to extend the authority of the Federal Housing Administration for insuring loans on home improvements, which would otherwise expire on October 1, 1960. The direct housing loan

(In millions)

Fiscal year	Budget expenditures	New obligatory authority
1961 estimate	\$2, 709	\$3, 204
1960 estimate	3, 002	3, 789
1959	3, 421	2, 929
1958	2, 109	5, 863
1957	1, 455	3, 855
1956	2, 030	4, 528
1955	1, 504	2, 817
1954	817	2, 376

Commerce and Housing

Estimated Budget Expenditures in 1961



program for veterans terminates July 25, 1960. The college housing program should also be terminated and replaced with the broader college facility program discussed on page 31.

Increased aid to small business will be provided by the Small Business Administration, directly and through assistance to privately owned small business investment companies. Legislation is proposed to encourage formation of additional investment companies to help small businesses obtain capital. Expenditures of the regulatory agencies will also increase in 1961. Legislation is again recom-

mended to increase aid to areas which have persistent high unemployment.

The Postal Policy Act of 1958 established the principle that postal rates should be adequate to cover all postal expenses, except for the cost of certain public services. Accordingly, legislation is proposed to increase first-class and airmail rates by 1 cent and to raise other rates by enough to cover a prospective \$554 million deficit.

The budget includes increased funds for civil defense activities, mainly for grants to States and cities to strengthen their civil defense organizations.

Agriculture and Agricultural Resources

\$5,623 million . . . 7% of 1961 budget expenditures

Over 70% of the total expenditures estimated for agriculture and agricultural resources in 1961 will be for price supports and other programs to stabilize farm prices and farm income. Increases for these programs account for most of the estimated rise of \$510 million over 1960.

The President is requesting that the Congress consider appropriate modifications in the price support laws in order to encourage adjustments in production needed to permit relaxation of Government controls over farm operations. The need for realistic price supports for wheat is particularly urgent. By July 1, 1960, wheat stocks are expected to equal two years' normal domestic consumption.

Under the "food for peace" program, surplus commodities (1) are sold for foreign currencies which are used to finance U.S. programs or economic development and common defense in other countries and (2) are shipped abroad for relief. Legislative changes are again recommended to make this surplus disposal program more effective.

Expenditures in 1961 to conserve agricultural land and water resources include mainly \$394 million for the conservation reserve program, under which farmers receive payments from the Government for retiring cropland from production, and \$233 million for cost-sharing assistance under the agricultural conservation program.

Under legislation recommended

to extend and expand the conservation reserve program for three years, it is expected that about 9 million additional acres will be brought into the program during the 1961 crop year, making the total about 37 million acres. Expansion of the program should be contingent upon enactment of needed price support legislation for wheat.

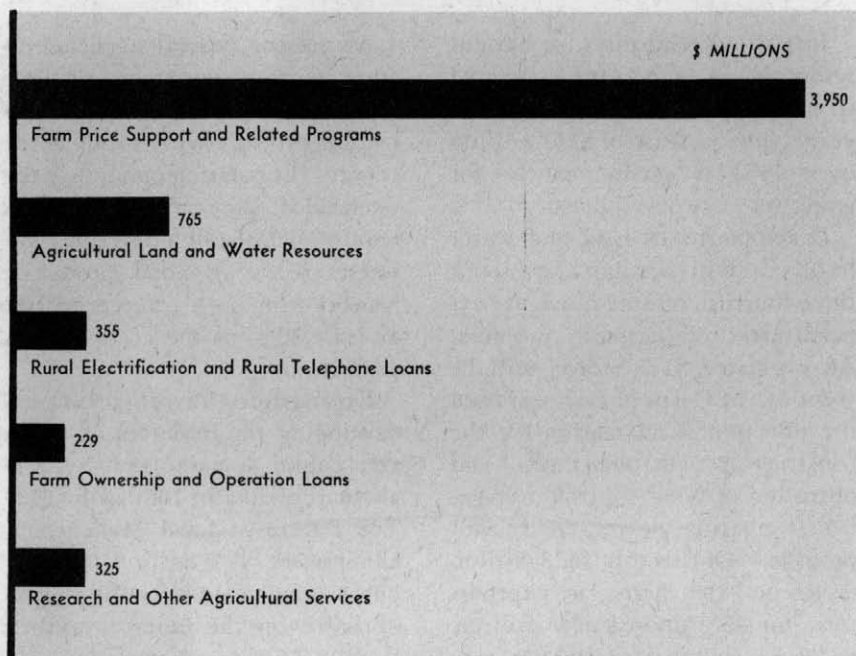
An advance authorization of \$100 million is recommended for the agricultural conservation program for the 1961 crop year, a reduction of \$150 million from the 1960 level. This program should be made more consistent with the objectives of the conservation reserve program by eliminating payments for practices which increase capacity to produce farm commodities already in surplus supply. Cost-sharing assistance should be concentrated on measures which foster shifts to less intensive uses of cropland. Other programs to conserve agricultural resources include technical assistance for conservation practices, the Great Plains conserva-

(In millions)

Fiscal year	Budget expenditures	New obligational authority
1961 estimate	\$5, 623	\$4, 570
1960 estimate	5, 113	5, 099
1959	6, 529	5, 421
1958	4, 389	6, 256
1957	4, 525	5, 275
1956	4, 867	3, 309
1955	4, 388	2, 672
1954	2, 557	4, 009

Agriculture and Agricultural Resources

Estimated Budget Expenditures in 1961



tion program, and the watershed protection program for which \$5 million is recommended for starting new projects in 1961.

Under present law, the Rural Electrification Administration, which makes electric and telephone loans, borrows from the Treasury at an interest rate of 2% and relends at the same rate. Legislation is proposed under which the REA would (a) borrow at a rate not to exceed the average rate payable by the Treasury on recently issued long-term marketable obligations and (b) make future loans at the same rate plus one-fifth of 1% to cover administrative expenses and estimated losses. Under a longer range

plan, legislation should be developed to enable borrowers to obtain funds from a mutually owned financing institution.

The Farmers Home Administration makes loans to help finance farm ownership and farm operations. In 1961, new loans and administrative expenses of the Administration are proposed in an amount equal to estimated collections on outstanding loans.

The 1961 budget provides increased support for the research programs on pesticide residues and on industrial uses of farm commodities, and for the rural development program to promote economic improvement in rural areas.

Natural Resources

\$1,938 million . . . 2.4% of 1961 budget expenditures

In 1961, expenditures for natural resources programs are estimated to be higher than in any previous year. The increase of \$152 million over 1960 is predominantly for water resource development.

Development of land and water resources will account for about three-fourths of the budget expenditures for natural resources. An estimated \$1.2 billion will be spent by the Corps of Engineers and the Bureau of Reclamation for the construction, maintenance, and operation of flood control, navigation, irrigation, power, and related projects. Of this total, \$18 million represents the first-year expenditures for 42 proposed new projects and for a number of smaller new projects. The new projects will cost \$496 million over a period of years.

Three new construction starts for power and navigation are planned by the Tennessee Valley Authority. Under legislation enacted in 1959, the TVA will issue \$115 million in revenue bonds in 1961 to help finance construction of power generating facilities. Legislation is recommended to authorize an agreement with Mexico for construction of the Amistad (Diablo) Dam to carry forward the joint development of the waters of the Rio Grande. An estimated \$1.5 million is recommended in 1961 for construction of two new demonstration plants as part of research work for converting sea water and brackish water into fresh water.

At present Federal agencies operate under inconsistent standards for sharing of the costs of flood protection projects with local beneficiaries. Legislation previously recommended should be enacted to require identifiable non-Federal interests receiving flood protection benefits from such projects to bear at least 30% of the costs of flood protection.

Expenditures for conserving and developing the resources of Indian and public domain lands will be about the same in 1961 as in 1960. The Bureau of Land Management administers 475 million acres of public domain lands for the purpose of conserving the resources on these lands. To obtain a more adequate return for use of federally-owned resources, legislation is again recommended to increase the fees for noncompetitive oil and gas leases on the public domain.

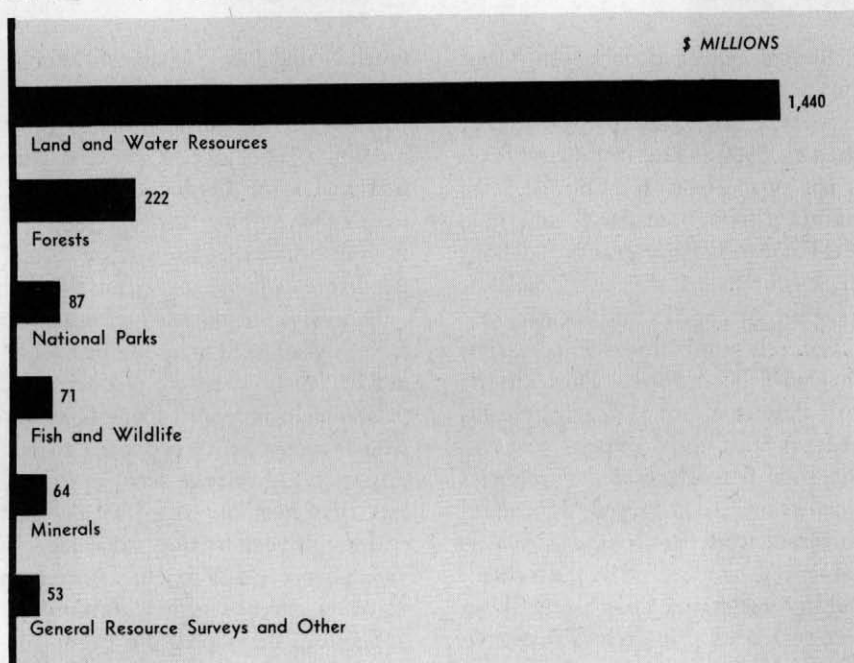
Expenditures for forest resources in 1961 will provide some additional facilities and services in the national forests for campers and picnickers.

[In millions]

Fiscal year	Budget expenditures	New obligational authority
1961 estimate	\$1, 938	\$1, 836
1960 estimate	1, 785	2, 538
1959	1, 669	1, 742
1958	1, 544	1, 456
1957	1, 297	1, 356
1956	1, 105	1, 213
1955	1, 202	1, 070
1954	1, 316	1, 398

Natural Resources

Estimated Budget Expenditures in 1961



Each year more of our citizens enjoy the national parks. Estimated expenditures in 1961 will provide for additional facilities and services for visitors, for maintenance and operation of facilities, and for selective acquisition of lands. Legislation is again recommended to authorize the selection and acquisition for the national park system of three shore areas of national significance because of their outstanding natural and scenic features, recreational advantages, and other public values.

The Fish and Wildlife Service will operate and maintain 92 fish cultural stations and administer 17 million acres in wildlife refuges in 1961. The estimated 1961 expenditures for fish and wildlife resources include an increase for the acquisition of lands for additional wildlife areas to be financed from fees charged to hunters of migratory birds.

Legislation is again recommended to carry out a long-range plan for the conservation of the Nation's vital helium resources.

Labor and Welfare

\$4,569 million . . . 5.7% of 1961 budget expenditures

Budget expenditures for labor and welfare activities in 1961 are expected to be \$128 million higher than in 1960. The largest increase is for promotion of public health, mainly through research and hospital construction grants. About three-fourths of the total will be for grants to States and localities.

Federal grants for public assistance will rise in 1961. These grants will finance about 58% of the total Federal-State-local expenditures in the four federally-aided categories—assistance to the aged, dependent children, the blind, and the permanently and totally disabled. Public assistance has long been recognized as primarily a responsibility of State and local governments. The increasing Federal share in this program tends to weaken their sense of responsibility.

Expenditures for public health programs in 1961 are expected to be \$53 million more than in 1960, largely because of increased appropriations in previous years. A large part of the increase is in research grants and activities by the National Institutes of Health, estimated at \$390 million in 1961. Expenditures for hospital construction grants will increase to \$161 million in 1961. Increases are also recommended for control of air and water pollution, for radiological health activities, and for activities of the Food and Drug Administration.

Expenditures for the promotion of education will also rise in 1961.

Outlays under the National Defense Education Act of 1958 are estimated to increase by \$36 million to \$170 million. The largest part of this increase is for advances to student loan funds. The National Science Foundation will also increase its expenditures for science education.

Federal grants for schools in federally-affected areas are proposed at \$207 million, which is a decrease of \$26 million from 1960. Legislation is again being proposed to revise such aid to take account of the fact that in many aided areas Federal employees live on taxable private property and pay local taxes as do other parents in the community.

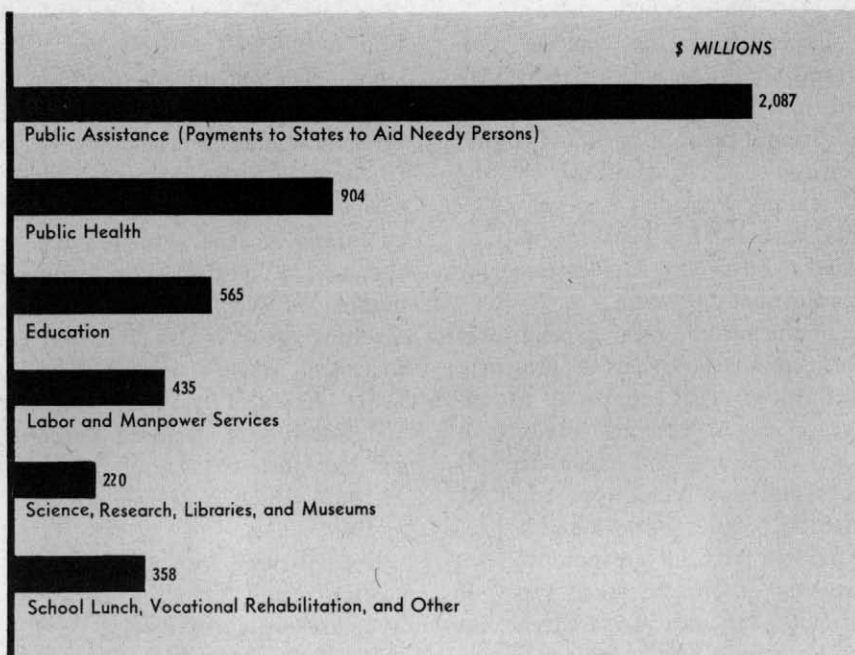
To help meet pressing needs for new school facilities, legislation is recommended for Federal payments to school districts of up to half of the principal and interest on \$3 billion of bonds to be issued in the next five years for public elementary and secondary school construction. A program is also proposed to assist higher educational institutions in acquiring needed facilities through

[In millions]

Fiscal year	Budget expenditures	New obligatory authority
1961 estimate	\$4, 569	\$4, 538
1960 estimate	4, 441	4, 543
1959	4, 421	4, 182
1958	3, 447	4, 161
1957	3, 022	3, 212
1956	2, 821	2, 860
1955	2, 575	2, 614
1954	2, 485	2, 429

Labor and Welfare

Estimated Budget Expenditures in 1961



Federal guarantees of \$1 billion in bonds and through Federal grants, payable over 20 years, equal to 25% of the principal of \$2 billion of bonds. The present college housing loan program would be terminated.

Most labor and manpower expenditures are for grants to States for administering the Federal-State system of unemployment compensation and job placement services. Legislation is proposed to finance these grants from the unemployment trust fund, and to extend the coverage of this system. Increased funds are provided for 1961 to

administer the new law aimed mainly at curbing certain union abuses. Legislation is again proposed to strengthen the Welfare and Pension Plan Disclosure Act, to broaden the minimum wage and 8-hour laws, and to assure equal pay for equal work.

Basic research activities by the National Science Foundation and the Bureau of Standards, and oceanographic research, will be accelerated in 1961. Census Bureau expenditures will decline as the 1960 decennial census nears completion, but some other statistical activities will be expanded in 1961.

Veterans Services and Benefits

\$5,471 million . . . 6.9% of 1961 budget expenditures

Expenditures for veterans programs are estimated to rise by \$314 million in 1961, chiefly because of additional pension cases and higher pension rates authorized by the Veterans' Pension Act of 1959. The increase for pensions will be partly offset by a decrease for readjustment benefits.

In the future, total expenditures for veterans programs as presently authorized will continue to increase as our veterans advance in age. Veterans and their dependents and survivors now total 81 million people, a considerable proportion of whom are potential recipients of one or more types of benefits. In addition to the special veterans programs, a great majority of veterans participate in the general social security, health, and welfare programs financed wholly or in part by the Federal Government.

Compensation of \$2,066 million for service-connected disabilities and deaths will be paid for an estimated 2.4 million cases during 1961. A reduction in the number of World War I and II veterans on the rolls will be offset somewhat by the addition of veterans of the Korean conflict and peacetime ex-servicemen, so that payments will show only a minor change in total in 1961.

Expenditures for non-service-connected pensions and for burial and other allowances are estimated to be \$1,774 million in 1961. This represents an increase of \$438 mil-

lion over 1960, entirely for pensions. The net impact of the new veterans pension law is to add several hundred thousand new cases to the rolls at an estimated added cost of \$284 million in 1961 and a cumulative cost of \$9 billion during the next 40 years. The growing number of World War I veterans reaching age 65 is also contributing to raising pension expenditures in 1961. In all, 1.9 million veterans and families of deceased veterans are expected to receive pensions in 1961, which is 26% more than in 1960.

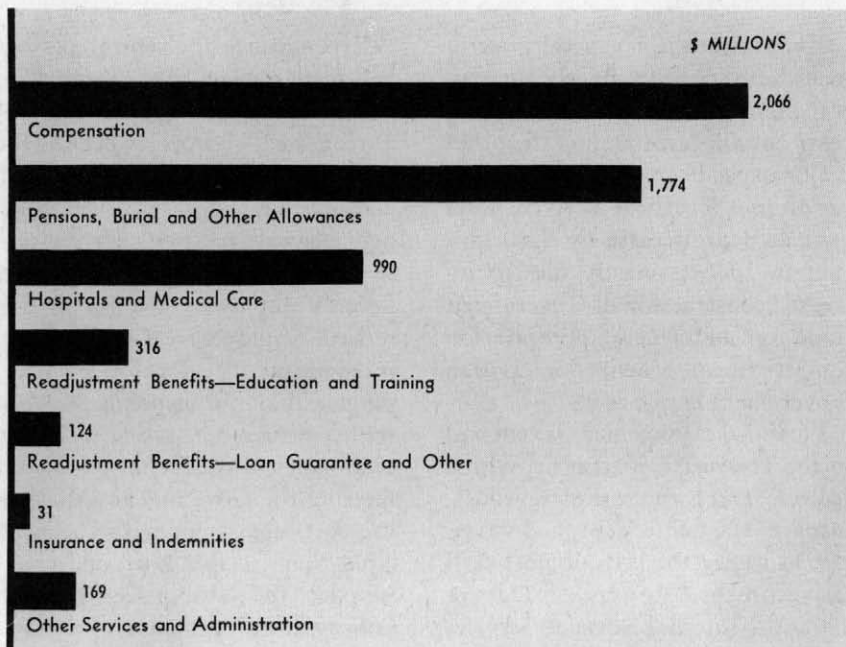
Expenditures for hospitals and medical care, including construction, are estimated to rise by \$25 million in 1961. Hospital and domiciliary care will be provided for an average of 141,250 beneficiaries per day, and a total of 2,300,000 veterans will receive medical or dental care for service-connected disabilities in outpatient clinics. In 1961, an orderly 12-year hospital modernization and replacement program is being

[In millions]

Fiscal year	Budget expenditures	New obligational authority
1961 estimate	\$5, 471	\$5, 476
1960 estimate	5, 157	5, 176
1959	5, 174	5, 125
1958	5, 026	5, 071
1957	4, 793	4, 870
1956	4, 756	4, 823
1955	4, 457	4, 369
1954	4, 256	4, 272

Veterans Services and Benefits

Estimated Budget Expenditures in 1961



started. Expenditures for construction are estimated at \$63 million.

The average number of veterans receiving education and training benefits is expected to decline from 325,000 in 1960 to 225,000 in 1961, as fewer veterans of the Korean conflict participate. Thus, expenditures are expected to decline from \$445 million in 1960 to \$316 million in 1961. The special unemployment compensation program for veterans of the Korean conflict ends in 1961. Expenditures under the loan guarantee program are expected to increase somewhat, however. The President is recom-

mending a program of vocational rehabilitation for peacetime ex-servicemen with substantial service-connected disabilities. However, he is opposing the establishment of special educational and loan guarantee programs for peacetime ex-servicemen.

The general operating expenses of the Veterans Administration are expected to decline in 1961, reflecting the decreased workload in loan and educational programs, improved administrative procedures, and the use of modern electronic equipment in recording and paying veterans benefits.

General Government

\$1,911 million . . . 2.4% of 1961 budget expenditures

Expenditures for general government activities are mainly for central administrative and construction costs not allocated among the other major expenditure categories. Expenditures for these activities are estimated to increase by \$200 million in 1961 primarily due to increased construction of Government buildings and a new appropriation for retirement benefits for civilian Government employees.

Financial management is centered in the Treasury Department, which collects taxes and other revenues, manages the public debt, and writes checks to pay the bills of most civil Government agencies. During 1961, the Internal Revenue Service, which will handle 97 million tax returns from individuals and corporations, plans to strengthen its enforcement programs through additional personnel and by introducing the use of electronic equipment.

The General Services Administration is the central management agency for Government property and records. It provides general office space and purchasing services for most Federal agencies, and maintains Government records and archives. Expenditures for construction will rise in 1961 as outlays for proposed new office buildings are added to those for construction started in prior years. A new program has been developed to facilitate use of excess personal property by Federal agencies, and to achieve faster, more efficient disposal of surplus property.

Expenditures for central personnel management are expected to rise in 1961, mainly as a result of a requested appropriation to the civil service retirement fund to continue beyond July 1, 1960, benefits enacted in 1958 for certain widows or widowers of former Federal employees and for certain retired employees. The President is requesting the adoption of a long-range policy on financing the civil service retirement system including establishment of a definite basis for meeting the Government's share of the costs consistent with the principle that its full faith and credit support the authorized benefits. Other central personnel programs include accident compensation, and unemployment compensation for Federal employees and peacetime ex-servicemen.

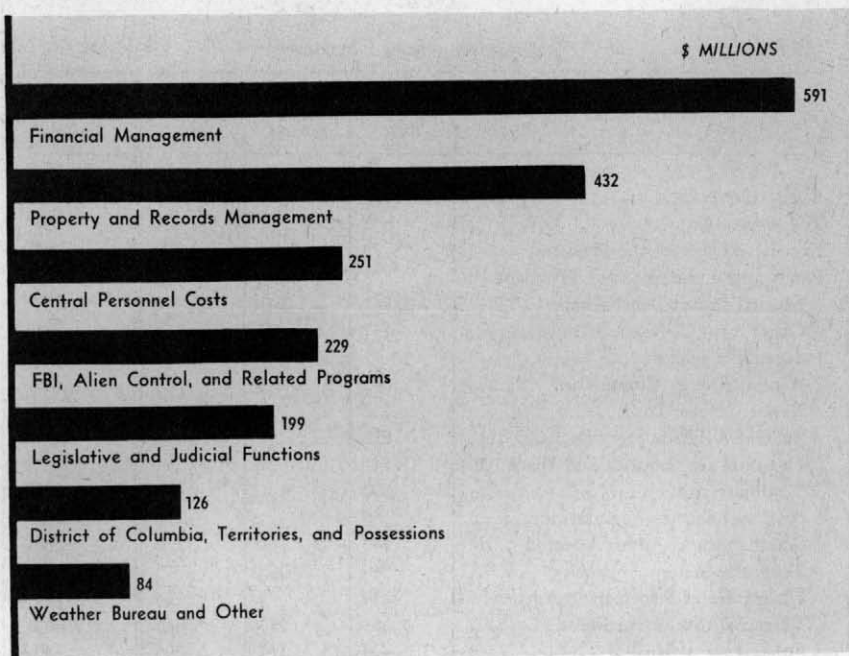
Staff increases are proposed for the Federal Bureau of Investigation and the Immigration and Naturalization Service to meet rising workloads. The President is requesting

[In millions]

Fiscal year	Budget expenditures	New obligational authority
1961 estimate	\$1, 911	\$1, 910
1960 estimate	1, 711	1, 645
1959	1, 606	1, 795
1958	1, 359	1, 421
1957	1, 790	1, 833
1956	1, 630	1, 596
1955	1, 199	1, 136
1954	1, 235	1, 071

General Government

Estimated Budget Expenditures in 1961



legislation to strengthen laws against organized crime and amendments to the immigration and nationality laws, including modification of the quota system.

The expenditure estimate for legislative and judicial functions includes increased outlays for a new office building for the House of Representatives.

Changes in legislation will be proposed as needed to bring Hawaii under the same general laws, rules, and policies as are applicable to the other 49 States. The President is

again supporting home rule for the District of Columbia.

The expenditures of the Weather Bureau are expected to increase in 1961 for expanded research, observation, and forecasting services needed to keep pace with advances in air traffic controls.

Other recommendations for legislation include civil rights proposals, creation of additional judgeships, authorization of civilian achievement awards, and reimbursement to Americans for certain World War II property damage overseas.

Expenditures and New Obligational Authority by Agency

[Fiscal year 1961 estimate. In millions]

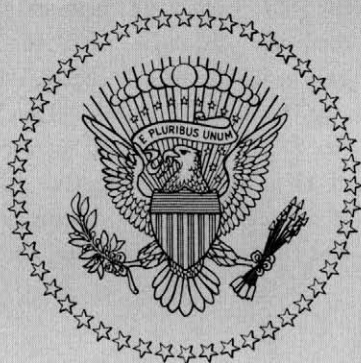
Description	Gross expenditures	Receipts from operations ¹	Budget expenditures	New obligational authority
Legislative branch.....	\$162		\$162	\$116
The judiciary.....	52		52	53
Executive Office of the President.....	79		79	87
Funds appropriated to the President:				
Mutual security—economic.....	1,741	\$41	1,700	2,175
Other.....	157	43	114	16
Independent offices:				
Atomic Energy Commission.....	2,692	3	2,689	2,666
Export-Import Bank.....	722	729	—7	
Federal Aviation Agency.....	681		681	717
National Aeronautics and Space Administration.....	600		600	802
National Science Foundation.....	160		160	192
Small Business Administration.....	280	160	120	66
Tennessee Valley Authority.....	368	295	73	21
United States Information Agency.....	129	5	124	124
Veterans Administration.....	5,663	217	5,446	5,465
Other.....	406	111	295	347
General Services Administration.....	460	2	458	508
Housing and Home Finance Agency.....	2,392	1,892	500	652
Department of Agriculture.....	9,169	2,969	6,201	5,081
Department of Commerce.....	483	10	473	563
Department of Defense—Military:				
Military functions.....	41,058	63	40,995	40,577
Mutual security—military assistance.....	1,750		1,750	2,000
Department of Defense—Civil.....	1,079	107	972	978
Department of Health, Education, and Welfare.....	3,521	4	3,517	3,431
Department of the Interior.....	868	59	809	771
Department of Justice.....	271		271	281
Department of Labor.....	545	5	540	555
Post Office Department.....	4,147	4,098	49	49
Department of State.....	292		292	299
Treasury Department.....	10,461	9	10,452	10,469
District of Columbia.....	48		48	53
Allowance for contingencies.....	200		200	300
Total.....	90,638	10,822	79,816	79,415

¹ Include only amounts available by law for use by the agencies and exclude substantial amounts paid directly into the Treasury as miscellaneous receipts.

Part 3 Supplementary and Historical Information

Part 3 of this booklet presents current information on funds held in trust by the Federal Government, and on the Government's total receipts from and payments to the public including the transactions of the trust funds. These aspects of the Federal financial system are described in part 4.

In addition, this section includes material on Federal civilian employment, and historical data on the national debt and on budget receipts and expenditures.



Trust Funds

Trust fund collections are estimated at \$22.5 billion and expenditures at \$21.3 billion in 1961. Transactions of these funds, which are not included in the budget totals, are described on page 51.

Expenditures of the old-age and survivors insurance and disability trust funds are expected to rise by \$517 million in 1961. By the end of the fiscal year 1961, over 14 million people will be receiving monthly benefits under old-age and survivors insurance and 592,000 people under disability insurance. The expenditures of the old-age and survivors insurance fund exceeded receipts in 1958 and 1959 and are expected to do so again in 1960. The increase from 2½% to 3% in the tax rate paid by both employers and employees, effective January 1, 1960, should enable the fund to resume building up reserves in 1961.

Receipts of the unemployment trust fund are expected to be \$311 million greater than expenditures in 1961, reflecting lower levels of insured unemployment.

Highway trust fund receipts are estimated to rise by \$322 million in 1961, reflecting primarily the temporary increase of 1 cent per gallon in the motor fuel tax effective October 1, 1959. Last year the President requested an increase of 1½ cents to be effective July 1, 1959. As a result of the lower rate and the later effective date, the road

building program has been slowed below a desirable rate of progress.

The President is recommending another one-half cent rise in the motor fuel tax, making a total of 4½ cents per gallon, until June 30, 1964. This would permit construction of the Interstate System to proceed at a higher level. He is also requesting the repeal of the diversion of excise taxes from the general fund to the trust fund enacted last year for the period from July 1, 1961 to June 30, 1964.

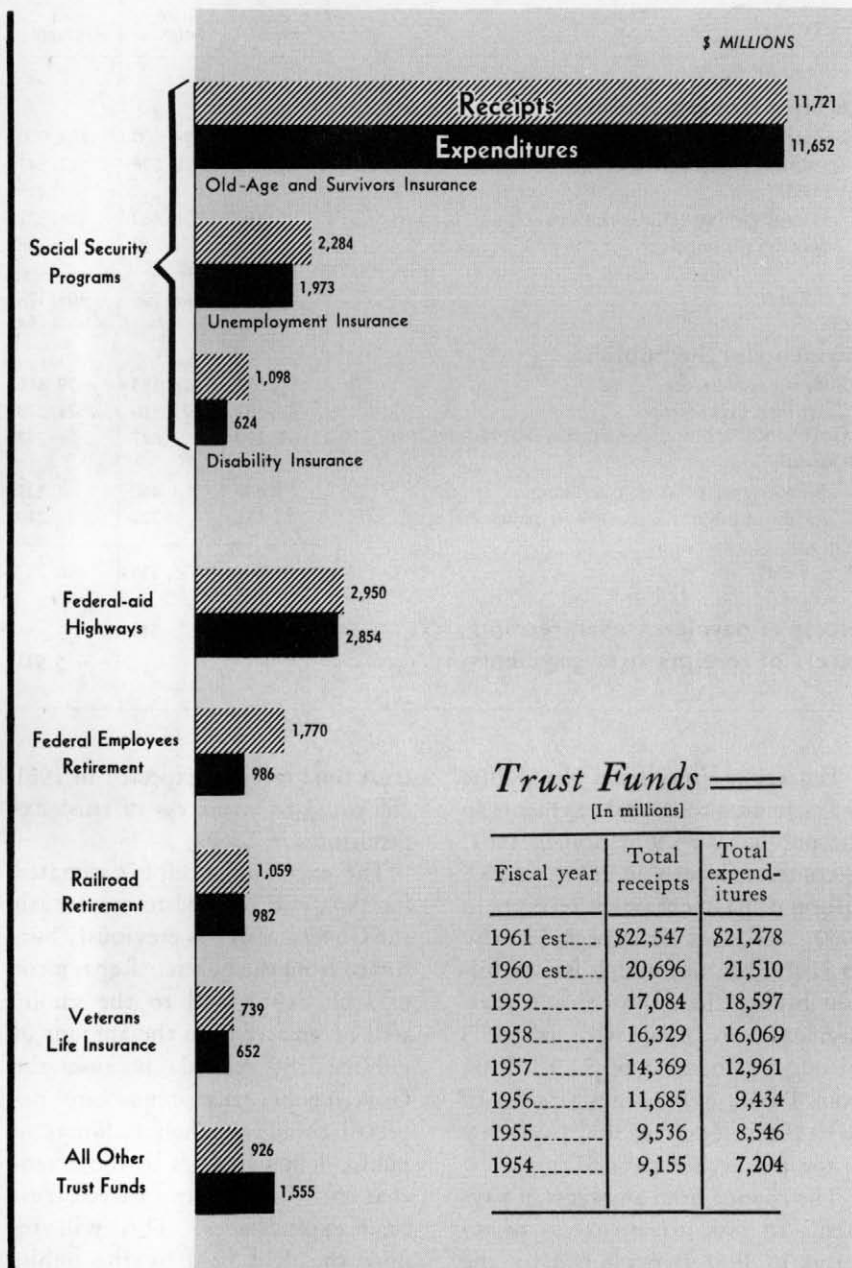
The civil service and foreign service retirement systems are expected to pay monthly benefits to over 583,000 individuals at the end of 1961.

Railroad retirement benefits are estimated to be paid to 827,000 persons at the end of 1961. In May 1959, legislation was enacted increasing these benefits and raising the tax rate paid by both employers and employees from 6¼% to 6¾%. This tax increase plus future scheduled increases will largely eliminate the actuarial deficit under which the system has been operating.

The excess of expenditures over receipts in the category "all other trust funds" is mainly due to the secondary market operations of the Federal National Mortgage Association. In these operations in 1961, the Association expects to spend \$800 million more for mortgage purchases and expenses than it receives from repayments, sales, and other income.

Trust Funds RECEIPTS AND EXPENDITURES

Fiscal Year 1961 Estimated



Receipts From and Payments to the Public

[Fiscal years. In millions]

Description	1959 actual	1960 estimate	1961 estimate
Receipts from the public:			
Budget receipts	\$68, 270	\$78, 600	\$84, 000
Trust fund receipts	17, 084	20, 696	22, 547
Deduct—			
Intragovernmental transactions	3, 650	4, 460	4, 321
Seigniorage on silver	44	40	48
Total	81, 660	94, 796	102, 178
Payments to the public:			
Budget expenditures	80, 697	78, 383	79, 816
Trust fund expenditures	18, 597	21, 510	21, 278
Government-sponsored enterprise expenditures, net	1, 290	627	—297
Deduct—			
Intragovernmental transactions	3, 650	4, 460	4, 321
Excess of interest accruals over payments, etc	2, 131	722	219
Total	94, 804	95, 338	96, 257
Excess of payments over receipts	13, 144	542	
Excess of receipts over payments			5, 921

Federal receipts from the public are estimated to exceed payments to the public by \$5.9 billion in 1961, as contrasted with an excess of \$0.5 billion of payments over receipts in 1960. Receipts are expected to rise to \$102.2 billion, which is \$7.4 billion higher than the current year. Payments are estimated at \$96.3 billion, an increase of \$0.9 billion from 1960. (For a description of Federal receipts from and payments to the public, see page 51.)

The change from an excess of payments in 1960 to an excess of receipts in 1961 is explained by the much larger budget surplus expected in 1961, and by the excess of

trust fund receipts expected in 1961 compared to an excess of trust expenditures in 1960.

The excess of receipts estimated for 1961 will be used to repay cash the Government has previously borrowed from the public. Repayment of such debt owed to the public will be greater than the amount of public debt retired, because the Government trust funds are expected to add to their holdings of public debt securities to the extent that trust fund receipts exceed trust fund expenditures. This will reduce the debt held by the public in like amount by shifting ownership to the trust funds.

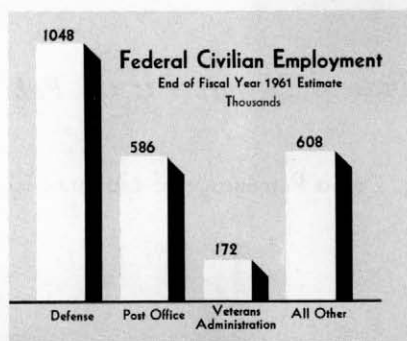
Federal Civilian Employment

In 1961, over 40% of all Federal civilian employees of the executive branch will be employed by the Department of Defense. When employees of the Post Office Department and the Veterans Administration are added to this total, about three-quarters of total Federal employment is accounted for. Other large employing agencies are the Departments of Agriculture, with 102,000 employees estimated at the close of the fiscal year 1961; Treasury, with an estimated 80,000; and Health, Education, and Welfare, with an estimated 64,000.

Total employment is expected to increase by about 31,000, slightly over 1%, from June 30, 1960, to June 30, 1961. Major increases are 22,000 in the Post Office Department (to handle increased mail volume and provide more delivery points), 6,000 in the National Aeronautics and Space Administration (to step up its program), 5,000 in the Federal Aviation Agency (to construct and operate modernized airway facilities), and 3,000 in the

Treasury Department (mainly for improved tax law enforcement). These increases and some in other agencies will be offset in part by an estimated decline in civilian employment in the Department of Defense.

Total personal service costs are expected to be \$12.7 billion in 1961, which is \$163 million more than in 1960. Personal service costs include, in addition to salaries and wages, living and quarters allowances; salary differentials for service abroad and hazardous duty; overtime and other premium pay; but do not include retirement benefits.

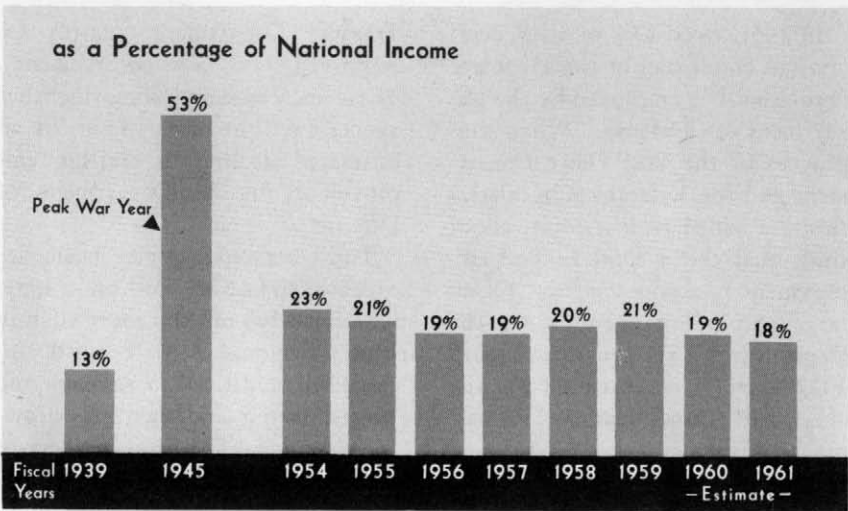


FEDERAL CIVILIAN EMPLOYMENT, EXECUTIVE BRANCH

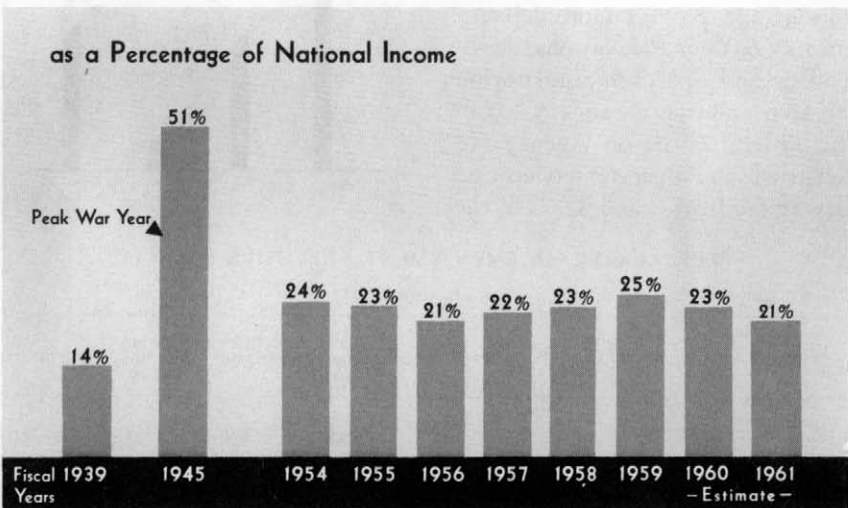
[In thousands]

End of fiscal year	Total	Department of Defense	Post Office Department	Veterans Administration	All other
1961 estimate.....	2, 415	1, 048	586	172	608
1960 estimate.....	2, 384	1, 061	564	174	584
1959.....	2, 355	1, 078	550	171	556
1958.....	2, 355	1, 097	538	172	548
1957.....	2, 389	1, 161	521	174	533
1956.....	2, 372	1, 180	509	177	506
1955.....	2, 371	1, 187	512	178	494
1954.....	2, 382	1, 209	507	179	487
1953.....	2, 532	1, 332	507	178	515

Federal Budget Expenditures



Federal Payments to the Public



Historical Information

BUDGET RECEIPTS, 1952-1961

[Fiscal years. In millions of dollars]

Source	Actual								Estimate	
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Individual income taxes	27,913	30,108	29,542	28,747	32,188	35,620	34,724	36,719	40,306	43,706
Corporation income taxes	21,225	21,238	21,101	17,861	20,880	21,167	20,074	17,309	22,200	23,500
Excise taxes	8,851	9,868	9,943	9,131	9,929	9,055	8,612	8,504	9,100	9,523
All other receipts	3,402	3,610	4,067	4,650	5,169	5,187	5,708	5,738	6,994	7,271
Total	61,391	64,825	64,655	60,390	68,165	71,029	69,117	68,270	78,600	84,000

BUDGET EXPENDITURES, 1952-1961

[Fiscal years. In millions of dollars]

Function	Actual								Estimate	
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Major national security	43,976	50,363	46,904	40,626	40,641	43,270	44,142	46,426	45,650	45,568
Interest	5,934	6,583	6,470	6,438	6,846	7,308	7,689	7,671	9,385	9,583
International affairs and finance	2,826	2,216	1,732	2,181	1,843	1,973	2,231	3,780	2,066	2,242
Commerce and housing	2,624	2,504	817	1,504	2,030	1,455	2,109	3,421	3,002	2,709
Agriculture and agricultural resources	1,045	2,936	2,557	4,388	4,867	4,525	4,389	6,529	5,113	5,623
Natural resources	1,366	1,477	1,316	1,202	1,105	1,297	1,544	1,669	1,785	1,938
Labor and welfare	2,168	2,426	2,485	2,575	2,821	3,022	3,447	4,421	4,441	4,569
Veterans services and benefits	4,863	4,298	4,256	4,457	4,756	4,793	5,026	5,174	5,157	5,471
General government	1,463	1,472	1,235	1,199	1,630	1,790	1,359	1,606	1,711	1,911
Allowance for contingencies									75	200
Adjustment to daily Treasury statement basis	-857									
Total	65,408	74,274	67,772	64,570	66,540	69,433	71,936	80,697	78,383	79,816

UNEXPENDED BALANCES OF AUTHORITY CARRIED FORWARD AT END OF YEAR

[Fiscal years. In billions of dollars]

Description	Actual							Estimate	
	1953	1954	1955	1956	1957	1958	1959	1960	1961
From appropriations	78.4	67.8	52.1	46.0	43.9	40.1	38.8	39.7	39.5
From other authorizations:									
Authorizations to spend from debt receipts	20.2	21.1	19.5	18.9	20.2	25.2	25.1	24.5	23.4
Contract authorizations	2.5	2.5	2.6	4.0	1.1	1.5	1.5	1.7	1.7
Revolving and management funds	1.7	2.9	5.4	4.1	3.7	5.3	6.3	5.9	6.2
Total	102.8	94.2	79.6	73.0	68.9	72.1	71.6	71.8	70.8

BUDGET EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961
<i>Major national security:</i>								
Department of Defense—Military:								
Military functions: ¹								
Purchase of aircraft, missiles, ships, and other military equipment.....						14,410	13,943	13,602
Regular, reserve, and retired military personnel.....						11,801	11,959	12,146
Operation and maintenance of equipment and facilities.....						10,384	10,137	10,321
Research, development, test, and evaluation of military equipment.....						2,859	3,680	3,917
Military construction and other.....						1,779	1,226	1,009
Subtotal, military functions.....	40,336	35,532	35,791	38,439	39,062	41,233	40,945	40,995
Mutual security program—military assistance.....	3,629	2,292	2,611	2,352	2,187	2,340	1,800	1,750
Atomic energy.....	1,895	1,857	1,651	1,990	2,268	2,541	2,675	2,689
Stockpiling and defense production.....	1,045	944	588	490	625	312	230	134
Total, major national security.....	46,904	40,626	40,641	43,270	44,142	46,426	45,650	45,568
<i>Interest:</i>								
Interest on the public debt:								
Marketable obligations.....	3,101	3,127	3,659	4,103	4,582	4,621	6,300	6,500
Savings bonds.....	1,667	1,656	1,635	1,582	1,526	1,528	1,600	1,600
Special issues.....	1,128	1,115	1,138	1,241	1,223	1,197	1,200	1,200
Other nonmarketable issues.....	487	473	354	319	275	246	200	200
Interest on refunds and uninvested funds.....	88	67	60	63	82	79	85	85
Total, interest.....	6,470	6,438	6,846	7,308	7,689	7,671	9,385	9,585
<i>International affairs and finance:</i>								
Mutual security program—economic:								
Defense support.....	967	1,463	1,184	1,143	874	881	740	730
Development Loan Fund.....					2	66	175	300
Technical cooperation and other programs.....	286	464	406	456	551	577	635	670
Other economic assistance.....	257	34	22	84	482	1,879	164	124
Conduct of foreign affairs.....	130	121	120	157	173	237	210	250
Foreign information and exchange activities.....	91	100	111	133	149	139	141	169
Total, international affairs and finance.....	1,732	2,181	1,843	1,973	2,231	3,780	2,066	2,242
<i>Commerce and housing:</i>								
Aviation.....	186	179	180	219	315	494	627	750
Space exploration and flight technology.....	90	74	71	76	89	145	325	600
Water transportation.....	370	349	420	365	392	436	537	559
Housing and community development.....	-506	211	54	49	357	1,291	590	430
Promotion and regulation of business.....	-285	-366	-42	104	164	197	207	242
Postal service.....	312	356	463	518	674	774	604	249
Civil defense and other ²	650	704	884	126	118	83	110	80
Total, commerce and housing.....	817	1,504	2,030	1,455	2,109	3,421	3,002	2,709

¹ Breakdown not available on a comparable basis prior to 1959.

² Net after proposed postal rate increases.

³ From 1954-56, includes Federal-aid highway expenditures; since 1957, these expenditures have been made through a trust fund.

BUDGET EXPENDITURES BY FUNCTION—Continued

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961
<i>Agriculture and agricultural resources:</i>								
Farm price support and related programs.....	1,689	3,486	3,900	3,430	3,151	5,126	3,499	3,950
Agricultural land and water resources.....	252	290	305	374	448	547	740	765
Rural electrification and rural telephone loans.....	217	204	217	267	297	315	334	355
Farm ownership and operation loans.....	256	236	231	227	239	250	241	229
Research and other agricultural services.....	142	173	215	227	255	291	298	325
Total, agriculture and agricultural resources.....	2,557	4,388	4,867	4,525	4,389	6,529	5,113	5,623
<i>Natural resources:</i>								
Land and water resources.....	1,056	935	803	925	1,138	1,183	1,288	1,440
Forests.....	117	119	139	163	174	201	223	222
National parks.....	33	35	44	59	69	86	87	87
Fish and wildlife.....	38	43	45	51	60	68	70	71
Minerals.....	37	37	38	62	59	71	66	64
General resource surveys and other.....	35	34	35	38	43	60	53	53
Total, natural resources.....	1,316	1,202	1,105	1,297	1,544	1,669	1,785	1,938
<i>Labor and welfare:</i>								
Public assistance (payments to States to aid needy persons).....	1,439	1,428	1,457	1,558	1,797	1,969	2,056	2,087
Public health.....	290	275	351	469	546	704	850	904
Education.....	274	325	281	292	319	468	549	565
Labor and manpower services.....	277	328	475	400	458	844	415	435
Science, research, libraries, and museums.....	33	53	56	71	72	119	221	220
School lunch, vocational rehabilitation, and other.....	172	164	200	233	255	318	350	358
Total, labor and welfare.....	2,485	2,575	2,821	3,022	3,447	4,421	4,441	4,569
<i>Veterans services and benefits:</i>								
Compensation.....	1,731	1,830	1,864	1,875	2,024	2,070	2,071	2,066
Pensions, burial and other allowances.....	751	851	934	995	1,080	1,205	1,336	1,774
Hospitals and medical care.....	782	727	788	801	856	921	966	990
Readjustment benefits—education and training.....	546	664	767	774	699	574	445	316
Readjustment benefits—loan guarantee and other.....	158	150	123	126	168	177	123	124
Insurance and indemnities.....	100	57	105	47	43	35	36	31
Other services and administration.....	188	178	176	175	156	193	180	169
Total, veterans services and benefits.....	4,256	4,457	4,756	4,793	5,026	5,174	5,157	5,471
<i>General government:</i>								
Financial management.....	449	431	475	476	502	566	560	591
Property and records management.....	155	164	164	194	239	291	384	432
Central personnel costs.....	93	115	334	627	140	205	198	251
FBI, alien control, and related programs.....	160	157	188	187	199	216	218	229
Legislative and judicial functions.....	78	91	115	130	132	149	170	199
District of Columbia, territories, and possessions.....	53	67	72	77	75	89	96	126
Weather Bureau and other.....	247	174	281	98	69	88	85	84
Total, general government.....	1,235	1,199	1,630	1,790	1,359	1,606	1,711	1,911
<i>Allowance for contingencies</i>							75	200
Total budget expenditures	67,772	64,570	66,540	69,433	71,936	80,697	78,383	79,816

BUDGET TOTALS AND PUBLIC DEBT

[In millions of dollars]

Fiscal year	Budget receipts	Budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year	Fiscal year	Budget receipts	Budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year
1789-1849...	1,160	1,090	+70	63	1930.....	4,058	3,320	+738	16,185
1850-1899...	13,895	14,932	-1,037	1,437	1931.....	3,116	3,577	-462	16,801
1900.....	567	521	+46	1,263	1932.....	1,924	4,659	-2,735	19,487
1901.....	588	525	+63	1,222	1933.....	2,021	4,623	-2,602	22,539
1902.....	562	485	+77	1,178	1934.....	3,064	6,694	-3,630	27,053
1903.....	562	517	+45	1,159	1935.....	3,730	6,521	-2,791	28,701
1904.....	541	584	-43	1,136	1936.....	4,069	8,493	-4,425	33,779
1905.....	544	567	-23	1,132	1937.....	4,979	7,756	-2,777	36,425
1906.....	595	570	+25	1,143	1938.....	5,615	6,792	-1,177	37,165
1907.....	666	579	+87	1,147	1939.....	4,996	8,858	-3,862	40,440
1908.....	602	659	-57	1,178	1940.....	5,144	9,062	-3,918	42,968
1909.....	604	694	-89	1,148	1941.....	7,103	13,262	-6,159	48,961
1910.....	676	694	-18	1,147	1942.....	12,555	34,046	-21,490	72,422
1911.....	702	691	+11	1,154	1943.....	21,987	79,407	-57,420	136,696
1912.....	693	690	+3	1,194	1944.....	43,635	95,059	-51,423	201,003
1913.....	714	715	-(1)	1,193	1945.....	44,475	98,416	-53,941	258,682
1914.....	725	725	-(1)	1,188	1946.....	39,771	60,448	-20,676	269,422
1915.....	683	746	-63	1,191	1947.....	39,786	39,032	+754	258,286
1916.....	762	713	+48	1,225	1948.....	41,488	33,069	+8,419	252,292
1917.....	1,100	1,954	-853	2,976	1949.....	37,696	39,507	-1,811	252,770
1918.....	3,630	12,662	-9,032	12,455	1950.....	36,495	39,617	-3,122	257,357
1919.....	5,085	18,448	-13,363	25,485	1951.....	47,568	44,058	+3,510	255,222
1920.....	6,649	6,357	+291	24,299	1952.....	61,391	65,408	-4,017	259,105
1921.....	5,567	5,058	+509	23,977	1953.....	64,825	74,274	-9,449	266,071
1922.....	4,021	3,285	+736	22,963	1954.....	64,655	67,772	-3,117	271,260
1923.....	3,849	3,137	+713	22,350	1955.....	60,390	64,570	-4,180	274,374
1924.....	3,853	2,890	+963	21,251	1956.....	68,165	66,540	+1,626	272,751
1925.....	3,598	2,881	+717	20,516	1957.....	71,029	69,433	+1,596	270,527
1926.....	3,753	2,888	+865	19,643	1958.....	69,117	71,936	-2,819	276,343
1927.....	3,992	2,837	+1,155	18,512	1959.....	68,270	80,697	-12,427	284,706
1928.....	3,872	2,933	+939	17,604	1960 est.....	78,600	78,383	+217	284,500
1929.....	3,861	3,127	+734	16,931	1961 est.....	84,000	79,816	+4,184	280,000

¹ Less than one-half million dollars.

NOTES.—Refunds of receipts are excluded from budget receipts and budget expenditures starting in 1913; comparable data are not available for prior years.

The change in the public debt from year to year is not necessarily the same as the budget surplus or deficit, as explained on page 52.

Part 4 Federal Budget Procedures and Terminology

Part 4 of this booklet summarizes Federal budget procedures and concepts—for example, the relationship of expenditures to the new obligational authority proposed in the budget or actually provided by the Congress.

It also defines certain key budget terms in order to aid understanding of the other parts of this booklet.



Federal Budget Procedures and Terminology

Each January the President presents to the Congress a budget representing his judgment as to the kind and size of Government programs required to meet our national needs during the coming fiscal year (which runs from July 1 to the following June 30, and is designated by the year in which it ends).

The budget contains estimates of the expenditures to be made to carry out these programs and the revenues to be collected. By the time the fiscal year ends, nearly 18 months after the budget is presented, many figures will inevitably have changed. International and domestic conditions may vary from the assumptions on which the budget was made. The President may amend some of his proposals as circumstances change, and the Congress may modify the President's requests or add new proposals of its own. All these factors affect the budget results for the year.

The basis for budget control: New obligational authority.—Since no Federal funds can be spent without specific authority from the Congress, the budget presents the President's recommendations as to the amounts of budget authorizations (new obligational authority) necessary to carry out the planned programs. The Congress then considers and acts on these requests for new obligational authority.

New obligational authority is composed of three kinds of authorizations to incur obligations for the payment of money. **Appropria-**

tions are the most common form of new obligational authority; they authorize the agencies not only to order goods and services but also to draw funds from the Treasury and make expenditures to pay for the goods and services when delivered. Occasionally agencies are given **contract authorizations** which allow them to contract for the delivery of goods and services but not to make expenditures to pay for them. An appropriation must later be enacted by the Congress before money may actually be spent to pay the bills incurred under a contract authorization. Under the third form of new obligational authority, **authorizations to expend from debt receipts**, agencies may be authorized to borrow money (usually through the Treasury) and to spend it.

In most cases, new obligational authority becomes available only as the Congress votes it each year. In some cases, however, the Congress has voted permanent authority under which additional sums become available annually without further congressional action. The chief example is the permanent appropriation to pay interest on the public debt.

Obligations.—Obligations are commitments made to pay out money. They include current commitments for salaries and benefit payments, the approval of loan agreements, and the entering into of contracts for equipment or construction. They are charged

Five Steps in Spending

THE PRESIDENT proposes a budget

THE CONGRESS appropriates (new authority to incur obligations)

FEDERAL AGENCIES make contracts and incur other financial obligations

SUPPLIERS produce goods and services, people apply for benefits

THE TREASURY collects taxes and pays the bills

against the obligational authority granted by the Congress and precede expenditures.

Budget expenditures.—Budget expenditures generally consist of checks issued and cash payments made from budget accounts for any purpose except retirement of debt. Funds held in trust are not part of the budget accounts and disbursements of such funds are thus not budget expenditures. Budget expenditures ordinarily are on a net basis in that the receipts of Government agencies (such as the Post Office) which carry on business-type operations with the public are deducted from the disbursements of such agencies to arrive at the amount included in the budget totals. When receipts exceed disbursements, the result is shown as a negative expenditure.

Although budget expenditures are normally reported as such when

the payment is made, a major exception is interest on the public debt, which is reported as an expenditure when the interest becomes due rather than when it is paid.

Relationship between new obligational authority and expenditures.—Not all of the obligational authority enacted for a fiscal year is spent in the same year. Appropriations to pay salaries or pensions are usually spent almost entirely in the year for which they are enacted. On the other hand, appropriations to buy guided missiles or to construct an airfield may not be fully spent for two or three or more years because of the time required to prepare designs, arrange contracts, complete production or construction, and finally pay the bills.

Therefore, when the Congress changes the new obligational authority requested by the President

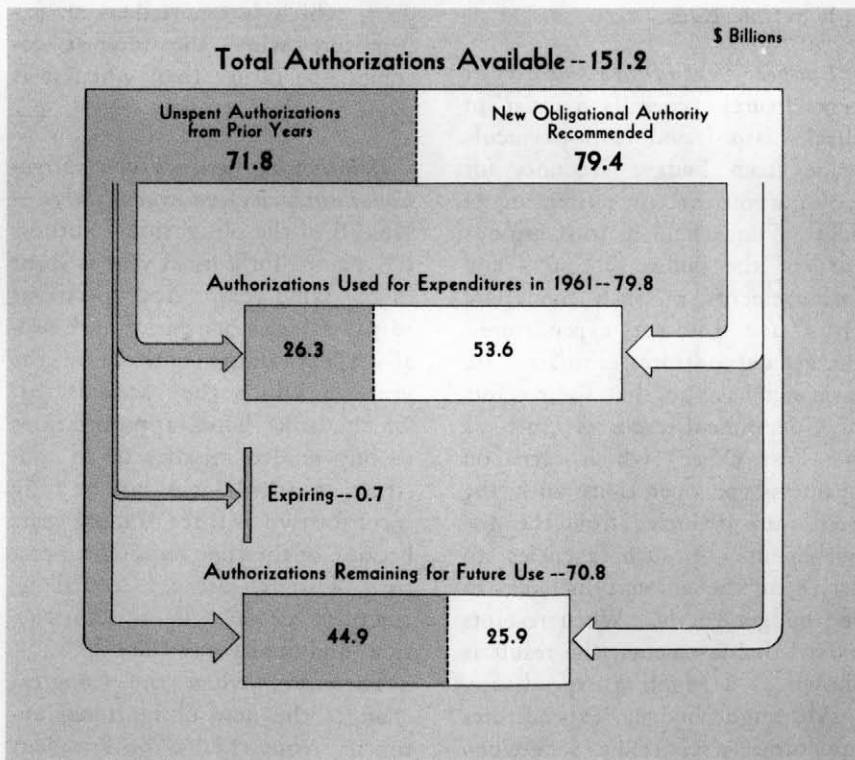
for a given year, it does not necessarily change the budget expenditures of that year by the amount of the increase or decrease. Such a change may spread its total effect on expenditures over a period of several years. The relationship between new obligational authority and expenditures estimated for the coming fiscal year is illustrated in the accompanying chart.

Unexpended balances.—The amounts of enacted obligational authority that have not yet been spent and are still available for expenditure at the end of a fiscal year are called unexpended balances. These balances do not represent cash on hand, but only

authority to draw on the Treasury in order to pay bills. Most of the unexpended balances are obligated; that is, the amounts are committed to pay bills which will come due upon the completion of contracts already signed, or bills for services or goods recently received.

For many agencies, any authority which is not obligated by the time the year closes is no longer available; that is, the authority for obligating expires. In some cases, such as programs for construction of public works, the unobligated part of the unexpended balances continues available from year to year because the Congress has made the appropriation available until expended. In a few cases, such as the authori-

1961 Expenditures Related to Authorizations by Congress



zation for the Treasury to lend money to the Federal Deposit Insurance Corporation, the balances carried forward represent standby authority for possible emergencies—authority which the Government does not anticipate having to use in the foreseeable future.

Budget receipts.—Budget receipts represent amounts received by the Treasury from taxes and customs (less refunds of overpayments) and from miscellaneous sources such as collections on certain loans, rents, fines, fees, and sales. Budget receipts exclude funds received in trust and money obtained from borrowing.

The Congress establishes tax rates and customs duties and sets forth policies which govern the collection of other receipts. The largest source of budget receipts is income taxes paid by individuals and corporations. Excise taxes also yield substantial revenues.

Budget surplus or deficit.—The budget surplus or deficit is determined by the difference between budget expenditures and budget receipts. A budget surplus results when budget receipts exceed budget expenditures; a budget deficit results when budget expenditures exceed budget receipts. The term "balanced budget" is commonly used to describe a budget with receipts equal to, or in excess of, expenditures. The surplus and deficit are always determined without taking account of borrowing or the repayment of borrowing.

A budget surplus is usually used to retire part of the Government's

debt. A budget deficit is normally financed by borrowing.

Trust funds.—A substantial amount of money is collected by the Federal Government each year which, by law, is not available for general purposes of government but must be held in trust for later payment to individuals or to State and local governments. Such payments must be made only for the purposes specified in the law. These trust funds are not included in budget receipts and expenditures, and their transactions do not affect the budget surplus or deficit.

The largest trust funds are those for social security and retirement purposes, and for Federal-aid highways. The social security and retirement trust funds are financed mainly from payroll taxes paid by employers and employees; payments from these funds are primarily for benefits to the unemployed, the retired, the disabled, or the survivors of insured persons. Receipts of the highway trust fund come almost entirely from excise taxes paid by highway users; expenditures of the fund are primarily grants to States to assist in building the Federal-aid highway systems.

The portion of tax collections of the major trust funds not immediately needed for expenditure is invested in securities of the Federal Government and earns interest.

Receipts from and payments to the public.—Since trust fund and certain other transactions are not included in the budget totals, a consolidation of these and budget accounts is necessary to show the

flow of money between the Government and the public. Receipts from and payments to the public provide one measure of the impact of all Government activities on the economy.

In the consolidation, receipts paid into trust funds are added to budget receipts, and trust fund expenditures to budget expenditures. In addition, the net expenditures of five Government-sponsored enterprises are included in the total of payments to the public. These are the Federal Deposit Insurance Corporation, the Federal home loan banks, the Federal land banks, the banks for cooperatives, and the Federal intermediate credit banks.

Financial transactions within the Government as a whole, which are recorded as expenditures in one account and receipts in another, are eliminated in this consolidation since they involve no flow of cash between the Government and the public. Certain other transactions which are recorded as budget receipts or expenditures but do not involve a cash flow are also eliminated. For example, the interest due but not yet paid on savings bonds is counted as a budget expenditure, but it is included in payments to the public only when the cash is paid.

Federal public debt.—Money which has been borrowed by the Treasury and not yet repaid is called the public debt. Most borrowing is from the public, but the Treasury also borrows from the larger trust funds which have authority to invest in Government securities.

A few Government enterprises borrow directly from the public. These borrowings are not part of the public debt. Certain of these securities are guaranteed by the Government; others are not.

A debt limit, established by statute, controls all but a minor part of the public debt and all of the Government-guaranteed debt of Government enterprises. It is a control over the total debt that can be outstanding at any one time.

The principal factor which determines the amount by which the public debt increases or decreases from year to year is the budget surplus or deficit. However, other factors may also affect the debt: the drawing down or building up of the Government's cash on hand and its bank balances (together with the change in checks outstanding and deposits in transit), and the use of corporate debt and investment transactions by the Government's public enterprise funds.

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