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1962

FEDERAL
BUDGET
in Brief

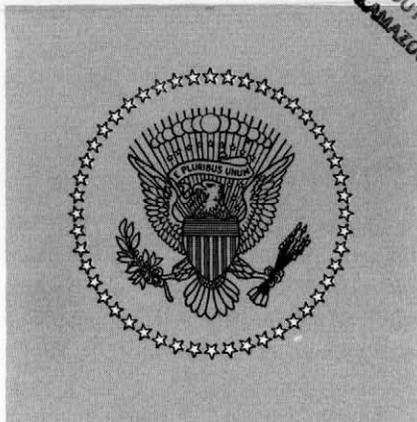
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The Federal Budget in Brief for the fiscal year 1962

Over the past 8 years, we have sought to keep the role of the Federal Government within its proper sphere, resisting the ever-present pressures to initiate or expand activities which could be more appropriately carried out by others. At the same time, the record of this administration has been one of action to help meet the urgent and real needs of a growing population and a changing economy.

By applying the test of necessity rather than desirability to the expenditures of government, we have made significant progress in both public and private affairs during the past 8 years. And it is significant that requirements have been met while holding budget expenditures to a lesser proportion of the national income than in 1953.

The 1962 budget has been designed to promote further advancement for all of our people on a sound and secure basis. In that spirit, I commend it to the consideration of the next administration and the Congress.

DWIGHT D. EISENHOWER.

JANUARY 16, 1961.

Introduction

The budget of the U.S. Government affects all Americans. It is an annual financial plan, in which the President sets forth his proposals for meeting our national objectives and indicates 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 1962 budget, which President Eisenhower sent to the Congress on January 16, 1961, presents his financial plan for the year which runs from July 1, 1961, to June 30, 1962. A new President will be responsible for the administration of the Government in that year, and will assume office before the Congress has acted on this budget. However, under the law, the annual budget in a year of Presidential change is transmitted to the Congress by the President who is leaving office.

This budget was prepared with the same painstaking care and deliberation as the seven preceding budgets which President Eisenhower has presented. In the next few months the national issues which are reflected in it 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.

Maurice H. Stans

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.

1962 Budget Briefs

Part 1. The President's Budget Message..... 7

The President proposes a budget surplus of \$1.5 billion to help extend economic growth without inflation at home and to strengthen confidence in the dollar abroad. This surplus will permit a modest reduction in the public debt. Estimated budget receipts of \$82.3 billion assume an expanding economy and continuance of present excise taxes and corporation income tax rates. Estimated expenditures

of \$80.9 billion reflect higher outlays for defense, foreign aid, research and development, and various activities important to domestic welfare and economic growth; these increases are partly offset by proposed reductions in certain other programs. The budget constitutes a progressive and workable financial plan for meeting all essential needs and priorities while maintaining fiscal integrity.

Part 2. Budget Information by Function..... 23

Major National Security—\$47.4 billion..... 24

Improvements in our defenses and in the military strength of other free world nations are the main cause of a \$1,462 million increase

over 1961. These Defense Department programs account for 94% of the total; most of the rest is for atomic energy programs.

International Affairs and Finance—\$2.7 billion..... 27

Over three-fourths of this total is for economic and financial assistance abroad. More loans to less-developed nations and expanded aid to Latin America and Africa are the

primary reasons for a \$401 million increase over 1961. Other outlays are for the conduct of foreign affairs and foreign information and exchange activities.

Commerce, Housing, and Space Technology—\$3.4 billion.. 29

Space and aviation programs account for over half of this total. Other outlays are for water transportation, housing and community development, aid to business, and civil defense. Most programs will

increase, but the total is \$413 million below 1961, mainly because postal rate increases of \$843 million are proposed to pay the cost of the postal service.

Agriculture and Agricultural Resources—\$5.1 billion..... 32

Of this total, over 65% will be for farm price support and related programs, which account for most of the \$165 million increase over

1961. The other outlays are mainly for conservation of agricultural resources; rural electrification, telephone, and farm loans; and research.

Natural Resources—\$2.1 billion..... 34

About two-thirds of these expenditures are for development of land and water resources; over 35 new projects will be started. The remaining one-third of these ex-

penditures is mainly for national parks and forests, and fish, wildlife, and mineral resource programs. The total is \$187 million above 1961.

Labor and Welfare—\$4.8 billion..... 36

About three-fourths of these expenditures for welfare, health, labor, education, and certain science activities consist of grants to States

and localities. The estimated increase of \$276 million over 1961 is primarily for medical research and medical care for the aged.

Veterans Services and Benefits—\$5.3 billion..... 39

Over 38% of this total is for compensation for service-connected deaths and disabilities, 33% is for pensions for non-service-connected deaths and disabilities, and 20% is for veterans hospitals and medi-

cal care. Increases for pensions and medical care more than offset declines in readjustment benefits, insurance, and administrative costs, causing an increase of \$69 million over 1961.

Interest—\$8.6 billion..... 41

Because of lower interest rates, this total, which is almost entirely

for interest on the public debt, is \$400 million below 1961.

General Government—\$2.1 billion..... 42

These expenditures are primarily for central administrative costs of Government and construction of Government buildings. Strength-

ened tax law enforcement and increased construction of buildings are mainly responsible for an increase of \$89 million over 1961.

Part 3. Supplementary and Historical Information..... 45

Trust fund collections and expenditures, primarily for social security and highways, are estimated at \$25.2 billion in 1962. Consolidating these with the

budget, total receipts from and payments to the public are estimated at \$103.1 billion and \$101.8 billion, respectively.

The Tax Dollar

Where it comes from . . .



- 55¢** Individual Income Taxes
- 25¢** Corporation Income Taxes
- 12¢** Excise Taxes
- 8¢** All Other Receipts

Where it goes . . .

- 57¢** Major National Security
- 11¢** Interest
- 6¢** Veterans
- 6¢** Agriculture
- 18¢** Other
- 2¢** Debt Retirement

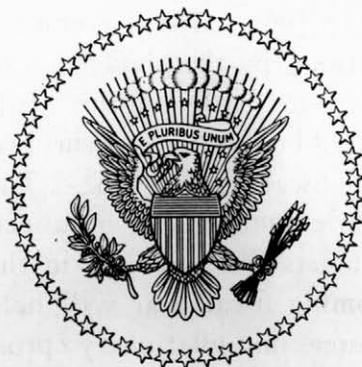


Fiscal Year 1962 Estimate

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 1962. 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 1962 Budget Message

To the Congress of the United States:

For the fiscal year 1962 I send you budget and legislative proposals which will meet the essential domestic needs of the Nation, provide for the national defense, and at the same time preserve the integrity and strength of our Federal Government's finances.

With this budget, I leave to the new administration and the Congress a progressive and workable financial plan which recognizes national priorities and which reflects my confidence in the strength of our economy now and in the years to come.

A budget surplus was achieved in the fiscal year which ended on June 30, 1960. A narrowly balanced budget is anticipated for fiscal year 1961. The recommendations in this budget provide for still another balanced budget, with a surplus, in fiscal year 1962. The achievement of balanced budgets this year and in the coming fiscal year will help foster noninflationary prosperity at home and strengthen

confidence in the dollar abroad.

Despite the persistence of hardship in some local areas, economic activity continues at a high level. It is imperative for the extension of economic growth at a high and sustainable rate that the budget be kept balanced and that we act responsibly in financial matters.

For 1962 the budget estimates reflect expected gains in the national economy and provide for carrying programs forward in an efficient and orderly manner. The estimates also reflect, as in previous years, the budgetary effects of proposed changes in legislation, including the cost of certain new programs. Most of the legislative proposals have been previously recommended. I again urge their enactment.

In total and in its parts, this budget embodies a sensible and forward-looking plan of action for the Government. In brief, it provides for:

1. Increasing our own military capabilities and promot-

BUDGET TOTALS

[Fiscal years. In billions]

	<i>1960 actual</i>	<i>1961 estimate</i>	<i>1962 estimate</i>
Budget receipts	\$77.8	\$79.0	\$82.3
Budget expenditures	76.5	78.9	80.9
Budget surplus (available for debt retirement)	1.2	.1	1.5
New obligational authority	79.6	82.1	80.9
Public debt at end of year	286.3	284.9	283.4

NOTE.—Receipts and expenditures are on a new basis, which eliminates interfund transactions amounting to \$0.7 billion for each of the 3 years shown.

ing increased strength in other free world forces;

2. Advancing activities important to economic growth and domestic welfare;

3. Continuing assistance to the less-developed nations of the world whose peoples are striving to improve their standards of living;

4. Increasing support for scientific activities in outer space;

5. Achieving savings by

making desirable modifications in existing programs and by charging users the costs of special benefits received by them; and

6. Continuing present tax rates to maintain the revenues needed for a sound fiscal plan.

The policies and proposals in this budget will enable us to meet fully our national and international responsibilities and to promote real and sustainable national progress.

GENERAL BUDGET POLICY

This budget, like each of the seven which I have previously sent to the Congress, reflects the conviction that

military strength and domestic advancement must be based on a sound economy, and that fiscal integrity is

essential to the responsible conduct of governmental affairs. A surplus in good times, as provided in this budget, helps make up the deficits which inevitably occur during periods of recession. To ignore these principles is to undermine our strength as a Nation through deficits, unmanageable debt, and the resulting inflation and cheapening of our currency.

An 8-year effort has been made by this administration to stabilize the purchasing power of the dollar. This effort, which was a necessary undertaking in view of the heavy depreciation of the dollar's purchasing power following World War II, has had a large measure of success, but the problem of maintaining reasonable price stability will require close and continuing attention in the future.

Our national economy is strong and our national welfare continues to advance. Despite a leveling out in economic activity during the latter part of the calendar year just ended, the total market value of all goods and services produced in our country in the calendar year 1960 increased by approximately

\$20 billion over the preceding year and crossed the half-trillion-dollar mark for the first time in our history. Personal incomes increased more than 5% over 1959, the previous record high. The Economic Report will describe the trends which indicate that further substantial increases can be expected during the calendar year 1961, carrying the gross national product and personal incomes to new highs.

The budgetary outlook for the future reinforces the need for self-discipline in meeting current national demands. Over the next 10 years and beyond, we will be faced with the consequences of many commitments under present laws for nondefense expenditures, in addition to the heavy military burden we must continue to bear.

We can confidently expect that a growing economy will help pay for these commitments. As the labor force grows and employment expands, as business discovers new techniques of production and invests in a larger and more efficient productive base, the national output and income will grow, and with them our ability to finance

HIGHLIGHTS OF LEGISLATIVE PROGRAM

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

AUTHORIZE:

1. Financial aid to encourage local school construction.
2. Financial assistance for construction of college facilities.
3. Grants for construction of medical and dental schools.
4. Loans and grants to assist areas with chronic unemployment.
5. Acquisition of three undeveloped seashore areas for public use.
6. Additional Federal judgeships.

PROVIDE:

7. Federal policy on immunity from taxation and payments in lieu of taxes.
8. Home rule for District of Columbia.
9. Permanent Reorganization Act authority for President.
10. Increased postal rates.
11. Additional measures to enforce and protect civil rights.
12. Item veto for appropriation bills.

BROADEN:

13. Coverage of unemployment compensation system.
14. Coverage of Fair Labor Standards Act and adjust minimum wage.
15. Medical aid for aged through voluntary Federal-State programs.

REVISE AND IMPROVE:

16. Hospital construction grant program.
17. Welfare and Pension Plan Disclosure Act.
18. Immigration and nationality laws.
19. Antitrust laws.

ELIMINATE:

20. Reservation with respect to jurisdiction of World Court.

needed public services. But our resources will not be unlimited. New and expanded Federal programs being urged by special groups are fre-

quently appealing, but, added to existing commitments, they threaten to swell expenditures beyond the available resources.

The Federal Government cannot reasonably satisfy all demands at the same time. We must proceed first to meet those which are most pressing, and find economies to help pay their costs by re-appraising old programs in the light of emerging priorities. We must encourage States and localities to increase further their participation in programs for meeting the needs of their citizens. And we must preserve and strengthen the environment in which individual initiative and responsibility can make their maximum contribution.

Our unsatisfactory balance of international payments provides another compelling reason for pursuing sound financial policies. The relationship between our budgetary actions and the balance of payments needs to be carefully examined to assure a minimum adverse effect. Whether the dollar will continue to enjoy high prestige and confidence in the international financial community will depend on the containment of inflation at home and on the exercise of wise restraint and selectivity in our expenditures abroad.

The need for concern about our spending abroad is not strange or surprising. It results from the recovery, profoundly desired and deliberately encouraged by our country, of the major centers of production in Western Europe and Japan following the devastation and disruption caused by war. To reflect this developing state of affairs, changes are now required in some policies established in earlier years. Therefore, I have prescribed certain actions in international transactions under direct governmental control and others are under study. Such measures, combined with proper financial prudence in the handling of domestic affairs and strong export promotion, should significantly improve our balance of payments.

In summary, if we plan wisely and allocate our resources carefully, we can have both public and private advancement. Sound fiscal policies and balanced budgets will sustain sound economic growth and, eventually, will make possible a reduced tax burden. At the same time, we can have necessary improvements in Federal programs to meet the demands

**LEGISLATIVE PROPOSALS TO ADAPT PROGRAMS TO
CURRENT CONDITIONS**

**ENCOURAGE MORE PRIVATE FINANCING FOR CREDIT
PROGRAMS:**

1. Veterans housing loans.
2. Rental and military housing mortgages.
3. Rural electrification and telephone loans.
4. Ship mortgages.

INCREASE NON-FEDERAL PARTICIPATION IN PROGRAMS FOR:

5. Urban renewal.
6. Local flood protection.
7. School aid in federally affected areas.
8. Civil airport construction.
9. Farm disaster relief.

REVISE OPERATING REQUIREMENTS AND BENEFITS:

10. Agricultural price support program and conservation reserve program.
11. Agricultural conservation program.
12. Military service credits for railroad retirement and old-age and survivors insurance.
13. Airline subsidies.
14. Housing aids for World War II veterans.
15. Army National Guard.
16. Strategic materials inventories.

INCREASE RESERVES OF:

17. Federal Savings and Loan Insurance Corporation.

AUTHORIZE SALE OF PROPERTY:

18. Alaska communications systems.

of an ever-changing world. If, however, we deliberately run the Government by credit cards, improvidently spending today at the expense of tomorrow, we will break

faith with the American people and their children, and with those joined with us in freedom throughout the world.

BUDGET TOTALS—1961

Current estimates indicate a close balance in the 1961 budget. On the newly adopted basis of excluding interfund transactions, expenditures are estimated at \$78.9 billion and receipts at \$79.0 billion, resulting in a budget surplus of \$0.1 billion.

The revenue estimate reflects a justifiably optimistic view as to the course of our economy, based on circumstances described in my Economic Report.

Last January, I proposed a budget for 1961 that showed a surplus of \$4.2 billion. The enactment by the Congress of unrecommended expenditures and the unwillingness of the Congress to increase postal rates reduced this prospect by approximately \$2 billion. In the meantime, lower corporate profits have materially reduced our expectation of tax collections from this source.

The small surplus of \$79 million currently estimated for 1961 takes into account an assumption that postal rates will be increased not later than April 1, 1961.

Despite the congressional increases in the budget last

year, the present estimate of \$78.9 billion for 1961 expenditures is about \$900 million less than the figure of \$79.8 billion which appeared in the budget a year ago. The apparent reduction results from (1) the elimination, as announced in last year's budget, of certain interfund transactions totaling \$0.7 billion from the current estimate of expenditures and (2) the shift of employment security grants of \$0.3 billion to trust fund financing as provided by law. As explained elsewhere in this budget, these changes affect receipts as well as expenditures and do not affect the surplus.

Apart from these accounting adjustments, the increases and decreases from last year's estimate of 1961 expenditures are approximately offsetting.

Major increases from the original budget include \$766 million for Federal employee pay raises; \$554 million in losses of the postal service because rates were not increased as proposed; \$269 million for defense programs; \$188 million for health, education, and welfare activities;

and \$164 million for civil space activities.

Major decreases from the original estimates include \$600 million for interest on the public debt; \$496 million for the activities of the Commodity Credit Corporation; \$311 million for veterans compensation, pensions, and readjustment benefits; \$93 million for the Export-Im-

port Bank; and \$50 million for military assistance. In addition, a reduction of \$160 million is estimated under the proposal to reduce the postal deficit in 1961 by increasing postal rates effective April 1. Other reductions, including a normal downward revision in the allowance for contingencies, total \$210 million.

BUDGET TOTALS—1962

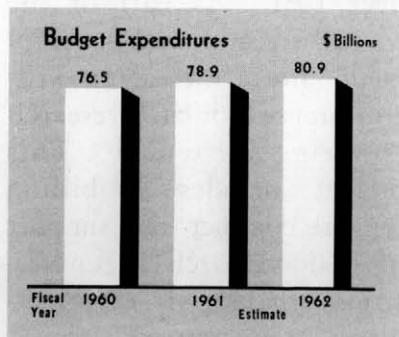
For the fiscal year 1962, my recommendations provide for \$82.3 billion in budget receipts and \$80.9 billion in budget expenditures. The resulting budgetary surplus of \$1.5 billion will permit another modest payment on the public debt.

The estimate of receipts in 1962 is \$3.3 billion higher than the current estimate for 1961, and \$4.6 billion more than the receipts actually collected in 1960. Expenditures are also increasing, from a total of \$76.5 billion in 1960 to \$78.9 billion currently estimated for 1961 and \$80.9 billion proposed for 1962.

Budget expenditures.—The increase of \$1.9 billion in estimated expenditures between 1961 and 1962 reflects

several factors which are worthy of special note.

First, outlays for our Nation's defenses are estimated to rise by \$1.4 billion in 1962 to a total of \$42.9 billion. Much of this increase reflects continued emphasis on certain expanding defense programs, such as Polaris submarines, the Minuteman missile, the B-70 long-range bomber, a strengthened airborne alert capability, airlift modernization, and moderni-



zation of Army equipment. These improvements are for the purpose of keeping our military might the strongest in the world.

Second, the budget provides for substantial continuing efforts to support the cause of freedom through the mutual security program. Expenditures for this program in 1962 are estimated at \$3.6 billion, an increase of \$250 million over 1961.

Third, civil space vehicles and space exploration will require \$965 million in 1962, up \$195 million from 1961, and \$564 million more than in 1960. In total, the recommendations in this budget provide for \$9.4 billion in expenditures in 1962 for carrying forward research and development efforts, of which \$7.4 billion is for major national security purposes. The total represents an increase of \$770 million over 1961. As part of the overall research and development effort, increasing Federal support for basic research is being provided. This budget includes \$1 billion for the conduct and support of basic research in universities, industrial establishments, Government labora-

tories, and other centers of research.

Fourth, increases in expenditures are proposed for certain activities important to domestic well-being and to the future development of our Nation. These include, among others, broadening medical care for the aged; making major improvements in transportation programs; continuing development of our natural resources at a new record level of expenditures; improving our health and welfare programs; providing assistance for construction of elementary and secondary schools and college facilities; assisting areas of substantial and persistent unemployment; and fostering rural development. Expenditures in 1962 for labor, education, health, welfare, community development, transportation aids and services, and conservation of natural resources are estimated to total \$8.6 billion, an increase of \$627 million over 1961.

To some extent these recommended budget increases are offset by proposed reductions which can be effected in existing programs through improved operations and through changes in present

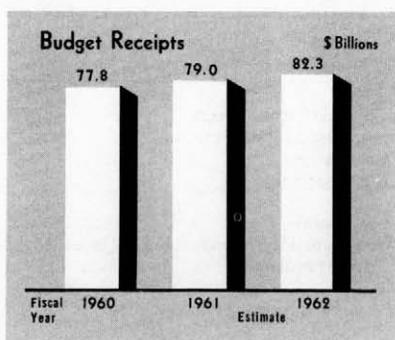
laws. These reductions result from a continuous search for ways to restrain unnecessary expenditures in going activities, to recognize real priorities of need, and to assure that Federal programs are carried out in an efficient manner.

Savings are proposed and can be achieved through modification of activities which, in their existing form, require a disproportionate or wasteful expenditure of Federal funds. For example, States, localities, and other non-Federal interests should assume a greater share of the costs of urban renewal, local flood protection, and the building and operating of schools in federally affected areas. The Congress should act on proposals to encourage non-governmental financing, and reduce reliance on direct Federal financing, in such activities as home loans for veterans and for military personnel, and the expansion of rural electrification and telephone systems. Certain grants and benefits should also be reviewed and revised, including those for agricultural conservation, civil airport construction, airline sub-

sidies, housing aids no longer needed for readjustment of World War II veterans, and agricultural price supports, particularly for wheat.

Budget receipts.—Estimated budget receipts of \$82.3 billion in 1962 are based on an outlook for higher production, employment, and income as the calendar year 1961 progresses.

Extension of present tax rates.—It is necessary to extend for another year the present tax rates on corporation income and the excise taxes which are scheduled for reduction or termination on July 1, 1961. The excise tax rates scheduled for reduction include those on distilled spirits, beer, wines, cigarettes, passenger automobiles, automobile parts and accessories, and transportation of persons; the 10% tax on general telephone service is scheduled to expire. Unless



these tax rates are extended, the Federal Government will lose an estimated \$2.6 billion in revenues in 1962, and \$3.7 billion on a full annual basis.

Changes in fees and charges.— In the conduct of certain of its activities, the Government provides special services, sells products, and leases federally owned resources, which convey to the recipients benefits above and beyond those which accrue to the public at large. In fairness to the general taxpayer, the cost of these services or the fair market value of the products and resources which are transferred to private use should be recovered, wherever feasible, through adequate fees and charges. To this end, the Congress was requested last year to provide increased fees and charges for a number of special benefits.

With the one exception of fees for noncompetitive oil and gas leases no final action was taken. The Congress is again requested to raise postal rates to eliminate the postal deficit and to act favorably on the proposals for increased highway and aviation fuel taxes and for a number of other fees or charges.

The present highway fuel tax rate should be increased by one-half cent per gallon and the resulting rate of 4½ cents should be continued through 1972. This step is necessary to permit timely completion of the Interstate System. It will also make possible the repeal of the unwise diversion from the general fund to the trust fund of excise tax receipts amounting to 5% of the manufacturers' price of passenger automobiles and automobile parts

BUDGET RECEIPTS

[Fiscal years. In billions]

Source	1960 actual	1961 estimate	1962 estimate
Individual income taxes	\$40.7	\$43.3	\$45.5
Corporation income taxes	21.5	20.4	20.9
Excise taxes	9.1	9.3	9.7
All other receipts	7.1	6.7	6.9
Total	78.5	79.7	83.0
Deduct interfund transactions (included in both receipts and expenditures)7	.7	.7
Budget receipts	77.8	79.0	82.3

Budget Receipts:

LEGISLATIVE PROPOSALS

1. Extend corporate and excise tax rates scheduled for reduction or termination June 30, 1961.
2. Establish adequate fees and charges for special services or benefits.
3. Raise highway fuel tax to 4½ cents per gallon and repeal the pending diversion of excise taxes from general fund.
4. Tax aviation fuels at 4½ cents per gallon and credit the receipts to general fund.
5. Provide equitable taxation of cooperatives.
6. Revise tax on gains from sale of depreciable personal property.

and accessories; this diversion is presently scheduled by law to begin July 1, 1961, and to continue for the fiscal years 1962 through 1964. The Congress should also raise the excise tax rate on aviation gasoline from 2 to 4½ cents per gallon; impose the same excise tax rate on jet fuels, now untaxed; and retain the receipts from these taxes in the general fund to help pay the cost of the Federal airways system.

Public debt.—Achievement of the proposed budget surplus for 1962 will enable the Federal Government to make another modest reduction in the public debt. It is estimated that the public debt, which stood at \$286.3 billion

on June 30, 1960, will decline to \$284.9 billion by the end of fiscal year 1961 and to \$283.4 billion on June 30, 1962.

If the Congress accepts the proposals in this budget, and the proposed budget surplus for fiscal year 1962 is achieved, at the end of that year the Government will have some operating leeway within the permanent debt limit of \$285 billion. Due to the seasonal pattern of tax collections, however, it will again be necessary for the Congress to provide a temporary increase in the debt limit during 1962. The present temporary debt limit of \$293 billion expires June 30, 1961.

The Congress is again urged to remove the 4¼% statutory limitation on new issues of Treasury bonds, which remains a serious obstacle to efficient long-run management of the public debt. The marketable debt is still too heavily concentrated in securities of relatively short maturity, with almost 80% of the total coming due within 5 years. Although interest rates have declined in recent months, the continued existence of

the interest rate ceiling limits the flexibility of debt operations by the Treasury. It effectively prevents the Treasury under certain circumstances from lengthening the debt by offering longer term securities or exchanges at maturity and, more importantly, it reduces considerably the possible use of the advance refunding technique, which offers the greatest promise for lengthening the average maturity of the debt.

IMPROVEMENTS IN THE TAX SYSTEM

There is a continuing need for a reappraisal of the tax system to assure that it operates equitably and with a minimum of repressive effects on incentives to work, save, and invest. Continued close cooperation between the Treasury and the committees of the Congress is necessary to formulate sound and attainable proposals for the long-range improvement of the tax laws.

However, as the development of a comprehensive tax revision program will take time, the Congress should consider promptly this year certain changes in the tax

laws to correct inequities. For example, it is again recommended that the Congress promptly consider amending the laws on taxation of co-operatives to provide for more equitable taxation by insuring that taxes are paid on the income of these businesses either by the cooperative or by its members.

It has been many years since certain of the tax laws which now apply to the Nation's various private lending institutions and to fire and casualty insurance companies became effective. The Congress should review these statutes and the tax burdens

Public Debt:

LEGISLATIVE PROPOSALS

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

now carried by lending institutions and insurance companies to determine whether or not inequities exist and to remedy any inequitable situations which may be found. The Treasury Department has under way studies relating to the operation of the existing statutes in this area. These studies should be of assistance to the Congress in any such review.

There is a need for review of present depreciation allowances and procedures. More liberal and flexible depreciation can make a major contribution toward neutralizing the deterrent effects of high tax rates on investment. A better system of capital recovery allowances would provide benefits to those who invest in productive plant and equipment and would encourage business expenditures for modernization and greater efficiency, thus helping to foster long-range eco-

nomie growth. By bringing the allowances for American business more nearly into line with those available to many foreign producers, improved depreciation procedures would not only strengthen the competitive position of American producers, but their benefits would also accrue to American workers through increased productivity and greater job opportunity.

The depreciation rules should not be substantially liberalized, however, without accompanying remedial legislation with respect to the taxation of gains from sale of depreciable property. The legislation recommended last year to treat income on disposition of depreciable property as ordinary income to the extent of the depreciation deductions previously taken on the property is an essential first step.

1962 Expenditures by Function



Total \$80.9 Billion

47.4	Major National Security
8.6	Interest
5.3	Veterans
5.1	Agriculture
4.8	Labor and Welfare
3.4	Commerce, Housing, and Space
2.7	International
2.1	Natural Resources
2.1	General Government
.1	Allowance for Contingencies
-.7	Agency Payments to Treasury

Part 2 Budget Information by Function

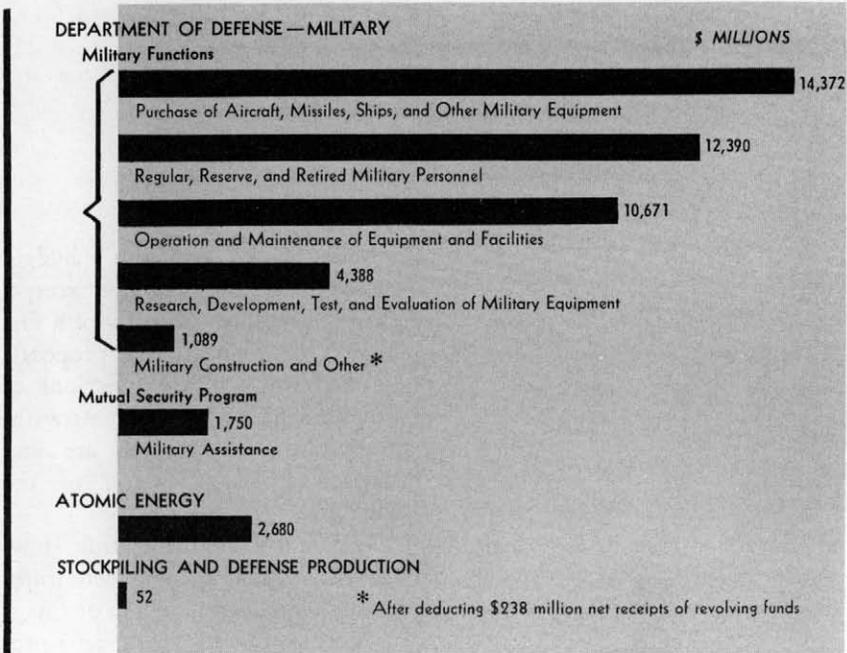
Most of the President's budget message following the excerpts already presented consists of a discussion of policies and proposals for each of 9 major functions of Government. The programs within each of these functions are summarized in this section of the booklet.

The charts in this section show the 1962 estimates of expenditures for these programs. Data on budget expenditures for these same programs since 1955 can be found on pages 52 and 53.



Major National Security

1962 budget expenditures \$47,392 million



The budget proposals for major national security programs provide for an increasingly strong defense posture. They are based on the conviction that while we strive to eliminate the fear of war among nations, we must maintain our military strength to deter any potential aggressor and to retaliate quickly and decisively in case of attack. Expenditures are expected to increase by \$1,462 million over 1961, mainly because of evolutionary growth in defense programs.

Department of Defense, military functions.—Estimated expenditures of \$42.9 billion reflect the continued policy of adapting the defense establishment to expected long-run requirements. Emphasis is continuing shift from manned

bombers to missiles, from guns to missiles on surface ships, and from conventional to nuclear power for submarines. Modern multipurpose military units are being prepared for all forms of military action, from limited emergencies to a general war.

The active forces to be supported in 1962 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 84 combat wings.

Purchase of equipment.—Planned procurement of aircraft in 1962 includes a substantial number of supersonic Navy fighters and attack aircraft, F-105 supersonic all-weather fighter bombers, turbo-prop transports, jet tankers, and

jet trainers. Work on the four main strategic missile systems—Atlas, Titan, Minuteman, and Polaris—is programed at a high level, and purchase of a wide variety of other missiles for the air defense, sea control, and tactical ground forces is planned.

The 1962 shipbuilding program includes 5 Polaris ballistic missile submarines, 3 nuclear-powered attack submarines, 7 guided missile frigates, and 15 other new ships. Modernization of 14 World War II-type destroyers, 6 conventional submarines, and 2 other ships is also planned. Substantial numbers of tanks, tactical vehicles, and new types of rifles and machineguns will be procured. Additional electronic equipment will be delivered for the communications and control networks of the warning systems.

Military personnel.—The budget provides for a strength of 2,492,900 in the active forces on June 30, 1962, the same as planned for June 30, 1961. Expenditures for these forces are expected to increase in 1962, however, reflecting higher longevity payments, increased separation costs resulting from an anticipated larger turnover, and a small increase in the grade structure. A greater number of retired military personnel, and proposed raises in retired pay rates, will also require greater expenditures. These increases will be partially offset by a proposed 10% reduction in Army Reserve and National Guard strength.

Operation and maintenance.—Increased expenditures are estimated for operation and maintenance of military facilities because of the complexity of new weapons; full

operation of the new electronic warning, control, and communications systems; and increased readiness measures, such as added Army field training exercises, additional ship deployments, and accelerated training for the Strategic Air Command's standby airborne alert capability.

Research and development.—An important part of estimated expenditures in this category is for military space and satellite development, including continued work on satellites for navigation, early warning, reconnaissance, and communications. Ranking in size with space activities are the programs for development of missiles. These include devices to enable ballistic missiles to penetrate enemy defenses, the Nike-Zeus antimissile missile, a longer range Polaris, and a variety of tactical missiles. Other projects include vertical takeoff aircraft, antisubmarine warfare, and electronic controls for weapons systems.

Military construction.—Construction of the basic air defense installations and bases for the dispersal of the Strategic Air Command approaches completion. Accelerated construction of missile bases and development facilities is planned.

Military assistance.—These expenditures help strengthen the forces of more than 40 nations by providing training and materiel for essential maintenance and modernization.

Some of the Western European countries have now assumed full financial responsibility for equipping their own military forces and

it is anticipated that others who are able will do so. Assistance planned for our allies in Western Europe in 1962 is concentrated on selected new weapons and the training for their use. The expanding scope and cost of vital military programs borne by the United States emphasizes the need for greater sharing of the burden of the common defense.

In other nations which are faced with serious threats of internal subversion or external aggression, aid is planned to be concentrated largely on the strengthening of conventional forces.

Atomic energy.—The 1962 program includes increased expenditures for producing nuclear weapons and continued development of weapons at a high rate. It is planned to purchase smaller amounts of uranium concentrates. Military reactor programs for 1962 include projects to improve naval reactor fuels, to develop small nuclear powerplants for remote bases, and to develop nuclear engines for ramjet missiles and manned aircraft.

In the civilian atomic power development program, the number of Government-owned experimental power reactors in operation is expected to increase by 5 to a total

of 10, and the number of power reactors operating in utility systems from 3 to 10. Additional funds are proposed to continue the cooperative atomic power development program with public and private power groups. Development work will also continue on thermonuclear power and on nuclear-powered rockets and power supplies in support of the civilian space program.

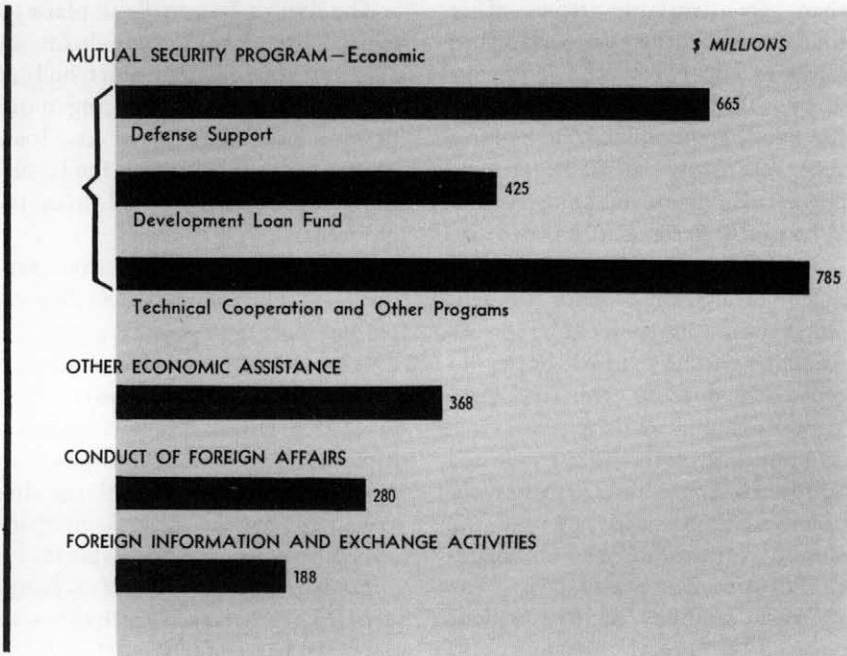
Stockpiling and defense production.—Most of the objectives for the strategic stockpile are completed and no new programs to expand defense production are in prospect. Expenditures in this category continue to decrease as outstanding contracts for delivery of strategic materials are completed or terminated.

[In millions]

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate.....	\$47,392	\$46,278
1961 estimate.....	45,930	45,912
1960.....	45,627	44,761
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

International Affairs and Finance

1962 budget expenditures \$2,712 million



In its efforts to promote the economic growth and common defense of the non-Communist world, the United States is placing increasing emphasis on economic assistance to less-developed countries. Greater loan disbursements by the Development Loan Fund, increased aid to Latin America and Africa, and the second payment on the U.S. subscription to the Inter-American Development Bank are primarily responsible for an estimated rise of \$401 million in expenditures for international programs in 1962.

Mutual security program, economic.—The 1962 program has been determined with consideration for our present balance of payments

position. Primary emphasis in the use of aid funds will be given to the purchase of U.S. goods and services; such procurement of foreign goods as may continue will be largely confined to less-developed countries, which tend to use earnings to increase their imports.

Defense support.—The United States helps less-developed countries to maintain political and economic stability and to prevent the cost of necessary defensive forces from unduly hindering economic development. This aid consists mainly of raw materials, machinery, and semi-finished industrial products.

Development Loan Fund.—The Development Loan Fund provides investment 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. Of the projects financed by the Fund, about three-fourths have been for roads, railroads, electric power, manufacturing industry, and industrial development banks.

Technical cooperation and other programs.—American experts are sent abroad and foreign technicians are brought to the United States in order to develop the technical knowledge and skills necessary for economic growth. The United States also contributes to the technical assistance programs of the United Nations and the Organization of American States.

Other mutual security funds cover (1) special assistance to promote economic and political stability in various countries not covered by other aid programs; (2) assistance to refugees and escapees, the U.S. contribution to the United Nations Children's Fund, and the Atoms for Peace program; and (3) a provision for contingencies.

Other economic assistance.—In 1962, the United States will pay the second installments on our subscriptions to both the International Development Association and the Inter-American Development Bank. The Association is affiliated with the International Bank for Reconstruction and Development. The Inter-American Bank, along with its other lending activities, will administer loans under the newly au-

thorized Inter-American Social and Economic Cooperation Program for housing, education, and agricultural projects in Latin America.

The Export-Import Bank plans to expand its development loans in 1962 without incurring net budget expenditures by encouraging more private participation in its loan programs and by using funds obtained from interest and loan repayments.

Other expenditures in this category are for commodities shipped abroad for emergency relief and development.

Conduct of foreign affairs.—The State Department plans to increase diplomatic and consular posts in Africa from 36 to 49, enlarge disarmament activities, and intensify efforts to increase U.S. exports.

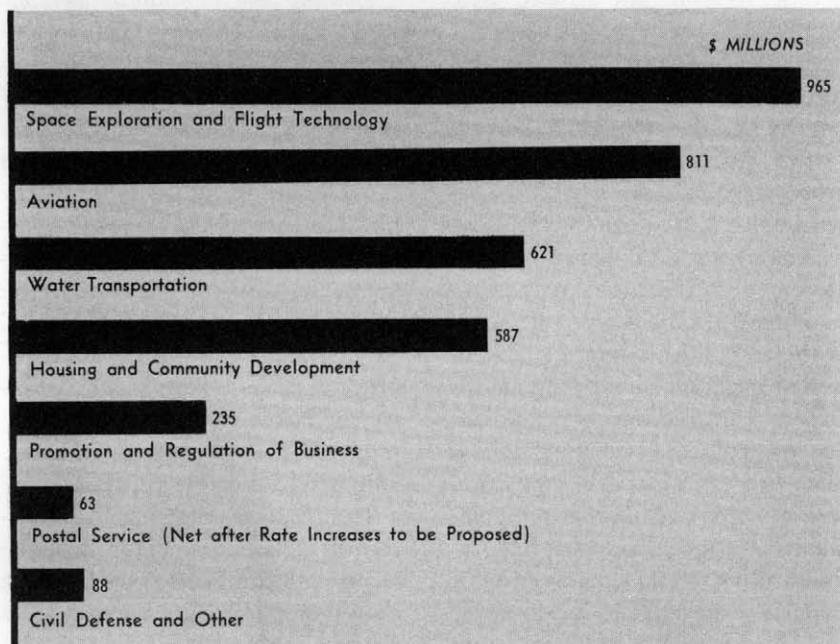
Foreign information and exchange activities.—Increased exchanges of persons, particularly with Africa, and expanded trade fair exhibits and cultural presentations are planned. The United States Information Agency plans to enlarge its efforts in Africa and Latin America and expand Voice of America facilities.

[In millions]

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate	\$2, 712	\$3, 102
1961 estimate.	2, 310	3, 207
1960	1, 833	2, 672
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

Commerce, Housing, and Space Technology

1962 budget expenditures \$3,371 million



Increasing outer space activities, greater workloads and past commitments for construction and expansion will continue to require increases for most of the commerce, housing, and space technology programs. However, total expenditures for these programs are expected to decrease in 1962 by \$413 million, primarily because legislation to increase postal rates by \$843 million is proposed to eliminate the postal deficit.

Space exploration and flight technology.—The 1962 civil space activities include development of larger space vehicles and new types of propulsion and equipment, development of earth satellites with

practical applications for communications and meteorology, and space exploration to acquire new knowledge of the universe. Research on improved aircraft and missiles will also continue, mainly in support of military programs.

Steady progress has been made in the development of new vehicles which will be able to launch heavier weights into space than any vehicle now known to exist. Satellites have been launched which improve radio communications and observe cloud formations; 1962 plans include more advanced weather satellites and, in cooperation with private concerns, improved communications satellites. The

space exploration program for 1962 includes additional earth satellites and deep space probes. Testing of the Mercury system is continuing in order to assure safe manned space flight.

Aviation.—In 1962, the Federal Aviation Agency plans to continue improving the national airways system for accommodation of a growing volume of air traffic with maximum safety and efficiency. Increased taxes on aviation fuels are urged so that users will begin to assume a more reasonable share of the costs of this system. Extension of the grant-in-aid program for airport construction is proposed, but at a reduced level, in the view that after a reasonable transition period users and benefiting communities should assume full responsibility for the construction of airports. Subsidies to local service airlines and helicopter service continue to be excessive and actions are proposed to reduce dependence of these carriers on the Federal Government.

Water transportation.—Over half of the expenditures for the promotion of water transportation will be made by the Maritime Administration, which subsidizes the construction and operation of merchant ships. The Administration is also supporting a new research program aimed at making available the equipment needed to mechanize shipboard operations for greater economy. Most of the remaining expenditures will be made by the Coast Guard, which in 1962 will

operate additional loran stations, continue to modernize some facilities, and replace obsolete equipment.

Housing and community development.—The Government insures accounts of savings and loan associations, insures and purchases certain mortgages, makes direct loans for specified kinds of housing, and provides aid to localities for public housing and urban renewal. Increased expenditures for some programs in this category are offset by proposals to increase Federal Savings and Loan Insurance Corporation reserves. Permanent authority for major housing programs is proposed to assure continued availability without interruption.

The Federal Housing Administration expects to make commitments to insure mortgages for more than 900,000 housing units in 1962. Higher interest rate ceilings are proposed for rental and military housing mortgages, as well as for veterans housing loans, to encourage more private financing for these programs. Housing in urban renewal areas and for displaced and elderly families is aided through mortgage purchases by the Federal National Mortgage Association.

It is proposed to limit future veterans housing loans to veterans of the Korean conflict, since aid for World War II veterans is no longer justified on readjustment grounds and other housing programs are available to them. Continuation of the loan program for college housing through 1962 is proposed,

but a broader program to aid construction of college facilities is proposed to replace it in future years.

The urban renewal program is proposed to be extended with an increase in the local share of project costs from one-third to one-half to reflect more adequately the increases in tax revenues and other benefits to participating communities. At the start of 1962, an estimated 68 projects in 50 cities will be completed and another 887 under way or being planned. Increased urban planning grants are proposed to further a new procedure for joint use with Federal-aid highway research and planning funds in comprehensive metropolitan planning.

Under the public housing program, an estimated 522,000 federally aided units will be occupied and an additional 98,000 will be under construction or under contract at the end of 1962.

Promotion and regulation of business.—It is expected that the number of small business investment companies receiving financial assistance will increase from 109 at the end of 1960 to over 400 by the end of 1962. Other efforts of the Small Business Administration to assist small businesses include business loans, aid in obtaining Federal supply and research contracts, and aid to firms displaced by urban renewal projects and to firms in labor surplus areas.

Legislation is again proposed to authorize more effective aid to localities suffering from severe and chronic unemployment than can be provided under existing programs of the Department of Commerce

and other agencies. Increased emphasis is planned on programs to increase exports and encourage travel to the United States.

Expenditures of the agencies regulating business have been increasing in recent years because of the growth of the regulated industries, new laws, and the increased complexities of the problems involved.

Postal Service.—The \$63 million expenditure estimate represents the cost of postal services benefiting the public at large, and reflects the proposal to increase postal rates to raise additional revenue of \$843 million in 1962. Mechanized mail processing systems, in operation in 17 major postal facilities and soon to be installed in 48 others, will increase efficiency.

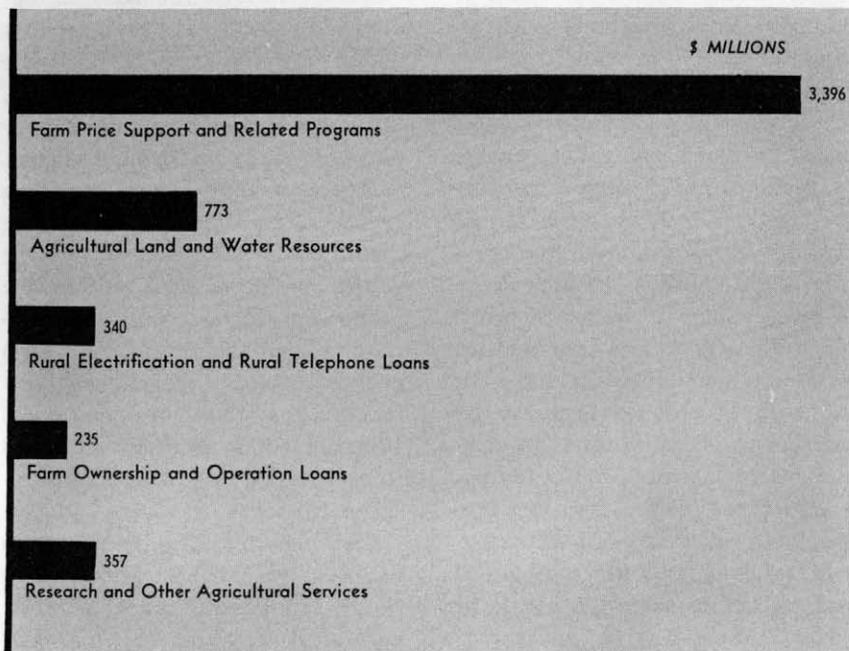
Civil defense.—The 1962 program includes increased medical stockpiling and Federal grants to State and local governments for civil defense personnel and administration. Increased funds are also included for radiological equipment and emergency health and manpower programs. Legislation is proposed to further expand programs to stimulate construction of fallout shelters.

[In millions]

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate.....	\$3, 371	\$3, 993
1961 estimate.....	3, 784	4, 612
1960.....	2, 782	3, 784
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

Agriculture and Agricultural Resources

1962 budget expenditures. \$5,101 million



Two-thirds of the total expenditures estimated for agriculture and agricultural resources in 1962 are for price supports and other programs to stabilize farm prices and farm income. The estimated increase of \$165 million over 1961 in total expenditures reflects primarily increases for these programs.

Farm price support and related programs.—The large expenditures for price support and related programs result from a volume of farm production that cannot be sold in the market at prices supported by the Government under existing law. Government stocks of most supported crops continue to

increase. By July 1, 1961, wheat stocks probably will amount to about 1.5 billion bushels, or 2½ times an average year's domestic consumption. Realistic price support legislation is requested, particularly for wheat, to encourage the production adjustments needed for a relaxation of Government controls over farm operations.

Under the Food for Peace program, surplus commodities are shipped to foreign countries to promote economic development and common defense and to provide emergency relief. Surplus foods are also donated to needy families and to institutions providing aid for the needy in the United States.

Agricultural land and water resources.—The conservation reserve program, under which farmers receive rental payments for retiring cropland from production, accounts for 47% of the expenditures in this category. Present unrealistically high price supports discourage farmers from retiring land. Therefore, extension of the program through 1964 and its expansion from the present 28.6 million acres to a maximum of 60 million acres is proposed only if satisfactory changes are made in wheat price support laws. To the extent that additions of land to the conservation reserve result in less production of price-supported commodities, the added expenditures resulting from extending and expanding the program will be accompanied by lower outlays for price supports.

Another 30% of these expenditures are for cost-sharing aid under the agricultural conservation program. This aid should be designed to foster less intensive uses of cropland. It should be eliminated for practices which increase capacity to produce commodities already in surplus supply, since it would directly conflict with the conservation reserve program.

Other programs to conserve agricultural resources include technical assistance, the Great Plains conservation program, and the watershed protection program.

Rural electrification and telephone loans.—Since 1935, when the Rural Electrification Administration was established to make loans to electric cooperatives, the number of farms with central station elec-

tric power has increased from 11% to 97% of the total. Now 80% of new power customers in the REA system are rural industrial, recreational, and other nonfarm users. It is proposed that legislation be developed under which future electric and telephone loans would be largely financed by a new borrower-owned institution rather than by the Government.

Farm ownership and operation loans.—Loans are made by the Farmers Home Administration to borrowers who are unable to obtain credit from other sources at interest rates currently prevailing in their communities, in order to finance farm ownership and enlargement, farm operations, and soil and water conservation. Direct loans are supplemented with private loans insured by the Federal Government.

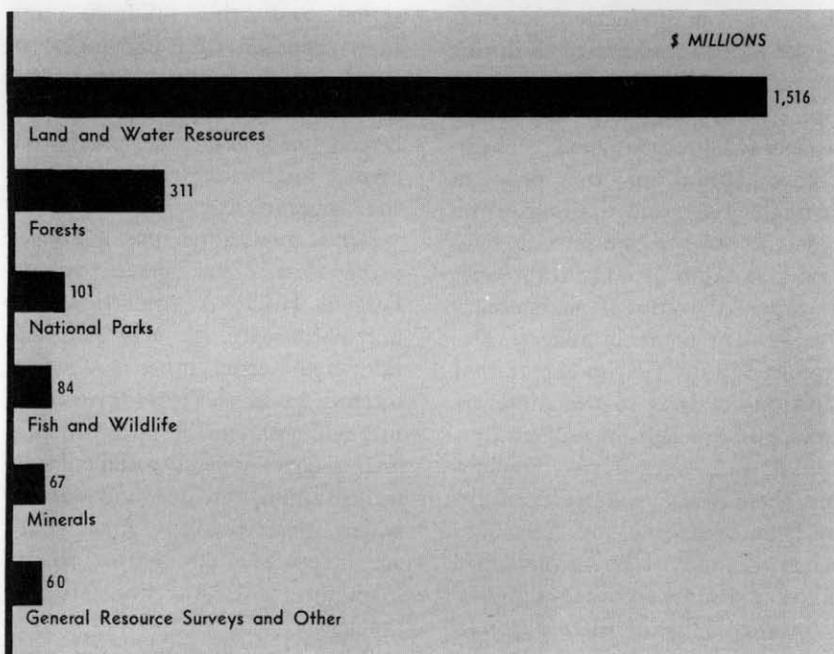
Research and other agricultural services.—In 1962, the rural development program will be further expanded as an aid in stimulating economic progress in low-income farming areas. Research programs are directed toward improved production and use of agricultural products.

[In millions]

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate	\$5, 101	\$4, 605
1961 estimate	4, 936	4, 696
1960	4, 838	5, 151
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

Natural Resources

1962 budget expenditures \$2,138 million



Expenditures in 1962 for natural resource programs are estimated to be \$187 million more than in 1961 and higher than in any previous year. Over half the increase in 1962 is for land and water resources development, with forest resources accounting for the next largest portion of the increase.

Land and water resources.—The development of land and water resources accounts for over two-thirds of estimated expenditures for natural resources. The major portion will be spent by the Corps of Engineers and the Bureau of Reclamation for the construction, operation, and maintenance of flood control, navigation, irrigation,

power, and related projects, many of them multipurpose. The 1962 budgets for these agencies provides for starting 37 new projects, as well as a number of smaller projects, with a total Federal cost of \$448 million. Uniform standards for non-Federal cost sharing in local flood protection projects are requested by the President. River basin planning commissions are also recommended.

Agreement has been reached with Canada on the terms for cooperative development of the water resources of the Columbia River Basin. Under the agreement, the United States would construct the Libby Dam in northern Montana. The

budget contains funds for the State Department to finance further work on the Amistad (Friendship) Dam on the Rio Grande as soon as technical plans are approved by the Governments of the United States and Mexico.

In 1962 the Department of the Interior will complete construction of two demonstration plants for converting sea and brackish water into fresh water and will start two new ones. The Tennessee Valley Authority plans to start construction of a new steam powerplant, and to continue construction of other power facilities financed by revenue bonds and power sales. It will also continue construction of navigation facilities financed by appropriated funds.

Other programs in this category include conservation and development of public domain and Indian lands by the Department of the Interior.

Forests.—The Forest Service administers the conservation and development of our national forests. The 1962 estimate includes increases for roads, recreational facilities, forestry research, and fire prevention, and a non-recurring payment for certain forest lands acquired from the Klamath Indians in accordance with law. A decline in firefighting costs, the highest on record in 1961, is expected to offset these increases in part.

National parks.—Expenditures by the National Park Service will provide for management and operation of the park areas and for construction of roads, parkways, and facil-

ities at visitor centers. Legislation is again requested to permit three undeveloped seashore areas to be added to the national park system.

Fish and wildlife.—The Fish and Wildlife Service will operate and maintain 371 fish hatcheries and wildlife refuges, including 3 recently established wildlife ranges in Alaska having important waterfowl breeding areas and wilderness areas of scenic beauty. Oceanographic and other research to aid commercial fisheries will increase.

Minerals.—The new helium conservation program, under which private industry will be encouraged to finance the recovery of helium for sale to the Department of the Interior, will be in its first full year in 1962. The Department also plans to step up research on problems confronting the coal industry.

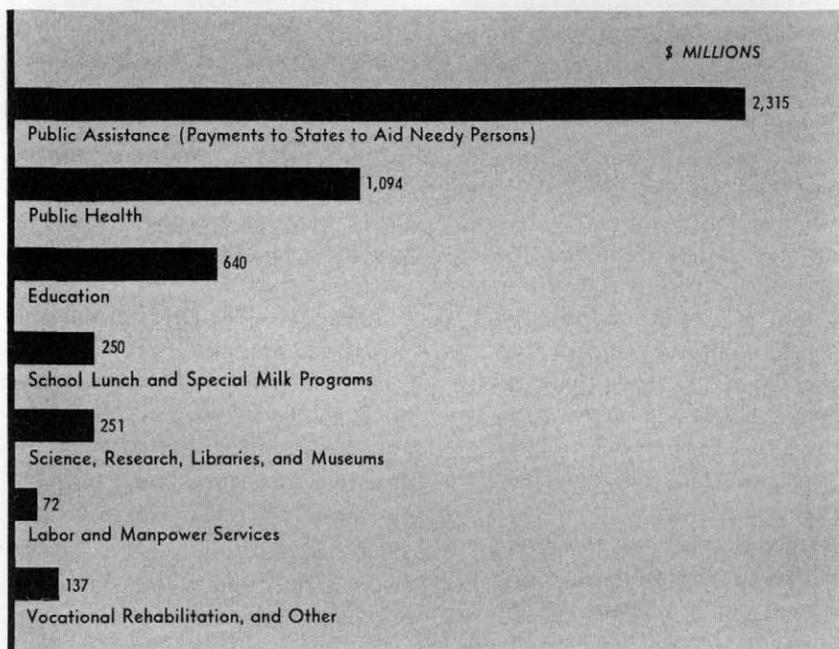
General resource surveys.—Increased participation with the States in topographic and geological mapping and water resources investigations will cause a rise in expenditures in 1962.

[In millions]

Fiscal year	Total budget expenditures	Total new obligatory authority
1962 estimate	\$2, 138	\$2, 012
1961 estimate	1, 951	2, 049
1960	1, 713	2, 533
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

Labor and Welfare

1962 budget expenditures \$4,759 million



Expenditures for labor and welfare programs in 1962 are expected to be \$276 million higher than in 1961, primarily because of increases for the promotion of public health and for medical care for the aged under public assistance. About three-fourths of the total will be for grants to States and localities.

Public assistance.—Federal grants in 1962 will finance about 58% of total Federal-State-local payments to an average of 6.3 million recipients in the four federally aided categories of public assistance—old-age assistance, aid to the blind, aid to dependent children, and aid to the totally and permanently

disabled—and in the program of medical care for the aged.

Total expenditures are expected to be higher than in 1961 as more States participate in the medical care program. Although it is estimated that a substantially increased number of persons will receive medical assistance in 1962, many of the aged will still not be able to obtain needed protection against catastrophic medical expenses. A broadening of the medical aid program is therefore proposed.

Public health.—Expenditures by the National Institutes of Health for medical research and training programs, including grants, are expected to be about half of the total

for promotion of public health. Grants are also made by the Public Health Service for (1) construction of community hospitals, (2) construction of waste treatment works, and (3) health research facilities. The Food and Drug Administration establishes and enforces standards of safety for food and drugs. Other expenditures are for programs directed toward community sanitation, radiological health, and air and water pollution control. Legislation is proposed to improve the hospital construction grant program and to start a program to assist in the construction of needed additional medical and dental school facilities.

Education.—Programs for the promotion of education in 1962 include increased outlays under the National Defense Education Act of 1958, which will be in its fourth and last year under current authorization. This program provides assistance to American education through loans and fellowships for college students; grants to States and other programs to improve the teaching of science, mathematics, and foreign languages and to improve high school counselling and guidance services; and grants to States to provide technical vocational training.

The National Science Foundation provides graduate fellowships in science and mathematics and conducts other programs to improve the teaching of science and to stimulate interest in scientific careers.

The President is again proposing temporary legislation to provide aid for financing the construction

of public elementary and secondary schools and facilities at institutions of higher education.

Federal grants are provided for school construction and operation in federally affected districts with children whose parents both work and live on Federal property. Similar programs for school districts where personnel employed on Federal property live on private, taxable property expire on June 30, 1961; extension of the program providing aid for operation is recommended on a modified basis, but only after the Congress assesses the effect on these districts of the proposed broad program of school construction aid.

School lunch and special milk programs.—It is expected that food and funds from the Department of Agriculture in 1962 will help provide lunches to as many as 14 million children a month in 64,000 schools. The special milk program, which encourages the consumption of milk in schools and other institutions devoted to the care and training of children, was started as a temporary aid to the dairy industry. A study is under way to determine the proper level of the program in the future.

Science, research, libraries, and museums.—The National Science Foundation's program of grants for basic research is the largest in this category. Other 1962 expenditures include those for the construction of new research facilities for the National Bureau of Standards and new museum space for the Smithsonian Institution, for completion of work on the Eighteenth

Decennial Census, and for certain other programs for gathering, processing, and disseminating statistics.

Labor and manpower services.—The manpower programs of the Department of Labor, the National Labor Relations Board, and other labor agencies help maintain an efficient labor market and a healthy national climate in labor-management relations. Estimated budget expenditures will be lower in 1962 than in past years because expenditures for the employment security programs are now made from the unemployment trust fund and also because a special advance made to the trust fund in 1961 will be repaid in 1962. The President is proposing expanded coverage and a moderate adjustment in the level of the minimum wage, extension of

unemployment compensation to additional workers, and strengthening of the Welfare and Pension Plan Disclosure Act.

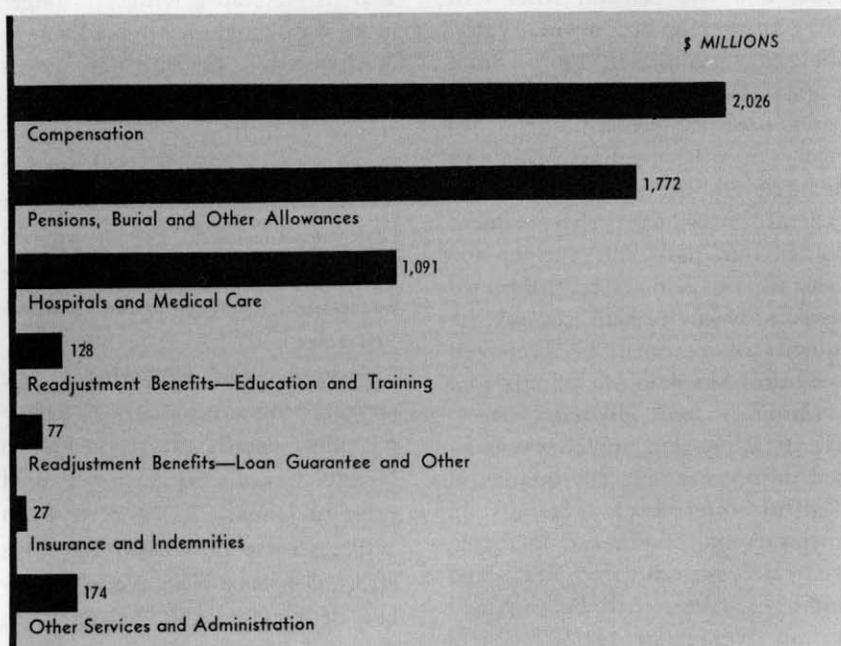
Vocational rehabilitation.—Federal grants to State agencies will help rehabilitate an estimated 103,000 persons in 1962, compared with 96,000 in 1961.

[In millions]

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate ..	\$4, 759	\$5, 025
1961 estimate	4, 483	4, 937
1960	4, 419	4, 574
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

Veterans Services and Benefits

1962 budget expenditures \$5,296 million



Budget expenditures for veterans programs are estimated to rise by \$69 million in 1962. Continued increases in pensions and in costs of medical care are expected to be largely offset by a decrease in readjustment benefits for veterans of the Korean conflict.

Under present laws, total expenditures for veterans programs will rise in future years, mainly because of recent liberalizations in pension laws and the advancing age of our veterans.

Compensation.—In 1962, about 2.4 million veterans and survivors of veterans will receive compensation payments for service-connected death or disability. Among the

recipients, the number of veterans of the Korean conflict, peacetime ex-servicemen, and their survivors will increase, but the number of veterans of World War I and II and their survivors will decrease by a greater number. As a result, total compensation benefits are expected to decline slightly.

Pensions, burial and other allowances.—Expenditures for pensions, which are payments for non-service-connected death or disability, account for 97% of the expenditures estimated in this category. Pension payments are estimated to increase in 1962 principally because World War I veterans and survivors of World War II veterans will con-

tinue to be added to the pension rolls. Approximately half of all World War I veterans over 65 will be receiving pensions by the end of 1962, and the pension rolls will carry an average of 2 million veterans and survivors in 1962. Since a great majority of veterans also participate in general social security or other welfare programs financed wholly or in part by the Federal Government, the President points out that any further expansion of non-service-connected benefits would create serious inequities of treatment between veterans and others in our population.

Hospitals and medical care.—The 1962 program includes continued improvement in the quality of medical care given veterans in hospitals and clinics and increased medical research. Hospital and domiciliary care will be provided for an average of 141,500 beneficiaries per day in Veterans Administration, contract, and State facilities. An estimated 3,622,000 visits for medical care will be made by veterans to outpatient clinics and to private physicians on a fee basis. A new 1,000-bed hospital is scheduled to be opened in 1962, and construction of two replacement hospitals with a total of 1,750 beds will begin under a 12-year hospital modernization program initiated in 1961.

Education and training.—The average number of Korean conflict veterans receiving education and training benefits is again expected to decline, from 170,000 in 1961 to 85,000 in 1962. The continued sharp decrease foreshadows the end of this readjustment program.

Loan guarantee and other.—The President requests that the special veterans home loan guarantee program be discontinued for World War II veterans, who no longer need this program to readjust to civilian life. In addition, he is recommending a program of vocational rehabilitation for peacetime ex-servicemen with substantial service-connected disabilities, but believes the extension of special educational or housing benefits to peacetime ex-servicemen is unjustified.

Insurance and indemnities.—The largest program in this category provides installment payments to beneficiaries of servicemen who died prior to January 1, 1957, while in active service or within 120 days after discharge. The average number of recipients is expected to decrease from 30,000 in 1961 to 27,000 in 1962 as final installments are paid.

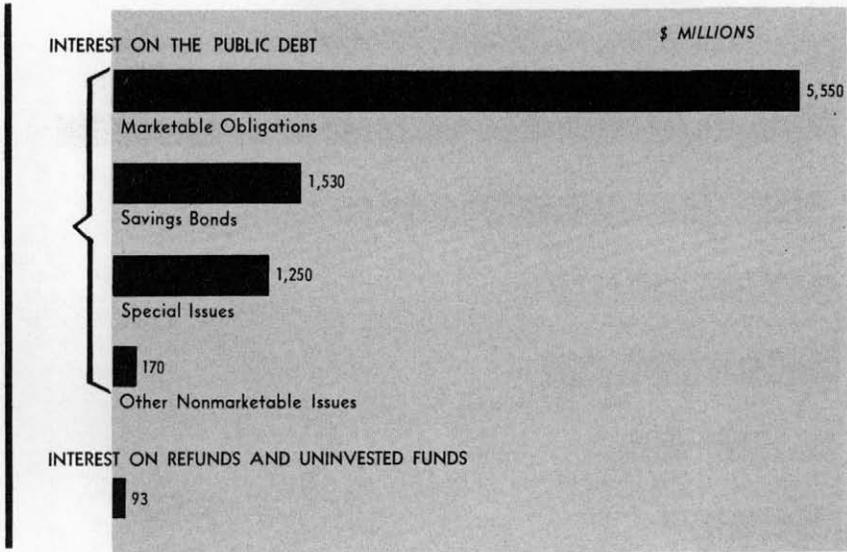
Administration.—The general operating expenses of the Veterans Administration are expected to decline slightly in 1962, largely as a result of declining workloads.

(In millions)

Fiscal year	Total budget expenditures	Total new obligational authority
1962 estimate.	\$5, 296	\$4, 963
1961 estimate	5, 227	5, 438
1960.	5, 060	5, 169
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

Interest

1962 budget expenditures \$8,593 million



Interest payments, of which \$8,500 million is for interest on the public debt, are estimated to decrease by \$400 million in 1962. Market rates of interest have been decreasing from the levels prevailing last year. This makes it possible for the Treasury to pay, on the average, lower interest on securities issued to refinance maturing obligations. The reduction in the public debt during the year, facilitated by the surplus in the budget in 1960 as well as currently, is also helping to

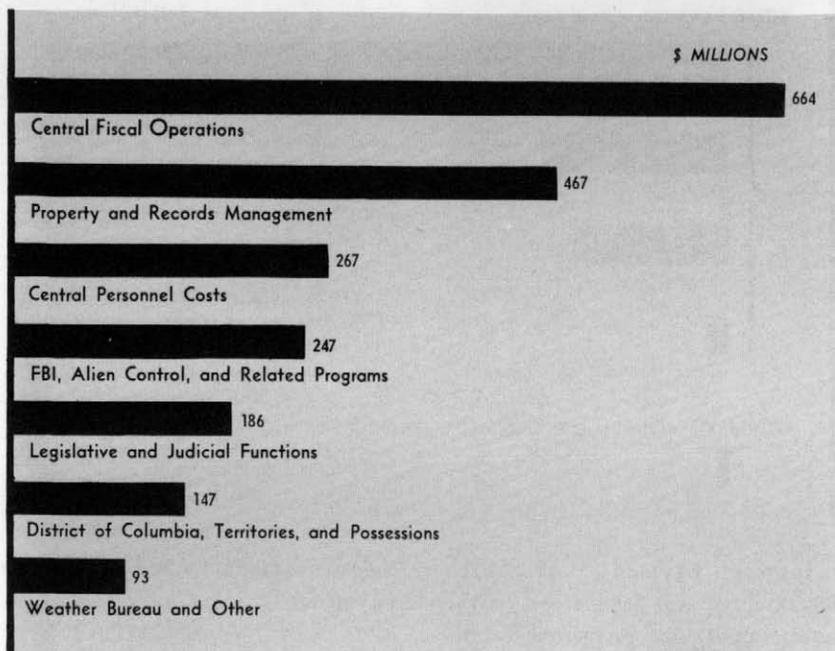
a lesser extent to reduce interest payments.

[In millions]

Fiscal year	Total budget expenditures
1962 estimate	\$8, 593
1961 estimate	8, 993
1960	9, 266
1959	7, 671
1958	7, 689
1957	7, 308
1956	6, 846
1955	6, 438

General Government

1962 budget expenditures \$2,071 million



Expenditures for general government activities are mainly for central administrative and construction costs not allocated among the other major expenditure categories. An increase of \$89 million in this category is expected in 1962, primarily for more construction of Government buildings and for strengthening the tax collection system.

Central fiscal operations.—Fiscal services are 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. In 1962 the Internal Revenue Service expects to handle 99 million tax returns. In-

creased expenditures are estimated for the second step in a program to provide more effective enforcement of our tax laws. Work will continue on installation of a new electronic system for processing tax returns which will make possible the collection of taxes at lower cost than would otherwise be the case.

Property and records management.—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. The acceleration of

construction of Federal office space, initiated in 1959 to remedy some serious deficiencies, will raise 1962 expenditures for new buildings to about 50% above the 1961 level. The President urges the Congress to provide future Presidents with modern and efficient office space.

Central personnel costs.—Expenditures in this category include unemployment compensation payments to former Federal employees and peacetime ex-servicemen, accident compensation, and special retirement payments. Estimates for 1962 include the first payment of the Government's share of a new program of health benefits for retired employees.

FBI, alien control, and related programs.—Staff increases are proposed for the Federal Bureau of Investigation and the Immigration and Naturalization Service to meet rising workloads. The President is again requesting legislation to strengthen civil rights programs and amendments to the immigration and nationality laws to increase substantially the number of eligible immigrants.

Legislative and judicial functions.—Expenditures in this category will decrease in 1962 as the new office building for the House of Representatives and the extension of the Capitol Building approach completion. The creation of additional Federal judgeships is again

proposed to relieve seriously congested conditions in the courts.

District of Columbia, territories, and possessions.—The Federal Government makes payments and capital loans to the District of Columbia in recognition of its unique situation as the Nation's Capital. In 1962 these payments and loans are expected to constitute 45% of the expenditures in this category. Other expenditures will be mainly for operating expenses and capital outlays of the Canal Zone Government, and for construction and administrative expenses in Puerto Rico, the Ryukyu Islands, and other areas.

Weather Bureau.—In 1962 the Weather Bureau plans to improve its services by providing for the establishment of processing facilities to permit the immediate use of worldwide cloud data received from satellites.

[In millions]

Fiscal year	Total budget expenditures	Total new obligatory authority
1962 estimate.	\$2, 071	\$2, 096
1961 estimate.	1, 982	2, 073
1960.	1, 695	1, 664
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

Expenditures and New Obligational Authority by Agency

[Fiscal year 1962 estimate. In millions]

Description	Gross expenditures	Receipts from operations ¹	Budget expenditures	New obligational authority
Legislative branch.....	\$147		\$147	\$124
The judiciary.....	56		56	56
Executive Office of the President.....	92		92	116
Funds appropriated to the President:				
Mutual security—economic.....	1,944	\$69	1,875	2,200
Other.....	133	58	75	13
Independent offices:				
Atomic Energy Commission.....	2,680		2,680	2,598
Export-Import Bank.....	699	703	-4	
Federal Aviation Agency.....	730		730	686
National Aeronautics and Space Administration.....	965		965	1,110
National Science Foundation.....	188		188	212
Small Business Administration.....	265	168	98	27
Tennessee Valley Authority.....	419	316	103	30
United States Information Agency.....	143	4	138	140
Veterans Administration.....	5,661	292	5,369	5,101
Other.....	408	259	149	347
General Services Administration.....	498	2	496	556
Housing and Home Finance Agency.....	2,518	1,790	728	948
Department of Agriculture.....	7,347	1,565	5,782	5,509
Department of Commerce.....	575	9	566	612
Department of Defense—Military:				
Military functions.....	42,977	67	42,910	41,840
Mutual security—military assistance.....	1,750		1,750	1,800
Department of Defense—Civil.....	1,102	119	984	972
Department of Health, Education, and Welfare.....	4,009	4	4,005	4,026
Department of the Interior.....	939	66	873	888
Department of Justice.....	294		294	297
Department of Labor.....	519	296	223	264
Post Office Department.....	4,568	4,505	63	63
Department of State.....	345		345	351
Treasury Department.....	9,692	4	9,688	9,719
District of Columbia.....	66		66	63
Allowance for contingencies.....	100		100	200
Total.....	91,829	10,297	81,532	80,867
Deduct interfund transactions (included in both receipts and expenditures).....			667	
Budget expenditures.....			80,865	

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 and expenditures are both estimated at \$25.2 billion in 1962. Transactions of these funds, which are not included in the budget totals, are described on page 59.

At the end of 1962, about 16.1 million persons will be receiving old-age and survivor benefits, and 1.1 million persons disability benefits. Expenditures of the old-age and survivors insurance and disability trust funds are expected to increase by \$1.1 billion in 1962 because of the more liberal standards and benefits authorized by the Congress in 1960 and the normal year-to-year growth of the program. Although the disability fund will continue to build up reserves, expenditures of the old-age and survivors insurance trust fund are expected to exceed receipts in 1961 and 1962. However, the increase from 3% to 3½% in the tax rate paid by both employers and employees, effective January 1, 1963, should enable the fund to resume building up reserves after 1962.

Expenditures of the unemployment trust fund are expected to be \$165 million greater than receipts in 1962, compared with an estimated excess of \$611 million of expenditures in 1961. Insured unemployment is expected to be lower than in 1961.

It is expected that 11,500 miles of the Interstate Highway System

will be opened to traffic by January 1962. The President is recommending an increase in the motor fuel tax to 4½¢ per gallon to permit completion of the Interstate System in 1973 to meet the traffic needs for which it is designed. He is also requesting the repeal of the diversion of excise taxes from the general fund to the trust fund enacted in 1959 for the period July 1, 1961, through June 30, 1964.

The civil service and foreign service retirement systems will pay monthly retirement, disability, or survivor benefits to an estimated 610,000 individuals at the end of 1962, which is 9% more than at the end of 1961.

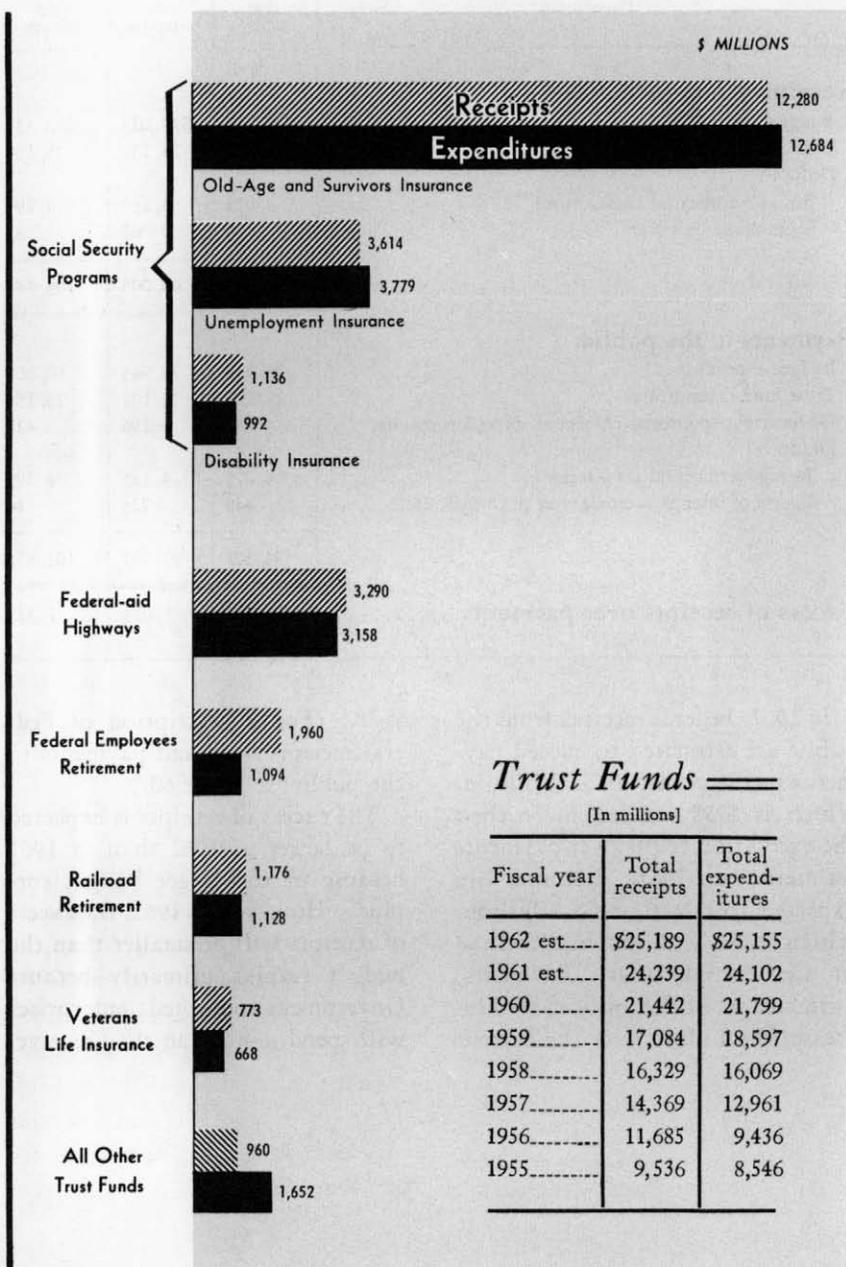
It is estimated that 854,000 persons will be receiving monthly railroad retirement benefits by the end of 1962 compared with 824,000 at the end of 1961.

The two major veterans life insurance funds represent about 5.5 million policies in force at a value of \$35 billion.

The excess of expenditures over receipts in the category "All other trust funds" is primarily due to the secondary market operation of the Federal National Mortgage Association. In 1962, the Association anticipates spending \$720 million more for mortgage purchases and expenses than it receives from repayments, sales, and other income.

Trust Funds RECEIPTS AND EXPENDITURES

Fiscal Year 1962 Estimated



Trust Funds

[In millions]

Fiscal year	Total receipts	Total expenditures
1962 est.....	\$25,189	\$25,155
1961 est.....	24,239	24,102
1960.....	21,442	21,799
1959.....	17,084	18,597
1958.....	16,329	16,069
1957.....	14,369	12,961
1956.....	11,685	9,436
1955.....	9,536	8,546

Receipts from and Payments to the Public

[Fiscal years. In millions]

Description	1960 actual	1961 estimate	1962 estimate
Receipts from the public:			
Budget receipts	\$77,763	\$79,024	\$82,333
Trust fund receipts	21,442	24,239	25,189
Deduct—			
Intragovernmental transactions	4,075	4,195	4,294
Seigniorage on silver	53	63	82
Total	95,078	99,005	103,145
Payments to the public:			
Budget expenditures	76,539	78,945	80,865
Trust fund expenditures	21,799	24,102	25,155
Government-sponsored enterprise expenditures, net.	487	—196	421
Deduct—			
Intragovernmental transactions	4,075	4,195	4,294
Excess of interest accruals over payments, etc.	449	725	314
Total	94,301	97,931	101,832
Excess of receipts over payments	777	1,074	1,313

In 1962, Federal receipts from the public are estimated to exceed payments to the public by \$1.3 billion, which is \$229 million more than the excess of receipts over payments estimated in 1961. Receipts are expected to rise to \$103.1 billion, which is \$4.1 billion higher than in the current year. Payments, estimated at \$101.8 billion, will increase \$3.9 billion over the current

year. (For a description of Federal receipts from and payments to the public, see page 60.)

The excess of receipts is expected to be larger in 1962 than in 1961 because of the larger budget surplus. However, in 1962, the excess of receipts will be smaller than the budget surplus primarily because Government-sponsored enterprises will spend more than they receive.

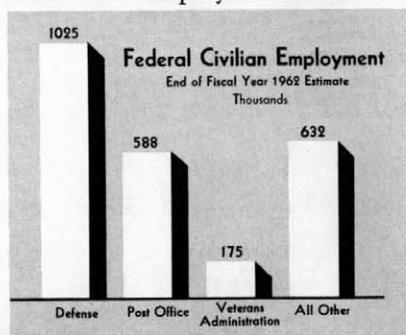
Federal Civilian Employment

At the end of 1962, 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 107,000 employees estimated at the close of fiscal year 1962; Treasury, with an estimated 82,000; and Health, Education, and Welfare, with an estimated 73,000.

Total employment is expected to increase by about 37,000, approximately 1½%, from June 30, 1961 to June 30, 1962. Major increases are 12,000 in the Post Office Department (to handle increased mail volume), 3,000 in the Department of Agriculture (primarily for research and forest management activities), 3,000 in the Treasury Department (mainly for improved tax law enforcement), 3,000 in the

Federal Aviation Agency (largely to operate new airways facilities), and 3,000 in the Department of Health, Education, and Welfare (primarily for increased social security workloads and medical research).

Total personnel compensation is expected to be \$13.8 billion in 1962, which is \$200 million more than in 1961. In addition to regular salaries and wages, personnel compensation includes salary differentials for service abroad and hazardous duty, overtime and other premium pay, and fees for special personal services, but does not include other employee benefits.

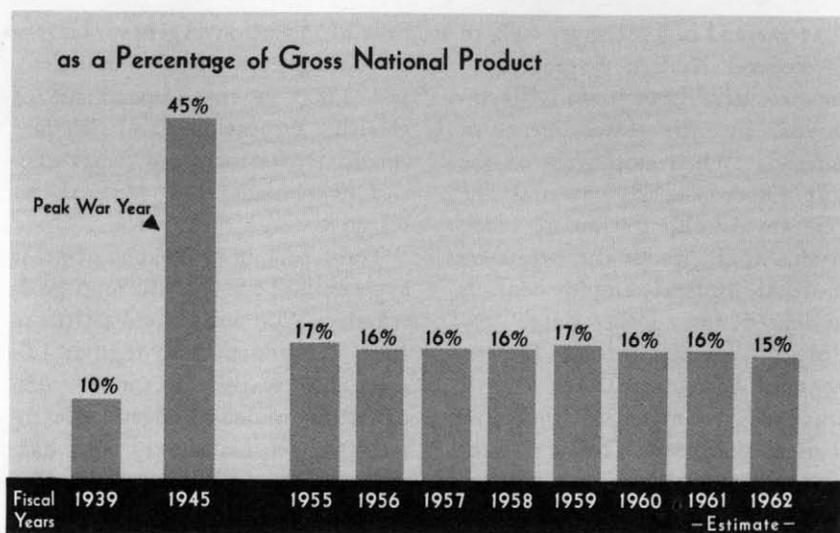


FEDERAL CIVILIAN EMPLOYMENT, EXECUTIVE BRANCH

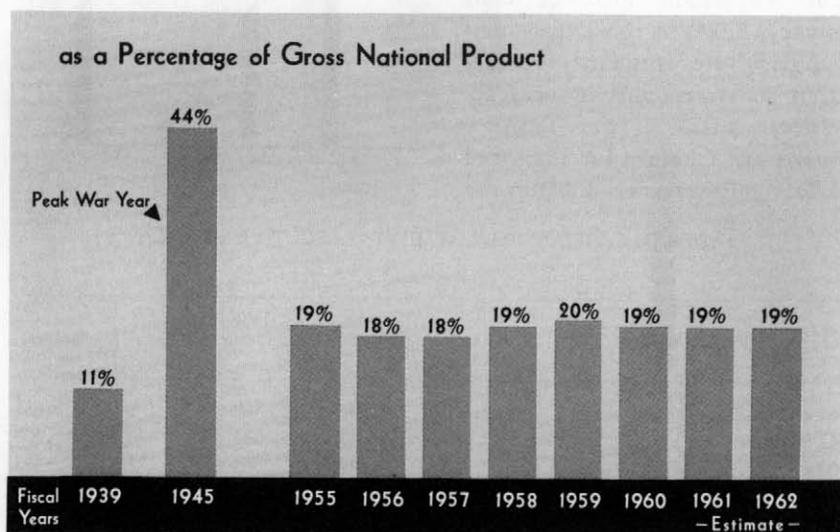
[In thousands]

End of fiscal year	Total	Department of Defense	Post Office Department	Veterans Administration	All other
1962 estimate.....	2, 420	1, 025	588	175	632
1961 estimate.....	2, 383	1, 025	576	174	608
1960.....	2, 355	1, 047	563	172	573
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 SUMMARY, 1955-62

[Fiscal years. In billions of dollars]

Description	Actual						Estimate	
	1955	1956	1957	1958	1959	1960	1961	1962
Budget receipts.....	60.2	67.8	70.6	68.5	67.9	77.8	79.0	82.3
Budget expenditures.....	64.4	66.2	69.0	71.4	80.3	76.5	78.9	80.9
Budget surplus (+) or deficit (-).....	-4.2	+1.6	+1.6	-2.8	-12.4	+1.2	+ .1	+1.5

BUDGET RECEIPTS, 1955-62

[Fiscal years. In millions of dollars]

Source	Actual						Estimate	
	1955	1956	1957	1958	1959	1960	1961	1962
Individual income taxes.....	28,747	32,188	35,620	34,724	36,719	40,715	43,300	45,500
Corporation income taxes.....	17,861	20,880	21,167	20,074	17,309	21,494	20,400	20,900
Excise taxes.....	9,131	9,929	9,055	8,612	8,504	9,137	9,322	9,725
All other receipts.....	4,650	5,169	5,187	5,708	5,738	7,111	6,678	6,875
Total.....	60,390	68,165	71,029	69,117	68,270	78,457	79,700	83,000
Deduct interfund transactions (included in both receipts and expenditures).....	181	315	467	567	355	694	676	667
Budget receipts.....	60,209	67,850	70,562	68,550	67,915	77,763	79,024	82,333

BUDGET EXPENDITURES, 1955-62

[Fiscal years. In millions of dollars]

Function	Actual						Estimate	
	1955	1956	1957	1958	1959	1960	1961	1962
Major national security.....	40,626	40,641	43,270	44,142	46,426	45,627	45,930	47,392
International affairs and finance.....	2,181	1,843	1,973	2,231	3,780	1,833	2,310	2,712
Commerce, housing, and space technology.....	1,504	2,030	1,455	2,109	3,421	2,782	3,784	3,371
Agriculture and agricultural resources.....	4,388	4,867	4,525	4,389	6,529	4,838	4,936	5,101
Natural resources.....	1,202	1,105	1,297	1,544	1,669	1,713	1,951	2,138
Labor and welfare.....	2,575	2,821	3,022	3,447	4,421	4,419	4,483	4,759
Veterans services and benefits.....	4,457	4,756	4,793	5,026	5,174	5,060	5,227	5,296
Interest.....	6,438	6,846	7,308	7,689	7,671	9,266	8,993	8,593
General government.....	1,199	1,630	1,790	1,359	1,606	1,695	1,982	2,071
Allowance for contingencies.....							25	100
Total.....	64,570	66,540	69,433	71,936	80,697	77,233	79,621	81,532
Deduct interfund transactions (included in both receipts and expenditures).....	181	315	467	567	355	694	676	667
Budget expenditures.....	64,389	66,224	68,966	71,369	80,342	76,539	78,945	80,865

BUDGET EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1955	1956	1957	1958	1959	1960	1961	1962
<i>Major national security:</i>								
Department of Defense—Military:								
Military functions:								
Purchase of aircraft, missiles, ships, and other military equipment.....	12, 838	12, 227	13, 488	14, 083	14, 409	14, 312	13, 753	14, 372
Regular, reserve, and retired military personnel.....	11, 403	11, 582	11, 409	11, 611	11, 801	11, 738	12, 143	12, 390
Operation and maintenance of equipment and facilities.....	7, 931	8, 400	9, 487	9, 761	10, 378	10, 223	10, 400	10, 671
Research, development, test, and evaluation of military equipment.....	2, 261	2, 101	2, 406	2, 504	2, 866	3, 732	4, 148	4, 388
Military construction and other.....	1, 099	1, 480	1, 648	1, 102	1, 779	1, 210	1, 056	1, 089
Subtotal, military functions.....	35, 532	35, 791	38, 439	39, 062	41, 233	41, 215	41, 500	42, 910
Mutual security program—military assistance.....	2, 292	2, 611	2, 352	2, 187	2, 340	1, 609	1, 700	1, 750
Atomic energy.....	1, 857	1, 651	1, 990	2, 268	2, 541	2, 623	2, 660	2, 680
Stockpiling and defense production.....	944	588	490	625	312	180	70	52
Total, major national security.....	40, 626	40, 641	43, 270	44, 142	46, 426	45, 627	45, 930	47, 392
<i>International affairs and finance:</i>								
Mutual security program—economic:								
Defense support.....	1, 463	1, 184	1, 143	874	881	741	705	665
Development Loan Fund.....				2	66	202	275	425
Technical cooperation and other.....	464	406	456	551	577	670	695	785
Other economic assistance.....	34	22	84	482	1, 879	-137	259	368
Conduct of foreign affairs.....	121	120	157	173	237	219	214	280
Foreign information and exchange activities.....	100	111	133	149	139	137	162	188
Total, international affairs and finance.....	2, 181	1, 843	1, 973	2, 231	3, 780	1, 833	2, 310	2, 712
<i>Commerce, housing, and space technology:</i>								
Space exploration and flight technology..	74	71	76	89	145	401	770	965
Aviation.....	179	180	219	315	494	568	727	811
Water transportation.....	349	420	365	392	436	508	557	621
Housing and community development..	211	54	49	357	1, 291	543	651	587
Promotion and regulation of business....	-366	-42	104	164	197	154	191	235
Postal service.....	356	463	518	674	774	525	1 786	1 63
Civil defense and other ²	704	884	126	118	83	83	102	88
Total, commerce, housing, and space technology.....	1, 504	2, 030	1, 455	2, 109	3, 421	2, 782	3, 784	3, 371
<i>Agriculture and agricultural resources:</i>								
Price support and related programs....	3, 486	3, 900	3, 430	3, 151	5, 126	3, 278	3, 264	3, 396
Agricultural land and water resources...	290	305	374	448	547	692	741	773
Rural electrification and telephone loans.	204	217	267	297	315	330	328	340
Farm ownership and operation loans....	236	231	227	239	250	246	268	235
Research and other agricultural services..	173	215	227	255	291	293	336	357
Total, agriculture and agricultural resources.....	4, 388	4, 867	4, 525	4, 389	6, 529	4, 838	4, 936	5, 101

¹ Net after proposed postal rate increases.

² For 1955 and 1956, 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	
	1955	1956	1957	1958	1959	1960	1961	1962
Natural resources:								
Land and water resources.....	935	803	925	1,138	1,183	1,235	1,402	1,516
Forests.....	119	139	163	174	201	220	263	311
National parks.....	35	44	59	69	86	74	87	101
Fish and wildlife.....	43	45	51	60	68	68	75	84
Minerals.....	37	38	62	59	71	65	66	67
General resource surveys and other.....	34	35	38	43	60	51	58	60
Total, natural resources.....	1,202	1,105	1,297	1,544	1,669	1,713	1,951	2,138
Labor and Welfare:								
Public assistance.....	1,428	1,457	1,558	1,797	1,969	2,061	2,162	2,315
Public health.....	275	351	469	546	704	818	971	1,094
Education.....	325	281	292	319	468	569	627	640
School lunch and special milk programs.....	105	128	155	167	218	234	245	250
Science, research, libraries, and museums.....	53	56	71	72	119	211	203	251
Labor and manpower services ³	328	475	400	458	844	411	147	72
Vocational rehabilitation and other.....	60	74	80	88	100	114	127	137
Total, labor and welfare.....	2,575	2,821	3,022	3,447	4,421	4,419	4,483	4,759
Veterans services and benefits:								
Compensation.....	1,830	1,864	1,875	2,024	2,070	2,049	2,038	2,026
Pensions, burial and other allowances.....	851	934	995	1,080	1,205	1,319	1,567	1,772
Hospitals and medical care.....	727	788	801	856	921	961	1,045	1,091
Readjustment benefits:								
Education and training.....	664	767	774	699	574	383	233	128
Loan guarantee and other.....	150	123	126	168	177	136	131	77
Insurance and indemnities.....	57	105	47	43	35	33	31	27
Other services and administration.....	178	176	175	156	193	179	182	174
Total, veterans services and benefits.....	4,457	4,756	4,793	5,026	5,174	5,060	5,227	5,296
Interest:								
Interest on the public debt:								
Marketable obligations.....	3,127	3,659	4,103	4,582	4,621	6,284	5,975	5,550
Savings bonds.....	1,656	1,635	1,582	1,526	1,528	1,503	1,515	1,530
Special issues.....	1,115	1,138	1,241	1,223	1,197	1,193	1,225	1,250
Other nonmarketable issues.....	473	354	319	275	246	200	185	170
Interest on refunds and uninvested funds.....	67	60	63	82	79	86	93	93
Total, interest.....	6,438	6,846	7,308	7,689	7,671	9,266	8,993	8,593
General government:								
Central fiscal operations.....	431	475	476	502	566	558	620	664
Property and records management.....	164	164	194	239	291	367	417	467
Central personnel costs.....	115	334	627	140	205	211	285	267
FBI, alien control, and related programs.....	157	188	187	199	216	217	241	247
Legislative and judicial functions.....	91	115	130	132	149	158	190	186
District of Columbia, territories, and possessions.....	67	72	77	75	89	91	123	143
Weather Bureau and other.....	174	281	98	69	88	93	105	97
Total, general government.....	1,199	1,630	1,790	1,359	1,606	1,695	1,982	2,071
Allowance for contingencies							25	100
Total.....	64,570	66,540	69,433	71,936	80,697	77,233	79,621	81,532
Deduct interfund transactions (included in both receipts and expenditures).....	181	315	467	567	355	694	676	667
Budget expenditures.....	64,389	66,224	68,966	71,369	80,342	76,539	78,945	80,865

³ From 1955-60, includes expenditures for employment security administration grants; in 1961 and 1962 these expenditures are being made through a trust fund.

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, 375	32, 955	+8, 419	252, 292
1917.....	1, 100	1, 954	-853	2, 976	1949.....	37, 663	39, 474	-1, 811	252, 770
1918.....	3, 630	12, 662	-9, 032	12, 455	1950.....	36, 422	39, 544	-3, 122	257, 357
1919.....	5, 085	18, 448	-13, 363	25, 485	1951.....	47, 480	43, 970	+3, 510	255, 222
1920.....	6, 649	6, 357	+291	24, 299	1952.....	61, 287	65, 303	-4, 017	259, 105
1921.....	5, 567	5, 058	+509	23, 977	1953.....	64, 671	74, 120	-9, 449	266, 071
1922.....	4, 021	3, 285	+736	22, 963	1954.....	64, 420	67, 537	-3, 117	271, 260
1923.....	3, 849	3, 137	+713	22, 350	1955.....	60, 209	64, 389	-4, 180	274, 374
1924.....	3, 853	2, 890	+963	21, 251	1956.....	67, 850	66, 224	+1, 626	272, 751
1925.....	3, 598	2, 881	+717	20, 516	1957.....	70, 562	68, 966	+1, 596	270, 527
1926.....	3, 753	2, 888	+865	19, 643	1958.....	68, 550	71, 369	-2, 819	276, 343
1927.....	3, 992	2, 837	+1, 155	18, 512	1959.....	67, 915	80, 342	-12, 427	284, 706
1928.....	3, 872	2, 933	+939	17, 604	1960.....	77, 763	76, 539	+1, 224	286, 331
1929.....	3, 861	3, 127	+734	16, 931	1961 est.....	79, 024	78, 945	+79	284, 900
					1962 est.....	82, 333	80, 865	+1, 468	283, 400

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.

Certain interfund transactions are excluded from budget receipts and budget expenditures starting in 1948.

The change in the public debt from year to year is not necessarily the same as the budget surplus or deficit, for the reasons given on page 61.

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. In years of presidential change, a new President, who is inaugurated after the transmittal of the budget, may wish to transmit different proposals to the Congress. 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 con-

siders 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. **Appropriations** 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.

Five Steps in Spending

THE PRESIDENT proposes a budget

THE CONGRESS appropriates (new authority to incur obligations)

FEDERAL AGENCIES incur financial obligations within authority granted

SUPPLIERS produce goods and services, people apply for benefits

THE TREASURY collects taxes and pays the bills

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 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

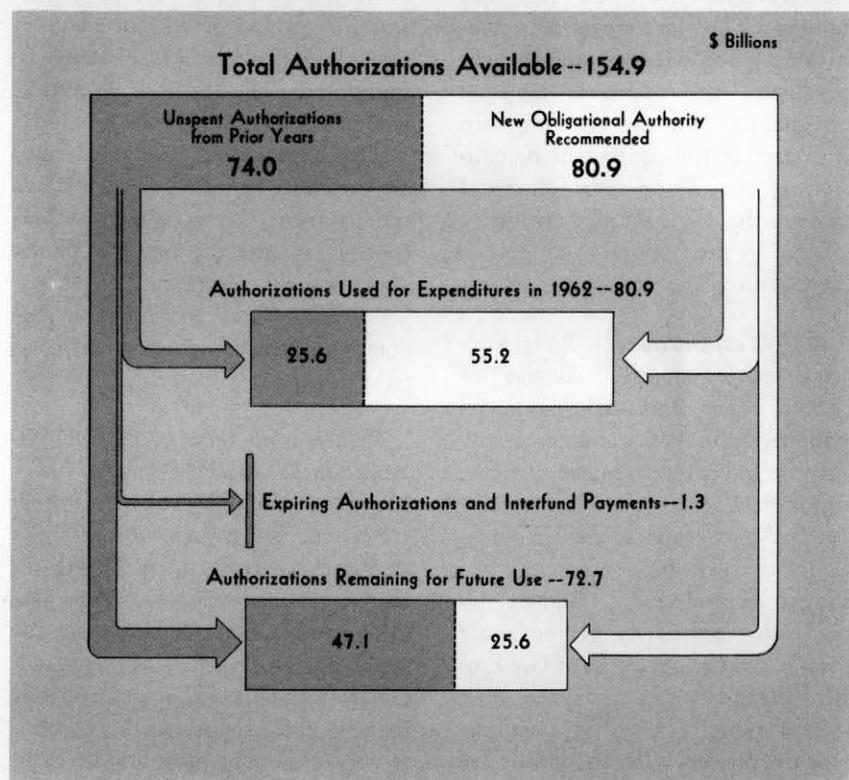
spent for 2 or 3 or more years because of the time required to prepare designs, arrange contracts, complete production or construction, and finally pay the bills.

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 avail-

1962 Expenditures Related to Authorizations by Congress



able; 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 authorization 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.

Adjustment of budget expenditures and receipts.—The totals of expenditures and receipts are adjusted by eliminating certain interfund transactions, mainly interest paid to the general fund of the Treasury by wholly owned Government enterprises which have borrowed from the Treasury. These amounts are included in the expenditures for each agency, but are deducted in one sum to reach expenditure totals. Similarly, they are included as miscellaneous budget receipts of the Treasury, but are deducted to arrive at the total of budget receipts. Since the same amount is deducted from both receipts and expenditures, the adjustment does not affect the budget surplus or deficit.

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.

HOW TO CALCULATE WHERE YOUR TAX DOLLAR GOES

You can calculate the amount of your taxes which goes for each function of Government by determining the total income, excise, and other taxes you pay and multiplying the total by the percentages given below:

Total income tax you pay.....	_____
Excise, corporation, and other taxes you pay directly or indirectly average 82% of income tax; 82% of above figure is.....	_____
Total tax paid (add above items).....	_____
Portion of tax paid which goes for:	
Major national security... (57% x total tax paid)	_____
Interest..... (11% x total tax paid)	_____
Veterans..... (6% x total tax paid)	_____
Agriculture..... (6% x total tax paid)	_____
Labor and welfare..... (6% x total tax paid)	_____
Commerce, housing, and space technology..... (4% x total tax paid)	_____
International..... (3% x total tax paid)	_____
Natural resources..... (3% x total tax paid)	_____
General government..... (2% x total tax paid)	_____
Debt retirement..... (2% x total tax paid)	_____

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