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The Federal Budget in Brief



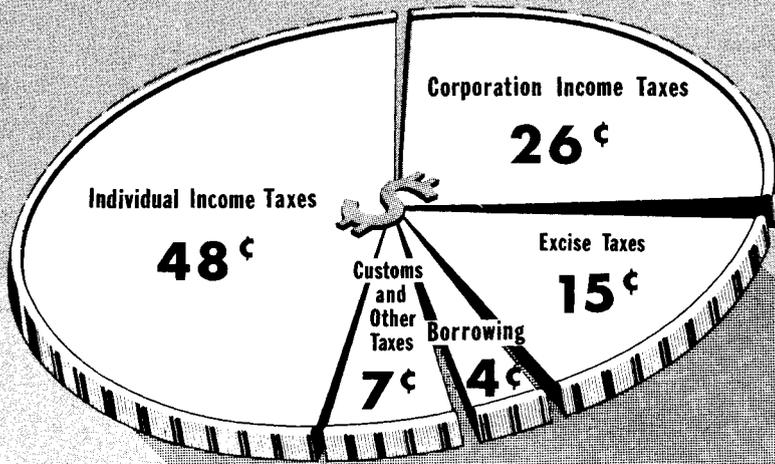
FISCAL YEAR
1956



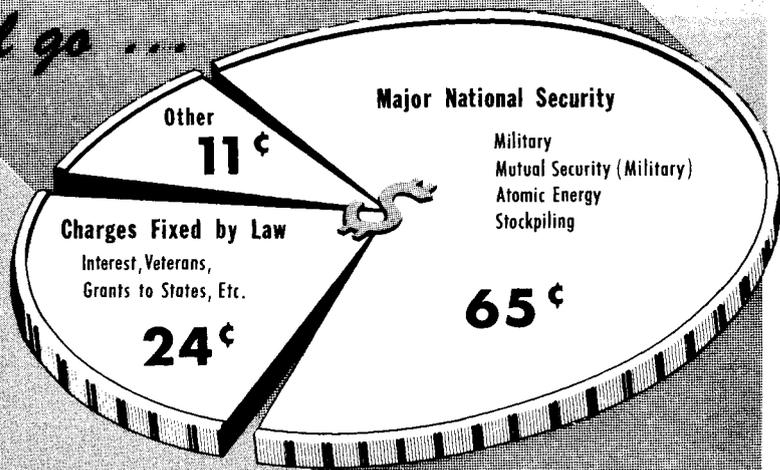
EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

THE BUDGET DOLLAR

Where it comes from ...



Where it will go ...



Receipts Include Tax Proposals

Fiscal Year 1956 Estimated

HJ

The Federal Budget in Brief



FISCAL YEAR 1956

July 1, 1955-June 30, 1956

Our objective of being provident in financial matters has paid and is still paying dividends in general well-being. We have reduced expenditures and eased the crushing load of taxation. We have improved the structure of the public debt and provided a favorable environment for sound monetary policy. We have encouraged private initiative by starting to take the Government out of competition with private enterprise. We have made progress in housing and in protection against personal catastrophe. We are developing our natural resources in partnership with the State and local governments and with private

initiative. These steps are designed to assure high and rising employment, a growing prosperity, and a stable dollar.

This administration will continue to exercise the utmost care in the manner in which it uses the taxpayers' money. It will continue to purchase what we must have for our security, well-being, and prosperity with the fewest possible number of dollars. Our success thus far in reducing taxes, expenditures, and the deficit is the best evidence of the earnestness of our efforts.

DWIGHT D. EISENHOWER.

From the Budget Message
January 17, 1955

INTRODUCTION

The Budget of the United States is the financial expression of the President's program for the Government during the ensuing fiscal year—the year beginning July 1 and ending June 30.

Due to the vast scope and variety of the Government's activities, the budget is a large, detailed, complex document. Therefore, the Budget in Brief is issued each year to present the more important facts about the budget in a more simple and convenient form.

By law, the budget must be transmitted to the Congress annually within 15 days of the date on which Congress convenes. The budget for the fiscal year ending June 30, 1956, was sent to the Congress by President Eisenhower on January 17, 1955. This issue of the Budget in Brief deals particularly with that budget. It shows the amount of money which the Government expects to receive in the fiscal year 1956 under existing and proposed tax laws, and presents estimates of how much will be spent to carry out present Government programs and new programs recommended to the Congress by the President. The Budget in Brief also contains other information designed to promote a better understanding of Federal financial transactions.

In the 1956 budget, the 13 broad categories previously used to summarize budget expenditures by function were reduced to 9. This new classification is used in part II of this issue of the Budget in Brief, with corresponding figures for prior years adjusted for comparability. The 1956 budget also presented a new general classification of expenditures which appears on page 10 of this booklet.

The estimates of receipts and expenditures which appear in the budget document reflect the best judgment at this time of results from the President's programs for the fiscal year ending 18 months later. Undoubtedly there will be changes before the final figures are in for the year. The estimates have to be based on assumptions concerning international and domestic conditions which can become subject to drastic changes. The President's budget proposals are subject to approval by the Congress which can make changes affecting substantially both receipts and expenditures. Also, as has been done in the last 2 years, it continues to be the policy of the administration to make economies wherever possible and justified during the year.

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The Federal Budget

FISCAL YEAR 1956 ESTIMATED

BILLIONS

Receipts include tax proposals

RECEIPTS *The Government's Income*

Individual Income Taxes	<u>\$29.8</u>
Corporation Income Taxes	<u>\$16.6</u>
Excise Taxes	<u>\$ 9.3</u>
Customs and Other Receipts	<u>\$ 4.3</u>

Budget Receipts \$60.0

Budget Expenditures \$62.4

Budget Deficit \$ 2.4

EXPENDITURES *The Government's Spending*

Major National Security	<u>\$40.5</u>
Interest	<u>\$ 6.4</u>
Veterans	<u>\$ 4.6</u>
Welfare, Health, and Education	<u>\$ 2.3</u>
Agriculture	<u>\$ 2.3</u>
Commerce and Manpower	<u>\$ 2.2</u>
General Government	<u>\$ 1.6</u>
International	<u>\$ 1.3</u>
Natural Resources	<u>\$.9</u>
Reserves for Proposed Legislation and Contingencies	<u>\$.3</u>

PART 1

Budget Summary



This opening section of the Federal Budget in Brief contains an overall description of the United States budget for the fiscal year 1956. It presents some of the major issues in the 1956 budget, and summarizes key totals in the budget—receipts, expenditures, the deficit, new obligational authority, and unexpended balances of appropriations.

Summary of the 1956 Budget

For the fiscal year 1956 budget expenditures are estimated at 62.4 billion dollars and budget receipts at 60 billion dollars, resulting in a deficit of 2.4 billion dollars. Recommended new authority to incur obligations is 58.6 billion dollars. These figures allow for new legislation proposed by the President.

Budget expenditures.—The budget expenditure estimate of 62.4 billion dollars for 1956 is 11.9 billion dollars below actual spending in 1953, 15.5 billion dollars below the January 9, 1953 estimate for the fiscal year 1954, 5.4 billion dollars below actual spending in 1954, and 1.1 billion dollars below the current estimate for 1955. Thus the 1956 budget continues the downward trend in Federal expenditures which was begun in the fiscal year 1954.

While total expenditures will be reduced in 1956, these reductions have been made selectively. Some decreases are being made possible by encouraging Federal partnership with State and local governments and with private enterprise. Others will result from taking the Government out of things which the people can do better for themselves, and from finding better ways to do necessary things. On the other hand, increases are recommended in certain areas important to human well-being.

In his budget message, the President stated, "The stern requirements of our national defense dictate the largest part of our budget, and it is chiefly these requirements which prevent us from decreasing budget expenditures faster at this time."

Budget receipts.—Budget receipts in 1956 are estimated at 60 billion dollars, 1 billion dollars above receipts in 1955, but 4.7 billion dollars lower

than in 1954. The decline from 1954 results primarily from tax cuts made last year, when the 7.4 billion dollar tax reduction program became effective. This was the largest tax reduction for any single year in the country's history.

The 1956 estimate is based on the President's proposal to continue all taxes now in effect, including present excise and corporate income tax rates now scheduled for reduction on April 1, 1955. It is also based on anticipated continued increases in national production and employment.

Budget deficit.—It is estimated that the deficit will be reduced from 4.5 billion dollars in the fiscal year 1955 to 2.4 billion dollars in 1956. This compares with the actual deficit of 9.4 billion dollars in 1953, the January 9, 1953 estimate of a 9.9 billion dollar deficit for 1954, and the actual deficit of 3.1 billion dollars for 1954. Thus, progress toward a balanced budget is continued.

New authority to incur obligations.—The President recommended new authority to incur obligations for the fiscal year 1956 totaling 58.6 billion dollars. This amount is 1.3 billion dollars more than for 1955, but represents a reduction of 32.8 billion dollars from 1952, 21.7 billion dollars from 1953, and 4.2 billion dollars from 1954.

Total recommended new authority is less than both the revenues and the expenditures estimated for 1956. The President pointed out, "By holding the level of new authority lower than anticipated revenues, we can continue making progress toward balancing the budget. Likewise, as long as the amount of new authority is less than expenditures, we are continuing on the way toward lower levels of Government spending."

SUMMARY BUDGET INFORMATION

[Fiscal years. In billions]

Description	1950 actual	1951 actual	1952 actual	1953 actual	1954		1955 esti- mated	1956 esti- mated
					Budget docu- ment ¹	Actual		
Budget expenditures	\$39. 6	\$44. 1	\$65. 4	\$74. 3	\$77. 9	\$67. 8	\$63. 5	\$62. 4
Budget receipts	36. 5	47. 6	61. 4	64. 8	68. 0	64. 7	59. 0	60. 0
Budget deficit (—) or surplus (+)	—3. 1	+3. 5	—4. 0	—9. 4	—9. 9	—3. 1	—4. 5	—2. 4
New authority to incur obligations	49. 3	83. 1	91. 4	80. 3	72. 2	62. 8	57. 3	58. 6

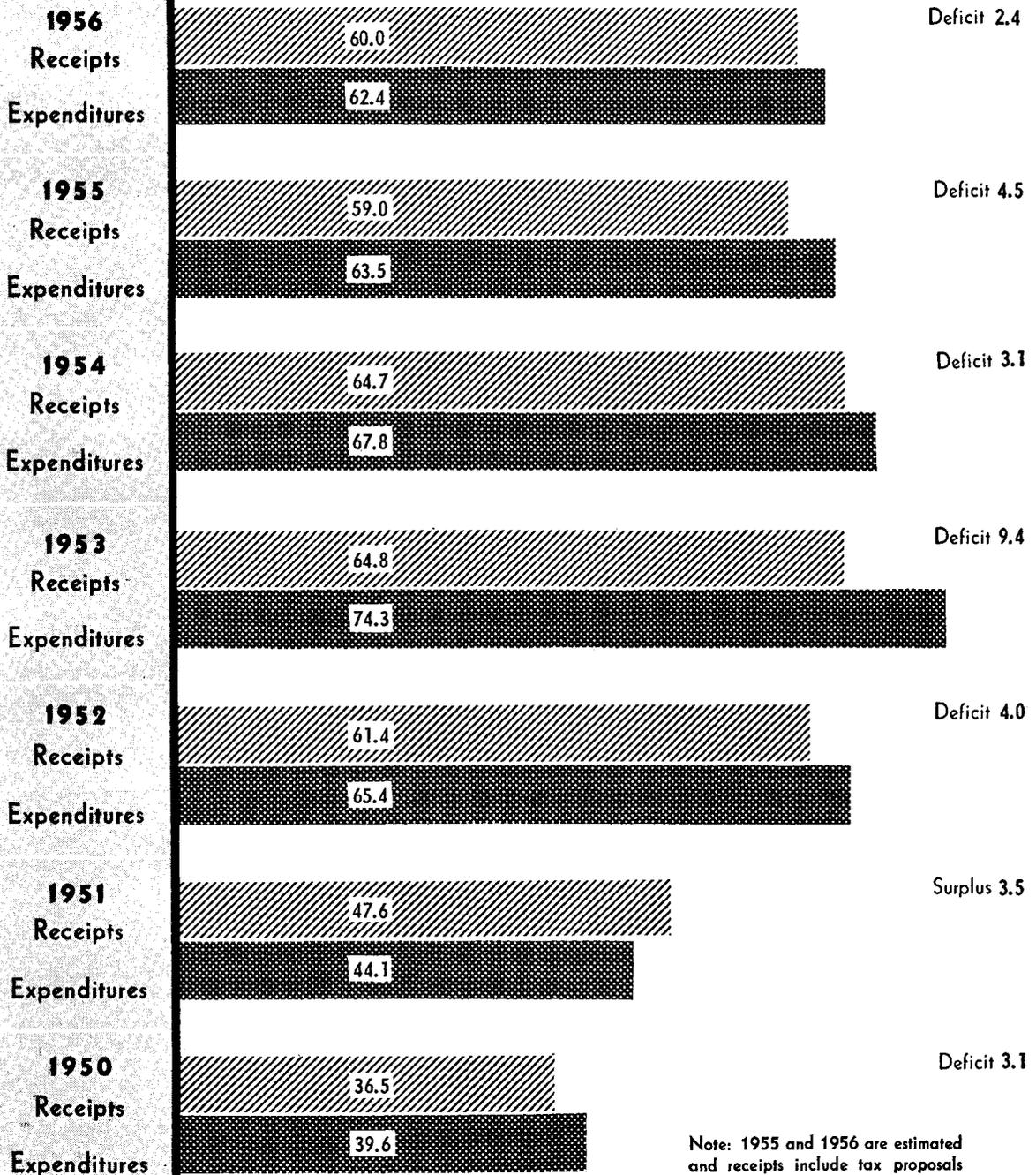
¹ Reference is to 1954 budget document of Jan. 9, 1953, as presented to the Congress by the outgoing administration.

Budget Receipts and Expenditures

SURPLUS OR DEFICIT

\$ BILLIONS

Fiscal Years



Note: 1955 and 1956 are estimated and receipts include tax proposals

Budget Receipts

Budget receipts in the fiscal year 1956 are estimated at 60 billion dollars, compared with 59 billion dollars in the fiscal year 1955.

Primarily because of the 7.4 billion dollar tax reduction program, budget receipts in the fiscal years 1955 and 1956 are estimated to be lower than in the fiscal year 1954. Other major reasons for the estimated decline in receipts are (1) a drop in the taxable profits of corporations between the calendar years 1953 and 1954, and (2) completion of the plan adopted 5 years ago under which payments of corporation taxes have been gradually moved forward into earlier fiscal years.

The tax reductions made last year were justified by the progress that has been made in reducing budget expenditures. If taxes had not been reduced, the budget would have been balanced in the fiscal year 1955.

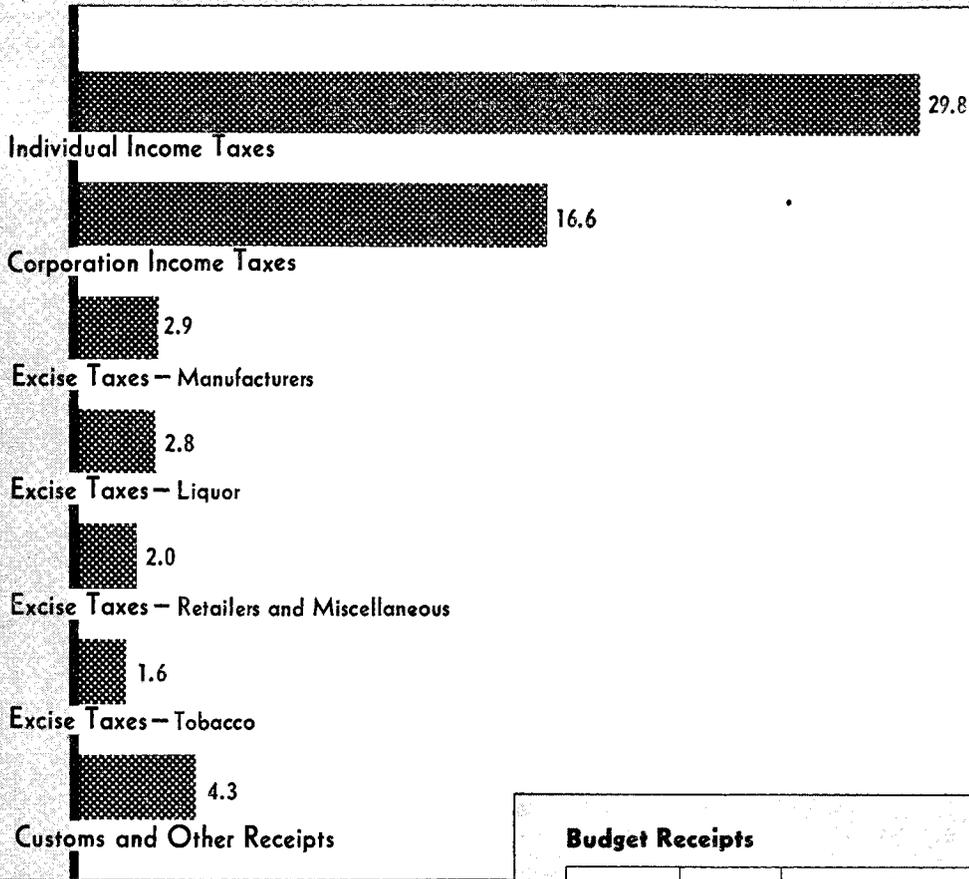
Under present law, corporation income tax rates and excise tax rates on liquor, tobacco, gasoline, and automobiles are scheduled to be reduced on April 1, 1955. In the budget message, the President said that "In view of the prospective deficit, we cannot afford to have any further loss of revenue this year through reductions in taxes." Therefore he recommended that existing rates on both excises and corporate incomes be extended for 1 year to support adequate expenditures for national security and avoid inflationary borrowing.

The estimates of 1956 budget receipts are based on continuation of all tax rates now in effect, including the enactment of the proposed extensions, and on a rise from present levels in business activity, personal income, and corporate profits. In the fiscal year 1956 income taxes will continue to be the major source of Federal revenue. Income taxes

Budget Receipts

FISCAL YEAR 1956 ESTIMATED

\$ BILLIONS



on individuals will account for an estimated 50 percent of budget receipts, corporation income taxes for 28 percent. An additional 15 percent will be raised through excise taxes on liquor, gasoline, tobacco, and other products and services. The remaining 7 percent of estimated Federal receipts in 1956 will come from customs, sales of Government products and services, and other miscellaneous sources.

In the budget message, the President stated that "further tax reductions can only be made as savings in governmental expenditures or increased revenues resulting from growth in our economy are in sight. However, further tax reduction remains a firm goal of this administration, and our policy is directed to achieving both the savings in expenditures and the economic growth that will make such reductions

Budget Receipts

\$ Billions

Fiscal Year	Total	Income Taxes		Excises	Customs and Other
		Individuals	Corporations		
1956 Est.	60.0	29.8	16.6	9.3	4.3
1955 Est.	59.0	27.9	18.0	9.0	4.1
1954	64.7	29.5	21.1	10.0	4.1
1953	64.8	30.1	21.2	9.9	3.6
1952	61.4	27.9	21.2	8.9	3.4
1951	47.6	21.7	14.1	8.6	3.2
1950	36.5	15.7	10.4	7.5	2.9

possible." He indicated that he hoped tax reductions would be justified next year. If so, the President said he would recommend a reduction in taxes to spread the relief fairly among all taxpayers in a way which will be the most effective to relieve individual tax burdens and to increase incentive for effort and investment.

Budget Expenditures

Total budget expenditures in the fiscal year 1956 are estimated at 62.4 billion dollars. These expenditures may be divided into 4 large groupings to show the ends for which we pay taxes and also the items which make our budgets big. These groupings are (1) the major cost of protection against war, (2) civil benefits to individuals and to various groups and localities, (3) interest payments, and (4) the cost of civil operations and administration.

The largest category is protection, which accounts for 67 percent of total estimated budget expenditures. This category consists of the 40.5 billion dollars estimated for major national security programs (discussed on page 18) and 1 billion dollars for economic and technical assistance under the mutual security program (discussed on page

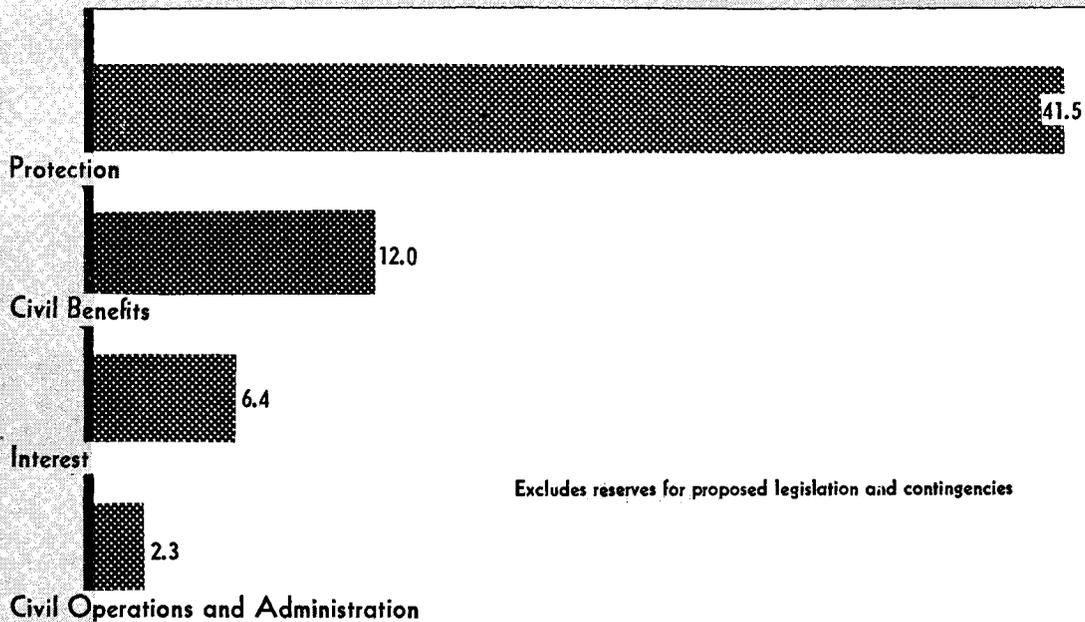
20). These expenditures include the acquisition of Federal assets of varying degrees of permanent value, from airbases to aircraft, tanks, trucks, and bombs. Also included are long-range research and development expenditures, and such current expenses as military pay and operations. Many smaller items, related in varying degrees to protection, are scattered throughout other parts of the budget, and are not included in this total. Examples are the Coast Guard and the Selective Service System.

Expenditures for the various civil benefits of the Government are estimated at 12 billion dollars in the fiscal year 1956. Two-thirds of this amount consists of current expenses for aids and special services to various groups. The largest item, 4.5 billion dollars, goes to veterans for compensation

Budget Expenditures

FISCAL YEAR 1956 ESTIMATED

\$ BILLIONS



Excludes reserves for proposed legislation and contingencies

and pension payments, hospital and medical care, and readjustment benefits, including vocational training. The next largest current expense in the civil benefits group is for public assistance grants to States. Others aid agriculture, business, homeowners and tenants, and labor.

The remaining one-third of the expenditures for civil benefits is for additions to Federal assets and other developmental purposes, such as civil public works; net loans to farmers, veterans, and other borrowers; net increases in inventories of farm commodities under the price support program; grants to States for highways, hospitals, and airports; agricultural land conservation assistance; and nonmilitary research.

Expenditures for interest are estimated at 6.4 billion dollars in the fiscal year 1956, 10 percent of total budget expenditures. This is 180 million dollars less than estimated for the fiscal year 1955, reflecting the lower level of interest rates in the calendar year 1954 and a change in the timing of some interest payments.

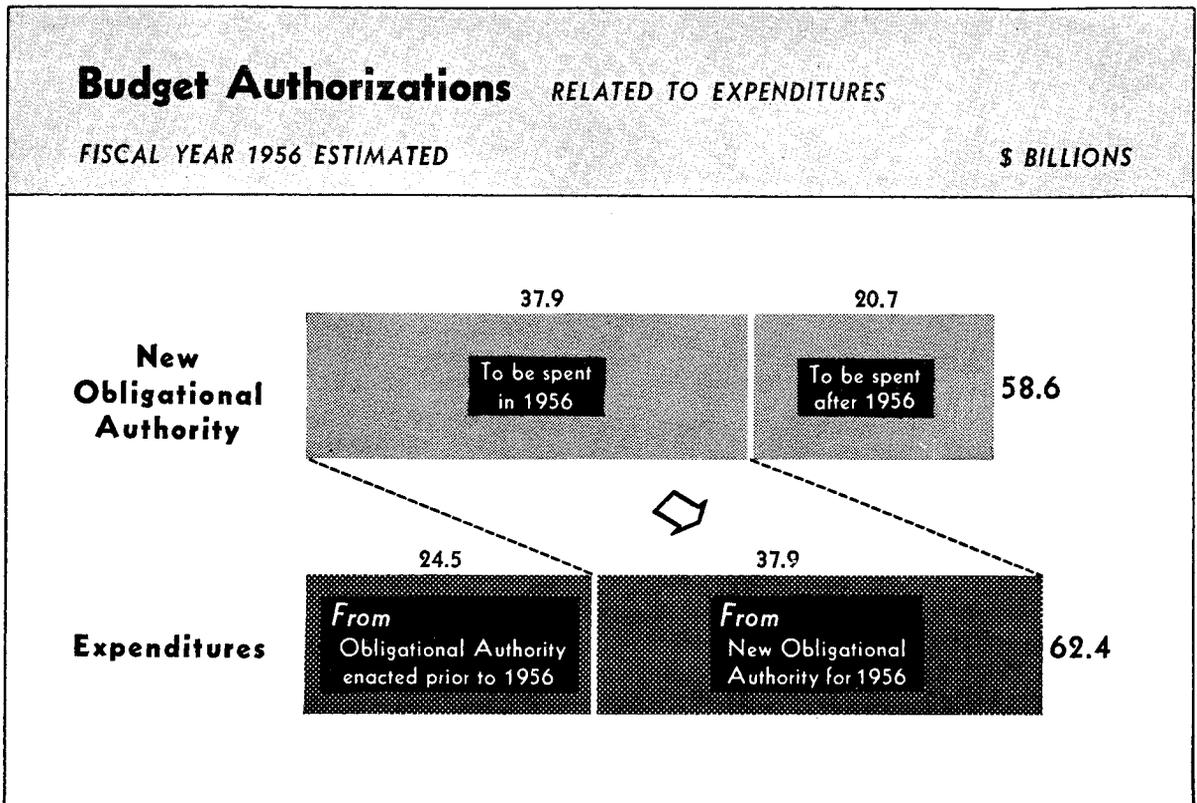
Budget Expenditures

\$ Billions

Fiscal Year	Total	Protection	Civil Benefits	Interest	Civil Operations	Reserves and Adjustments
1956 Est.	62.4	41.5	12.0	6.4	2.3	.3
1955 Est.	63.5	41.7	13.3	6.6	1.9	.1
1954	67.8	47.9	11.6	6.5	1.9	-
1953	74.3	52.0	13.4	6.6	2.3	-
1952	65.4	46.0	12.2	5.9	2.2	-.9
1951	44.1	25.6	11.5	5.7	1.9	-.7

Note: Detail may not add to totals because of rounding

Expenditures for civil operations and administration of the Government have been obscured for many years by the large expenditures for defense and by the variety and complexity of the domestic and international programs of the Government. Civil operations and administration include most of the expenditures classified as "general government" in part II of this booklet, plus expenditures for repair, maintenance, and operation of Government civilian facilities, and for regulatory activities. These costs are estimated to be 2.3 billion dollars, or about 4 percent of total budget expenditures in the fiscal year 1956.



Under the Constitution, Federal agencies cannot incur financial obligations or spend money until the Congress authorizes them to do so.

Authorizations by Congress may take a number of forms. The most common is an appropriation which permits a Government agency to (1) employ personnel, order supplies and equipment, award contracts, or incur other obligations, and (2) pay the bills arising from these obligations.

Appropriations generally permit agencies to incur obligations up to the end of the fiscal year for which the appropriation is granted and to pay their bills in that year and in the 2 years immediately following. Some appropriations, however, do not have any time limit.

The total amount of money spent by Government agencies in any one fiscal year is usually not the same as the total amount of new authority to incur financial obligations granted by the Congress for that year. There is an interval between the time the Congress grants an appropriation and the time Government agencies incur obligations by placing orders for goods and services. There is a further inter-

val, while the goods and services ordered are being produced and delivered, before funds are actually spent. In some cases, such as the payment of wages and salaries to Government employees, the interval between incurring obligations and making expenditures is rather short; in other cases, such as the production and delivery of complex military equipment, the interval may be several years. Thus part of the total expenditures in any one year stems from new authorizations granted by Congress for that year while the remainder stems from authorizations granted for prior years.

In the fiscal year 1956, it is estimated that of the total expenditures of 62.4 billion dollars, 60 percent will come from new authorizations recommended for that year. The remaining 40 percent is estimated to be from authorizations granted in previous years.

Of the 58.6 billion dollars of new authorizations to incur obligations recommended by the President for the fiscal year 1956, it is estimated that 65 percent will be spent in 1956 and 35 percent will be spent in later years.

Unexpended Balances OF APPROPRIATIONS

[IN BILLIONS]

Fiscal year	Amount brought forward into the year	Amount carried over to next year
1950.....	\$11.5	\$14.1
1951.....	14.1	50.3
1952.....	50.3	68.8
1953.....	68.8	78.4
1954.....	78.4	68.0
1955 (estimated).....	68.0	53.9
1956 (estimated).....	53.9	49.6

Unexpended balances of appropriations represent amounts available from enacted appropriations which have not yet been spent. In most cases, however, these balances have been committed to pay for goods and services which have been ordered but not yet delivered.

The length of time required to produce certain types of heavy equipment, such as military planes, ships, and ordnance, makes a certain level of unexpended balances of appropriations necessary for the orderly and efficient functioning of Government. However, too high a level of these balances tends to restrict executive and congressional control over the fiscal affairs of the Government.

In each of the fiscal years 1950 through 1953, the new obligational authority enacted by the Congress exceeded by far the budget expenditures for each year. It also greatly exceeded the revenues

then being provided by the tax system. The unexpended balances of appropriations committed for later expenditure rose from 11.5 billion dollars at the start of the fiscal year 1950 to 78.4 billion dollars at the end of 1953. These balances constituted a claim against future tax revenues.

Starting in the fiscal year 1954, and in each year since then, enacted or recommended new authority to incur obligations is less than expenditures, with the result that the unexpended balances of appropriations have been reduced. These balances are estimated to be 49.6 billion dollars by the end of the fiscal year 1956, a reduction of 28.8 billion dollars in 3 years. As the President stated in the budget message, "The accumulated unexpended balances of funds appropriated to all Government agencies in prior years are now on their way down to more reasonable levels."

New Obligational Authority and Expenditures, by Agency

The activities in which the Federal Government will engage in the fiscal year 1956 are discussed in part II of this booklet in terms of broad functions of Government, regardless of the agency designated by law to carry them out. However, the Congress reviews Government activities by agencies, and appropriates funds for these activities to the Government agency responsible for them. Accordingly, the budget sets forth separately, for each agency, the details of the President's budget proposals. Recommended appropriations for each agency are shown separately along with supporting schedules detailing estimated obligations and expenditures. The grouping of budget proposals by agencies is essential for congressional action, and is needed by those who are interested in following the progress of the budget proposals in the Congress. The grouping by functions is merely a rearrangement of the many thousands of individual items in the budget, arriving at the same grand total of dollars.

For the fiscal year 1956 the President has recommended more new authority to incur obligations for the Department of Defense than for all other Federal agencies combined. Of the total 58.6 billion dollars recommended, 32.9 billion dollars or 56 percent is for the military functions of the Department of Defense. Expenditures for the military functions of this Department are estimated at 34 billion dollars, 54 percent of total budget expenditures.

Recommended new obligatory authority for the Treasury Department totals 7.1 billion dollars, 12 percent of the total. Of this amount, 6.4 billion

dollars is for interest. Expenditures of the Treasury Department are estimated at 7.2 billion dollars.

New obligatory authority recommended for the Veterans Administration is 4.6 billion dollars, 8 percent of the total. Estimated expenditures are 4.6 billion dollars.

Funds for the mutual security program are appropriated directly to the President. New obligatory authority in the amount of 3.5 billion dollars is recommended for this program. It is designed to provide other nations with the margin of outside assistance which they need to develop and maintain their political, military, and economic strength in our interest as well as their own. Expenditures for the mutual security program are estimated at 4.7 billion dollars.

Recommended new obligatory authority for the Department of Health, Education, and Welfare is 2 billion dollars, primarily for grants to States for public assistance, promotion of public health and education, and various welfare aids and services. Expenditures by this Department are estimated at about the same amount as the recommended new obligatory authority.

For the Department of Agriculture, the President recommended new obligatory authority of 1.5 billion dollars, mainly for programs to help stabilize farm prices and farm income, for rural electrification and farm loans, for conservation of agricultural land and water resources, and for research and other agricultural services. The Department is expected to spend 2.5 billion dollars.

New authority to incur obligations recommended for the Department of Commerce amounts to 1.5 billion dollars. Expenditures are estimated at 1.2

New Obligational Authority and Budget Expenditures, by Agency

[IN MILLIONS]

Agency	Fiscal year 1956	
	Recommended new obligational authority	Estimated budget ex- penditures
Department of Defense:		
Military functions.....	\$32,899	\$34,000
Civil functions.....	553	543
Treasury Department.....	7,121	7,227
Veterans Administration.....	4,553	4,608
Funds appropriated to the President:		
Mutual security program.....	3,530	4,700
Other.....	27	195
Department of Health, Education, and Welfare.....	2,031	2,053
Department of Agriculture.....	1,516	2,496
Department of Commerce.....	1,458	1,216
Atomic Energy Commission.....	1,292	2,000
General Services Administration.....	692	966
Department of Labor.....	519	515
Department of the Interior.....	490	561
Housing and Home Finance Agency.....	314	—126
Department of Justice.....	201	202
Department of State.....	150	150
Post Office Department (general fund).....	25	24
Other.....	1,271	1,078
Total.....	¹ 58,642	¹ 62,408

¹ Estimated expenditures exceed recommended new obligational authority because of appropriations enacted in prior years.

billion dollars, mainly for the Federal-aid highway program, for the promotion of the merchant marine, and for aviation.

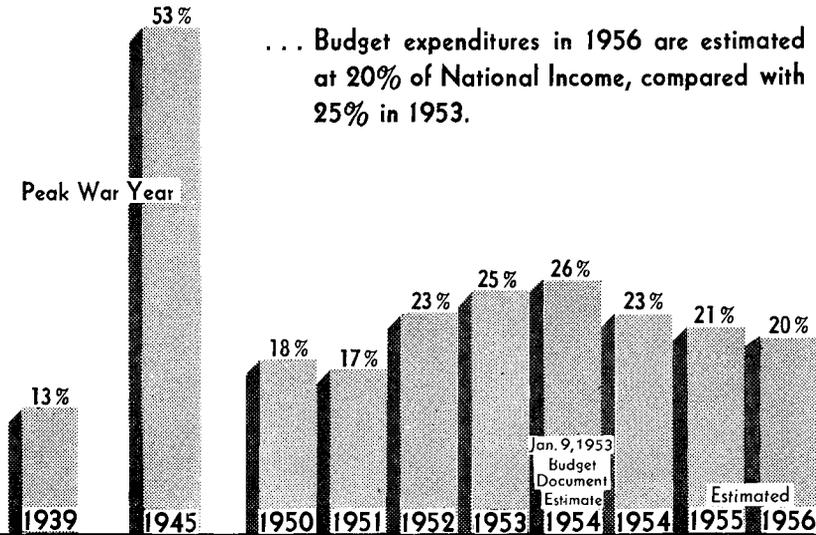
New obligational authority recommended in the budget for the Atomic Energy Commission totals 1.3 billion dollars. Expenditures are estimated at 2 billion dollars. Of these expenditures, 1.5 billion dollars will be for operating expenses; mainly for procurement of uranium ore and concentrates, for production of fissionable materials and weapons,

and for developing peaceful applications of atomic energy. Construction and other capital expenditures will amount to one-half billion dollars.

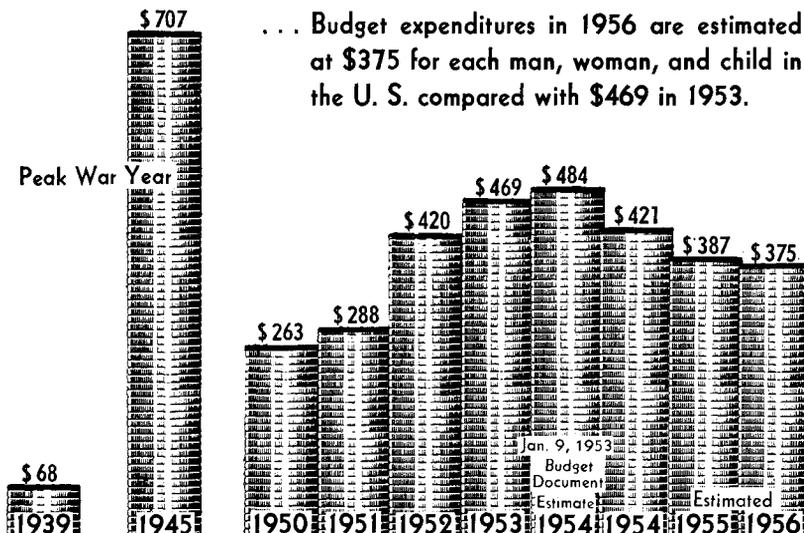
The President recommended new obligational authority of 4.2 billion dollars for all the other agencies of the Government, including 553 million dollars for the construction activities of the Corps of Engineers and other civil functions of the Department of Defense. Expenditures for all these other agencies are estimated at 4.1 billion dollars, 7 percent of the total.

Budget Expenditures

as a Percentage of National Income



Per Capita



PART 2

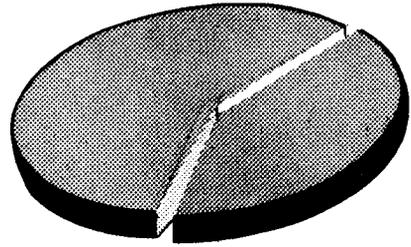
Budget Expenditures by Function



The section which follows provides greater detail about the budget expenditures estimated for the fiscal year 1956. It describes, by major function or purpose, the Government activities which are included in the 1956 budget, and shows how much these activities are expected to cost in 1956.

For the past several years, expenditures have been discussed in the budget in terms of 13 major functional categories. In the 1956 budget, these groupings of related Government activities have been reduced to 9. This change will permit a clearer understanding of the broad purposes for which the Government is spending money.

... 64.8% of the 1956 Budget
or \$40,458 Million



Major National Security

Expenditures for major national security programs in the fiscal year 1956 are estimated at 40.5 billion dollars compared with 40.6 billion dollars in 1955. This level of expenditures will support the (1) military functions of the Department of Defense, (2) military portion of the mutual security program, (3) atomic energy program, and (4) stockpiling of strategic and critical materials. Smaller programs related to national security in varying degree are in other sections of the budget.

The 1956 budget recommendations are based on the same general philosophy as the President's recommendations for the fiscal years 1954 and 1955. This approach calls for planning and financing our national security so as to maintain essential military strength over an indefinite period of time without impairing the basic soundness of the United States economy. The President said in his budget message, "It is essential that we, together with other nations of the free world, maintain a level of military strength which will effectively discourage any would-be aggressor from attacking. We cannot accept less."

The budget places strong emphasis on the development and maintenance of effective nuclear-air retaliatory power of the Air Force and Naval aviation as the principal deterrent to military aggression. About two-thirds of the projected Department of Defense expenditures will be for airpower and related programs—more than was spent for these programs in any previous peacetime year. The budget also gives high priority to the accelerated development of the continental defense program. Expenditures for continental defense will be higher than in any year in our history.

The budget also emphasizes the development and introduction into operating units of new weapons and techniques adapted to the radically changed conditions imposed by nuclear warfare.

Procurement of military equipment for our own forces accounts for the largest share—almost one-third—of major national security expenditures.

The pay and support of United States military personnel account for one-fourth of major national security expenditures. This includes the costs of military pay increases and other incentives proposed by the President. It will support an average of about 2.9 million servicemen and women in 1956.

Operation and maintenance of military equipment and facilities will require over one-fifth of the major national security expenditures. These expenditures cover the cost of operating our Army and Marine divisions, naval ships, aircraft of all Services, and worldwide military shore installations.

Military public works expenditures in 1956 are expected to increase substantially over the 1955 level, reflecting progress in construction of bases. Other Department of Defense expenditures are for research and development, and for strengthening and improving the military reserve forces.

Estimated expenditures in 1956 for the military programs of the Department of Defense total 34 billion dollars, although the detailed estimates for its individual activities total 35.75 billion dollars. Progress in improving management and in increasing efficiency has led the Secretary of Defense to believe that, repeating the experience of past years, additional savings, economies, slippages, and program adjustments not now specifically ascertainable can be anticipated, and that actual expenditures will not exceed 34 billion dollars. Therefore, without making an arbitrary assignment of the expected reductions to particular items at this time, an unallocated reduction of 1.75 billion dollars (5 percent) is shown.

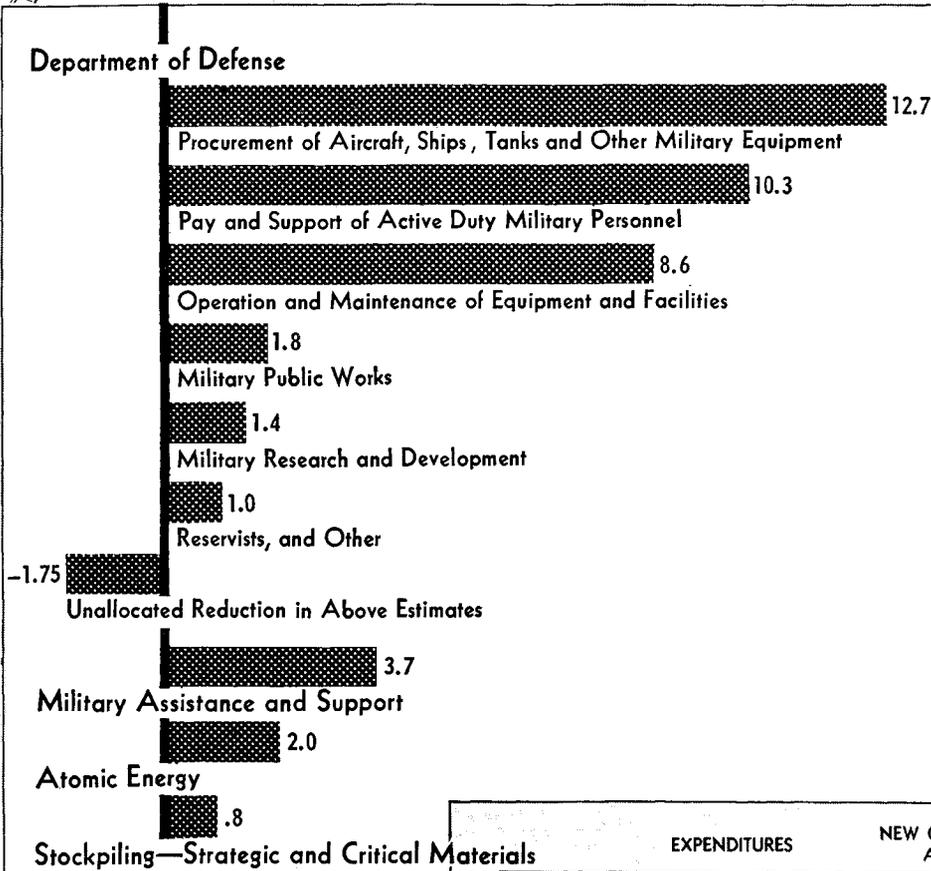
Military assistance and support for our allies under the mutual security program will account for 9 percent of the major national security expenditures for 1956. Military assistance will further



Major National Security

BUDGET EXPENDITURES IN 1956

\$ BILLIONS



help our allies to equip and train the equivalent of more than 180 divisions, 551 combat ships, 278 air squadrons, and supporting units. Direct forces support will provide our allies such items as tires, uniforms, medicines, rations, and gasoline.

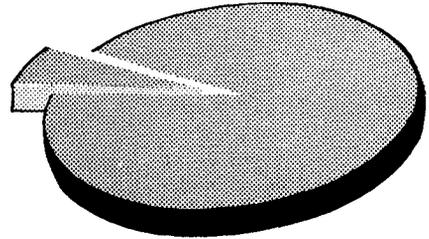
Expenditures for atomic energy in 1956 are estimated at 2 billion dollars. Operating expenditures will rise to the highest rate yet attained, principally because of increased procurement of uranium ores and concentrates, greater production of fissionable materials and weapons, and an expanded program to develop peaceful uses of atomic energy. Capital expenditures will drop considerably below the 1955 level as production plants under construction approach completion. Recommended new construction includes improvements in the production complex, additional research facilities, and developmental reactor projects.

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Billions	% of Budget	\$ Billions	% of Budget
1956 Est.	40.5	64.8	36.7	62.7
1955 Est.	40.6	64.0	34.4	60.0
1954	46.5	68.6	39.5	62.9
1953	50.3	67.7	57.3	71.3
1952	43.8	67.0	67.5	73.9
1951	22.3	50.6	57.9	69.6
1950	13.0	32.8	17.0	34.5

A new long-term stockpile level for strategic and critical materials has been established to provide added security above the minimum goals previously set. By June 30, 1956, about 5.1 billion dollars of materials within the minimum objectives and an additional 1.2 billion dollars toward the long-term objectives will be in inventory.

**... 2.1% of the 1956 Budget
or \$1,332 Million**

[6.1 % of Budget other than Major National Security]



International Affairs and Finance

Economic and technical development, primarily under the mutual security program, accounts for over 80 percent of estimated expenditures for international affairs and finance in the fiscal year 1956. The military portion of the mutual security program, which is closely related to these activities, is described as part of the major national security programs (page 18). The economic and technical development portion of the mutual security program is discussed here; it includes mainly defense support and development assistance.

As part of the free world's defense against the threat of Communist aggression, a number of friendly nations have undertaken a military effort which overburdens their domestic economies. The United States supplies consumer-type goods and capital equipment to these countries to help them solve their economic problems. Economic improvement in Europe makes it possible to limit this defense support to a very few countries there. Most defense support now goes for several countries in Asia, including Korea, Formosa, Vietnam, and Pakistan.

In his budget message, the President said that our national interest also requires that we continue to assist certain less developed countries to achieve the economic progress essential to meet the threat of Communist subversion. He stated that the loss of northern Vietnam makes this more imperative than ever.

Other parts of the mutual security economic program are technical cooperation and refugee and other foreign relief. Under the technical cooperation program, American experts help the people in foreign countries, and foreign technicians come to the United States to observe our methods. Agreements for such cooperation are in effect in 68 countries and territories in Latin America, Asia, the Near East, and Africa.

Our help to refugees includes administration of the Refugee Relief Act of 1953, which allows the admission of 214,000 people to the United States beyond regular immigration quotas before December 31, 1956. Increased appropriations were recommended in the budget for this program. The United States also supports various international agencies for resettling refugees and aiding children, such as the Intergovernmental Committee for European Migration and the United Nations International Children's Emergency Fund.

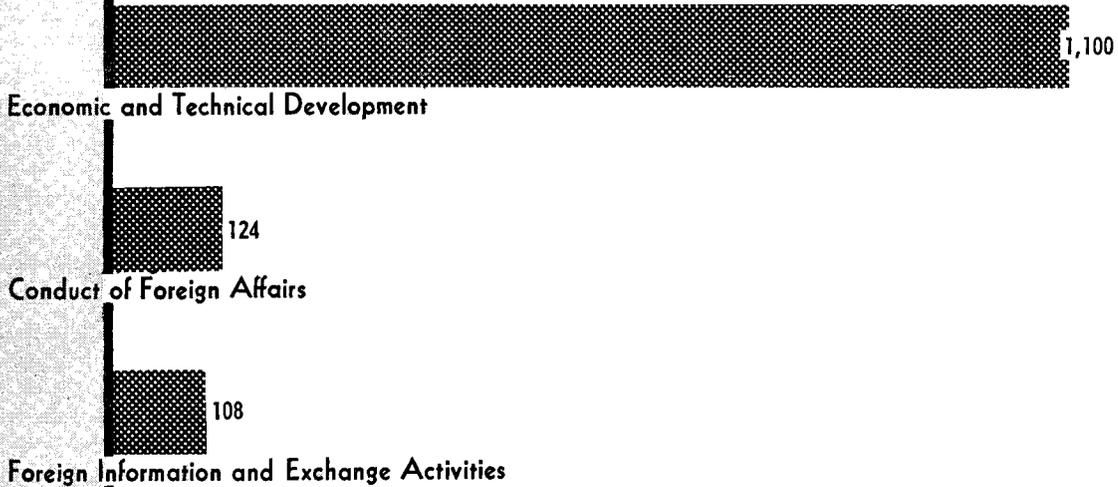
In a special message on foreign economic policy, the President recommended changes in tariff and tax laws to promote an expansion of foreign trade and investment. This would gradually reduce the need for direct Government assistance to other countries. As a further step in providing capital to underdeveloped areas through stimulating private investment, he recommended that the United States participate in a proposed International Finance Corporation affiliated with the International



International Affairs and Finance

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	1,332	2.1	1,876	3.2
1955 Est.	1,420	2.2	1,585	2.8
1954	1,720	2.5	1,268	2.0
1953	2,216	3.0	2,149	2.7
1952	2,826	4.3	3,529	3.9
1951	3,736	8.5	3,063	3.7
1950	4,674	11.8	5,454	11.1

Bank for Reconstruction and Development. The budget includes 35 million dollars as the United States share of the Corporation's capital of 100 million dollars. In addition, in keeping with legislation approved last year, an increase in direct loans and guaranties of private loans by the Export-Import Bank is estimated for the fiscal year 1956.

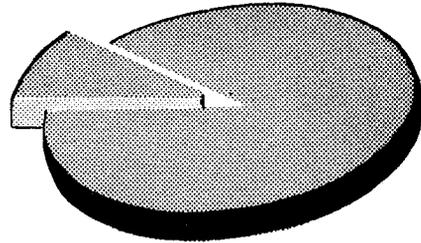
The various foreign economic and information programs receive their policy guidance from the Department of State, which is responsible for the conduct of our foreign affairs. Expenditures are estimated at 124 million dollars in the fiscal year 1956 for diplomatic and consular activities and for United States membership in the United Nations and other international organizations. This amount will make possible the strengthening of our career foreign service, and will allow for more comprehensive economic data to help American businessmen increase their trade and investment abroad.

The United States Information Agency tells the truth about our policies and motives to people of

other countries, in order to counteract Soviet efforts to divide the free world. Its worldwide radio broadcasting is increasingly directed to countries behind the Iron Curtain. In 1956, this agency will bring information to 79 countries through radio, press, films, and information centers. The Department of State arranges the exchange of educators, newsmen, labor and management officials, and others who influence public opinion abroad. The budget includes funds for increasing these exchanges, particularly with less developed areas.

... 7.4% of the 1956 Budget
or \$4,640 Million

1 21.1 % of Budget other than Major National Security 1



Veterans Services and Benefits

Expenditures for veterans' programs are estimated at 4.6 billion dollars in the fiscal year 1956. This is 384 million dollars, or 9 percent, more than was spent during the fiscal year 1954. Expenditures for these programs have reversed their decline from the post-World War II peak in 1947, and the long-run outlook under present laws is for continued large increases.

Three main factors account for this. First, the Korean conflict added to our already large veteran population. Twenty-one million veterans are now in civilian life, 5 times the number before World War II. More than one-third of all adult males in our population are now entitled to veterans' benefits. Second, the 3 million veterans of World War I are reaching age 65 and are qualifying in large numbers for pensions for which a service-incurred disability is not required. Third, new laws have increased the scope and liberality of veterans' benefits.

Compensation and pension payments of 2.8 billion dollars to 3,532,000 families and veterans will account for three-fifths of all veterans' expenditures in the fiscal year 1956. Of this amount, it is estimated that 1.9 billion dollars in service-connected compensation benefits will be paid in 2,486,000 cases, and 859 million dollars in non-service-connected pension benefits in 1,046,000 cases.

The statutes and regulations governing these benefits have not had a fundamental review for many years. In recent years, there has been great improvement in medical and rehabilitation techniques, in general welfare benefits, and in the eco-

nomie situation of the many beneficiaries. Therefore the President is appointing a Commission on Veterans' Pensions to study the entire structure, scope, and philosophy of our veterans' pension and compensation laws in relation to each other and to other Government programs.

The estimated expenditures of 770 million dollars for hospitals and medical care include 710 million dollars for current expenses and 60 million dollars for construction and repair. The average number of patients in Veterans Administration and contract hospitals is expected to rise 4 percent above the 1955 level to 114,500. The budget also provides for care of 25,700 veterans in Veterans Administration and State homes. More than two-thirds of the current expenses in 1956 will be for patients hospitalized or treated for ailments not connected with military service.

Readjustment benefits for veterans who served during the Korean conflict are being provided under the Veterans' Readjustment Assistance Act of 1952, similar to the earlier "GI bill" for World War II veterans. The President issued a proclamation on January 1, 1955, terminating accrual of eligibility after January 31, 1955, for these benefits for wartime service. However, budget expenditures during the fiscal year 1956 will not be materially reduced because few persons affected by this action will be discharged during the year.

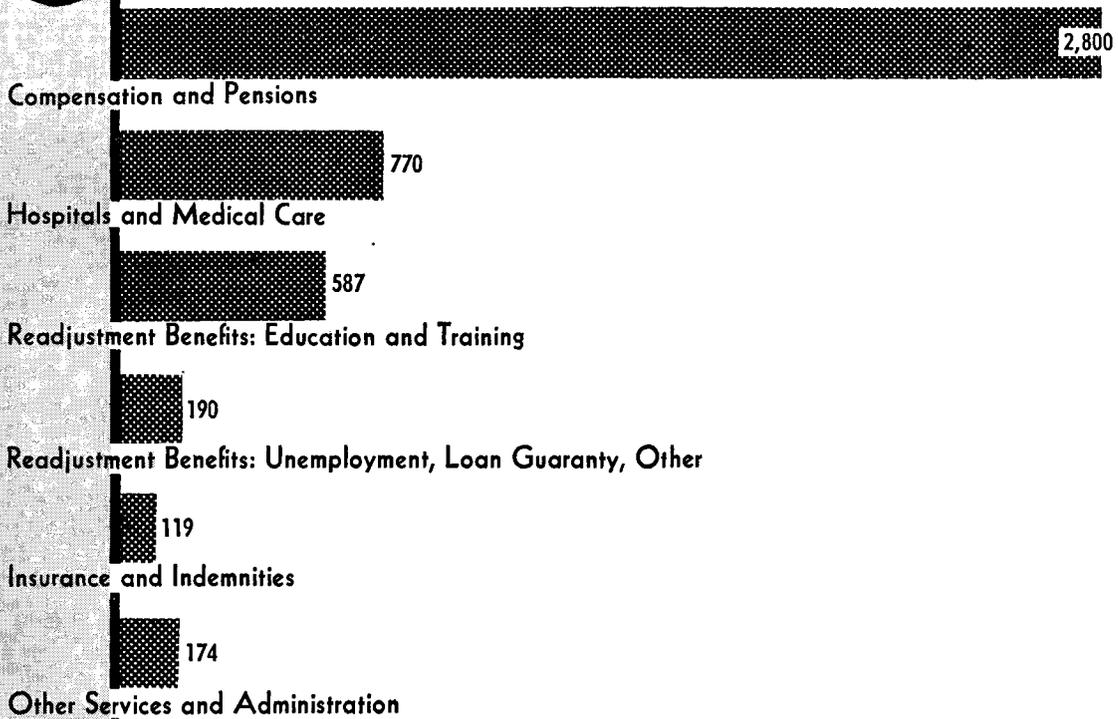
The 1956 budget includes 587 million dollars for education and training benefits for an average of 516,000 veterans, including 66,000 World War II veterans who are still completing their courses.



Veterans Services and Benefits

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Only 1 out of each 4 of the 4.7 million veterans of the Korean conflict will have received these benefits by June 30, 1956, compared to 1 out of 2 World War II veterans.

An estimated weekly average of 138,000 veterans of the Korean conflict will receive Federal unemployment benefits totaling 150 million dollars during 1956. In addition, the Veterans Administration will insure or guarantee 467,000 loans totaling 5 billion dollars for World War II and Korean conflict veterans. Budget expenditures include 25 million dollars for acquisition of properties and losses on defaulted loans under this program.

The Servicemen's Indemnity Act of 1951 provides benefits of \$92.90 a month for 10 years to the family of each serviceman who dies on duty or within 120 days after separation. Total budget

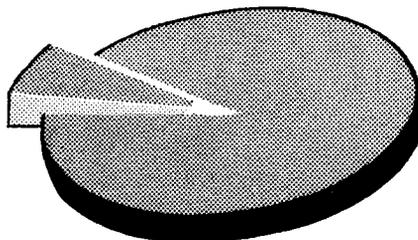
Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	4,640	7.4	4,615	7.9
1955 Est.	4,431	7.0	4,285	7.5
1954	4,256	6.3	4,272	6.8
1953	4,298	5.8	4,132	5.1
1952	4,863	7.4	4,391	4.8
1951	5,342	12.1	5,679	6.8
1950	6,647	16.8	6,625	13.4

expenditures for these payments now increase with each additional death. Expenditures are also being made under the earlier World War I and World War II insurance programs.

General operating expenses of the Veterans Administration are declining as a result of better organization and management and of lower workloads in some parts of this agency.

... 3.7% of the 1956 Budget
or \$2,312 Million

[10.5% of Budget other than Major National Security]



Welfare, Health, and Education

Budget expenditures for welfare, health, and education are estimated at 2.3 billion dollars for the fiscal year 1956. Of this amount, 1.4 billion dollars is for grants to help States pay public assistance benefits to 5 million people in need, mostly aged persons and dependent children. The President recommended broadening these grants to permit a greater Federal sharing in the cost of medical care for persons dependent on public assistance. Other recommended legislation would provide greater encouragement for the needy to help themselves.

Expenditures for public health are primarily for grants to States and for research in cancer, heart disease, mental health, and other serious health problems. The grants help pay for the construction of hospitals, and for public health services, including maternal and child health care. The 1956 budget proposes expansion of research, especially in mental health, as well as an intensification of efforts to control air and water pollution and a strengthening of our food and drug laws. The budget also provides for new legislation recommended by the President (1) to establish Federal reinsurance which will enable private health insurance plans to expand their coverage and give more adequate protection, (2) to promote construction of additional health facilities, (3) to encourage the training of nurses and other necessary

medical personnel, and (4) to provide additional help for State and community health services.

Expenditures for promotion of education in 1956 will be chiefly for aid in building and operating schools in districts especially burdened by Federal activities. Congress recently extended the school construction program for 2 years to aid districts where the school population will increase during the fiscal years 1955 and 1956 because of Federal activities.

The President has stated that he will propose to the Congress an affirmative program to enable the Federal Government to serve as an effective catalyst in dealing with the nationwide problem of classroom shortages. He also has scheduled a White House conference to highlight possible long-range solutions to the many problems which confront the Nation's school systems.

Expenditures for promoting education also include payments to States for vocational education and for land grant colleges, continued assistance to Howard University and to Gallaudet College for the deaf, and a new program of research for the Office of Education with the cooperation of universities and State educational agencies.

The Federal Government provides basic health, education, and welfare services to our Indian population living on reservations. The 1956 budget provides for improved medical care for these people.

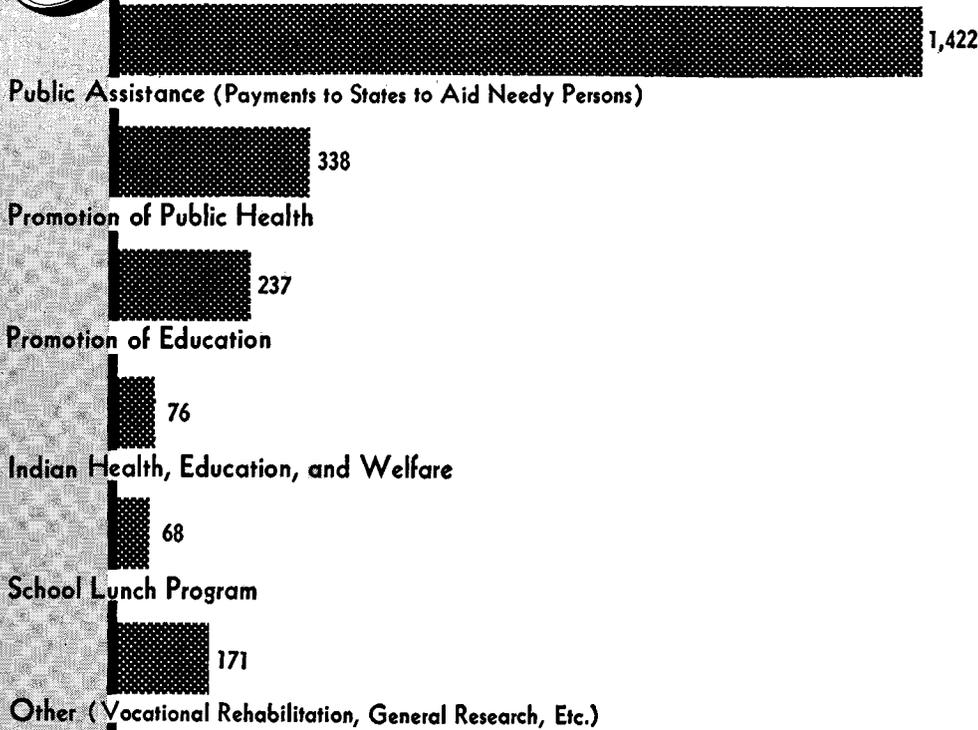
Federal grants supplement State, local, and private



Welfare, Health, and Education

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	2,312	3.7	2,289	3.9
1955 Est.	2,316	3.6	2,310	4.0
1954	2,248	3.3	2,190	3.5
1953	2,186	2.9	2,214	2.8
1952	1,927	2.9	1,860	2.0
1951	1,836	4.2	2,024	2.4
1950	1,714	4.3	1,811	3.7

funds to help provide low-priced lunches for about 10 million school children throughout the country. These school lunch grants are augmented by the new school-milk program and by donations of surplus commodities, for which Federal expenditures are included under agriculture and agricultural resources. Taken together, these various aids will make Federal support of the overall school lunch program in 1956 the largest in our history.

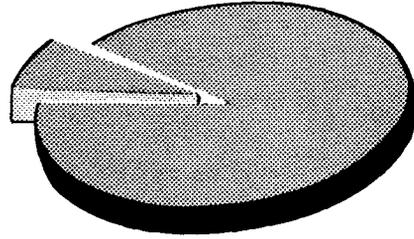
Other expenditures for welfare, health, and education include grants to States for rehabilitation of physically handicapped people, a program which was expanded in 1954; the Federal prison and probation system; and accident compensation for Federal employees. Also included are general-purpose research supported by the National Science Foun-

dation and the statistical and research activities of the Bureau of the Census and the National Bureau of Standards.

Expenditures for specialized education, medical care, and research in the military, atomic energy, and veterans' programs are discussed elsewhere in this booklet.

... 3.6% of the 1956 Budget
or \$2,259 Million

[10.3% of Budget other than Major National Security]



Agriculture and Agricultural Resources

The budget recommendations for agricultural programs are designed to promote a stable, prosperous, and free agriculture capable of supplying the needs of our increasing population. The programs include research and education to encourage more efficient production and marketing, cooperation with States and local groups of farmers in soil and water conservation activities, loans for rural electrification and telephones, and protection of farmers against sharp price declines and production failures.

The flexible price supports provided by the legislation enacted last summer will stimulate the consumption of farm products at home and abroad, and will reduce Government price support expenditures for buying and storing surplus agricultural commodities. However, flexible price supports will not greatly affect budget expenditures in the fiscal year 1956, since the transition will be gradual. In the budget message, the President pointed out that in future years the new legislation will make possible greater freedom from Government direction and control of farming operations.

Gross expenditures for Federal agricultural programs reflect the Government's activities in this field better than net expenditures (see page 38).

Gross expenditures are expected to be almost 7.7 billion dollars in 1956. Receipts from these programs, mainly from collections on loans and sales of commodities, are estimated at 5.4 billion dollars, resulting in net expenditures of 2.3 billion dollars.

The budget estimates a decline in net price support expenditures in 1956 primarily because of decreases anticipated in the amount of loans made by the Commodity Credit Corporation, particularly on cotton and wheat, and because increased receipts are expected by the Corporation from sales of cotton, corn, and wool. Price support and related programs will account for about 60 percent of the net expenditures for agriculture and agricultural resources in the fiscal year 1956. This compares with 72 percent estimated for the current year.

Budget expenditures for agricultural land and water conservation include technical assistance to farmers in soil conservation districts, payments to encourage soil conservation practices, and Federal participation in upstream flood prevention and watershed protection projects. On the basis of the new legislation enacted in the past session of the Congress, work on the upstream soil conservation and flood prevention program will be expanded

ESTIMATED GROSS AND NET EXPENDITURES, FISCAL YEAR 1956

[In millions]

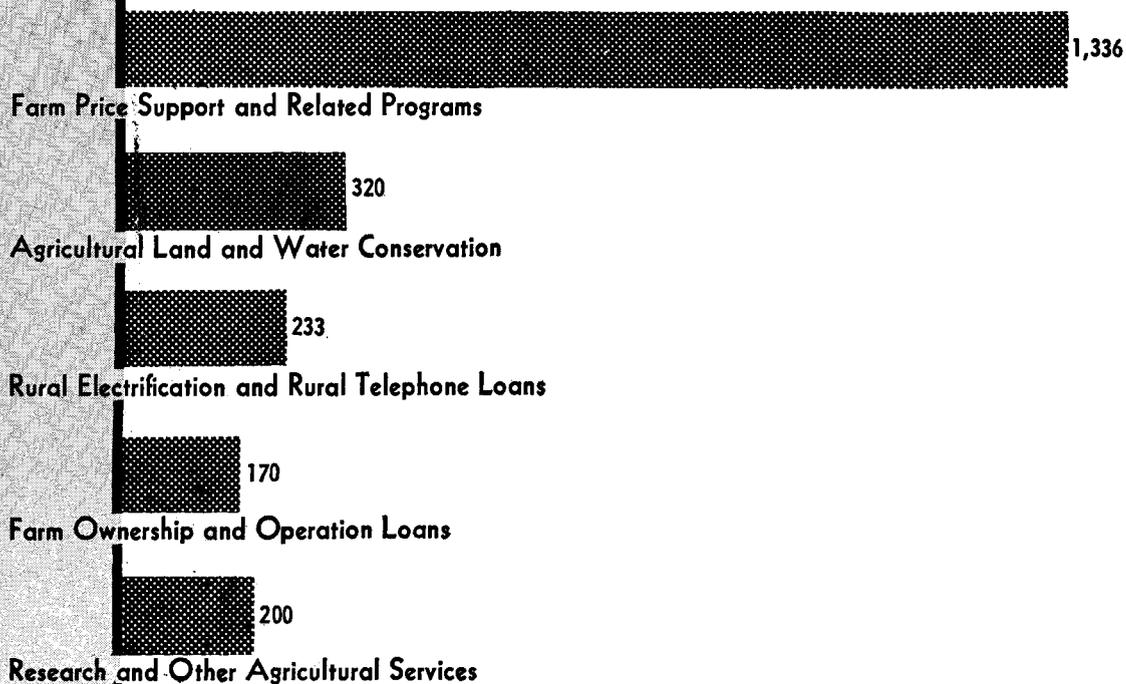
Program	Gross expenditures	Applicable receipts	Net expenditures
Farm price support and related programs	\$4,632	\$3,296	\$1,336
Agricultural land and water conservation	329	9	320
Rural electrification and rural telephone loans	233		233
Farm ownership and operation loans	2,247	2,077	170
Research and other agricultural services	206	6	200
Total	7,647	5,388	2,259



Agriculture and Agricultural Resources

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



in 1956 in cooperation with the States and local sponsoring groups.

The budget also provides for a larger loan program in 1956 than in 1955 to improve electric and telephone service in rural areas.

The scope of the loan programs of the Farmers' Home Administration was expanded last year by legislation which (1) authorized nationwide coverage for water facilities loans, (2) made such loans available for many soil and water conservation activities, and (3) encouraged private lenders to make more funds available for farm ownership and improvement loans. By placing greater reliance on insured loans, the services of the Farmers' Home Administration can be increased without increasing Federal expenditures.

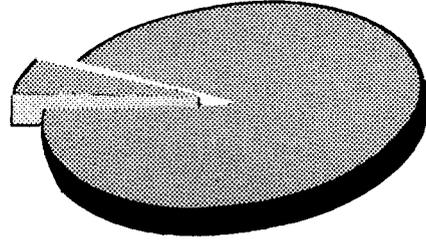
In the budget message the President stressed the importance of assisting farmers, through re-

Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	2,259	3.6	1,288	2.2
1955 Est.	3,130	4.9	2,630	4.6
1954	2,557	3.8	4,010	6.4
1953	2,936	4.0	1,333	1.7
1952	1,045	1.6	1,688	1.8
1951	650	1.5	1,228	1.5
1950	2,783	7.0	3,324	6.7

search and educational activities, to work out solutions for their problems. The budget proposes an increase in expenditures for these purposes in 1956. As farmers are better able to adjust their production to consumers' needs and to make improvements in the marketing of farm products, the need for Government price supports, acreage allotments, and other production controls will be lessened.

... 1.5% of the 1956 Budget
or \$953 Million

[4.3% of Budget other than Major National Security]



Natural Resources

The Government is encouraging State and local groups and private citizens to take the initiative in developing our natural resources, with Federal cooperation and assistance where necessary. Under this policy, it has been possible to reduce Federal expenditures and at the same time to strengthen the development and conservation of our resources. Federal expenditures for natural resource programs are estimated at 953 million dollars in the fiscal year 1956, as compared with 1.1 billion dollars in 1955 and 1.2 billion dollars in 1954.

About two-thirds of the expenditures in 1956 will be for the development of river basins. The Bureau of Reclamation and the Corps of Engineers will continue work on 152 projects for irrigation, flood control, and multiple-purpose development, including power. Work on 37 of the projects will be completed in 1956. The budget recommends funds for the Bureau of Reclamation to start 5 irrigation and water supply projects. In addition, the President recommended legislation to authorize construction of 2 large multiple-purpose developments in the West which are beyond the capacity of local initiative—the Upper Colorado River Basin and the Fryingpan-Arkansas developments. The budget also recommends funds for the Corps of Engineers to start work on 10 local flood protection works, 2 flood control projects, and 8 beach erosion control projects, and to resume work on 1 flood protection project. Under the Government's partnership policy, these agencies will also participate with State and local groups in water resources projects where national interests are involved.

Construction by the Tennessee Valley Authority will be largely to continue work on steam electric

and hydroelectric generation facilities started in earlier years. No appropriations are recommended for new power generation units. The Authority is giving attention to the possibility of financing further expansion of its power system by means other than Federal appropriations. Gross expenditures for all of TVA's activities are estimated at 250 million dollars in 1956. Proceeds from operations, mainly from sale of power, are estimated at 248 million dollars. Net budget expenditures of TVA, therefore, will be 2 million dollars. The President said in his budget message that legislation will be presented to the Congress to provide that an adequate rate of interest be paid to the Treasury on public funds invested in power facilities of TVA.

There are 181 million acres in our national forests and 470 million acres in the public domain, including 290 million acres in Alaska. Budget expenditures provide for the management and development of the timber, grazing, and mineral resources of these lands. Payments are made to States and counties of a share of the revenue from these resources. The lands are managed by the Departments of Agriculture and Interior.

Management of the 56 million acres of Indian lands, held in trust by the Federal Government, is under supervision of the Department of the Interior. The economic advancement of the Indians is furthered through use of the timber, mineral, and agricultural resources of their lands.

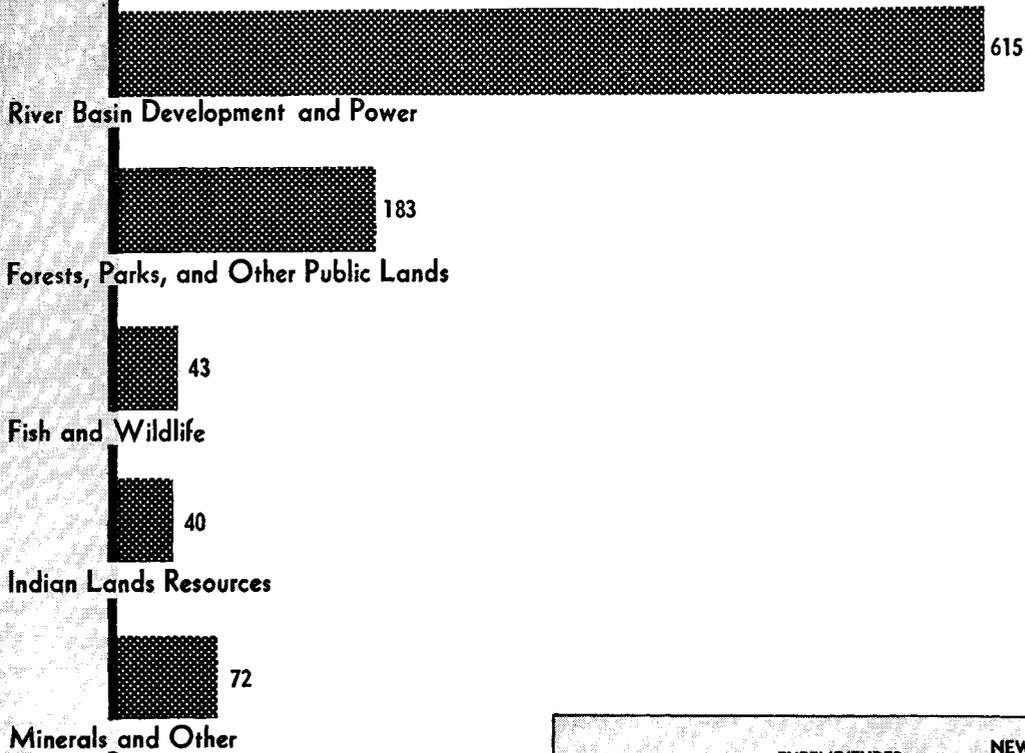
Expenditures by the National Park Service, in the Department of the Interior, are for the management and development of our park system, covering 24 million acres—including 180 national parks, national monuments, and other areas. The



Natural Resources

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	953	1.5	929	1.6
1955 Est.	1,133	1.8	967	1.7
1954	1,213	1.8	1,196	1.9
1953	1,358	1.8	1,396	1.7
1952	1,258	1.9	1,324	1.4
1951	1,140	2.6	1,277	1.5
1950	1,058	2.7	1,207	2.4

number of visitors to these areas is increasing each year, and will reach 52 million in 1956. Some increases in budget expenditures are recommended for increased services to visitors and for extending parkways, roads and trails in these areas.

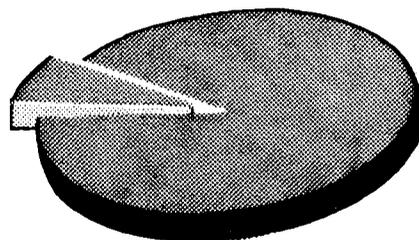
Expenditures for fish and wildlife resources enable the Department of the Interior (1) to operate 87 fish hatcheries for research and propagation of fish and 275 wildlife refuges for conservation of migratory waterfowl and rare birds and animals, and (2) to make Federal-aid payments to the States for their fish and wildlife restoration projects. About 70 percent of the expenditures in 1956 will be covered by excise taxes on fishing and hunting equipment, sale of Federal duck-hunting stamps, sale of wildlife products, and customs receipts on fishery products.

The Department of the Interior encourages pri-

vate development of our mineral resources by aiding private mineral explorations and through basic mineral surveys and research carried on by the Geological Survey and the Bureau of Mines. The budget provides for recommended legislation to enable the Government to cooperate with the State of Pennsylvania in providing facilities for surface water drainage in the anthracite coal region.

... 3.5% of the 1956 Budget
or \$2,186 Million

[10.0% of Budget other than Major National Security]



Commerce and Manpower

In the past 2 years, commerce and manpower programs have emphasized expansion of private investment, encouraged greater participation of State and local governments, and provided for extension of unemployment insurance coverage. In the fiscal year 1956 gross expenditures are estimated at 6.9 billion dollars. Receipts of 4.7 billion dollars are estimated from postal revenues, loan repayments, sale of defense materials to the stockpile and to industry, and other sources. Net expenditures are estimated at 2.2 billion dollars.

The Federal Housing Administration insures loans for the construction, purchase, and improvement of homes. The Federal National Mortgage Association buys and sells Government insured or guaranteed mortgages and the Veterans Administration makes direct home loans to veterans where sufficient private financing is not available. Receipts in 1956, mainly from mortgage sales, insurance premiums, and loan repayments, will exceed expenditures for aids to private housing.

The President has recommended extension of the Small Business Administration, which otherwise expires on June 30, 1955. Liquidation of the business loans of the former Reconstruction Finance Corporation is well advanced.

Expenditures for highways, chiefly grants to States, will rise in 1956, as a result of the increased program authorized last year. The President also recommended a new 10-year program to modernize the interstate highway system, but this will not affect budget expenditures in 1956.

Increased appropriations are recommended for the Maritime Administration to help bring our merchant fleet up to date and to pay subsidies offsetting the difference between American and

foreign operating costs. The Corps of Engineers will initiate 14 new navigation projects. Work will be pushed on the St. Lawrence Seaway.

The Federal Government makes grants to States to cover the operating costs of the joint Federal-State employment service and unemployment insurance program. Under legislation enacted last year, the difference between the administrative costs and the proceeds of the Federal unemployment tax is transferred annually to the unemployment trust fund to set up a reserve for loans to States which deplete their funds.

For aviation programs, the budget proposes increased investment in air navigation and radar traffic control equipment, and expanded research by the National Advisory Committee for Aeronautics on military aircraft and guided missiles. Expenditures for airline subsidies are expected to be 7 million dollars lower than in 1955.

ESTIMATED GROSS AND NET EXPENDITURES,
FISCAL YEAR 1956

[In millions]

Program	Gross expenditures	Applicable receipts	Net expenditures or net receipts (-)
Aids to private housing.....	\$655	\$814	-\$159
Business loans and guaranties.....	39	117	-78
Highways.....	725	.....	725
Navigation aids and merchant marine.....	640	95	545
Unemployment compensation and placement.....	341	1	340
Promotion of aviation.....	283	(1)	283
Urban renewal and public housing.....	750	622	128
Promotion of defense production.....	638	522	116
Civil defense and disaster relief.....	76	6	70
Postal Service.....	2,541	2,517	24
Other.....	220	28	192
Total.....	6,908	4,722	2,186

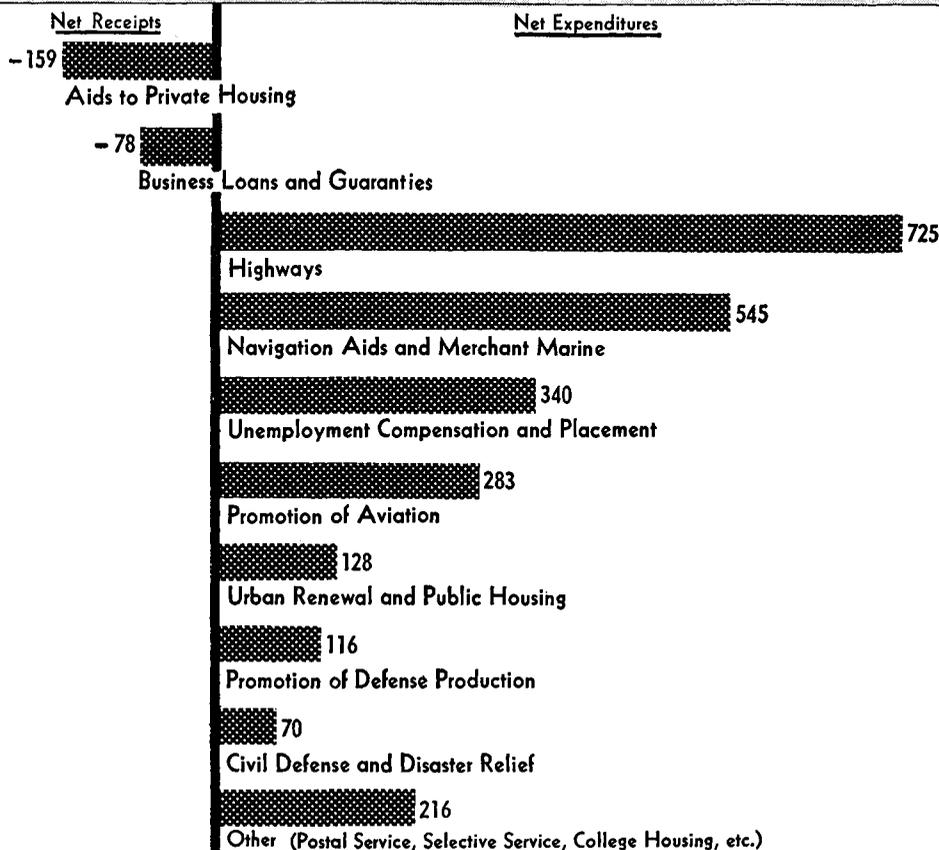
† Less than 500,000 dollars.



Commerce and Manpower

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	2,186	3.5	2,846	4.9
1955 Est.	2,550	4.0	3,381	5.9
1954	1,577	2.3	2,846	4.5
1953	2,983	4.0	3,867	4.8
1952	3,127	4.8	3,775	4.1
1951	2,729	6.2	5,043	6.1
1950	2,401	6.1	6,915	14.0

Under the newly-broadened program, the Urban Renewal Administration makes loans and grants to assist localities in clearing and rehabilitating rundown neighborhoods. The Public Housing Administration makes loans and pays annual contributions to finance local low-rent housing.

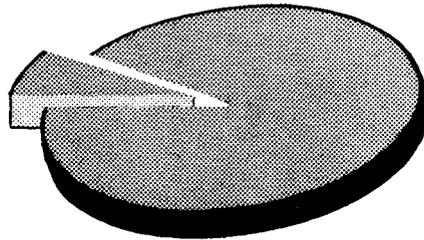
Gross expenditures for the promotion of defense production are expected to decline from 1,061 million dollars in 1955 to 638 million dollars in 1956. The Government's rubber facilities are being sold or leased, and the budget makes no provision for the operation of the Government tin smelter in 1956. The President is recommending continuation of the Defense Production Act beyond June 30, 1955.

Net expenditures of the postal service have been

reduced to the lowest level in 8 years. The budget allows for 400 million dollars of increases in postal rates which would be adequate to permit necessary salary adjustments and to cover almost all of the remaining deficit.

... 2.5% of the 1956 Budget
or \$1,566 Million

[7.1% of Budget other than Major National Security]



General Government

Tax collection and other financial management account for more than one-fourth of the budget expenditures of 1.6 billion dollars estimated for general government in the fiscal year 1956. Most of these activities are carried on by the Treasury Department, which collects taxes and customs duties, manages the public debt, mints coins, prints the currency, and issues the checks to pay the Government's bills. The General Accounting Office is responsible, as an agent of Congress, for auditing the accounts of Government agencies and verifying the legality of expenditures.

The 1956 budget recommends increased appropriations for the Treasury to extend the audit of tax returns. This will increase the Government's revenues from those taxpayers who are not paying their fair share.

The budget also provides for resumption of the Government's payment, as employer, to the retirement fund for Federal civilian employees. Under legislation enacted last year, the Government pays for unemployment compensation benefits to Federal civilian workers, similar to the benefits available to most workers in private industry.

Expenditures for the payment of claims and judgments are largely for certified claims paid by the Treasury. These result mainly from activities of

the Department of Defense. The Treasury also pays other claims as well as amounts voted by the Congress for relief of private individuals.

Property management and other central services performed by the General Services Administration include the maintenance and operation of public buildings, the custody of inactive Government records, the purchase and storage of supplies and equipment, and the rental of private buildings for Government use. The budget provides for necessary repair and improvement of public buildings, for the introduction of central motor pools in 15 cities, and for an accelerated program for the disposal of surplus Government property. Under the new long-term lease-purchase authority provided by the last Congress, the General Services Administration expects to enter into arrangements with private enterprise in 1955 and 1956 to build a number of new public buildings which will be purchased through annual appropriations for rental payments. Other central services include the governmentwide personnel activities of the Civil Service Commission.

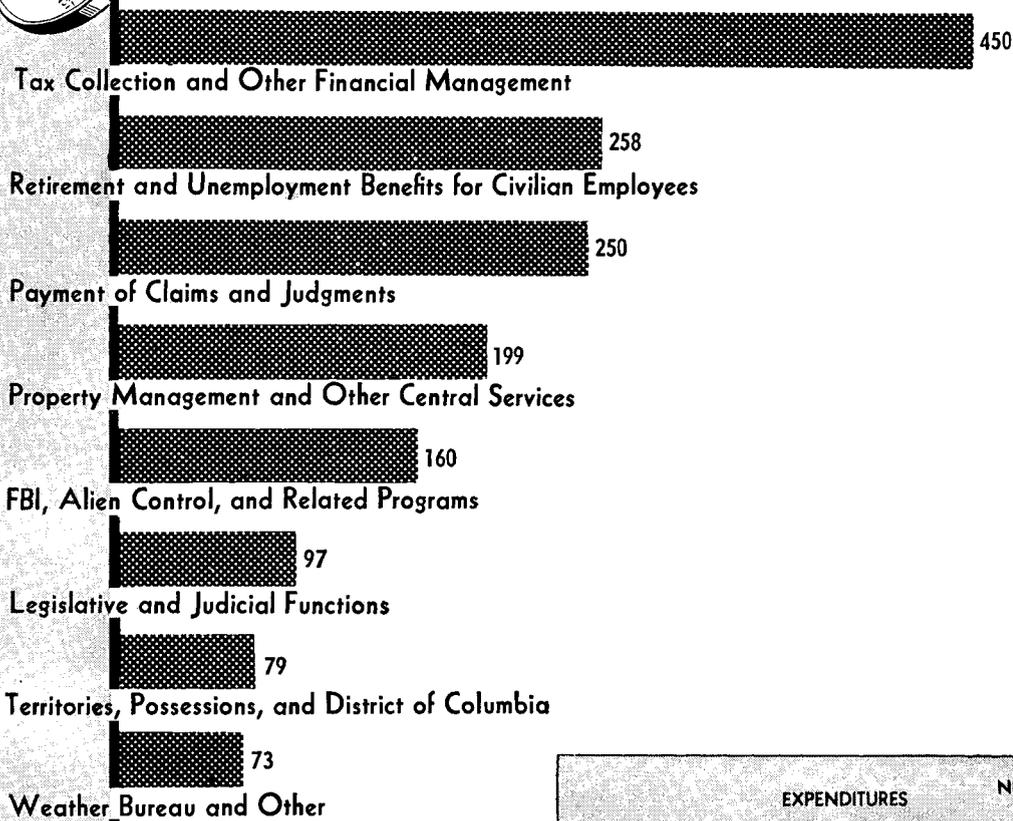
The Federal Bureau of Investigation is responsible for investigating and obtaining evidence in cases involving violation of Federal criminal laws. In recent years, a large part of the Bureau's efforts



General Government

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	1,566	2.5	1,305	2.2
1955 Est.	1,222	1.9	1,056	1.8
1954	1,209	1.8	1,041	1.7
1953	1,439	1.9	1,337	1.7
1952	1,437	2.2	1,389	1.5
1951	1,309	3.0	1,273	1.5
1950	1,173	3.0	1,152	2.3

has been concentrated on matters affecting the internal security of the United States, such as espionage, sabotage, and treason. The Immigration and Naturalization Service administers basic laws governing control of aliens and naturalization, and is in charge of border patrols to prevent unlawful entry into the United States.

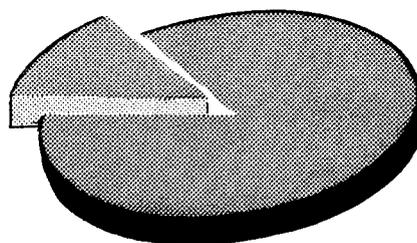
Under legislation enacted by the last Congress, the Federal Government is making larger annual contributions to help pay the cost of local government in the District of Columbia, as well as extending loans to help finance a major public works program in the District. Territories, island possessions, and the Pacific islands for which we are responsible under a United Nations mandate are supervised by the Department of the Interior.

The Weather Bureau distributes weather infor-

mation and forecasts for the benefit of agriculture, business, and the general public. The 1956 budget provides for the replacement of certain obsolete Weather Bureau facilities with modern observational equipment and for the transfer to the Weather Bureau of responsibility for a number of weather facilities now operated by the Department of Defense.

... 10.2% of the 1956 Budget
or \$6,378 Million

[29.1 % of Budget other than Major National Security]



Interest

Interest payments in the fiscal year 1956 account for about 10 percent of budget expenditures. The size of the public debt and interest rates on the debt determine the general level of interest expenditures. Variations may also occur from year to year due to changes in the dates of interest payments.

Budget expenditures for interest payments in the fiscal year 1956 are estimated at 6.4 billion dollars. Although the public debt is estimated to continue to increase, interest payments on the debt are expected to be 175 million dollars less than in 1955. This decrease reflects primarily the lower level of interest rates on the debt refunded in the calendar year 1954, as well as the unusual concentration in 1955 of interest payments on part of the public debt refunded during that year.

Nearly one-half of the interest on the public debt is paid on marketable obligations. Most of these securities are held by banks, insurance companies, and other financial institutions.

Interest on savings bonds amounts to another one-

quarter of interest payments. These bonds are owned by nearly 40 percent of all American families. Interest on savings bonds is included in budget expenditures as it accrues, even though bondholders do not receive cash until the bonds are redeemed.

Most of the remaining interest is paid on special issues sold to Government trust funds. The interest rate for these securities is generally fixed by law, and averages somewhat higher than the average rate on the total debt.

Other nonmarketable obligations are mainly bonds held by insurance companies and other private institutions for long-term investment, and short-term savings notes generally bought by corporations with funds set aside for later tax payments.

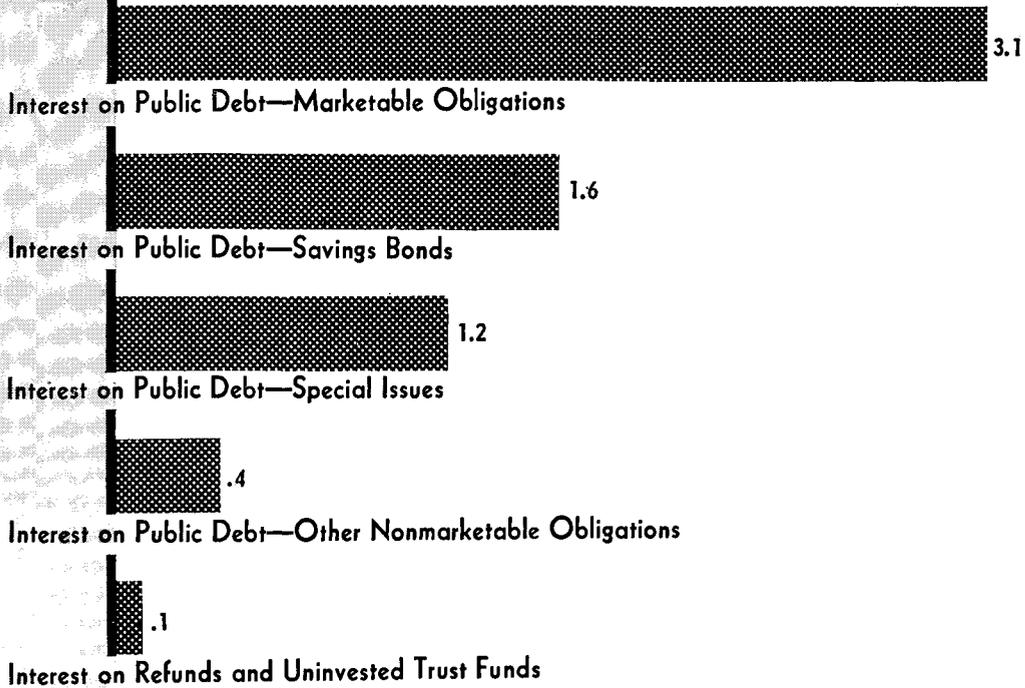
Interest payments are fixed obligations of the Federal Government. Unlike most budget expenditures, they are provided for by permanent law and are, therefore, not dependent upon annual appropriations by the Congress.



Interest

BUDGET EXPENDITURES IN 1956

\$ BILLIONS

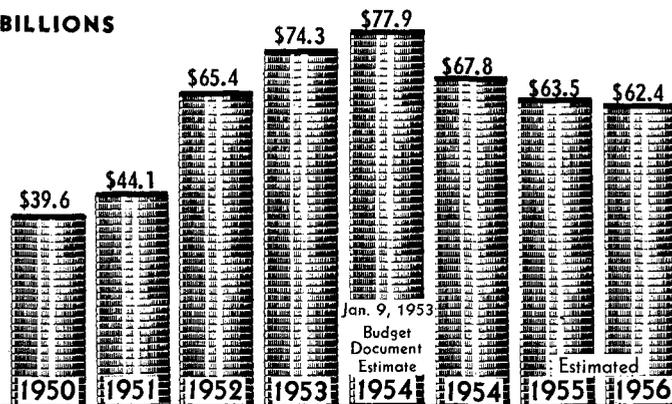


Fiscal Year	EXPENDITURES		NEW OBLIGATIONAL AUTHORITY	
	\$ Millions	% of Budget	\$ Millions	% of Budget
1956 Est.	6,378	10.2	6,378	10.9
1955 Est.	6,558	10.3	6,558	11.4
1954	6,470	9.5	6,470	10.3
1953	6,583	8.9	6,583	8.2
1952	5,934	9.1	5,934	6.5
1951	5,714	13.0	5,714	6.9
1950	5,817	14.7	5,819	11.8

Budget Expenditures 1950-1956

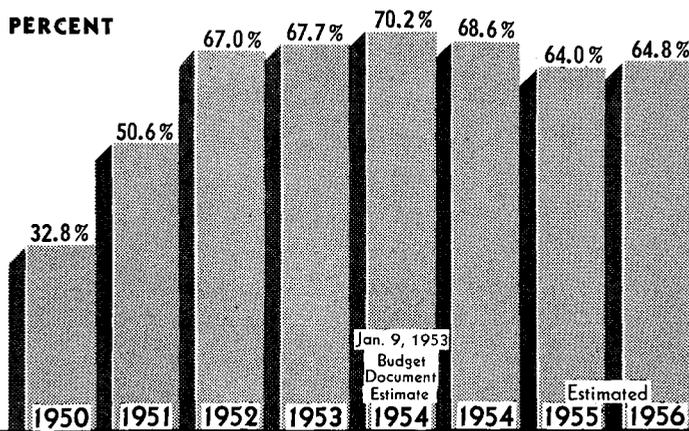
... Expenditures are being reduced to an estimated \$62.4 billion in 1956.

BILLIONS



... Major National Security expenditures continue to dominate the Federal Budget.

PERCENT



PART 3

Supplementary Information



Up to this point, this booklet has dealt mainly with budget receipts, new obligational authority, and budget expenditures by major function.

This section of the Budget in Brief presents a number of significant classifications of budget expenditures which are also of interest. These classifications represent different ways of grouping amounts already included in the expenditures discussed in parts I and II.

In addition, this section provides information on other aspects of Federal financial operations, such as Federal credit programs and transactions of the funds which the Government holds in trust. Historical data on budget receipts, expenditures, and the public debt are also included.

Gross and Net Budget Expenditures, by Agency

The 1956 budget continues a significant clarifying change which was begun in the 1955 budget. Previously, the totals of expenditures understated the scope of the Government's activities in that they included on a net basis the spending by a number of Government enterprises which are engaged in business-type operations with the public. In carrying out their functions, these public enterprises receive money from their customers or clients—interest and collections on loans or payments for goods delivered or services rendered. By law, most public enterprises may use their receipts and collections to carry on the operations for which they were created. As shown in the accompanying table, these receipts and collections from the public are estimated to total 10.9 billion dollars in the fiscal year 1956.

The public enterprise activities are carried on through so-called "revolving funds." Some of the enterprises are organized as Government corporations; others, such as the Post Office, are unincorporated.

In the summary tables of budgets prior to the 1955 budget, the receipts of such funds were subtracted from expenditures and only the difference was shown as an expenditure. While the use of either the gross figures or the net figures has an identical effect on the budget surplus or deficit, the former method of presenting only net figures in the summary tables did not reveal the full scope of the Government's financial transactions.

When Government agencies engaged in lending activities use their collections on old loans to make new loans, the net expenditure figure fails to disclose the volume of new lending and the new risks incurred. (For example, see tables on pages 26 and 30.)

In the 1956 budget, as in the budget for 1955, the summary tables show the expenditures of the public enterprises on both a gross and a net basis. The difference reveals the magnitude of receipts from the public in the revolving funds.

Most of the 10.9 billion dollars of receipts of public enterprises in the fiscal year 1956 will be in enterprises which are part of the Department of Agriculture, the Independent Offices of the Government, the Post Office Department, and the Housing and Home Finance Agency.

The price support program of the Commodity Credit Corporation is the largest item in the Department of Agriculture. Over 70 percent of the receipts of public enterprises in the Independent Offices is in the Federal intermediate credit banks of the Farm Credit Administration; other receipts of Independent Offices are mainly in the Export-Import Bank and the Tennessee Valley Authority. The estimates of Post Office Department receipts represent the sale of postage stamps and services. The Public Housing Administration and the Federal National Mortgage Association account for the largest part of the public enterprise receipts in the Housing and Home Finance Agency.

Gross and Net Budget Expenditures, by Agency

[IN MILLIONS]

Agency	Fiscal year 1956, estimated		
	Gross expenditures	Applicable receipts of public enterprise funds	Budget expenditures (net)
Legislative branch.....	\$83	.....	\$83
The Judiciary.....	33	.....	33
Executive Office of the President..	9	.....	9
Funds appropriated to the President:			
Mutual security program.....	4,700	.....	4,700
Other.....	656	\$460	195
Independent offices:			
Atomic Energy Commission.....	2,000	(¹)	2,000
Export-Import Bank.....	335	425	-90
Farm Credit Administration.....	1,985	1,950	35
Tennessee Valley Authority.....	250	248	2
Veterans Administration.....	4,705	97	4,608
Other.....	672	22	649
General Services Administration...	969	3	966
Housing and Home Finance Agency.....	1,264	1,390	-126
Department of Agriculture.....	6,013	3,517	2,496
Department of Commerce.....	1,223	7	1,216
Department of Defense:			
Military functions.....	34,000	(¹)	34,000
Civil functions.....	632	89	543
Department of Health, Education, and Welfare.....	2,055	2	2,053
Department of the Interior.....	591	29	561
Department of Justice.....	202	.....	202
Department of Labor.....	515	1	515
Post Office Department.....	2,541	2,517	24
Department of State.....	150	.....	150
Treasury Department.....	7,391	164	7,227
District of Columbia (Federal payment and loans).....	34	.....	34
Reserves for proposed legislation and contingencies.....	325	.....	325
Total.....	73,332	10,923	62,408

¹ Less than 500,000 dollars.

Note.—Detail may not add to totals because of rounding.

Trust Funds—Receipts and Expenditures

Most of the financial transactions of the Government are directly reflected in budget receipts and expenditures. However, some significant activities are carried on through trust funds with the Government acting in the capacity of trustee. The major programs conducted through trust funds are old-age and survivors insurance, unemployment insurance, railroad retirement, Federal employees' retirement, and veterans' life insurance.

Receipts of these trust funds come mainly from payroll taxes paid by employers and employees or, in the case of veterans' life insurance, from premiums paid by those insured. Another major source of trust fund receipts is interest received from investments in United States Government securities. These receipts are held in trust by the Government. The money may be spent only for the special purposes of the trust—primarily the payment, to those eligible, of the benefits for which the fund was established.

Total receipts of the trust funds will continue to be greater than their current expenditures in the fiscal year 1956. As in the past, most of this excess of receipts will represent accumulation in the old-age and survivors insurance trust fund to meet requirements in future years when a greater number of eligible persons will be entitled to benefits. Most of the excess of trust fund income over current payments is invested in special issues of Government bonds. By the end of the fiscal year 1956, it is estimated that approximately 49 billion dollars in United States securities will be held by the Government trust funds. These investments earned 1,188 million dollars in interest for the trust funds during fiscal year 1954 and will earn an estimated 1,218 million dollars and 1,226 million dollars in fiscal years 1955 and 1956, respectively.

The old-age and survivors insurance trust fund is by far the largest, in terms of both receipts and expenditures. It is financed primarily by a special payroll tax paid by covered workers and their employers and by self-employed persons. The amount

of individual wages subject to the tax was increased effective January 1, 1955, from 3,600 to 4,200 dollars a year. In addition, coverage of the system was extended to an additional 10 million persons by amendments approved during the past year. The initial effect of these changes will be an increased rate of accumulation in the trust fund.

Expenditures from this fund consist of (1) monthly benefits to retired workers or to surviving dependents of covered workers, and (2) costs of administering the program. It is estimated that administrative costs will represent 2.3 percent of all expenditures from this fund during the fiscal year 1956.

The railroad retirement fund and the Federal employees' retirement funds operate generally in the same way as the old-age and survivors insurance trust fund.

The unemployment insurance trust fund is financed by payroll taxes which the States and the Railroad Retirement Board collect from employers and deposit in the Federal Treasury. Expenditures from the fund consist largely of withdrawals from the fund by the individual States to pay unemployment compensation benefits to eligible workers.

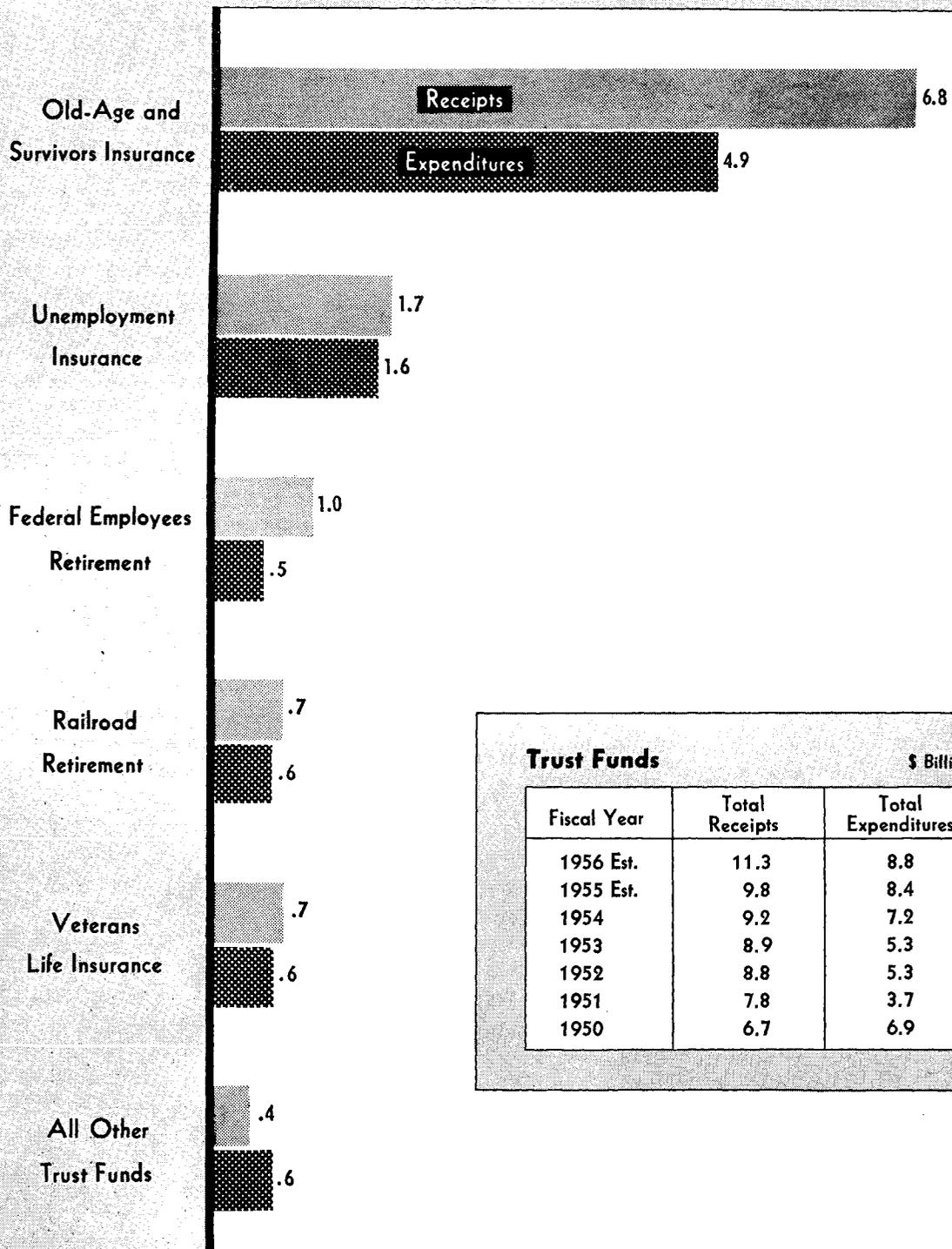
The veterans' life insurance trust funds provide life insurance protection for veterans of World Wars I and II. Receipts are mostly from premiums paid by the persons insured and expenditures are primarily payments to beneficiaries and payments of dividends.

In the 1956 budget message, the President made two recommendations with respect to the old-age and survivors insurance program. He recommended that (1) coverage be extended to military personnel and to Federal civilian personnel not now covered, and (2) collection procedures for income taxes and old-age insurance taxes be coordinated to reduce the reporting burden on wage earners and employers and to lessen administrative costs of the old-age and survivors insurance program.

Trust Funds RECEIPTS AND EXPENDITURES

FISCAL YEAR 1956 ESTIMATED

\$ BILLIONS



Fiscal Year	Total Receipts	Total Expenditures
1956 Est.	11.3	8.8
1955 Est.	9.8	8.4
1954	9.2	7.2
1953	8.9	5.3
1952	8.8	5.3
1951	7.8	3.7
1950	6.7	6.9

Receipts From and Payments to the Public

[IN MILLIONS]

Description	Fiscal year 1956 estimated
Budget receipts (page 8).....	\$60,000
Trust fund receipts (page 40).....	11,283
Intragovernmental transactions.....	—2,455
Seigniorage on silver.....	—35
Total Federal Government receipts from the public.....	68,793
Budget expenditures (page 10).....	62,408
Trust fund expenditures (page 40).....	8,845
Intragovernmental transactions.....	—2,455
Net accrued interest and other noncash transactions.....	—563
Total Federal Government payments to the public.....	68,235
Excess of Federal Government receipts over payments.....	558

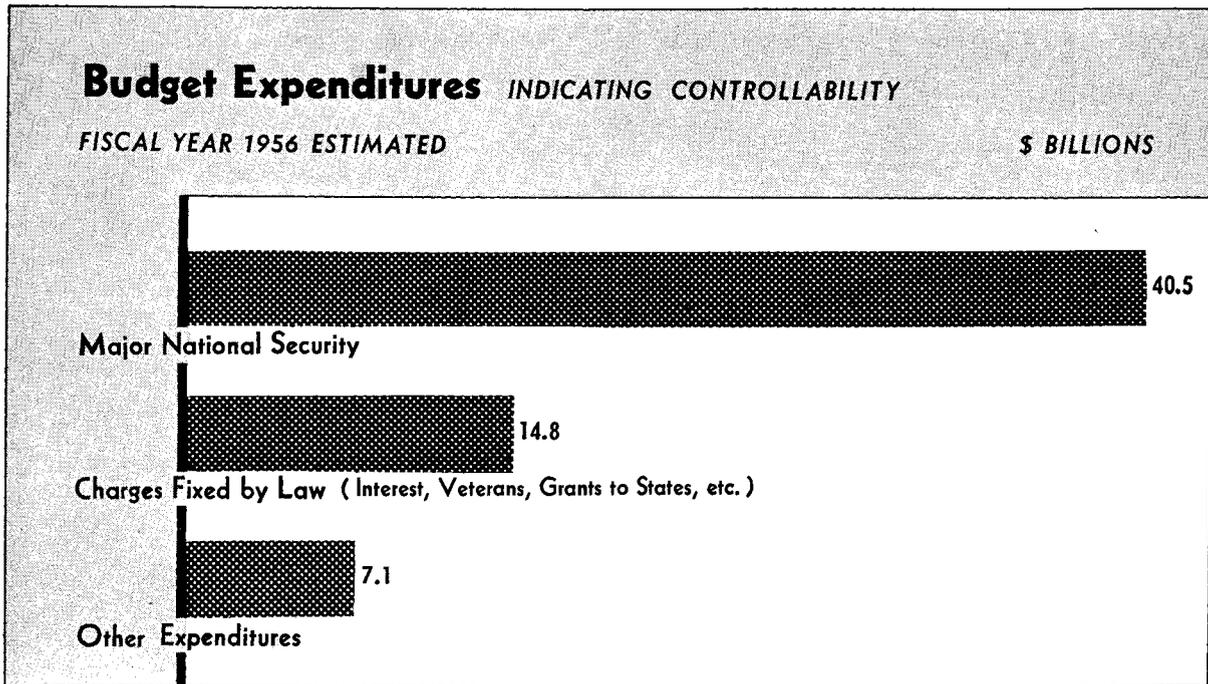
To present information on the flow of money between the public and the Federal Government as a whole, a statement of "Federal Government receipts from and payments to the public" has been developed.

By definition, the public includes individuals, banks, other private corporations and associations, and unincorporated businesses. The Federal Reserve System, the United States Postal Savings System, State and local governments, foreign governments, and international organizations are also defined as part of the public. Federal Government receipts and payments include budget transactions, trust fund transactions, and certain transactions of Government-sponsored enterprises.

The above table shows how the totals of receipts from and payments to the public are derived by consolidating budget receipts and expenditures with trust fund transactions. In this consolidation, transactions between Government agencies and

trust funds, such as interest paid by the Treasury on United States securities held by the trust funds, are eliminated. They are not cash transactions between the Government and the public. Certain other noncash transactions are also eliminated in the consolidation. For example, interest which accrues on savings bonds is counted as a budget expenditure at the time of accrual. But the interest is not paid in cash until the bonds are redeemed. Hence, this consolidation eliminates the interest accruals, but includes the interest paid at the time of redemption.

For the fiscal year 1956, it is estimated that the consolidated cash flow between the Federal Government and the public will show an excess of receipts over payments of 558 million dollars. This compares with an excess of payments over receipts of 232 million dollars in the fiscal year 1954 and 2,377 million dollars now estimated for the fiscal year 1955.



In the fiscal year 1956, expenditures for major national security programs are estimated at 40.5 billion dollars, almost two-thirds of the total of net budget expenditures. These programs are discussed on page 18 of this booklet.

About one-fourth of total expenditures in 1956—14.8 billion dollars—is estimated for activities in which little or no administrative discretion is permitted through the annual budget process. The level of these expenditures depends upon provisions of the laws which authorized the programs, and on other factors not readily subject to executive control. For example, interest depends upon the size of the public debt and interest rates. Expenditures for veterans' benefits depend upon the benefit rates and the number of eligible veteran applicants. Expenditures for agricultural price supports are affected by such factors as the weather and the level of world prices. Expenditures for relatively uncontrollable programs in 1956 are estimated to be 498 million dollars less than in 1955. Increases are estimated for Federal-aid highway grants, veterans' benefits, payments of claims, and resumption of the Government's contribution to the retirement fund for Federal civilian employees. The sum of these increases is smaller than the decreases expected in expenditures for agricultural price supports and interest on the public debt.

NET BUDGET EXPENDITURES

[In billions]

Fiscal years	Total	Major national security	Charges fixed by law	Other
1956 (est.)	\$62.4	\$40.5	\$14.8	\$7.1
1955 (est.)	63.5	40.6	15.3	7.6
1954	67.8	46.5	14.3	7.0
1953	74.3	50.3	14.9	9.1
1952	65.4	43.8	12.3	9.3
1951	44.1	22.3	12.1	9.7
1950	39.6	13.0	15.6	11.0

All other budget expenditures are estimated at 7.1 billion dollars in 1956, 412 million dollars below 1955. Although these expenditures are only 11 percent of the total, they include the great majority of the individual appropriation items in the budget. Some activities in this category are closely related to national security, such as our international affairs and finance programs, the Selective Service System, civil defense, the merchant marine, and the promotion of defense production. Most regular operations of the Government are also included, such as law enforcement, tax collection, regulatory activities, postal service, and direct civil public works.

Federal Public Works

The various programs of the Federal Government require many different kinds of works and structures. These range from small buildings to large river basin developments and military installations. Some of these facilities are built directly by the Federal Government as civil or military public works. In other cases, the Government participates with States and local governments by making loans or grants to aid in the construction of public works in which there is a national interest.

Federal construction activities are an important part of the total construction activities of the Nation. Direct Federal public works currently amount to about 9 percent of total construction, and federally aided State and local construction represents another 4 percent.

Federal expenditures for public works are part of the expenditures already discussed in part II of this booklet, where they are classified with the major programs they support. Here they are grouped together to show the magnitude and trend of total Federal public works activities.

Federal public works expenditures are estimated to total 4.2 billion dollars in the fiscal year 1956, about the same level as in 1955, but lower than expenditures in 1954. The several programs that make up this total vary considerably during these years.

Expenditures for national security public works in 1956 will remain at about the same level as in 1955, but well below the 1954 level. Within

BUDGET EXPENDITURES FOR PUBLIC WORKS

[Fiscal years. In billions]

Program	1950 actual	1951 actual	1952 actual	1953 actual	1954 actual	1955 estimated	1956 estimated
Civil public works:							
Direct Federal projects	\$1.3	\$1.4	\$1.4	\$1.4	\$1.3	\$1.2	\$1.0
Grants for State and local projects	0.5	0.5	0.6	0.7	0.7	0.8	0.9
Loans for State and local projects (net)	(1)	0.1	0.2	(1)	-0.4	-0.1	(1)
Subtotal, civil public works	1.8	2.0	2.1	2.2	1.6	1.9	1.9
Public works for national security:							
Military public works	0.2	0.4	1.8	1.9	1.7	1.4	1.8
Atomic energy plants and facilities	0.2	0.5	1.1	1.1	1.1	0.8	0.5
Subtotal, national security	0.4	0.9	2.9	3.0	2.8	2.3	2.3
Total, Federal public works	2.2	2.9	5.0	5.2	4.4	4.2	4.2

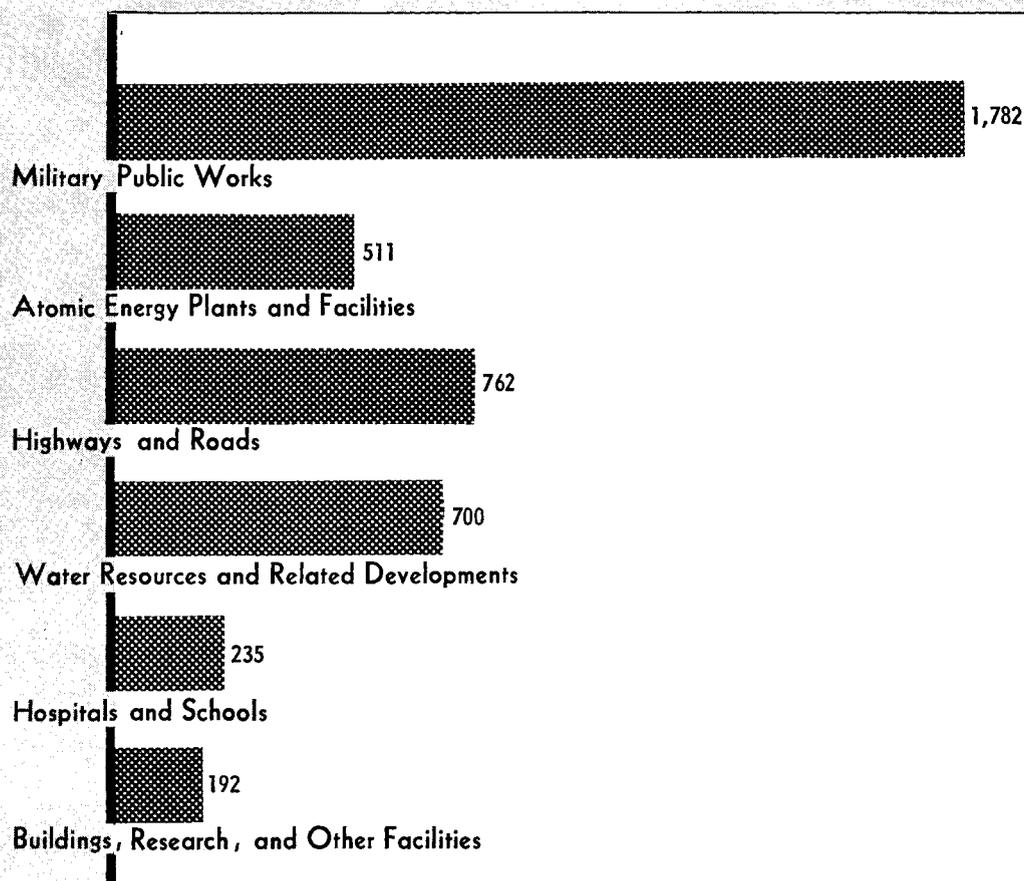
¹ Less than 50 million dollars.

NOTE.—Detail may not add to totals because of rounding.

Federal Public Works

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



this category, military public works expenditures will increase from 1.4 billion dollars in 1955 to 1.8 billion dollars in 1956, reflecting progress on construction of bases, airfields, and other military installations. A substantial portion of the military public works projects proposed to be undertaken in 1956 relate to the continental defense program. The increase in military public works is almost equaled, however, by a reduction in expenditures for atomic energy facilities as the large production plants started in prior years approach completion.

Civil public works expenditures also show divergent trends. Expenditures for direct Federal public works will continue to decline in the fiscal year 1956 in line with the Government's policy of relying on local public and private interests to assume a greater responsibility for needed public works,

and of cooperating with non-Federal interests in a partnership capacity where national interests are involved. Expenditures for grant-in-aid construction programs will increase in 1956, reflecting the Federal share of the cost of the joint Federal-State highway program.

Well over one-third of the civil public works expenditures in the fiscal year 1956 will be for the Federal-aid highway program and other road construction. An additional 700 million dollars is estimated for water resources and related developments, including flood control, irrigation, navigation, power, and multiple-purpose projects. The remaining civil public works expenditures will be for other natural resources programs, and for schools, hospitals, public buildings, and other facilities.

Research and Development

Research and development activities are supported or conducted by many Federal agencies, as a means of developing new knowledge or of applying existing knowledge to new uses. Federal expenditures for research and development are part of the expenditures already discussed in part II of this booklet, where they are included in the major expenditure programs to which they are related. Here they are grouped together to show the magnitude and composition of Federal research and development activities.

Net budget expenditures specifically for research and development in the fiscal year 1956 are estimated at 2.2 billion dollars. Of this total 2 billion dollars is estimated for the conduct of research and development and 251 million dollars is estimated for laboratories, buildings and other facilities, and for major equipment used in research and development. This does not include substantial costs, particularly in the Department of Defense, which are associated with research and development but cannot be specifically identified; for example, pay and allowances of military personnel engaged in research and development, or the procurement of test models of new weapons and equipment.

It is estimated that expenditures of the Federal Government for research and development now represent approximately one-half of the total expenditures of the Nation for this purpose. Outside the Government, private industry spends the greatest amount for research, with considerably lesser amounts provided by educational institutions, research institutes, and State and local governments.

Coordination of basic research within the Government and support of general-purpose basic research are functions of the National Science Foundation. The Foundation is also responsible for

making studies of the scientific activities of the Nation. Reports on these studies will provide a basis for recommending policies to help guide the Federal Government in the conduct and support of scientific research.

In the fiscal year 1956, research and development expenditures of the Department of Defense will account for 68 percent of total Federal expenditures for research and development. Those of the Atomic Energy Commission will account for an additional 16 percent. Thus, 84 percent of the total will be spent on our major national security programs. The amount spent for research and development in these programs has more than doubled since 1950.

The objective of the research and development programs of the Department of Defense is to make significant improvements in the weapons, equipment, and techniques of the Armed Forces. About 60 percent of the research expenditures of the Department of Defense is for work performed under contracts with industry and nonprofit institutions. The remainder is for work in Department of Defense facilities and for the administration of the entire program.

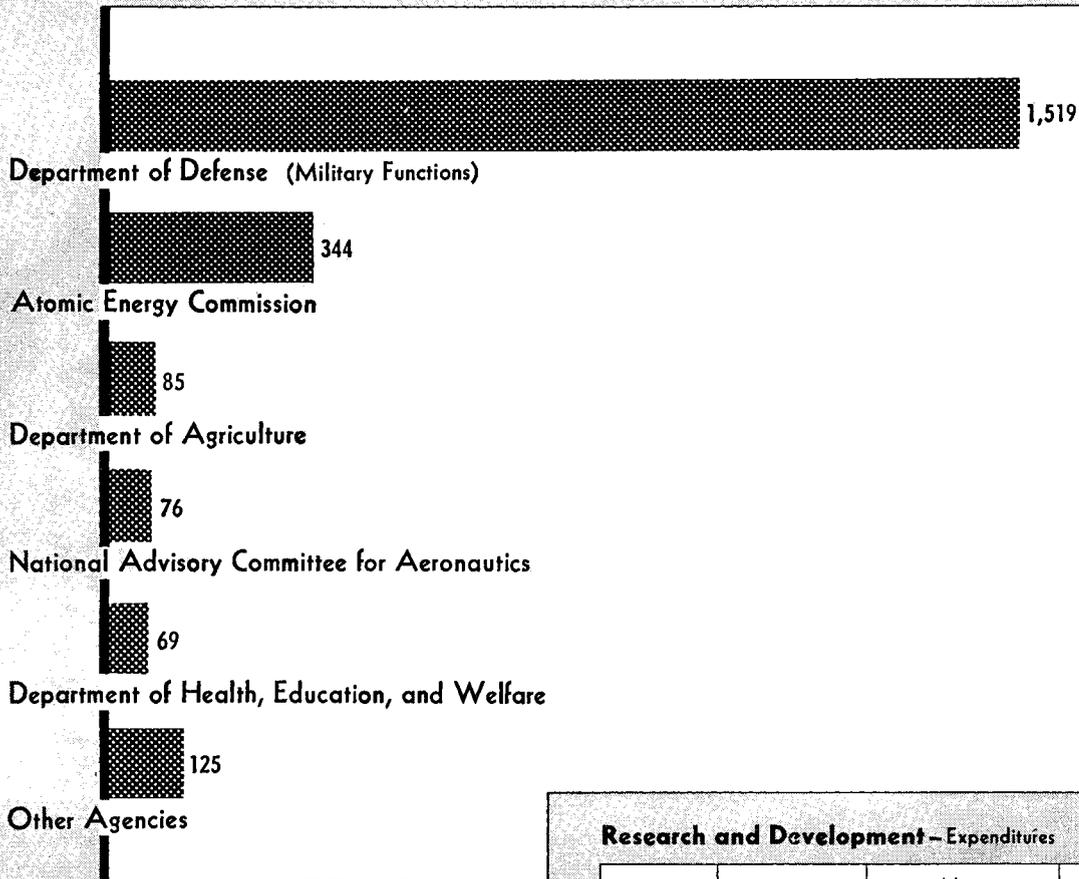
Although the research and development programs of the Atomic Energy Commission largely serve military and other national security purposes, a growing portion of the Commission's research program is devoted to developing peaceful applications of nuclear energy. The budget recommendations for 1956 include funds to begin construction of a new medical research center containing a nuclear reactor designed specifically for medical research and therapy.

The Department of Agriculture's research program is concerned with the production, storage,

Research and Development BY AGENCY

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



distribution, and utilization of agricultural products, and with human nutrition and home economics. Much of the work is done in State agricultural experiment stations.

The National Advisory Committee for Aeronautics conducts research for the improvement of military aircraft and guided missiles. This research also contributes to the advancement of commercial aviation.

In the Department of Health, Education, and Welfare, the largest research expenditures are made by the Public Health Service, which conducts or supports research in the diagnosis, cause, and treatment of various diseases. In 1956, funds will be provided for increased research, especially on mental health, on utilization of professional personnel, and on water pollution. About 60 percent of the ex-

Fiscal Year	Total	Major National Security	Other
1956 Est.	2,218	1,863	355
1955 Est.	2,071	1,746	325
1954	2,095	1,804	291
1953	2,108	1,908	200
1952	1,839	1,632	207
1951	1,342	1,125	217
1950	1,143	926	217

penditures of the Public Health Service are for research grants to medical schools, to other institutions, and to individuals.

Many other agencies of the Federal Government also make expenditures for research and development. Of the 125 million dollars estimated for these agencies in 1956, over one-half will be spent by the Departments of Commerce and Interior.

Federal Aid to State and Local Governments

Federal aid to State and local governments is estimated at 3.6 billion dollars in the fiscal year 1956, about 6 percent of total Federal expenditures. This aid consists largely of grants-in-aid but includes also shared revenues and loans. In recent years, Federal aid has equaled approximately 8 to 10 percent of State and local government revenues from all other sources.

The Federal-aid expenditures are included in budget categories discussed in part II of this booklet. They are brought together in this section in order to provide a comprehensive statement of all Federal aid to State and local governments. Expenditures discussed in this section include only payments to State and local governments (including Territories and the District of Columbia). They do not include the expenditures by the Federal Government for administering these programs. Thus, some expenditure figures shown here differ from those presented in part II for the same programs.

As in previous years, the largest grants in the fiscal year 1956 will be for public assistance. These grants help the States give aid to people in need, mainly aged persons and dependent children.

The second largest grant program is for highway construction. Estimated expenditures of 669 mil-

lion dollars in 1956 represent a substantial increase over the current fiscal year as a result of the already enlarged program provided by the Federal Aid Highway Act of 1954.

Federal grants of 245 million dollars for the administration of unemployment compensation and employment services cover only the administrative costs in the States. Benefit payments for unemployment insurance are separately financed from State collected payroll taxes, except for benefits paid under Federal laws to veterans and unemployed Federal workers, which are Federal expenditures.

Federal support for school lunches is expected to be larger in 1956 than ever before. The overall program consists of a cash grant for the national school-lunch program, contributions of surplus agricultural commodities, and a new program to encourage increased milk consumption by school children.

Federal grants of 167 million dollars for hospital construction and health services will aid in the construction of public and nonprofit private hospitals and certain other medical facilities, as well as in the control of specified diseases, the promotion of general public health services, and research.

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

[In millions]

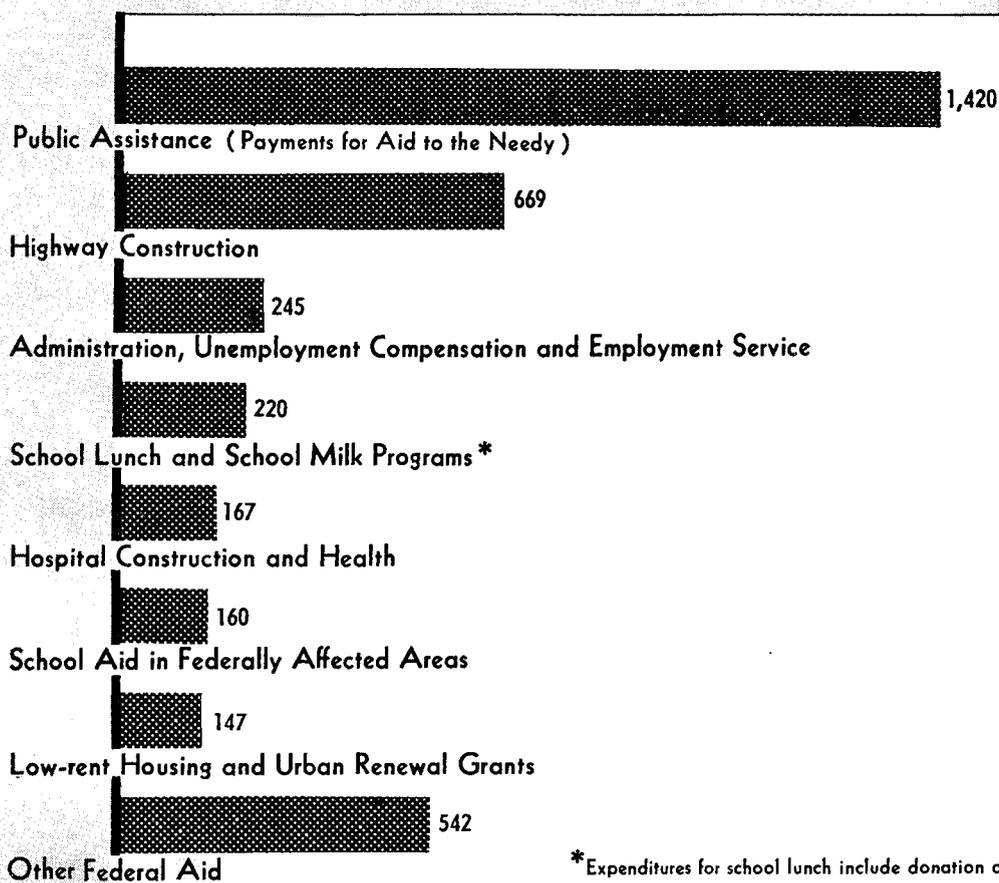
Fiscal year	Gross expenditures				Collections on loans and repayable advances (5)	Budget expenditures (net) (6)
	Total	Grants-in-aid	Shared revenues	Loans and repayable advances		
	(1)	(2)	(3)	(4)		
1950	\$2, 279	\$2, 226	\$27	\$26	\$10	\$2, 269
1951	2, 520	2, 256	31	233	86	2, 434
1952	3, 096	2, 393	38	665	492	2, 604
1953	3, 818	2, 781	50	987	961	2, 857
1954	3, 683	2, 986	66	631	1, 026	2, 657
1955 (estimated)	3, 848	3, 247	79	522	597	3, 251
1956 (estimated)	4, 103	3, 435	76	592	533	3, 570

NOTE.—Column (6) equals column (1) less column (5).

Federal Aid to State and Local Governments

BUDGET EXPENDITURES IN 1956

\$ MILLIONS



*Expenditures for school lunch include donation of commodities

Aid to school districts in areas especially affected by Federal Government activities will help during 1955 and 1956 to pay for building almost 4,000 new classrooms to accommodate about 115,000 pupils, and for operating the schools in some 2,000 districts with enrollments totaling 5.5 million.

Annual contributions will be paid to local housing authorities to help finance the operation of 354,000 public housing units occupied by low-income families. Capital grants will be disbursed on an estimated 98 slum clearance and urban renewal projects undertaken by local public agencies to rebuild blighted areas in our major cities.

Other Federal aid in the fiscal year 1956 will include a wide variety of grant-in-aid programs, as well as 59 million dollars of estimated net expenditures for loans and 76 million dollars of

shared revenues. Gross expenditures for loans are estimated at 592 million dollars, and collections at 533 million dollars, almost entirely in the low-rent public housing and the slum clearance and urban renewal programs. Revenues shared with the States or their subdivisions are derived mainly from the sale of specified Federal properties or products or services; payments to Territories usually consist of certain Federal tax collections within or relating to the individual Territory.

The temporary Commission on Intergovernmental Relations, established in 1953, is at present completing its studies of the division of responsibilities between the Federal Government and the State and local governments. It is scheduled to report to the President and the Congress during 1955.

Federal Credit Programs

In carrying out several major programs authorized by the Congress, Government agencies make direct loans, and guarantee or insure loans made by private banks and other credit institutions. For example, as part of the Federal programs for improvement of housing and encouragement of home ownership, Federal insurance or guaranties now cover about 40 percent of all outstanding home-mortgage loans. Similarly, credit assistance is an important part of the Federal program of encouraging efficient family-size farm units.

Federal insurance and guaranties of private loans do not normally involve budget expenditures. In direct loan programs, collections on outstanding loans are usually available for new loans. In the fiscal year 1956, disbursements on new loans are expected to exceed collections on old loans by about 110 million dollars for major credit programs.

The volume of "new commitments"—pledges by Government agencies to make direct loans or to guarantee or insure private loans—indicates the level and trend of Federal credit activities. Total new commitments of 20.5 billion dollars estimated for major credit programs in the fiscal year 1956 will be the highest in history. Thus, through credit assistance, the Federal Government helps to stimulate and maintain a high level of private investment without a major impact on the current Federal budget.

Commitments for Federal guaranties and insur-

ance of private loans account for 80 percent of total new commitments in 1956, and for all of the increase in commitments from 1954 to 1956. Federal guaranties and insurance help borrowers obtain needed funds from private lenders at reasonable rates of interest. Thus, they stimulate private business activity while keeping the Government's role at a minimum. The predominance of this type of commitment, as distinct from commitments for direct loans, arises from the general policy of (1) making insured and guaranteed loans more attractive to private lenders and (2) extending direct loans only where private credit, even with Government guaranty or insurance, is not available on reasonable terms.

Five major housing programs supervised by the Housing and Home Finance Agency account for 10.1 billion dollars, or about one-half of the estimated new commitments, in 1956. (1) The Federal Housing Administration insures loans made by private lending institutions for the purchase, construction, and improvement of homes. (2) The Federal National Mortgage Association provides a secondary market for residential mortgages insured by the Federal Housing Administration or guaranteed by the Veterans Administration. (3) The Public Housing Administration makes direct loans and guarantees private loans to assist local housing authorities in the construction of low-rent public housing. (4) The Housing Administrator makes

Federal Credit Programs

[IN BILLIONS]

Fiscal year	New commitments during fiscal year			Outstanding and committed at end of fiscal year		
	Loans	Guaranties	Total	Loans	Guaranties	Total
1950.....	\$5.5	\$9.9	\$15.4	\$15.7	\$20.1	\$35.8
1951.....	4.9	9.2	14.1	15.7	23.7	39.4
1952.....	5.2	9.7	14.9	17.4	27.2	44.6
1953.....	5.3	10.6	15.9	19.1	30.9	50.0
1954.....	4.1	11.8	15.9	17.8	35.5	53.3
1955 (est.).....	4.0	14.9	18.9	17.8	39.9	57.7
1956 (est.).....	4.1	16.4	20.5	17.9	45.6	63.5

direct loans and guarantees private loans to communities for the elimination of slums and the redevelopment or rehabilitation of blighted areas. (5) The Housing Administrator makes direct loans to provide housing for students and faculty members at colleges and universities.

New commitments for veterans' loans guaranteed or made directly by the Veterans Administration are expected to be 4.9 billion dollars in the fiscal year 1956. Practically all of these loans will be used to purchase or improve houses.

Credit aids for agricultural programs, supervised by the Department of Agriculture and the Farm Credit Administration, total 4.6 billion dollars, or about 22 percent of new commitments in 1956. Major farm credit programs include (1) price support loans and guaranties by the Commodity Credit Corporation; (2) loans by the Federal in-

termediate credit banks to help finance farm production; (3) electrification and telephone loans by the Rural Electrification Administration; and (4) loans and guaranties by the Farmers' Home Administration for farm operation and for farm ownership and improvement.

Other major active loan programs of the Federal Government include loans and guaranties under the Defense Production Act to expand defense production, loans by the Small Business Administration to meet the special needs of small businesses, and foreign loans by the Export-Import Bank and the Foreign Operations Administration. The loan programs of the Reconstruction Finance Corporation are in liquidation. The Treasury loan of 3.75 billion dollars made to the United Kingdom under the agreement of December 6, 1945, is being repaid on schedule over a 50-year period.

BUDGET RECEIPTS AND EXPENDITURES AND PUBLIC DEBT

[Fiscal years. In millions]

Fiscal year	Total budget receipts	Total budget expenditures	Surplus or deficit	Public debt at end of year	Fiscal year	Total budget receipts	Total budget expenditures	Surplus or deficit	Public debt at end of year
1915.....	\$683	\$746	-\$63	\$1,191	1936.....	\$4,069	\$8,494	-\$4,425	\$33,779
1916.....	762	713	+48	1,225	1937.....	4,979	7,756	-2,777	36,425
1917.....	1,100	1,954	-853	2,976	1938.....	5,615	6,792	-1,177	37,165
1918.....	3,630	12,662	-9,032	12,455	1939.....	4,996	8,858	-3,862	40,440
1919.....	5,085	18,448	-13,363	25,485	1940.....	5,144	9,062	-3,918	42,968
1920.....	6,649	6,357	+291	24,299	1941.....	7,103	13,262	-6,159	48,961
1921.....	5,567	5,058	+509	23,978	1942.....	12,556	34,046	-21,490	72,422
1922.....	4,021	3,285	+736	22,963	1943.....	21,987	79,407	-57,420	136,696
1923.....	3,849	3,137	+713	22,350	1944.....	43,636	95,059	-51,423	201,003
1924.....	3,853	2,890	+963	21,251	1945.....	44,475	98,416	-53,941	258,682
1925.....	3,598	2,881	+717	20,516	1946.....	39,772	60,448	-20,676	269,422
1926.....	3,753	2,888	+865	19,643	1947.....	39,787	39,033	+754	258,286
1927.....	3,992	2,837	+1,155	18,512	1948.....	41,488	33,069	+8,419	252,292
1928.....	3,872	2,933	+939	17,604	1949.....	37,696	39,507	-1,811	252,770
1929.....	3,861	3,127	+734	16,931	1950.....	36,495	39,606	-3,111	257,357
1930.....	4,058	3,320	+738	16,185	1951.....	47,568	44,058	+3,510	255,222
1931.....	3,116	3,578	-462	16,801	1952.....	61,393	65,410	-4,017	259,105
1932.....	1,924	4,659	-2,735	19,487	1953.....	64,825	74,274	-9,449	266,071
1933.....	2,022	4,623	-2,602	22,539	1954.....	64,655	67,772	-3,117	271,260
1934.....	3,065	6,694	-3,630	27,053	1955 (est.)	59,000	63,504	-4,504	274,300
1935.....	3,730	6,521	-2,791	28,701	1956 (est.)	60,000	62,408	-2,408	276,000

¹ Reflects tax proposals.

BUDGET EXPENDITURES, BY FUNCTION

[Fiscal years. In millions]

Function	1947	1948	1949	1950	1951	1952	1953	1954	1955 estimated	1956 estimated
Major national security.....	\$14,373	\$11,771	\$12,907	\$13,008	\$22,306	\$43,848	\$50,274	\$46,522	\$40,644	\$40,458
International affairs and finance.....	6,531	4,566	6,053	4,674	3,736	2,826	2,216	1,720	1,420	1,332
Veterans services and benefits.....	7,381	6,654	6,726	6,647	5,342	4,863	4,298	4,256	4,431	4,640
Welfare, health, and education.....	1,071	1,148	1,367	1,714	1,836	1,927	2,186	2,248	2,316	2,312
Agriculture and agricultural resources.....	1,243	575	2,512	2,783	650	1,045	2,936	2,557	3,130	2,209
Natural resources.....	449	631	902	1,058	1,140	1,258	1,358	1,213	1,133	953
Commerce and manpower.....	1,314	1,594	2,252	2,401	2,729	3,127	2,983	1,577	2,550	2,186
General government.....	1,353	1,270	1,070	1,173	1,309	1,437	1,439	1,209	1,222	1,566
Interest.....	5,012	5,248	5,445	5,817	5,714	5,934	6,583	6,470	6,558	6,378
Reserves for proposed legislation and contingencies.....									100	325
Total.....	38,728	33,457	39,235	39,276	44,763	66,265	74,274	67,772	63,504	62,408
Adjustment to daily Treasury statement.....	+305	-388	+272	+330	-705	-855				
Total budget expenditures.....	39,033	33,069	39,507	39,606	44,058	65,410	74,274	67,772	63,504	62,408

NOTE.—Detail may not add to totals because of rounding.

Glossary of Selected Budget Terms

New obligational authority.—The total amount of budget authorizations to incur obligations granted by the Congress to the Federal agencies for a given year, usually in the form of appropriations. This is the initial action which must precede all budget expenditures. New obligational authority may include a few reauthorizations, by means of which unused portions of prior year authorizations are continued after they would otherwise expire.

Obligations.—Actions taken by the agencies within their available obligational authority to buy goods and procure services, requiring in due time the payment of money (expenditures). Obligations may be in the form of orders placed, contracts awarded, personal and contractual services ordered, and similar transactions.

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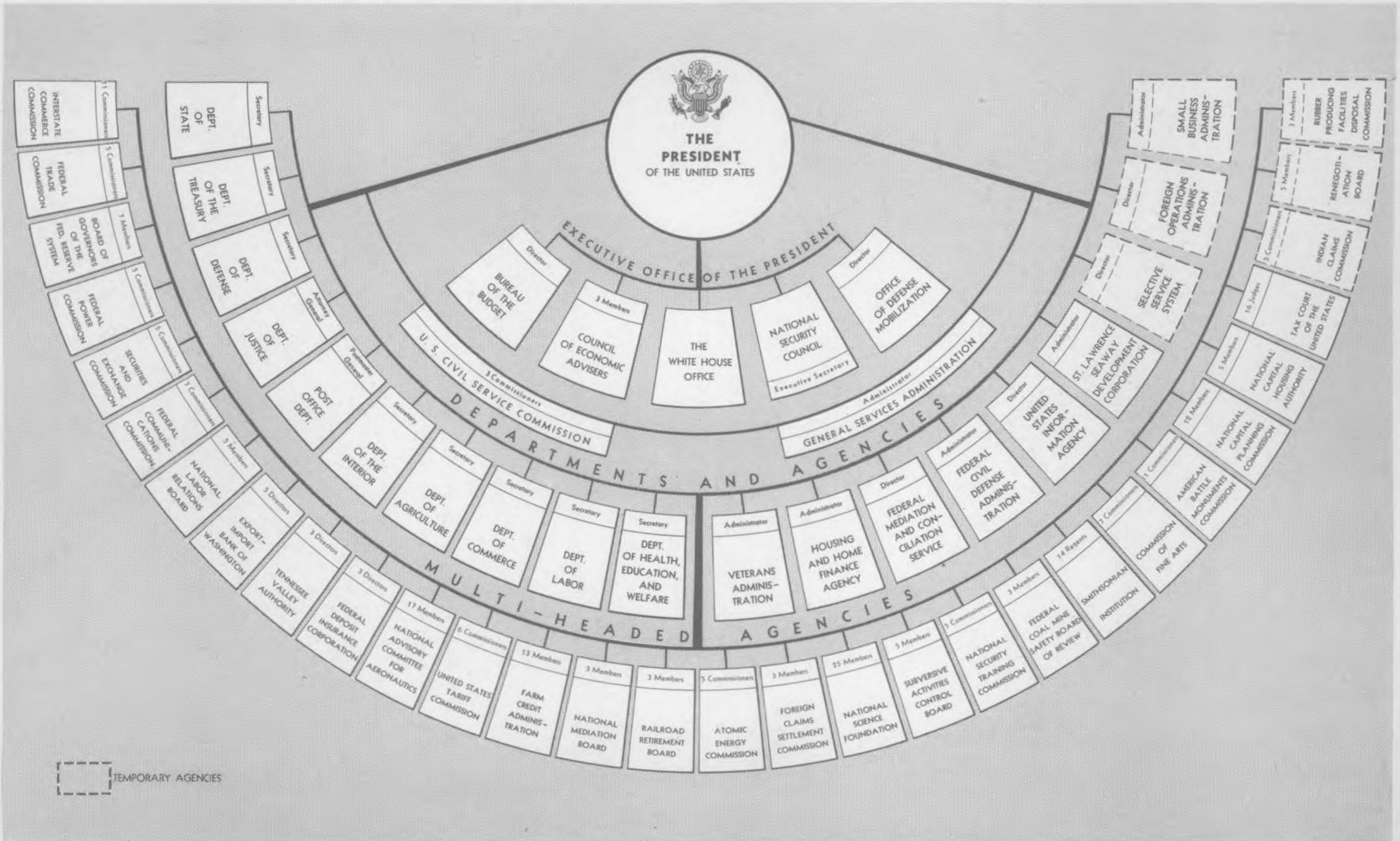
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Budget deficit.—The excess of net budget expenditures over budget receipts in any fiscal year.

Budget surplus.—The excess of budget receipts over net budget expenditures.

Unexpended balances of prior year appropriations.—The unexpended portions of prior year appropriations, largely obligated, which are brought forward and are currently available for expenditure. They are commitments for which actual funds were not provided in prior years and must be met as expenditures in the current or future years.

EXECUTIVE BRANCH OF THE GOVERNMENT



September 1, 1954

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