

THE  
BUDGET  
in Brief

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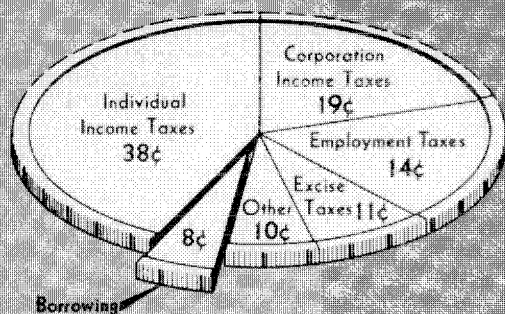


1964

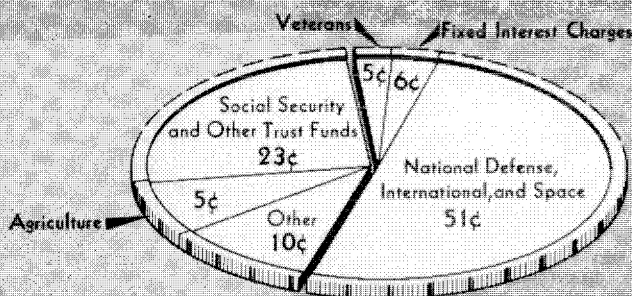
FISCAL YEAR

# THE GOVERNMENT DOLLAR

Where it comes from . . .



Where it goes . . .



Fiscal Year 1964 Estimate

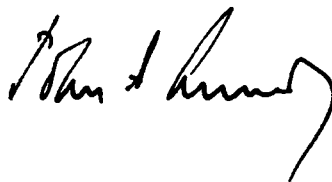
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## Foreword

The Federal budget is more than a compilation of figures. It is a program of action which the President presents to the Congress and to the Nation to meet our continuing responsibilities at home and abroad. The budget affects not only our pocketbooks, but also our security and well-being as a Nation.

The *Budget in Brief* is designed to present the highlights of the budget in a clear and nontechnical way.

It is my hope that the *Budget in Brief* will help an increasing number of citizens to obtain a better understanding of the processes of the Federal Government, its activities and its responsibilities.

A handwritten signature in black ink, which appears to be "John F. Kennedy". The signature is written in a cursive style with a long, sweeping tail on the final letter.

JANUARY 17, 1963.

# THE BUDGET PROCESS

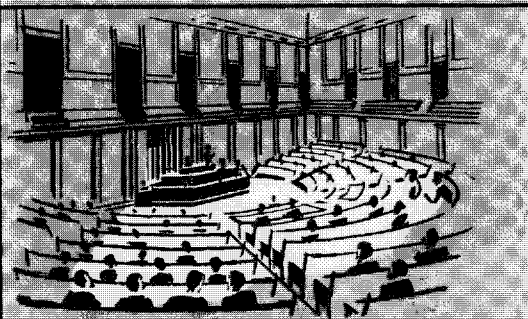
## THE PRESIDENT

Proposes the Budget



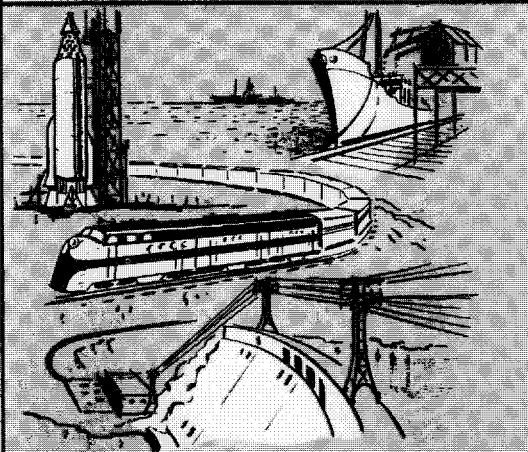
## THE CONGRESS

Considers the Budget  
Authorizes Programs  
Appropriates Funds  
Enacts Tax Laws



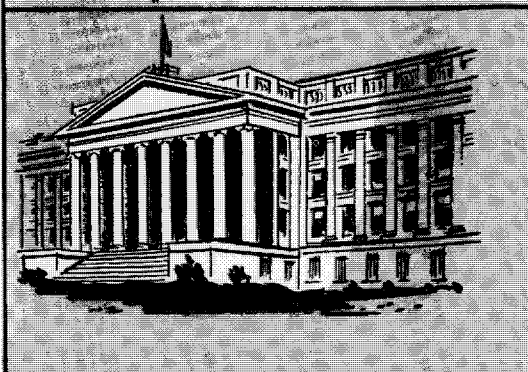
## FEDERAL AGENCIES

Make Contracts  
Purchase Goods and Services  
Employ Workers  
Pay Pensions, Benefits, Etc.



## THE TREASURY

Collects Taxes  
Pays the Bills







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



## ***Introduction***

### **WHAT IS THE BUDGET?**

The budget serves several purposes. It is both a financial report and a plan for the future. It is also a request for legislation, since congressional action is necessary if the proposals in the budget are to be carried out. Further, it is an important aid in the management and administration of the Government's activities. Finally, it is an economic document, for it must take into account the many ways in which Government taxation and spending affect the efficiency with which our economic system operates.

The budget is presented to the Congress each January, six months before the start of the fiscal year, which runs from July 1 to June 30 and is designated by the calendar year in which it ends. Congress considers the budget and votes new obligational authority and new revenue measures. Once granted this authority, Federal agencies may obligate the Government to make the payments necessary to carry out the authorized programs. However, considerable time may elapse between the time Congress votes the spending authority and the time the payments are actually made.

Beginning this year the totals emphasized in the budget are shown on a more comprehensive basis than was the practice in past years. The totals this year include not only the amounts contained in the *administrative budget* (explained in part 3) but also the money which goes into and out of the Government trust funds (such as social security and Federal aid to highways).

The budget is often discussed in terms of its effect on the economy or the gross national product. The gross national product is the total value of all goods and services that the Nation produces in a single year. It includes purchases of goods and services by consumers, businesses, foreigners, and Federal, State, and local governments.

More information on the budget process and the relation of the budget to the economy is provided in this booklet.



## Part 1 Meeting National Needs

### THE BUDGET PROGRAM FOR 1964

The Nation faces unprecedented challenges at home, abroad, and in outer space. The budget of the United States for 1964 presents the President's proposals for meeting the Government's share of these responsibilities during the coming year.

In 1964, the Federal Government will continue to build a defensive and retaliatory power designed to deter aggression. At the same time, it will seek to strengthen the foundations of freedom around the world; to serve a wide range of vital and ever-changing domestic needs; to press forward with the Nation's response to the scientific challenge of the vast and mysterious frontier of space; and to support all of these efforts by promoting a strong and growing economy.

*It is of great importance for the years ahead that we act boldly now if we are to assure more jobs for an ever growing labor force, if we are to achieve higher standards of living, and if we are to continue to provide the leadership required of us in the free world community. I am convinced that the program encompassed in this budget represents a proper use of fiscal tools for achieving these important goals.—From the budget message of the President.*

## ***The Jobs To Be Done***

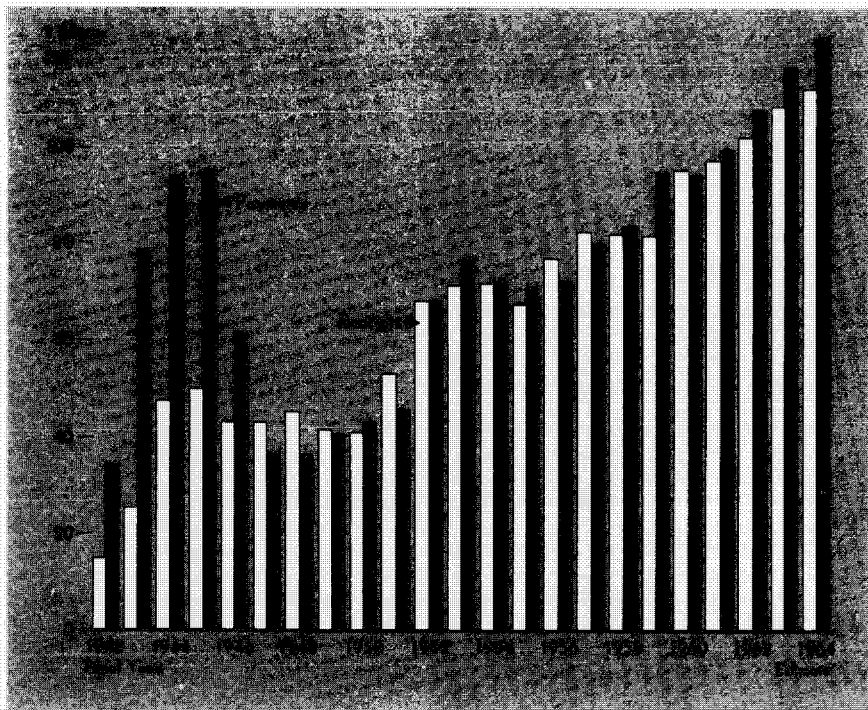
The Federal Government's foremost responsibility is to help safeguard the peace and security of the free world. This is our largest category of expenditures. Complementing the defense effort, international programs support the cause of freedom around the world in many ways.

We have mounted an accelerated effort to explore space, an effort which will give top priority to a manned landing on the moon during this decade.

Expenditures devoted to national security needs, to space programs, and to paying for the continuing costs of past wars amount to 79% of the administrative budget and 63% of total Federal payments, including trust funds.

At home, we face new or changing needs in education, community development, transportation, and manpower. We must also meet the

### **Federal Receipts and Payments**



## FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

[Fiscal years. In billions]

Description	1962 actual	1963 estimate	1964 estimate
<b>FEDERAL RECEIPTS</b>			
Administrative budget receipts.....	\$81.4	\$85.5	\$86.9
Trust fund receipts.....	24.3	26.9	29.5
Deduct: Intragovernmental transactions.....	3.8	3.9	4.2
Total receipts from the public.....	101.9	108.4	112.2
<b>FEDERAL PAYMENTS</b>			
Administrative budget expenditures.....	87.8	94.3	98.8
Trust fund expenditures (including Government-sponsored enterprises).....	25.2	27.3	28.4
Deduct: Intragovernmental transactions and other adjustments.....	5.3	4.8	4.7
Total payments to the public.....	107.7	116.8	122.5
Excess of receipts (+) or payments (-).....	-5.8	-8.3	-10.3

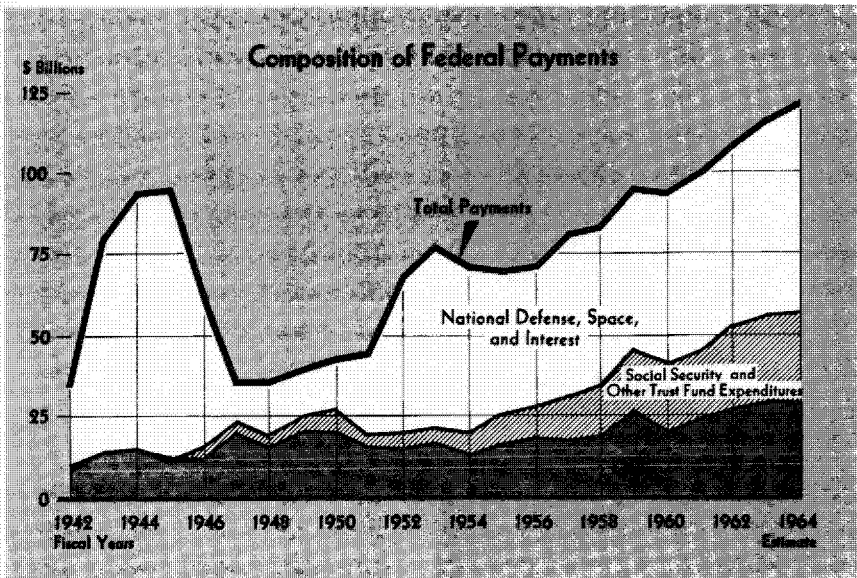
continuing responsibilities of developing natural resources, conquering disease, encouraging commerce, maintaining a strong farm economy, and improving the social security system.

For at least 5 years, our economy has operated well below its potential. If the Nation is to provide jobs for its growing labor force and realize the economic abundance of which it is capable, it must eliminate the slack in the economy and increase the rate of growth. To assist in achieving a more prosperous economy, the Federal budget for 1964 incorporates proposals for tax reduction and revision.

### *How the Budget Meets the Country's Needs*

The 1964 budget calls for total Federal payments of \$122.5 billion. This represents an increase of \$5.7 billion over 1963. Total receipts of the Government in 1964 are estimated to be \$112.2 billion, \$3.8 billion more than in 1963. Both receipts and payments figures include the activities of the social security, highway, and the other trust funds which finance a large and important part of the activities of the Government. The totals also take into account both existing laws and legislation which the President plans to submit to Congress, including legislation for the new tax program.





Expenditures recommended for 1964 are described in part 2 of this booklet. Briefly, the expenditures include:<sup>1</sup>

- \$69.7 billion in the administrative budget for national defense, space activities, and interest payments, up \$4.5 billion from 1963.
- \$28.4 billion for the self-financed social security, highway, and other trust funds, up \$1.1 billion from 1963.
- \$29.4 billion in the administrative budget for the rest of the activities carried out by the Government, down \$0.3 billion from 1963.

Thus, substantial increases in 1964 are proposed for further strengthening our defenses, for the exploration of space, and for unavoidable interest charges on the public debt. Aside from trust fund expenditures, the total for all other programs, taken together, is expected to be somewhat less than in 1963. Within this total, however, increases are recommended in areas important to the Nation's current welfare and future growth. These increases are offset by decreases estimated in expenditures for such activities as the postal service, housing and international lending programs, and farm price supports.

<sup>1</sup> Largely because it includes intragovernmental payments, the sum of the following figures exceeds the net total of Federal payments to the public.

## EFFICIENCY AND ECONOMY

The budget for 1964 reflects actions taken to increase efficiency and economy in Government operations. Our rapidly changing technology affects a broad array of governmental activities—from the launching of spacecraft, to the issuing of checks, to the typing of letters. The search for greater efficiency is a never ending one.

*Through improved management techniques, installation of modern equipment, and better coordination of agency programs, important productivity gains have already been realized, and further advances will be forthcoming. I mean to insure that in each of the various Federal programs, objectives are achieved at the lowest possible cost.—From the budget message of the President.*

### **Management Improvement and Cost Reduction**

Efficiency is increasing as a result of a Governmentwide program to improve organization, eliminate unnecessary procedures and paperwork, and adopt more efficient techniques and equipment. So far this program has resulted in gains such as:

- A decrease since 1950 from 17,000 to 3,000 in the number of Veterans Administration employees handling the same number of insurance policies.
- A threefold increase in the number of checks and bonds being issued per employee over the last 10 years in the Treasury Department.
- A 35% increase in 2 years in the number of loans processed per employee in the Farmers Home Administration.

As a result of these and other improvements, the public continues to receive an increasing amount of service from each Federal employee.

Along with the increased productivity of Federal employees, the Government's program of cost reduction is achieving other solid results. These results include:

- Savings of \$750 million this year alone in the Defense Department supply and other logistic operations. The Department's goal is to reduce these costs over the next 5 years by at least \$3 billion annually without affecting combat strength.

- Savings of \$40 million from more efficient practices by the Post Office.

- Organization improvements in the Army Corps of Engineers resulting in annual savings of \$13 million.

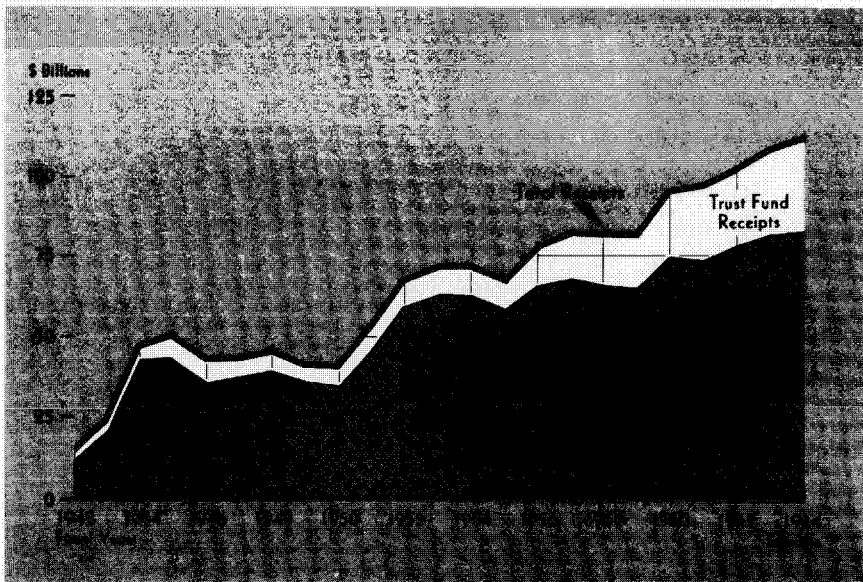
- Greater efficiency in the production of special nuclear material by the Atomic Energy Commission, with savings of \$7 million this year.

- The consolidation of traffic control centers by the Federal Aviation Agency, saving \$7 million over a period of years.

- Increased output per worker in the Bureau of Old-Age and Survivors Insurance, without which the agency would have required 1,700 more employees at a cost of about \$10 million.

These examples are among the many efforts throughout the Federal Government to reduce costs.

### Federal Receipts



## Government Pay Reform

A major reform has been made in the Government's pay system. The legislation passed by Congress last year changing Federal pay scales was based on two principles: (1) Federal employees should be paid at rates comparable with those paid by private employers for similar work, and (2) Federal employees should receive equal pay for equal work, with differences in pay reflecting differences in work and performance. Together, these principles provide the needed yardstick to determine an equitable pay scale for Federal employees.

## RECEIPTS OF THE FEDERAL GOVERNMENT

The largest source of Federal receipts is the individual income tax; second largest is the income tax paid by corporations. In addition, however, social security taxes, gasoline and other excise taxes, customs receipts, deposits for unemployment insurance, and estate and gift taxes are all important sources of revenues.

### FEDERAL RECEIPTS FROM THE PUBLIC

[Fiscal years. In billions]

Source	1962 actual	1963 estimate	1964 estimate
<b>ADMINISTRATIVE BUDGET RECEIPTS</b>			
Individual income taxes .....	\$45.6	\$47.3	\$45.8
Corporation income taxes .....	20.5	21.2	23.8
Excise taxes .....	9.6	9.9	10.4
Other .....	5.7	7.1	6.9
Total, administrative budget receipts .....	81.4	85.5	86.9
<b>TRUST FUND RECEIPTS</b>			
Social security receipts .....	12.6	14.8	16.6
Gasoline and other highway excise taxes .....	2.9	3.2	3.3
Other .....	8.8	8.8	9.6
Total, trust fund receipts .....	24.3	26.9	29.5
Deduct: Intragovernmental transactions .....	3.8	3.9	4.2
Total, receipts from the public .....	101.9	108.4	112.2

## ***Tax Rates and the Economy***

Tax rates are established by law. The amount actually collected, however, will vary from year to year even without any changes in tax laws. For example, in periods of high employment, receipts will be high because more workers will be earning wages and will be paying higher income and social security taxes. Thus, the *level of economic activity* is a major factor in determining the level of Federal receipts in a given year. Since the major taxes are levied as a proportion of income, the receipts of the Government will grow as the economy grows.

## ***Lower Taxes for Faster Growth***

The tax system itself has an important influence on the level and rate of growth of economic activity. In recent years it has become clear that purchases of consumers and business firms have been excessively restrained by Federal, State, and local tax collections.

In order to lighten this burden, the President is proposing this year a major tax program, including substantial reductions in every bracket of individual income tax rates. A reduction of the corporation income tax rate is also proposed, along with a reform of the tax structure to eliminate inequities, strengthen productive incentives, and spur economic growth.

The tax cut will result in revenue losses to the Government in 1964 and thus contribute to the deficit for the year. However, taking a longer view, as the economy responds to the stimulus of a tax cut, rising economic activity will produce greater revenues in the future.

## ***Other Revenue Measures***

The President is requesting the Congress to extend the present Federal excise tax rates on distilled spirits, beer, wine, cigarettes, passenger automobiles, automobile parts and accessories, and general

*Our present choice is not between a tax cut and a balanced budget. The choice, rather, is between chronic deficits arising out of a slow rate of economic growth, and temporary deficits stemming from a tax program designed to promote fuller use of our resources and more rapid economic growth.—From the budget message of the President.*

telephone service. Under present law, these rates would be reduced July 1, 1963.

He is also renewing the recommendations he made last year for the enactment of a series of *user charges* for commercial and general aviation and for transportation on inland waterways. These user charges are designed to insure that beneficiaries pay a more equitable share of the expense of Government programs that provide benefits to particular groups or individuals.

## THE BUDGET AND THE ECONOMY

Federal fiscal policies can contribute significantly to the health of the economy. This was recognized by the Congress in the Employment Act of 1946, in accordance with which the Government undertook specific responsibility for the promotion of maximum employment, production, and purchasing power.

### ***Government expenditures and the economy***

The discussion of the tax program, above, emphasized the important relationship between Federal receipts and the economy. Federal expenditures are similarly important.

To understand best the impact of Federal activities, it is helpful to use a special set of figures. These figures (which represent the Federal sector of the national income accounts) amount to a presentation of Federal receipts and expenditures in terms which help clarify their effect on the economy.

The figures show, for example, that the Federal Government will make total outlays (on a national income basis) of \$119.0 billion in 1964. Only \$68.2 billion, however, will actually be used to buy goods and services directly needed to carry out the Government's programs. The remainder will be paid out to meet other commitments. For example, when the Government pays out social security benefits to individuals, it will not "buy" anything itself, and therefore it will not use up resources produced by the economy. It will simply transfer social security funds to eligible beneficiaries who will purchase goods and service for themselves.

Similarly, the Federal Government will grant significant amounts of Federal funds to the States to use for such purposes as highway

*The gap between economic performance and potential which opened up in 1957 has not yet been closed. Unutilized productive capacity remains too large, and unemployment remains too high. Our rate of economic growth lags behind our capability. We must not allow the progress of the last 2 years to blunt the recognition that our economy can produce both more jobs and greater abundance than it is now doing.—*  
From the budget message of the President.

construction and public assistance payments. Thus, the amount of expenditures that represent actual use of the current output of the economy by the Federal Government directly is significantly smaller than total Federal expenditures.

### ***The Budget, Prices, and the Balance of Payments***

In 1964, estimated Federal payments will exceed receipts by \$10.3 billion. In the present state of our economy, this deficit does not raise the threat of inflation. Government deficits could indeed contribute to inflationary pressures if they were incurred during periods of full employment, when the economy was already producing at full capacity. The Nation's current problem, however, is not that it is overstraining its productive capacity, but that capable workers and efficient factories are idle for want of markets. Moreover, the tools of monetary policy and debt management can be used promptly to correct any tendency—which now seems highly unlikely—for economic expansion to overshoot the limits of productive capacity.

Budgetary policy must also take account of the Nation's balance of payments problem. During recent years this country has paid more abroad (for imports, investments, military expenditures, and other Government programs) than it has received from abroad (for exports, earnings on its investments, and repayments of loans). Measures have been taken to reduce this gap, and our balance of payments position has been improving.

In the long run, however, a healthy balance of payments depends upon a healthy economy. Current budgetary policies are aimed at

restoring full employment and increasing the rate of economic growth. But many of the developments which accompany full employment and rapid growth also contribute to an improved balance of payments position. Higher rates of investment and more rapid gains in productive efficiency will strengthen the competitive position of American exports, while an increase in the profitability of American firms will encourage the investment of both domestic and foreign capital in the United States.

## THE BUDGET AND THE NATION'S GROWTH

In 1941 this country had a population of 133 million. In 1964, the population will be about 191 million. In calendar year 1941 the total output of goods and services of the Nation—the gross national product—amounted to \$279 billion in 1962 dollars (that is, adjusted to reflect the purchasing power of the dollar). In calendar year 1963 it is expected to reach \$578 billion of current purchasing power—more than twice as much. These figures provide a very rough idea of how this country has grown.

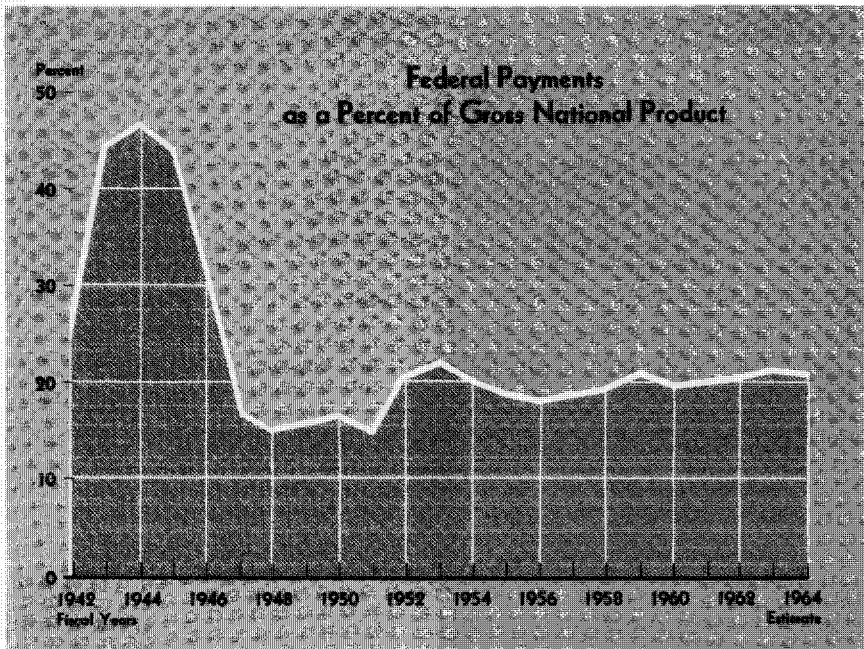
They do not indicate, however, how much more complicated our society has become. In 1940, about 32 million motor vehicles were registered in the United States. In 1961, over 75 million were registered. In 1940, there were 32,000 miles of Federal airways. In 1961, there were 135,000. In 1940, 56% of the population of the United States lived in urban areas. Today, 70% of the population lives in urban areas. These figures help illustrate the changing character and problems of American life.

### ***Growth of the Federal Government***

As the Nation has grown, Federal expenditures have grown as well, as have State and local government expenditures. This growth has helped provide not only for the Nation's defense, but also for the services necessary to a complex and growing society.

Put in perspective, the trend of Federal payments is better understood. For example, from 1952 to 1962, payments to the public increased \$40 billion, but the gross national product increased as well, by \$200 billion. Actually, total payments to the public have been approximately 20% of the gross national product throughout this period.





## INVESTMENTS ON BEHALF OF THE NATION

Many businesses and State, local, and foreign governments budget separately for capital investments and for current outlays. The United States Federal budget does not follow this practice but combines both capital and current operating expenses. However, data are made available in the budget to show the sizable expenditures for loans, public works, and similar assets of an investment nature. Other expenditures for developmental purposes—expenditures for education, training, and research—are also shown in the budget.

To understand the impact of these two types of expenditures on the Nation's growth and development, it is useful to consider them apart from the other expenditures in the budget. The budget includes payments of \$17.6 billion in fiscal year 1964 for civilian programs and activities which will help the Nation directly or indirectly to increase its output and accelerate long-run economic growth. This is about one-seventh of total Federal payments, and about 25% of nondefense outlays.

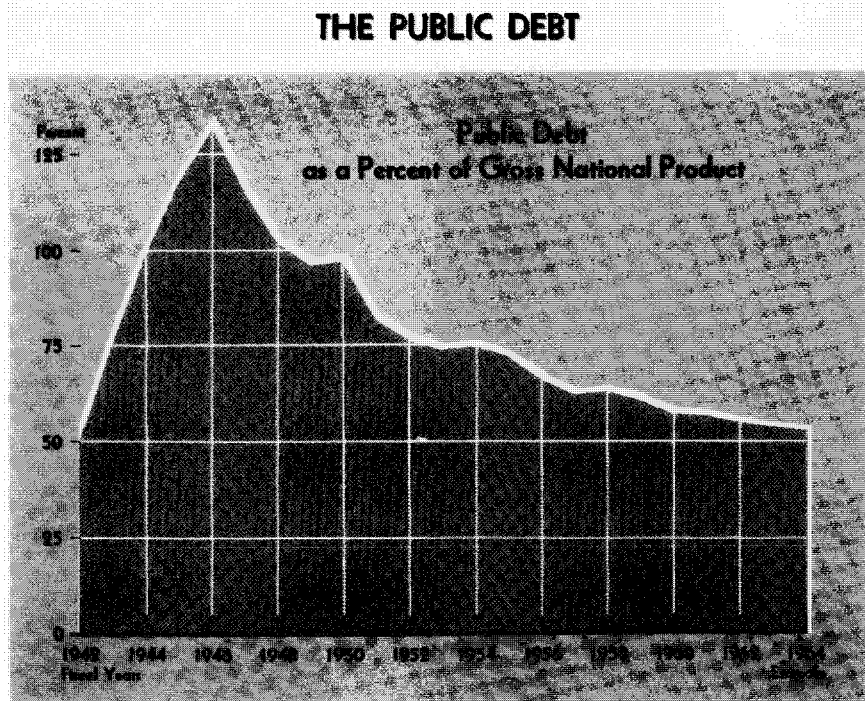
These expenditures are for Federal civil public works, for highways, and similar additions to the Nation's physical assets, and for loans for

such activities as rural electrification, home ownership, farm operations, college dormitory construction, and small business operations. Also included are expenditures which contribute to the economic growth of our country through programs for the promotion of education, training, and health and through scientific research and development.

Such programs are investments in the development of the people and the technology of the Nation.

During 1964 the public debt is estimated to increase by about \$12 billion. This represents the amount of Government bonds and other securities which will be issued to finance the deficit. In order to make this possible, the Congress will be asked to enact an increase in the debt limit for fiscal 1964.

Since 1947, the Federal debt has risen by 17%. The gross national product, however, has increased by 135% over these years. Thus, as a ratio to GNP, the Federal debt has fallen from 110% in 1947 to 55% currently, and this ratio is expected to continue its decline in the next fiscal year. During the postwar period, when Federal debt was



rising by 17%, business firms increased their gross debt by 230%, consumers by 390%, and State and local governments by 330%.

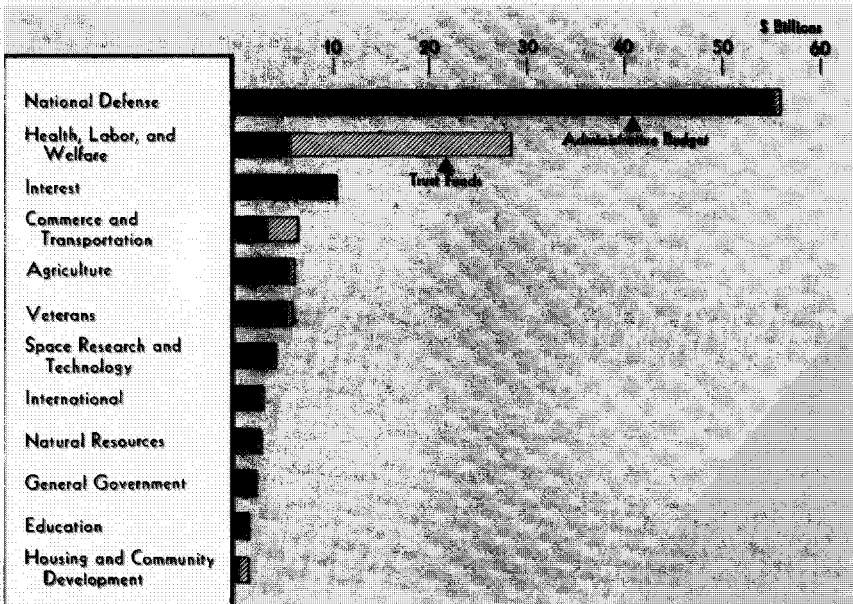
At the end of calendar 1962 the Federal debt was \$303.5 billion. About 29% of this was held by the social security and other trust funds, Federal agencies, and the Federal Reserve banks. The remainder, in the form of Government bonds and other types of securities, was held by the general public. Individuals directly owned more than \$65 billion, and, in their role as depositors and stockholders in banks, shareholders in savings institutions, and owners of insurance policies, shared in the interest earnings on the approximately \$95 billion held by these institutions. State and local governments owned \$20 billion of Government securities, as did business corporations, while another \$15 billion was held by foreign owners.

## Part 2 Federal Activities by Function

As an aid to understanding, the wide variety of activities carried on by the Federal Government are grouped according to the functions shown on the chart below. All programs which serve the same general function are shown together, even if they are carried on by different agencies.

Expenditures for the 12 major functions of the Government are summarized in this section.

1964 Expenditures by Function



# NATIONAL DEFENSE

1964 Expenditures	{ Administrative Budget . . .	\$55.4 Billion
	{ Trust Funds . . . . .	\$0.6 Billion

The effectiveness of our national defense effort rests on a balanced combination of forces able to respond to forms of aggression ranging from nuclear attack to guerrilla warfare. Expenditures for national defense in 1964 are estimated at \$56.0 billion—an increase of \$2.6 billion over 1963 and about \$10 billion more than 1960. These expenditures include \$51.0 billion for the military activities carried on by the Department of Defense, \$2.0 billion for military assistance to foreign countries (including \$0.6 billion in trust fund expenditures), \$2.8 billion in the field of atomic energy, and \$133 million for defense-related services.

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

The Department of Defense carries out eight major programs which provide the diversity and flexibility required for modern defense:

(1) *Strategic retaliatory forces*, including manned bombers, intercontinental ballistic missiles, Polaris missile-launching submarines, and the varied facilities, such as communications, needed to control these forces.

(2) *Continental defense forces*, which combine warning systems against missile or manned aircraft attack with the means to resist an attack, such as interceptor aircraft and ground-to-air missiles.

(3) *General purpose forces*, which combine ground, air, and sea forces equipped and trained to cope with limited or brush-fire wars.

(4) *Sealift and airlift* capability to insure that our combat forces can be quickly dispatched wherever they are needed.

(5) *Reserve forces*, designed to provide swift additional strength to the regular forces when needed.

(6) *Research and development* activities on which the continued effectiveness of all the defense forces rely.

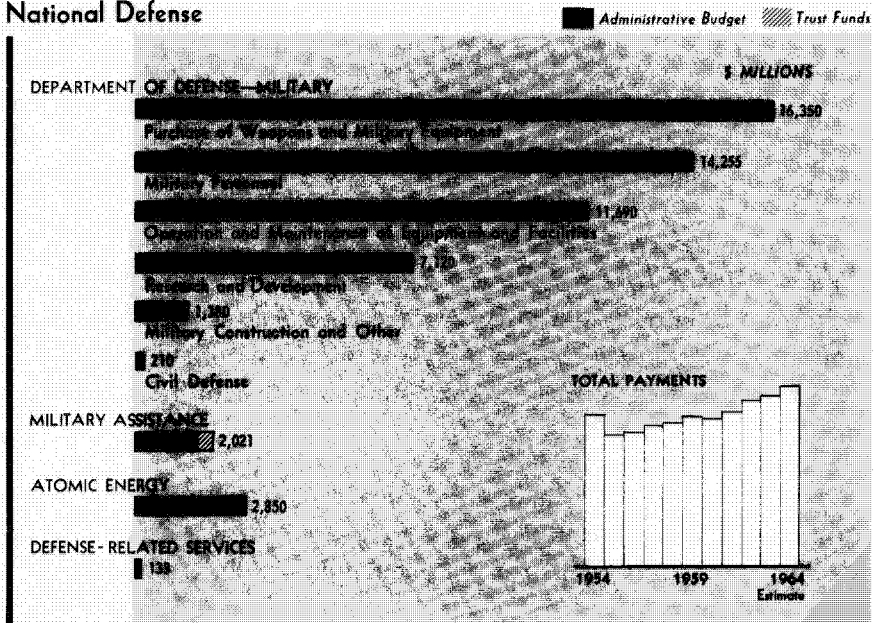
(7) *General support* activities which include training, intelligence and security, defensewide supply, and housing and medical care for military personnel.

(8) *Civil defense* activities including the development of warning and fallout shelter facilities to increase the chances of survival after nuclear attack.

To carry out these programs, the Department of Defense will make expenditures for such items as purchases of equipment, military personnel, operation and maintenance of equipment and facilities, research and development, and construction.

*Purchase of weapons and equipment.*—The 1964 budget provides for additional purchases of intercontinental ballistic missiles and for six more Polaris submarines which, with our long-range bomber force, form a strong deterrent against nuclear attack. Stress is also being placed on improving the effectiveness and mobility of the nonnuclear general purpose forces through the procurement of conventional weapons, vehicles, ammunition, helicopters, and tactical and reconnaissance aircraft. More naval ships will be built, and additional military air transports purchased, to increase the mobility of our fighting forces.

**National Defense**



*Military personnel.*—Members of the Armed Forces on active duty at the end of 1964 are expected to number 2.7 million. The reserve components of the Army, Navy, Marine Corps, and Air Force will have a combined strength of 969,900 men. The reorganization of the Army Reserve and Army National Guard now taking place is

intended to streamline and increase the readiness of these forces. To help retain well trained and dedicated personnel in the Armed Forces, the President is recommending to the Congress increases in military compensation rates, expected to be effective October 1, 1963. The estimated 1964 cost of this proposal is \$885 million.

*Operation and maintenance.*—Military bases and equipment must be kept in efficient working order for use in training or combat. In 1964, expenditures will increase somewhat to provide for the modernization of existing equipment, expansion of supply activities, and the higher cost of operating aircraft and ships.

*Research and development.*—Technical improvements in the Nation's defenses must be designed, tested, and developed for production well in advance of the time when they can contribute to the strength and efficiency of our defense forces. Among the development projects to start or continue in 1964 are a new general purpose booster rocket for the national space program, ballistic missile defense systems, a variety of antisubmarine warfare projects, a new tactical fighter aircraft, the Defense Communications Satellite system, and the Mobile Mid-Range Ballistic Missile.

*Military construction and other.*—The 1964 budget provides for construction of additional troop housing, research and development facilities, additional numbers of protected missile-launching sites, and protective facilities for aircraft. Funds are included for the construction of 12,100 new family housing units for Armed Forces personnel.

*Civil defense.*—The budget provides for the continued expansion of the Nation's civil defense program. Progress will continue in providing fallout protection for our population in the event of enemy attack. Work on warning systems will continue, and training will be provided in the measures which individuals and communities can take for their protection.

### ***Military Assistance***

This program continues our efforts to help other nations maintain effective forces against external aggression or internal subversion and

thus aid the common defense of the free world. With most of the Western European nations now providing full financial support for their own military forces, the emphasis in our military assistance program has shifted to helping the less developed nations build forces trained and equipped to maintain internal order, and to contribute to the strengthening of the local economies supporting those forces.

### ***Atomic Energy***

In addition to developing and producing atomic weapons, and other military applications of nuclear energy, the Atomic Energy Commission is responsible for finding ways to use nuclear energy for peaceful purposes and supporting basic nuclear research. In 1964 special effort will be devoted to propulsion and power sources for use in the national space program. Work to develop reactors which produce more nuclear fuel than they consume ("breeders") will be emphasized as a necessary step in making nuclear energy an important future source of electric power for the Nation. The Atomic Energy Commission will make further contributions to the advancement of science through its support of nuclear research in the physical sciences and research in the effects of radiation on biological structures and processes.

### ***Defense-Related Services***

These programs include the Selective Service System, the stockpile of strategic and critical materials, the expansion of defense production, and the emergency preparedness programs of agencies other than the Department of Defense.

## **INTERNATIONAL AFFAIRS AND FINANCE**

<b>1964 Expenditures</b>	{	<b>Administrative Budget . . .</b>	<b>\$2.7 Billion</b>
		<b>Trust Funds . . . . .</b>	<b>\$0.1 Billion</b>

The purpose of the international programs of the United States is to strengthen the security of this country and the free world. Together with our friends and allies, we are carrying forward a variety of programs to foster close and mutually beneficial international relations which are essential to the achievement of this objective.



Of the Government's expenditures for international affairs and finance, the major part—\$2.1 billion—is for economic and financial programs, which strengthen the economies of the developing nations. The other major expenditure categories are for the conduct of foreign affairs and overseas information and exchange activities.

### ***Economic and Financial Programs***

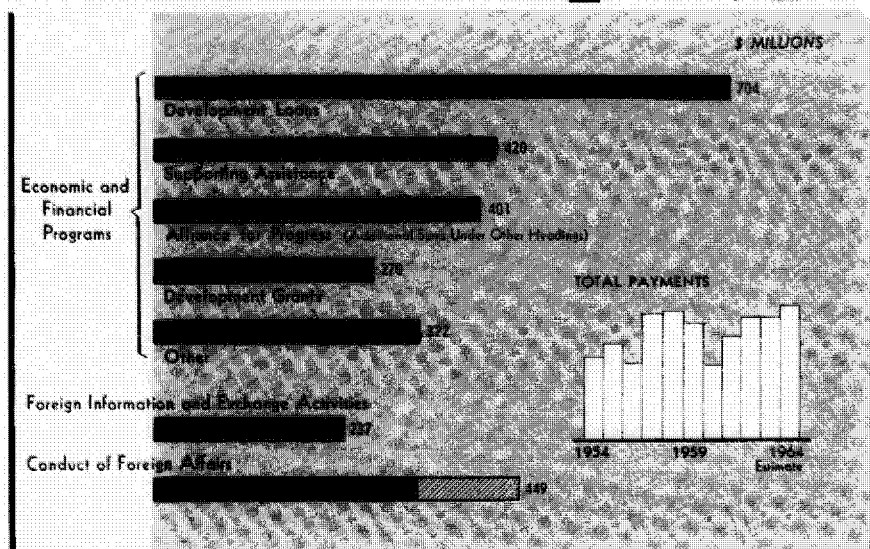
Throughout the world, millions of people live in extreme poverty and in an atmosphere of social unrest. Many less developed nations are seeking to provide their people with improved economic and social opportunities. However, most of these nations do not have adequate resources to do the job, and must, therefore, find assistance abroad if they are to succeed in their goals. For such countries, the United States conducts a variety of programs which, in combination with adequate self-help measures taken by the countries themselves, provide the basis for a stronger and more secure free world, as well as a more stable and prosperous future for those countries. The Agency for International Development administers most of these programs.

***Development loans and grants.***—The United States provides long-term loans at very low rates of interest in connection with the development programs and projects of friendly countries. Development grants are provided largely in the form of technical advice and cooperation, particularly in the fields of health, agriculture, and education. Grants also finance a small number of capital projects in countries unable to accept the burden of a loan. A further important means of stimulating economic development is through financing U.S. exports and guaranteeing private American investments in the developing countries.

***Alliance for Progress.***—The Alliance for Progress is an historic cooperative effort of the United States and the countries of Latin America to bring social and economic progress to the people of Latin America. The rate at which our loans and grants are extended must take into account the progress made by the Latin American countries in achieving the economic and social reforms necessary to insure their efficient use. It is contemplated that the accomplishments of the Latin American countries will warrant the provision of a total of more than \$1 billion of United States funds in 1964.

## International Affairs and Finance

■ Administrative Budget    ▨ Trust Funds



**Supporting assistance.**—This program provides funds for countries facing serious and immediate problems of economic and political stability, and for countries which need help in maintaining defense forces.

**Other programs.**—The Federal Government carries on a variety of programs which support our main economic and financial efforts. In 1964, the Peace Corps will provide 13,000 volunteers to help developing countries; the Export-Import Bank will continue to finance U.S. exports; the Food for Peace program will make surplus agricultural commodities available for disaster relief and support of development projects; and international organizations such as the International Development Association and the Inter-American Development Bank will continue to receive our support for their programs which help finance economic development.

### Conduct of Foreign Affairs

The Department of State, which maintains our official representatives in countries throughout the world, accounts for most of the expenditures in this category. Also included are expenditures for the U.S. Arms Control and Disarmament Agency—now in its first full fiscal year of operation—which is conducting studies to lay the basis for international negotiations on disarmament and arms control.

## Foreign Information and Exchange Activities

Through its information and exchange activities, the United States seeks to provide information abroad about this country's goals and policies, and to establish closer relations with foreign countries.

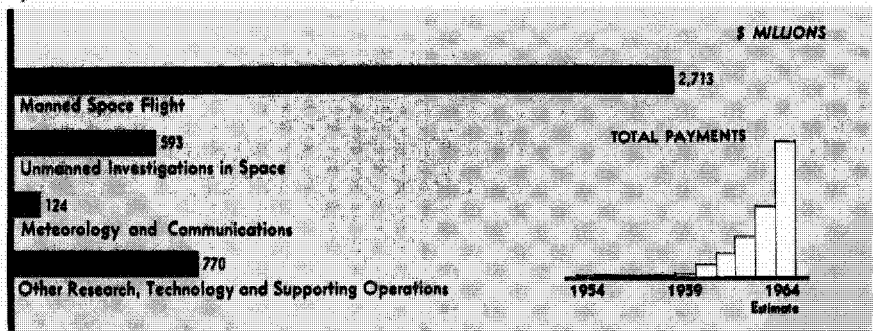
In 1964, the U.S. Information Agency will seek to reach broader audiences, particularly among students and young people. It will expand and improve television and radio programming, motion picture activities, and the book translation program.

## SPACE RESEARCH AND TECHNOLOGY

1964 Administrative Budget Expenditures: \$4.2 Billion

The United States is striving to maintain a position of world leadership in the exploration and utilization of space. Expenditures in 1964 for our civilian space programs are estimated at \$4.2 billion, an increase of 75% over 1963. Launch vehicles, spacecraft, and ground facilities are being developed to make possible manned flight to the moon in this decade. In 1964, we will also continue to launch satellites and other unmanned vehicles to report on space phenomena. Many of these efforts produce technical knowledge which will have application in other, still more advanced, space missions.

### Space Research and Technology



*Manned space flight.*—For the manned lunar landing program, current plans call for the launching of an Advanced Saturn rocket to place the Apollo spacecraft in orbit around the moon. A two-man craft will be dispatched to the surface of the moon from the Apollo. The craft will then return to the Apollo for the return trip to earth.

Developing the capacity for this mission and other manned space flights preliminary to it will continue as the top priority program of the National Aeronautics and Space Administration.

*Meteorology and communications.*—Recent test flights of satellites for weather observation and for use as part of communications systems spanning the globe have been conspicuously successful. Further development of these satellites will be continued during the coming year. Emphasis will be on the development of the Nimbus, a meteorological satellite for eventual operational use, and on the techniques for placing communications satellites over the equator with an orbiting period exactly equal to the 24-hour earth day. These communications satellites will be able to maintain a constant position over a given place on earth, and will therefore not move out of range of ground stations using them for relaying communications.

*Unmanned investigations in space.*—Unmanned space exploration, such as the recent highly successful flight by a Mariner spacecraft to within approximately 21,000 miles of Venus, has taught us much about the earth and surrounding space. In 1964, experiments will emphasize large satellites which can carry a variety of devices to help further our knowledge of space. Work will continue on the unmanned Ranger and Surveyor spacecraft, which will be capable of reporting on lunar surface conditions affecting the first manned lunar landing. Further interplanetary missions similar to the flight to Venus will be carried out to obtain scientific information hitherto unavailable.

## AGRICULTURE AND AGRICULTURAL RESOURCES

1964 Expenditures	{ Administrative Budget . . .	\$5.7 Billion
	{ Trust Funds . . . . .	\$0.4 Billion

American agriculture has rapidly increased its efficiency in recent years. Because productive capacity has grown more rapidly than demand, surplus production has resulted in large Federal expenditures under the price support system.

*Farm income stabilization and Food for Peace.*—About 75% of total expenditures for agriculture and agricultural resources in 1964 will

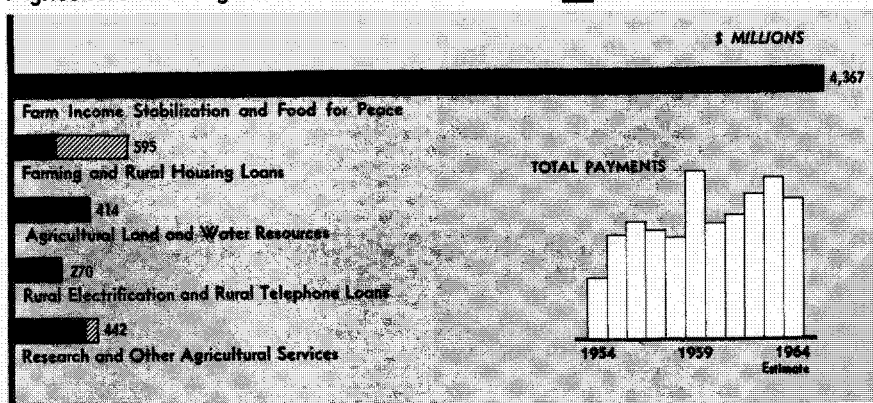
be for these purposes. Part of the excess production has been put to good use through distribution to our low-income families and through the Food for Peace program. Further legislation is being proposed to improve our programs for feed grains, cotton, and dairy products.

The food stamp program has helped improve the diets of low-income groups and is being expanded in 1963 to include 44 counties and 3 large cities in 23 States. It will be continued at the same level in 1964.

Under the Agricultural Trade Development and Assistance Act, surplus farm commodities are sold abroad for foreign currencies or for dollars on long-term credit. These programs comprise the major portion of the Food for Peace program, which makes food available to meet the needs of hungry people and to enable underdeveloped countries to divert manpower and other resources to economic development.

*Rural electrification and telephone loans.*—The 1964 budget provides for continuing the loan programs of the Rural Electrification Administration at the same level as for 1963.

### Agriculture and Agricultural Resources



*Farming and rural housing loans.*—Legislation enacted by the last Congress broadened the authority of the Farmers Home Administration to include loans to finance housing for the elderly in rural areas and the development of the recreation potential of the countryside. Increased loans for these purposes in 1964 will be more than offset by the reduced outlays for the older rural housing program

under legislation proposed to permit substitution of private financing for Government financing.

*Agricultural land and water resources.*—The budget will permit the Government to continue, through the agricultural conservation program, to share with farmers in the cost of a substantial number of conservation practices that are in the long-run public interest. The budget includes funds to start a new program of loans and grants to rural communities to promote conservation and development of land and water resources on an areawide basis.

Expenditures in 1964 for the upstream watershed protection program of the Soil Conservation Service include funds for beginning construction on 36 new projects.

*Research and other agricultural services.*—The budget proposes a moderate increase in 1964 expenditures to carry on the research, educational, and regulatory activities of the Department of Agriculture. Continued improvements in management are being made to reduce the costs of these and other activities.

## NATURAL RESOURCES

1964 Expenditures	{ Administrative Budget . . .	\$2.5 Billion
	{ Trust Funds . . . . .	\$0.1 Billion

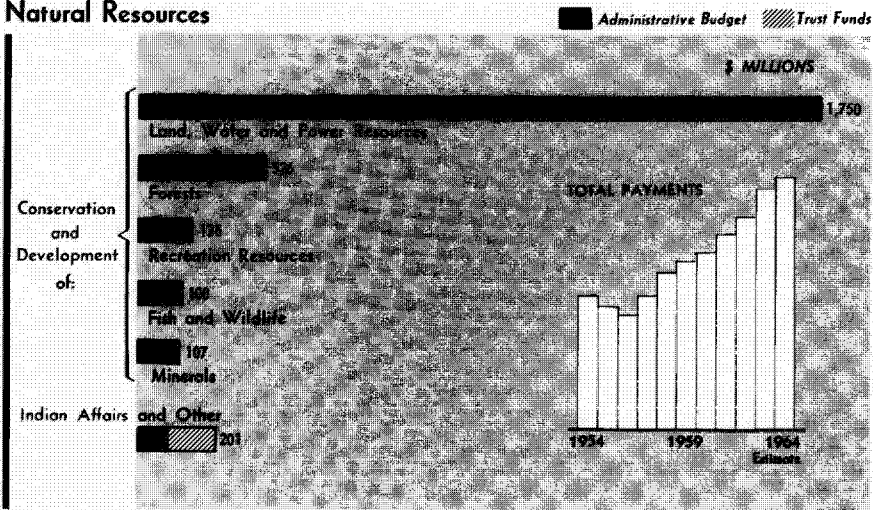
Natural resources development is a key requisite to the present and future economic growth of the Nation.

*Land, water, and power resources.*—Most of these expenditures will be to continue construction of projects for flood control, navigation, irrigation, water supply, and hydroelectric power. Related developments of recreational facilities and fish and wildlife resources will be carried forward. These projects represent investments which will yield benefits for years to come.

With funds requested for 1964 the Corps of Engineers will initiate construction of 32 projects, the Bureau of Reclamation 8 new projects, and the Tennessee Valley Authority 2 new projects.

Water resources studies will emphasize comprehensive development of river basins through coordinating the planning activities of the Departments of the Interior, Army, Agriculture, and Health, Educa-

## Natural Resources



tion, and Welfare. Basic research on ways to reduce the cost of converting saline water to fresh water will continue.

Funds are included to construct extra-high-voltage interconnections between the electric systems of the Pacific Northwest and Pacific Southwest.

The Federal Power Commission will complete its national power survey in 1964. This study will provide a broad perspective in planning for future power supplies and encourage full use of the Nation's fuel, equipment, and technology.

With proceeds from the sale of electric power and borrowings, the Tennessee Valley Authority will continue the construction of steam-electric power units started in earlier years.

**Forest resources.**—The budget provides for the management and protection needed to enhance the value of forest resources on Federal lands. Sales of timber from Federal land will be increased in 1964.

**Recreation resources.**—Our national parks and forests and water resource projects provide enjoyment for an ever increasing number of people. Last year the Bureau of Outdoor Recreation was established in the Department of the Interior to provide a focal point for Federal recreation programs and technical assistance to States in promoting recreational opportunities. Legislation is being recommended to establish a fund for planning grants and the purchase of land for outdoor recreation, both by the States and the Federal Government.

*Indian affairs and other.*—Programs designed to raise the standard of living and the educational opportunities of Indians will be expanded with funds included in the 1964 budget. Expenditures are included for construction of needed schools to accommodate the Indian school-age children not now in school. Funds are also requested to start construction of an irrigation project for the Navajo Indians.

The major increase in 1964 expenditures for mineral resources will be for the acquisition of helium which is found in combination with other gases and, if not extracted, would be wasted.

## COMMERCE AND TRANSPORTATION

1964 Expenditures	{	Administrative Budget . . .	\$3.4 Billion
		Trust Funds . . . . .	\$3.2 Billion

The common purpose of these programs is to strengthen our economy through creating opportunities for private business, encouraging innovation, improving transportation and communication facilities, and fostering competition.

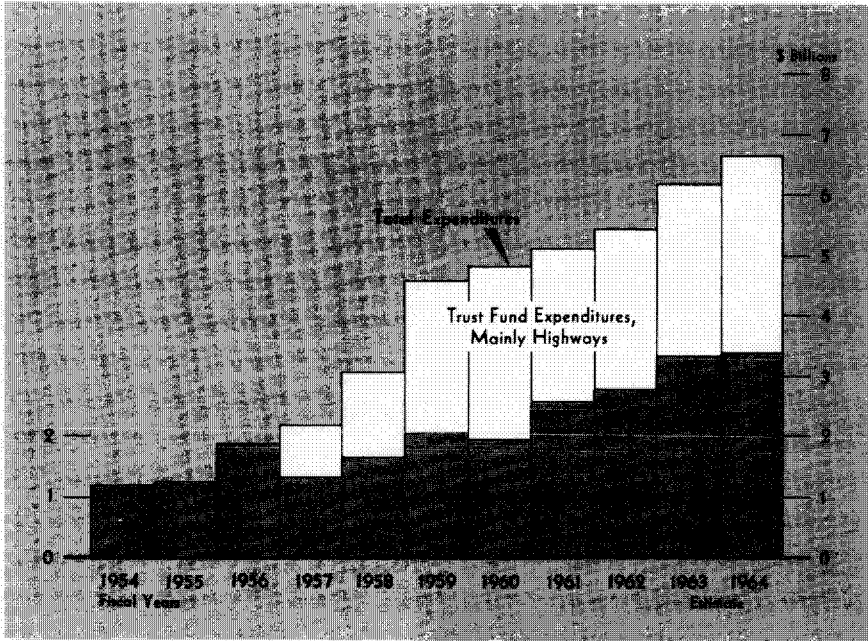
### *Transportation*

The national transportation policy recommended last year by the President emphasized the goal of relying more heavily on competition to assure fast, safe, and efficient transportation to the Nation at the lowest economic and social cost. To achieve these objectives, less reliance should be placed on the use of Federal regulation and subsidies. Users of transportation will be expected to pay more of the costs of the services provided by the Government, not only in the interest of economy but also to assure that resources invested in transportation are used efficiently.

*Highways.*—By far the largest single expenditure for commerce and transportation is for the highway program, which is financed predominantly through the highway trust fund. As the accompanying chart shows, trust fund expenditures for highways have been growing steadily since the fund was established in 1956. The fund's receipts come from taxes on gasoline and other items purchased by highway users. As these receipts come in, they are available to pay for highway construction, thus putting Federal aid for highways on a pay-as-you-



## Commerce and Transportation



build basis. Trust fund expenditures are expected to rise by \$391 million to \$3.4 billion in 1964. The major part of expenditures are for the Interstate Highway System, scheduled for completion in 1972. Over 13,000 miles of this 41,000-mile system have been completed and another 15,700 miles are in various stages of development. Federal aid for primary and secondary highways accounts for about one-quarter of the total.

*Aviation.*—Expenditures by the Federal Aviation Agency for the operation of the Federal airways system will continue to rise as traffic control services are improved and new equipment is developed and installed to meet the needs of growing air traffic. Legislation is being proposed to extend the Federal grant-in-aid program for airport construction beyond 1964 at the present level of \$75 million per year.

*Water transportation.*—Expenditures by the Department of Commerce to maintain the U.S. merchant fleet will help start construction of 17 ships. Continuance of this program at the present level will permit replacement of vessels in the subsidized fleet by the time they reach 25 to 30 years of age. The Coast Guard will accelerate its replacement of ships, planes, and obsolete shore facilities.

## Advancement of Business

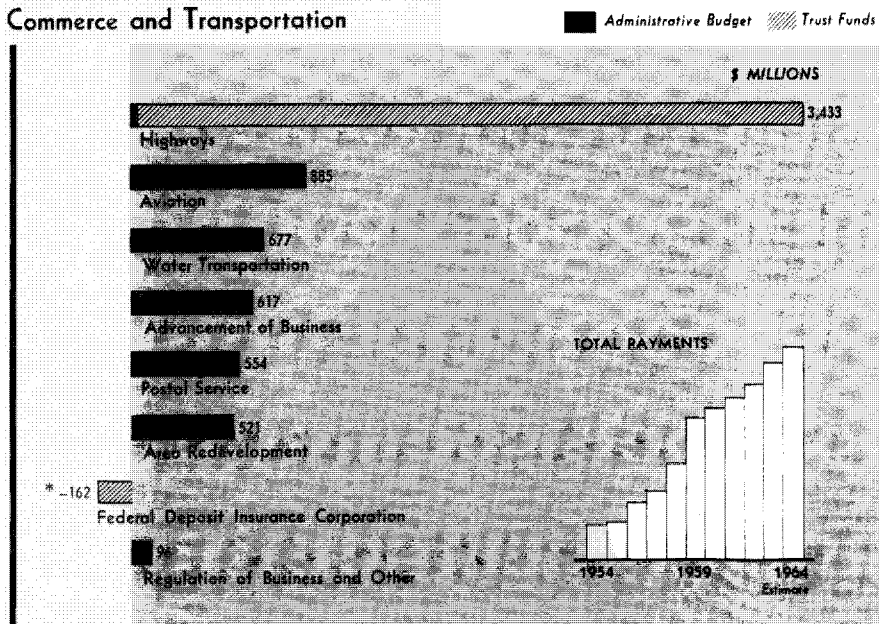
The Trade Expansion Act, which the Congress passed last year, makes possible a major revision in our foreign trade policy and expands the President's authority to negotiate tariff reductions. Its enactment and the need to improve our balance of payments make it essential to augment substantially the activities of the Department of Commerce in promoting U.S. exports. Loan guarantees and direct loans will be provided mainly by the Small Business Administration to help firms adjust to the challenge posed by import competition.

The Small Business Administration will also continue its program of providing loans to small businesses unable to obtain loans from private sources at reasonable terms.

The Weather Bureau provides the observations and forecasts used by farming, aviation, construction, and other enterprises. Increased expenditures are estimated in the 1964 budget to procure and launch weather satellites and to provide improved weather services to aviation.

The 13,400 federally insured commercial and mutual savings banks each year pay premiums to the Federal Deposit Insurance Corpora-

## Commerce and Transportation



tion. The excess of receipts, including investment income, over outlays, is added to the Corporation's insurance reserves.

### **Area Redevelopment**

The Area Redevelopment Administration helps communities faced with continued problems of unemployment to attract new industries which can utilize their available resources. By the close of 1964, the economic development plans of an estimated 900 areas will have received approval and these areas will be benefitting from the Federal program. The loans, grants, and technical aids will help to furnish new employment opportunities for an estimated 130,000 workers in the redevelopment areas.

Funds made available by the last Congress to help finance additional public works projects in areas of substantial unemployment are already largely committed and a large backlog of applications has been received for eligible projects in these areas.

### **Postal Service**

Expenditures of the postal service are estimated to exceed revenues by \$554 million in 1964. The largest part of the revenue deficiency represents the cost of providing public services; the remainder, \$104 million, is the loss sustained by the post office in its regular operations. Additional revenues are expected to reduce the postal deficit in subsequent years as successive stages of the postal rate increases enacted in 1962 become effective.

## **HOUSING AND COMMUNITY DEVELOPMENT**

<b>1964 Expenditures</b>	{	<b>Administrative Budget</b> . . .	<b>\$0.3 Billion</b>
		<b>Trust Funds</b> . . . . .	<b>\$1.0 Billion</b>

The Federal Government extends financial support in a number of forms to help private builders and local communities provide the housing and community facilities needed by our people. These programs are permitting an increasing number of Americans to own their own homes and are improving the quality and convenience of housing available for the elderly, and for families of low and moderate incomes.

To minimize Federal outlays for these programs, the budget includes proposals for increased substitution of private for public financing.

### Urban Renewal and Community Facilities

Expenditures for urban renewal and other community development programs will continue to rise in 1964, as projects undertaken in earlier years move toward completion. Federal expenditures contribute materially to the long-run economic growth of many cities, large and small, throughout the Nation.

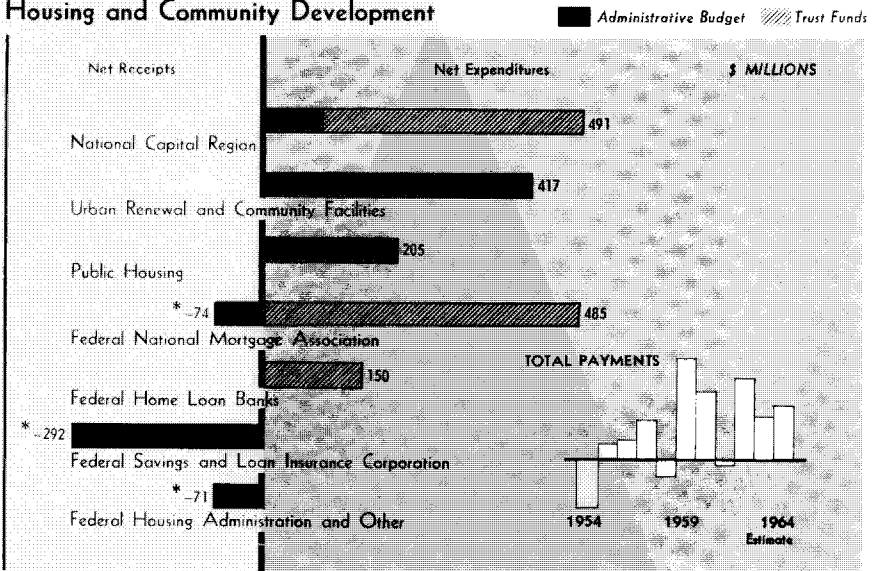
Both long-range and emergency Federal assistance is needed to revitalize urban mass transportation. Legislation to authorize such assistance is again being proposed to the Congress. Meanwhile, demonstration programs will continue to be used to explore new methods of meeting urban transportation requirements.

### Aids to Private Housing

The Federal Government assists private housing mainly by assuring the availability of credit on favorable terms by a variety of methods—all of which are largely or wholly self-supporting.

**Federal Savings and Loan Insurance Corporation.**—Savings invested in the 4,300 federally insured savings and loan associations

### Housing and Community Development



\* Excess of receipts explained in text.

provide the largest single source of funds for private housing. Advance payments by the associations of their insurance premiums will result in very substantial receipts in 1964 and increase insurance reserves of the FSLIC.

*Federal Housing Administration.*—In 1964 the Federal Housing Administration will insure the loans used to finance construction or purchase of an estimated 550,000 homes and modernization and improvement of 900,000 houses. Receipts from insurance premiums, and from sales of acquired properties and loans, will substantially exceed expenditures.

*Federal National Mortgage Association.*—The Federal Government aids the supply of funds for private housing by buying federally insured or guaranteed mortgages. The Federal National Mortgage Association will substantially increase purchases of mortgages to support urban renewal activities and housing for low and moderate income families, but sales and repayments of older mortgages will increase even more, causing receipts in the administrative budget to be higher than expenditures. Purchase of mortgages by its secondary market trust fund, made at market prices, will considerably exceed estimated sales and repayments in 1964.

*Federal home loan banks.*—The 11 Federal home loan banks, which provide a credit reserve for their member savings and loan associations, are expected to make a somewhat larger volume of net advances for this purpose in 1964.

*Other aids to private housing.*—Increased expenditures are anticipated for direct loans to provide housing for elderly families or individuals.

### **Public Housing Programs**

Annual contributions by the Public Housing Administration to local housing authorities will continue to rise as more housing units built for low-income families under earlier contracts are completed and occupied.

## **National Capital Region**

The District of Columbia government provides both State and local government services for the businesses and residents of the National Capital City. The Federal Government recognizes a special responsibility to bear its proper share of the costs of these services, as well as to provide long-term loans needed to carry out an orderly program of capital improvements. These are included in the administrative budget. Expenditures by the District government, predominantly from local revenues, are included in trust fund expenditures.

### **HEALTH, LABOR, AND WELFARE**

<b>1964 Expenditures</b>	{	<b>Administrative Budget</b> . . .	<b>\$5.6 Billion</b>
		<b>Trust Funds</b> . . . . .	<b>\$22.8 Billion</b>

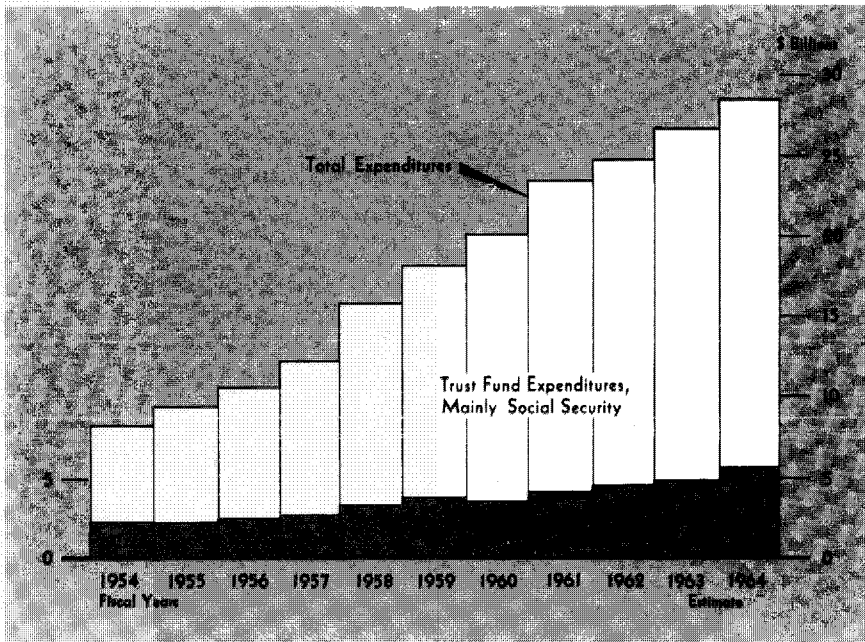
The Federal Government provides a wide range of health, manpower, and welfare services which meet important human needs and strengthen our society.

*Social insurance.*—The social insurance and retirement programs of the United States provide individuals and their families with support when income is lost because of the retirement, disablement, death, or unemployment of the family member who has been its chief support. They are financed through trust funds, which depend for their receipts on payroll contributions made by employers and employees and by interest earned through the investment of surplus income. The benefit payments made by the trust funds have been steadily growing, as indicated on the accompanying chart.

Trust funds account for about four-fifths of the outlays for all health, labor, and welfare programs. In 1964 benefit payments under the old-age, survivors, and disability insurance trust funds, which go to the retired, the disabled, and their survivors, are estimated at \$15.9 billion. The railroad retirement system will provide similar benefits totaling \$1.1 billion in 1964 to railroad employees and their families.

The expansion of the social security system to cover the costs of hospital and nursing home care for the aged is again being proposed. Benefits to those now aged and ineligible for social security or railroad retirement benefits would be financed from the administrative budget.

## Health, Labor, and Welfare



The unemployment trust fund, which finances the Nation's system of unemployment insurance, is estimated to provide \$2.9 billion in benefit payments in 1964. Legislation to strengthen this system will be proposed.

Most Federal civilian employees are provided with retirement, disability, and survivor benefits through the Federal employees retirement trust funds. These funds are financed by employee contributions matched by the Federal Government. Total payments by the funds are estimated at \$1.4 billion in 1964.

**Public assistance.**—The major portion of expenditures for public assistance will continue to be for basic current needs—food, shelter, and medical care. Legislation enacted last year provided a new emphasis on helping needy individuals achieve economic independence. This new program calls for Federal grants matched by State expenditures for counseling, guidance, and rehabilitation services.

**Health services and research.**—More than half of the total Federal expenditures for health services and research are for the activities of the National Institutes of Health for research, training, and facilities.

Of the Nation's total outlay of \$1.5 billion for health research in the current year, more than \$1 billion is supported by the Federal Government.

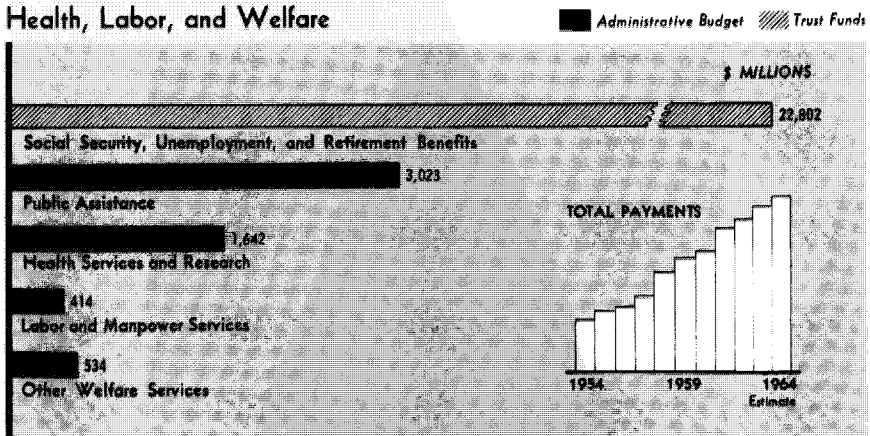
Legislation is again recommended to authorize Federal grants to assist in construction of new medical, dental, and public health schools, and to provide aid to students. These schools are needed to provide the number of doctors and other health personnel needed to care for our growing population.

The need to renovate and modernize the older general hospitals, most of which are in large urban centers, is not being adequately met. Facilities to meet the rapidly increasing needs for the long-term care of the chronically ill and aged are also inadequate. The budget contains funds for proposed legislation to broaden the Hill-Burton Act to stimulate the needed construction.

Rapid advances of science and technology and the growing variety of new foods, drugs, and cosmetics will continue to increase the responsibilities of the Food and Drug Administration for protecting consumers.

*Mental health and mental retardation.*—The great majority of the mentally ill in our society, unfortunately, receive too little treatment and receive it too late. Many mental hospitals serve merely as custodial institutions when, in fact, modern psychiatry can diagnose

### Health, Labor, and Welfare





and treat the mentally disturbed with more and better resources in the patients' own communities, and with greater likelihood of recovery.

The budget includes provision for increased funds for the first phase of a national plan to combat mental illness, as well as increased funds to improve health, education, rehabilitation, and welfare services for the mentally retarded and to help prevent retardation. Legislation will be proposed in a special message relating to both these afflictions.

*Labor and manpower.*—New emphasis is being given to the need to increase the opportunities of unemployed workers and youth. The budget provides funds to permit training services for approximately 140,000 workers in 1964, double the estimated number in 1963. A new program is being proposed to create employment and training opportunities for youth.

The Federal-State employment service system, with 1,900 offices, will increase its activities in matching the skills needed by employers with the abilities of workers.

*Other welfare services.*—The budget provides Federal matching funds for the cooperative Federal-State vocational rehabilitation program which in 1964 will provide job capability to about 126,500 persons. Grants to States through the school lunch and special milk programs of the Department of Agriculture are estimated at \$284 million in fiscal 1964, an increase of \$18 million over 1963.

## EDUCATION

### 1964 Administrative Budget Expenditures . . . \$1.5 Billion

Education enriches the life of the individual and is essential to the freedom, economic growth, and welfare of our society. Although advances have been made in expanding educational opportunities for the Nation, there are serious inadequacies in our educational system which need to be overcome.

The 1964 budget proposes \$3 billion in aid for education—double the amount for 1963—including \$1.2 billion for new legislation. Actual expenditures, however, will lag behind these authorizations. They are estimated to increase by \$165 million over the level in 1963, largely for new proposals to be outlined in a special message on education.

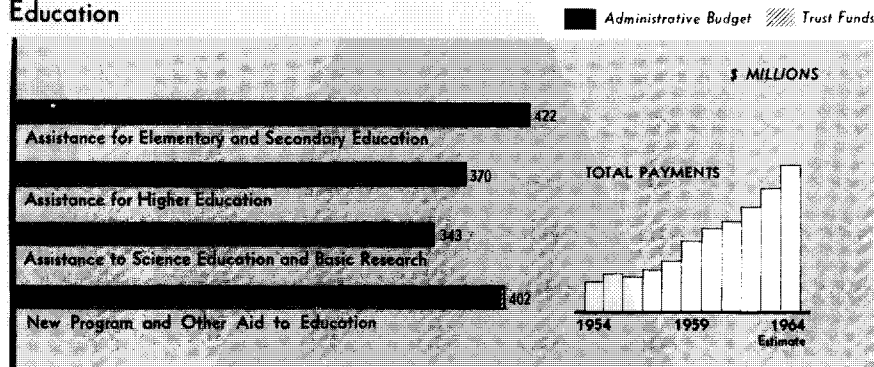
The new program in education is designed to help solve selected critical educational problems. It will: (1) improve the quality of education at all levels; (2) help break crucial bottlenecks in our educational system by providing funds for expansion of facilities; and (3) increase opportunities for education and training by facilitating access to colleges and providing an expanded range of technical, vocational, and professional training opportunities for teachers and students.

Since funds for the new program will be spent mainly in the years after 1964, the following sections relate primarily to programs conducted under existing legislation.

*Assistance for elementary and secondary education.*—The 1964 budget provides \$361 million for continued assistance to schools in areas where enrollments are swelled by Federal employment, including \$148 million under legislation to extend portions of law expiring June 30, 1963. Aid to elementary and secondary education under the National Defense Education Act will cost \$61 million, slightly above the current level. These amounts are small when related to the \$20 billion which States and localities will spend for public schools in 1964.

*Assistance for higher education.*—To make possible the expected doubling of college enrollments during the 1960's there is an urgent need for expansion of capacity and for aid to students. The 1964 budget provides net expenditures of \$218 million for loans to colleges for dormitories and \$90 million for National Defense Education Act loans to students.

## Education



*Assistance to science education and basic research.*—A significant expansion of National Science Foundation programs is proposed in the 1964 budget. It will help overcome the shortage of trained scientists, engineers, and mathematicians, increasing expenditures by \$105 million. Appropriations for the Foundation would be increased 80% to \$589 million. Continued emphasis will be given to basic research, although the largest growth will be in the promotion of education in the sciences and related fields. Funds are increased for teacher training institutes, curriculum development, and grants for graduate and undergraduate facilities.

*Other aid to education.*—The Office of Education will develop expanded programs in educational research, including development of improved teaching materials. The 1964 budget provides for a substantial increase for this purpose.

## VETERANS BENEFITS AND SERVICES

1964 Expenditures	{	Administrative Budget..	\$5.5 Billion
		Trust Funds . . . . .	\$0.6 Billion

The total Federal payments of about \$6 billion for veterans programs in 1964 will be \$389 million less than in 1963. The bulk of this decline will occur because special and accelerated life insurance trust fund dividends are being paid in 1963.

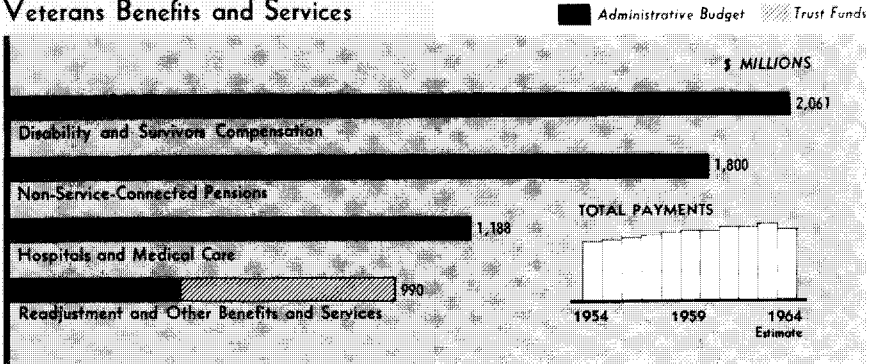
*Compensation.*—Expenditures for compensation benefits to veterans disabled in the service are estimated at \$2,061 million in fiscal year 1964, \$24 million less than in 1963. Included is \$98 million to provide for the cost-of-living adjustments in compensation rates enacted last year. About 2,332,000 service-disabled veterans or families of deceased veterans will be receiving compensation payments in 1964, a decline of about 22,000 from the number in 1963.

*Pensions.*—This category provides payments for disability or death from causes not related to military service. Expenditures for pensions are expected to rise by \$64 million in 1964, based on an estimated increase of 85,000 in the number of veterans and survivors receiving payments. An average of 2,052,000 veterans or families of deceased

veterans will receive pensions in 1964. As they advance in age, World War I veterans are becoming eligible for pensions, and by 1964 about 45% of all living veterans in this group will be receiving pensions.

*Hospitals and medical care.*—The budget estimates expenditures of \$1,120 million for hospital and medical services in 1964, an increase of \$33 million over 1963. Hospital and domiciliary care will be provided for an average of 139,055 beneficiaries per day; an esti-

### Veterans Benefits and Services



mated total of 3,728,000 visits will be made by veterans to outpatient clinics or to private physicians.

An appropriation of \$81 million for veterans hospital construction is proposed for 1964, the fourth step in carrying out a 15-year, \$1.2 billion hospital modernization program begun in 1961. Under this long-range program, expenditures for hospital construction are estimated to increase slightly to \$67 million in 1964.

*Readjustment and other benefits.*—Expenditures for veterans education and training are estimated to decline by \$34 million from 1963 to 1964, because of the continuing reduction in the number of veterans of the Korean conflict receiving these benefits. Peacetime ex-servicemen with severe service-connected disabilities will be aided in 1964 by the vocational rehabilitation program enacted by the 87th Congress. The number of guaranteed and direct loans made will decline slightly as the number of eligible veterans falls. Budget expenditures for the loan guarantee program will be lower because fewer defaults are anticipated on home loans.

Improvements in efficiency and consolidation of certain regional and field offices will result in substantial savings in the administration of the compensation, readjustment, and insurance programs.

## GENERAL GOVERNMENT

### 1964 Administrative Budget Expenditures: \$2.2 Billion

Expenditures for general government provide for general service activities of a governmentwide nature, for executive direction and financial management, and for the costs of the Congress and the Federal court system.

Expenditures in 1964 for such general administrative and law enforcement activities of the three branches of the Federal Government are estimated at \$2.2 billion, \$153 million higher than the estimate for 1963. The increase is principally to strengthen tax collection and to carry forward construction of Government buildings. New management techniques are continually being introduced to achieve savings in the conduct of these operations.

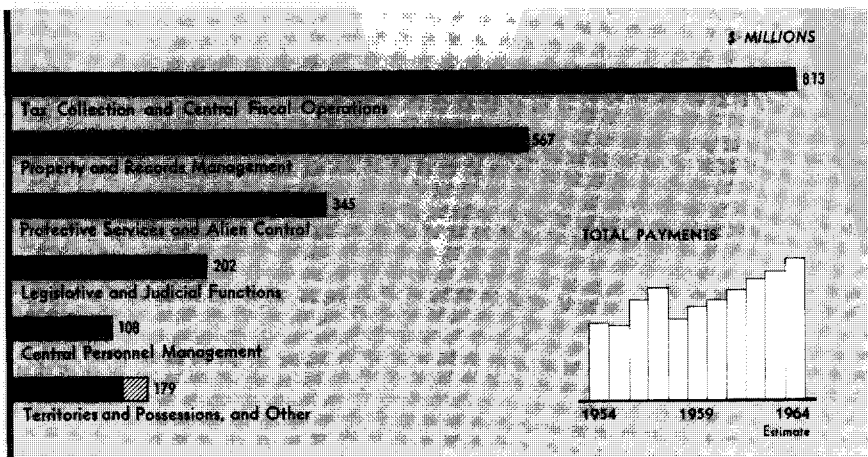
*Tax collection and central fiscal operations.*—The Treasury collects the Government's taxes and other revenues, and issues the checks that pay the bills. The Internal Revenue Service will increase its expenditures by an estimated \$69 million in 1964, mainly to improve compliance with the system under which we pay our taxes. This improvement entails a substantial expansion of personnel and automatic data processing equipment over the next several years.

*General property and records management.*—Funds are included in the budget to finance acquisition of sites, planning, and construction of new buildings as part of the continuing program to provide more efficient facilities for Government operations. Other increases in expenditures are needed to operate and maintain Government facilities.

*Protective services and alien control.*—The Federal Bureau of Investigation will carry out its increased responsibilities in the drive against organized crime. The Bureau of Prisons will build needed facilities with funds included in the budget.

## General Government

■ Administrative Budget    ▨ Trust Funds



*Central personnel management.*—The administrative costs of the Civil Service Commission are included under this heading, together with costs of accident compensation and health benefits for Federal employees.

*Territories and possessions.*—The United States provides Government services for the Canal Zone Government and financial assistance to the Virgin Islands, the Ryukyu Islands, and other areas. A comprehensive developmental program has been initiated in American Samoa and is proposed for the Trust Territory of the Pacific Islands.

## INTEREST

### 1964 Administrative Budget Expenditures: \$10.1 Billion

Administrative budget expenditures for interest on the public debt are expected to be \$320 million more in 1964 than in the current year. This increase is primarily due to the increase in the size of the public debt.

Several of the major trust funds and Government enterprises invest their reserves in Government securities which earn interest and are part of the public debt. Of the total interest expenditures in fiscal 1964, about \$1.8 billion will be paid to such funds, mainly to the social security and Federal employees retirement funds.



## **Part 3 Budget Facts and Figures**

The budget necessarily involves a great many numbers, usually with dollar signs attached. In order for them to have meaning, they must be related to programs, to policies, to the process of Government, to the size of the economy, and so on. In the first two sections of this booklet, an effort was made to present the budget in understandable, nontechnical terms, and to minimize the use of statistics.

A fuller understanding of the budget, however, requires some knowledge of the detail that supports the major budget figures, the historical statistics that show how current totals have developed, and the processes involved in running our Government's finances.

In order to introduce the reader to some of the more technical aspects of the budget, this section presents briefly the following:

- Measures of Federal spending
- The budget process
- Tables on the budget



## MEASURES OF FEDERAL SPENDING

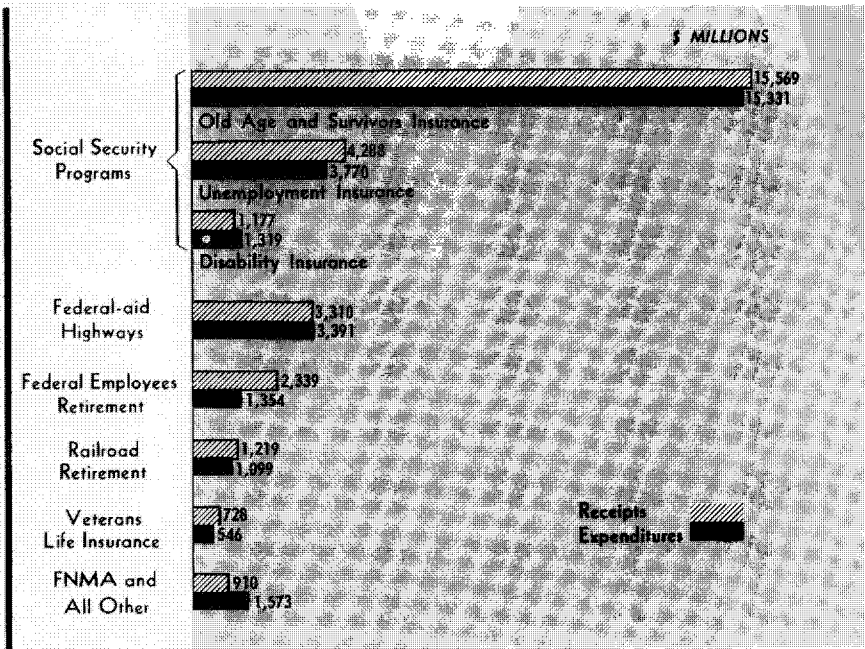
No single set of figures adequately represents the economic and financial activities of the Federal Government. In the budget (as well as this booklet) Government activities are discussed in terms of the administrative budget, the trust funds, total receipts from (or payments to) the public and so on. Technical and sometimes complicated distinctions have to be made to clarify these various concepts.

*The administrative budget and trust funds.*—For an understanding of the different concepts used to measure Federal financial transactions, it is helpful to consider at the outset two basic sets of accounts used by the Government. The first covers the administrative budget funds; the second covers the trust funds. Together they comprise the financial books of the Government, which record in detail each agency's expenditures, as well as the revenues of the Government. They are the indispensable tools of sound management of the Government's finances.

Most of the tax and other receipts of the Government go into a general fund; small amounts are deposited in funds for special purposes. These funds finance the activities included in the administrative budget after they are approved by Congress. The receipts of these funds are owned by the Federal Government—just as land and equipment are owned. The administrative budget also encompasses the transactions of wholly owned Government enterprises, such as the postal service, the Small Business Administration, the Export-Import Bank, and the Public Housing Administration.

In some cases, however, Congress has designated certain taxes and contributions to be held by the Federal Government in trust for benefit payments or special programs. These receipts, which are not federally owned, go into trust funds and can be used only to finance the activities for which they are set aside. For example, premiums paid by World War I and II veterans on their Government life insurance policies are held in a trust fund and used only to pay insurance claims.

## Trust Fund Estimates for 1964



Most of the major trust funds finance insurance-type activities such as social security (retirement, disability, and unemployment insurance), Federal employees retirement, and veterans life insurance. Trust funds also finance Federal grants for highway construction and the secondary market activities of the Federal National Mortgage Association (FNMA).

Receipts of the trust funds come from sources related to their activities. For example, the employers and the workers covered by old-age and survivors insurance pay the taxes that finance the OASI trust fund. Similarly, Federal gasoline and other taxes related to highway use provide the receipts for the highway trust fund, and veterans life insurance policyholders pay premiums which account for the bulk of veterans life insurance trust fund receipts. The chart on this page lists the major trust funds and indicates their estimated receipts and expenditures for 1964.

Trust fund receipts are often greater than their expenditures, and reserves are accumulated to meet anticipated future benefit payments or other outlays. This excess is usually invested in U.S. securities and earns interest for the trust funds.

*Federal receipts from and payments to the public.*—Basically, receipts from the public and payments to the public (often called the consolidated cash statement) are a consolidation of the administrative budget and trust fund receipts and expenditures. In this consolidation, payments between the administrative budget and trust funds (such as the payment of interest from the budget to the trust funds on the latter's investments in U.S. securities) are eliminated, since they do not involve a flow of money between the Federal Government and the public.

Adjustments are made for certain expenditures which are recorded on an accrual basis so that all Federal payments to the public are placed on a "checks paid" basis. The table on page 53 summarizes the relationship between the administrative budget, trust funds, Federal receipts from and payments to the public, and the Federal sector of the national income accounts.

*Federal sector, national income accounts.*—Like the consolidated cash statement, the Federal sector of the national income accounts includes the transactions of the trust funds. However, it excludes those transactions which do not directly affect current income or production. Thus, it excludes administrative budget and trust fund transactions of a purely financial nature (such as loans and mortgages) as well as purchases and sales of previously existing assets (such as land and secondhand items).

The national income accounts also differ from the consolidated cash statement with respect to the time when receipts and payments are recorded. While the consolidated cash statement is on a checks-paid basis, the national income accounts are on an accrual basis. Thus, tax receipts in the income accounts are recorded as tax liabilities build up, rather than on the actual date the Treasury receives the money. Similarly, expenditures are recorded at the time goods are delivered or services performed, rather than when the checks in payment for the goods and services are issued or cashed.

Total expenditures of the Federal sector, national income accounts, are divided into four basic components that provide information on the economic nature of Federal expenditures. As the following table indicates, the largest is purchases of goods and services. This category represents that part of the Nation's current production of goods and services which the Government uses for public purposes—Federal

## SUMMARY OF FEDERAL RECEIPTS AND PAYMENTS

[Fiscal years. In billions]

Description	1962 actual	1963 estimate	1964 estimate
<b>FEDERAL RECEIPTS</b>			
Administrative budget receipts .....	\$81.4	\$85.5	\$86.9
Trust fund receipts .....	24.3	26.9	29.5
Deduct: Intragovernmental transactions .....	3.8	3.9	4.2
<b>Total cash receipts from the public</b> .....	<b>101.9</b>	<b>108.4</b>	<b>112.2</b>
Add: Adjustment from cash to accrual basis .....	2.5	1.4	-0.1
Deduct: Receipts from loans, property sales, and other adjustments .....	0.4	1.0	0.7
<b>National income account receipts—Federal sector</b> .....	<b>104.0</b>	<b>108.8</b>	<b>111.4</b>
<b>FEDERAL PAYMENTS</b>			
Administrative budget expenditures .....	87.8	94.3	98.8
Trust fund expenditures .....	25.2	27.3	28.4
Deduct: Intragovernmental transactions and other adjustments (net) .....	5.3	4.8	4.7
<b>Total cash payments to the public</b> .....	<b>107.7</b>	<b>116.8</b>	<b>122.5</b>
Add: Adjustment from cash to accrual basis .....	0.9	0.3	-0.1
Deduct: Disbursements for loans, land purchases, and other adjustments .....	2.9	3.9	3.4
<b>National income account expenditures— Federal sector</b> .....	<b>105.7</b>	<b>113.2</b>	<b>119.0</b>
<b>EXCESS OF RECEIPTS (+) OR PAYMENTS (-)</b>			
Administrative budget .....	-6.4	-8.8	-11.9
Receipts from and payments to the public .....	-5.8	-8.3	-10.3
National income accounts—Federal sector .....	-1.7	-4.3	-7.6

Note—Receipts, including those on a national income account basis, reflect retroactively to January 1, 1962, revenue losses occasioned by both the Revenue Act of 1962 and the 1961 administrative depreciation reform. To this extent, receipts shown for fiscal 1962 differ from those published to date by the Department of Commerce in the national income accounts.

employees' services, military equipment, Government buildings, other direct public works, and so on.

### NATIONAL INCOME ACCOUNT EXPENDITURES—FEDERAL SECTOR

[Fiscal years. In billions]

Description	1962 actual	1963 estimate	1964 estimate
Purchases of goods and services .....	\$59.8	\$64.4	\$68.2
Transfer payments .....	27.8	29.7	30.9
Grants-in-aid to State and local governments .....	7.3	7.8	8.8
Net interest and other .....	10.8	11.3	11.1
<b>Total national income account expenditures—Federal sector .....</b>	<b>105.7</b>	<b>113.2</b>	<b>119.0</b>

The second category, transfer payments, covers Federal expenditures for which there are no current services rendered—veterans pensions, unemployment benefits, old-age and survivors insurance benefits, and other benefits (sometimes based on contributions made and on eligibility obtained in previous years). When the Government makes transfer payments, it does not use up resources itself, but rather channels purchasing power to the retired, the unemployed, and others.

Grants-in-aid to State and local governments also represent the transfer of funds to other economic groups to use for a nationally desirable purpose. The State and local governments may use the grants for purchases of goods and services (such as highway construction) or they may in turn make transfer payments to individuals (for example, through public assistance payments).

The last category includes net interest (that is, interest paid by the Federal Government less the interest it receives on loans it has made to others) and such other transactions as subsidies to farm and non-farm businesses.

## THE BUDGET PROCESS

Each January the President recommends to the Congress a budget representing his judgment as to the kind and size of Government programs required to meet the Nation's needs during the coming fiscal year.

The budget contains estimates of the expenditures to be made in carrying out these programs and the revenues to be collected. By the time the fiscal year ends, nearly 18 months after the budget is presented, many figures will inevitably have changed: international and domestic conditions may vary from the assumptions on which the budget was made; the President may amend some of his proposals; and the Congress may modify the President's requests or add new proposals of its own.

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

New obligational authority is composed of three kinds of authorizations which allow Federal agencies to incur obligations requiring the payment of money.

*Appropriations* are the most common form of new obligational authority; they authorize the agencies not only to order goods and services but also to draw funds from the Treasury and make expenditures to pay for the goods and services when delivered.

*Contract authorizations* are occasionally given to agencies which allow them to contract for the delivery of goods and services but not to make expenditures to pay for them. An appropriation to liquidate the contract authorization must later be enacted by the Congress before money may actually be spent to pay the bills incurred under a contract authorization.

*Authorizations to expend from debt receipts* permit agencies to borrow money (usually through the Treasury), to contract for its use, and to pay the amounts authorized.

In most cases, new obligational authority becomes available each year only as voted by the Congress. In some cases, however, the Congress has voted permanent authority under which additional sums

become available annually without further congressional action. The chief example in the administrative budget is the permanent appropriation to pay interest on the public debt. Most trust fund appropriations are also permanent.

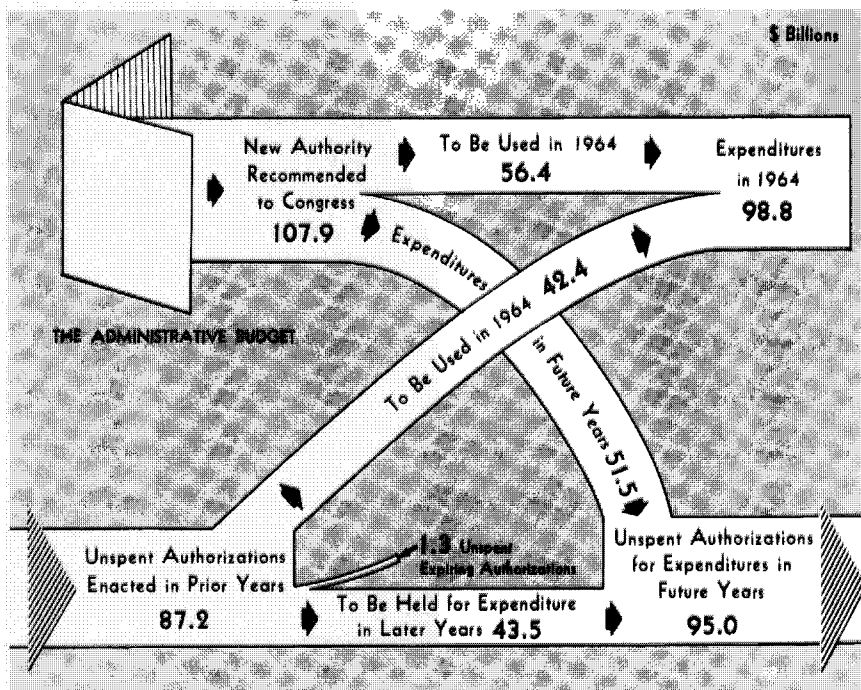
**Obligations.**—Obligations are commitments made to pay out money. They include employment of personnel by Federal agencies requiring salary payments, the approval of loan agreements, and the entering into contracts for equipment or construction. They are authorized by the obligational authority granted by the Congress and precede expenditures.

**Expenditures.**—Expenditures generally consist of checks issued and cash paid. Government agencies (such as the Post Office) which carry on business-type operations with the public usually have their receipts deducted from their disbursements to arrive at the amount included in the expenditure totals; when receipts exceed disbursements, the result is shown as a negative payment.

**Relationship between new obligational authority and expenditures.**—Not all of the obligational authority enacted for a fiscal year is spent in the same year. Appropriations to pay salaries or pensions are usually spent almost entirely in the year for which they are enacted. On the other hand, the bulk of appropriations to buy ballistic missiles or to construct an airfield are likely to be spent 2 or 3 or more years after enactment, because of the time required to prepare designs, arrange contracts, complete production or construction, and finally pay the bills.

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

## 1964 Administrative Budget—Relation of Authorizations to Expenditures



*Unexpended balances.*—The amounts of enacted obligational authority that have not been spent at the end of a fiscal year and are still available for expenditure in future periods, are called unexpended balances. These balances do not represent cash on hand, but authority to enter into contracts or to make payments under earlier contracts. Most of the unexpended balances are obligated; that is, the amounts are committed to pay bills which will come due upon the completion of contracts already signed, or when bills for services or goods are received.

Often, any authority which is not obligated by the time the year closes is no longer available; that is, the authority to obligate expires. In some cases, such as programs for construction of public works, the unobligated part of the unexpended balances continues available from year to year, because the Congress has made the appropriation available until expended. In a few cases, such as the authorization for the Federal Deposit Insurance Corporation to borrow from the Treasury, the balances carried forward represent standby authority for possible emergencies—authority which the Government does not anticipate having to use in the foreseeable future.



*Receipts.*—Receipts are moneys received by the Treasury from taxes and customs and miscellaneous sources such as collections on certain loans, rents, fines, fees, and sales.

*Surplus or deficit.*—A surplus results when receipts exceed expenditures; a deficit results when expenditures exceed receipts.

A surplus is usually used to retire part of the Government's outstanding borrowing from the public. A deficit is normally financed by new borrowing.

# TABLES ON THE BUDGET

## Administrative Budget and Trust Fund Expenditures by Function 1957-64

The following two tables show administrative budget and trust fund expenditures since 1957, according to the functions they serve. The functional categories provide a meaningful historical comparison because all expenditures for activities of a similar nature are grouped together even if they are made by different agencies, or if—through reorganizations or otherwise—they are shifted from one agency to another over the years.

### ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1957	1958	1959	1960	1961	1962	1963	1964
<b>National defense:</b>								
Department of Defense—military:								
Purchase of military equipment.....	13,488	14,083	14,409	13,334	13,095	14,532	15,521	16,350
Military personnel.....	11,409	11,611	11,801	11,738	12,085	13,032	13,100	14,255
Operation and maintenance.....	9,487	9,761	10,378	10,223	10,611	11,594	11,500	11,690
Research and development.....	2,406	2,504	2,866	4,710	6,131	6,319	6,599	7,120
Military construction and other.....	1,645	1,110	1,769	1,210	1,305	1,248	1,370	1,375
Civil defense.....						90	210	210
Subtotal, military functions.....	38,436	39,070	41,223	41,215	43,227	46,815	48,300	51,000
Military assistance.....	2,352	2,187	2,340	1,609	1,449	1,390	1,750	1,450
Atomic energy.....	1,990	2,268	2,541	2,623	2,713	2,806	2,870	2,850
Defense-related services.....	582	709	387	244	104	92	84	133
Subtotal.....	43,360	44,234	46,491	45,691	47,494	51,103	53,004	55,433
<b>International affairs and finance:</b>								
Economic and financial programs:								
Development loans.....		2	66	202	258	347	625	704
Supporting assistance.....	1,296	1,103	1,138	995	1,013	618	500	420
Alliance for Progress.....						155	280	401
Development grants.....	115	136	146	149	169	272	244	270
Other.....	272	669	2,053	131	685	980	613	322
Foreign information and exchange activities.....	133	149	139	137	158	197	217	237
Conduct of foreign affairs.....	157	173	237	217	216	249	396	326
Subtotal.....	1,973	2,231	3,780	1,832	2,500	2,817	2,874	2,679
<b>Space research and technology: <sup>1</sup></b>								
Manned space flight.....					237	547	1,376	2,713
Unmanned investigations in space.....					216	337	441	593
Meteorology and communications.....					16	61	82	124
Other research, technology, and supporting operations.....					275	312	501	770
Subtotal.....	76	89	145	401	744	1,257	2,400	4,200
<b>Agriculture and agricultural resources:</b>								
Farm income stabilization and Food for Peace.....								
Peace.....	3,430	3,284	5,297	3,602	3,801	4,591	5,256	4,367
Agricultural land and water resources.....	374	315	376	368	397	426	414	414
Rural electrification and telephone loans.....	267	297	315	330	301	303	340	270
Farming and rural housing loans.....	248	269	311	289	349	234	320	230
Research and other agricultural services.....	227	255	291	293	324	341	401	415
Subtotal.....	4,546	4,419	6,590	4,882	5,173	5,895	6,731	5,696
<b>Natural resources:</b>								
Land, water and power resources <sup>2</sup> .....								
Forest resources.....	925	1,139	1,184	1,235	1,394	1,564	1,691	1,750
Recreational resources.....	163	174	201	220	331	280	319	326
Fish and wildlife resources.....	59	69	85	74	91	94	114	135
Minerals resources.....	51	60	68	68	73	81	97	108
Other.....	62	59	71	65	61	68	85	107
Other.....	38	44	61	51	55	60	73	76
Subtotal.....	1,298	1,544	1,670	1,714	2,006	2,147	2,380	2,503

<sup>1</sup> Breakdown not available on a comparable basis prior to 1961.

<sup>2</sup> Includes Indian land and water resources.

# ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION—Con.

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1957	1958	1959	1960	1961	1962	1963	1964
<i>Commerce and transportation:</i>								
Aviation.....	219	315	494	568	716	781	874	885
Water transportation.....	365	392	436	508	569	654	699	677
Advancement of business.....	127	170	226	265	271	427	472	617
Postal service.....	518	674	774	525	914	797	802	554
Area redevelopment.....						7	345	521
Regulation of business.....	45	49	58	59	67	74	84	94
Highways.....	40	31	30	38	36	33	48	42
Subtotal.....	1,313	1,631	2,017	1,963	2,573	2,774	3,325	3,388
<i>Housing and community development:</i>								
Urban renewal and community facilities.....	49	78	108	130	162	261	365	417
Public housing.....	60	51	97	134	150	163	179	205
Aids to private housing:								
Federal Savings and Loan Insurance Corporation.....	-33	-38	-41	-20	-35	-237	-278	-292
Federal National Mortgage Association.....	-188	-32	842	-30	75	-123	19	-74
Federal Housing Administration and other.....	-32	-56	-69	-122	-84	211	151	-71
National capital region.....	27	26	33	30	51	74	89	91
Subtotal.....	-118	30	970	122	320	349	525	276
<i>Health, labor, and welfare:</i>								
Public assistance.....	1,558	1,797	1,969	2,061	2,170	2,437	2,899	3,023
Health services and research.....	461	540	700	815	938	1,128	1,392	1,642
Labor and manpower.....	397	488	924	510	809	591	209	414
School lunch and special milk.....	155	167	218	234	241	261	266	284
Vocational rehabilitation and other.....	61	67	66	70	85	108	150	250
Subtotal.....	2,632	3,059	3,877	3,690	4,244	4,524	4,915	5,613
<i>Education:</i>								
Elementary and secondary education.....	174	189	259	327	332	337	375	422
Higher education.....	110	178	225	261	286	350	519	370
Science education and basic research.....	46	50	106	120	143	183	238	343
New program and other aid to education.....	108	124	141	156	181	207	229	401
Subtotal.....	437	541	732	866	943	1,076	1,361	1,537
<i>Veterans benefits and services:</i>								
Compensation.....	1,876	2,024	2,071	2,049	2,034	2,017	2,085	2,061
Pensions.....	951	1,036	1,153	1,263	1,532	1,635	1,736	1,800
Hospitals and medical care.....	801	856	921	961	1,030	1,084	1,152	1,188
Readjustment benefits.....	977	1,026	864	725	559	388	317	193
Other benefits and services.....	266	242	280	266	259	279	255	242
Subtotal.....	4,870	5,184	5,287	5,266	5,414	5,403	5,545	5,484
<i>General government:</i>								
Tax collection and central fiscal operations.....	476	502	566	558	607	653	722	813
Property and records management.....	201	245	295	372	372	419	508	567
Protective services and alien control.....	219	233	255	263	289	300	323	345
Legislative and judicial functions.....	130	133	149	158	170	192	204	202
Central personnel management.....	602	84	95	84	140	153	140	108
Territories and possessions, and other.....	112	88	107	108	131	158	144	160
Subtotal.....	1,738	1,284	1,466	1,542	1,709	1,875	2,041	2,195
<i>Interest.....</i>								
	7,307	7,689	7,671	9,266	9,050	9,198	9,782	10,103
<i>Allowances:</i>								
Comparability pay adjustment.....								200
Contingencies.....							75	175
Subtotal.....	69,433	71,936	80,697	77,233	82,169	88,419	94,957	99,481
Deduct interfund transactions.....	467	567	355	694	654	633	646	679
Total administrative budget expenditures.....	68,966	71,369	80,342	76,539	81,515	87,787	94,311	98,802

## TRUST FUND EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars.]

Description	Actual						Estimate	
	1957	1958	1959	1960	1961	1962	1963	1964
National defense.....	93	344	229	256	196	366	440	576
International affairs and finance.....	13	1	21	48	13	15	47	123
Agriculture and agricultural resources.....	426	357	645	458	417	432	425	392
Natural resources.....	83	99	92	118	185	112	122	126
Commerce and transportation.....	866	1,401	2,493	2,831	2,505	2,662	2,854	3,235
Housing and community development.....	1,044	-295	1,263	1,439	-273	1,522	539	1,036
Health, labor, and welfare.....	9,585	12,775	14,306	16,358	19,236	20,381	21,812	22,802
Education.....	1	1	1	1	1	1	1	1
Veterans benefits and services.....	608	671	651	673	811	733	879	555
General government.....	8	10	10	17	17	20	19	19
Deposit funds.....	219	-88	-6	-107	186	-517	628	-29
Deduct interfund transactions.....	10	11	135	908	515	528	491	454
<b>Total trust fund expenditures.....</b>	<b>12,938</b>	<b>15,265</b>	<b>19,573</b>	<b>21,185</b>	<b>22,780</b>	<b>25,201</b>	<b>27,275</b>	<b>28,382</b>

## Receipts From and Payments to the Public, 1957-64

The following table presents total receipts from the public by source and payments to the public by function. These data combine the administrative budget and trust fund figures, and eliminate transactions taking place entirely within the Government. A few other adjustments are also made to shift data recorded on an accrual basis to a cash basis.

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1957	1958	1959	1960	1961	1962	1963	1964
<i>Receipts from the public:</i>								
Individual income taxes.....	35,620	34,724	36,719	40,715	41,338	45,571	47,300	45,800
Corporation income taxes.....	21,167	20,074	17,309	21,494	20,954	20,523	21,200	23,800
Excise taxes.....	10,534	10,638	10,578	11,676	11,860	12,534	13,112	13,736
Employment taxes.....	7,520	8,565	8,767	11,067	12,405	12,561	14,805	16,630
Estate and gift taxes.....	1,365	1,393	1,333	1,606	1,896	2,016	2,060	2,125
Customs.....	735	782	925	1,105	982	1,142	1,278	1,390
Deposits by States, unemployment insurance.....	1,542	1,501	1,701	2,167	2,398	2,729	2,775	2,770
Veterans life insurance premiums.....	452	485	478	482	504	501	516	513
Other budget and trust receipts.....	3,171	3,730	3,851	4,766	4,905	4,310	5,385	5,432
<b>Total, receipts from the public.....</b>	<b>82,105</b>	<b>81,892</b>	<b>81,660</b>	<b>95,078</b>	<b>97,242</b>	<b>101,887</b>	<b>108,431</b>	<b>112,196</b>
<i>Payments to the public:</i>								
National defense.....	43,434	44,552	46,681	45,915	47,685	51,462	53,438	56,006
International affairs and finance.....	2,637	2,651	2,398	1,574	2,153	2,492	2,467	2,743
Space research and technology.....	76	89	145	401	744	1,257	2,400	4,200
Agriculture and agricultural resources.....	4,627	4,347	7,052	4,877	5,183	5,977	6,830	5,764
Natural resources.....	1,377	1,639	1,752	1,824	2,103	2,223	2,479	2,596
Commerce and transportation.....	2,208	3,060	4,537	4,819	5,107	5,487	6,233	6,677
Housing and community development.....	842	-319	2,141	1,440	-103	1,690	874	1,124
Health, labor, and welfare.....	12,108	15,757	18,017	19,107	22,364	23,961	25,799	27,424
Education.....	439	542	733	867	945	1,052	1,330	1,495
Veterans benefits and services.....	5,448	5,828	5,910	5,907	6,187	6,092	6,367	5,978
Interest.....	5,266	5,884	5,350	7,233	7,257	6,940	7,496	7,723
General government.....	1,744	1,293	1,475	1,559	1,724	1,882	2,044	2,197
Deposit funds (net).....	219	-88	-6	-107	186	-517	628	-29
Undistributed adjustments.....	-420	-1,823	-1,382	-1,114	-2,006	-2,289	-1,612	-1,422
<b>Total, payments to the public.....</b>	<b>80,006</b>	<b>83,412</b>	<b>94,804</b>	<b>94,301</b>	<b>99,528</b>	<b>107,709</b>	<b>116,774</b>	<b>122,477</b>
<b>Excess of receipts (+) or payments (-).....</b>	<b>+2,099</b>	<b>-1,520</b>	<b>-13,144</b>	<b>+777</b>	<b>-2,286</b>	<b>-5,822</b>	<b>-8,343</b>	<b>-10,281</b>

# Administrative Budget Totals and Public Debt, 1789-1964

The administrative budget surplus or deficit during a given year does not alone determine the change in the public debt. Changes in the Federal Government's cash balance and a few other factors influence the change in the debt. A significant part of the public debt is held by Federal Government trust funds.

As explained in this booklet, the administrative budget totals do not show as complete a portrayal of Federal transactions as do total Federal receipts from and payments to the public. However, for most years prior to the beginning of social security in 1938, the differences are insignificant.

[In millions of dollars]

Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year	Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year
1789-1849...	1,160	1,090	+70	63	1930.....	4,058	3,320	+738	16,185
1850-1899...	13,895	14,932	-1,037	1,437	1931.....	3,116	3,577	-462	16,801
1900.....	567	521	+46	1,263	1932.....	1,924	4,659	-2,735	19,487
1901.....	588	525	+63	1,222	1933.....	1,997	4,598	-2,602	22,539
1902.....	562	485	+77	1,178	1934.....	3,015	6,645	-3,630	27,053
1903.....	562	517	+45	1,159	1935.....	3,706	6,497	-2,791	28,701
1904.....	541	584	-43	1,136	1936.....	3,997	8,422	-4,425	33,779
1905.....	544	567	-23	1,132	1937.....	4,956	7,733	-2,777	36,425
1906.....	595	570	+25	1,143	1938.....	5,588	6,765	-1,177	37,165
1907.....	666	579	+87	1,147	1939.....	4,979	8,841	-3,862	40,440
1908.....	602	659	-57	1,178	1940.....	5,137	9,055	-3,918	42,968
1909.....	604	694	-89	1,148	1941.....	7,096	13,255	-6,159	48,961
1910.....	676	694	-18	1,147	1942.....	12,547	34,037	-21,490	72,422
1911.....	702	691	+11	1,154	1943.....	21,947	79,368	-57,420	136,696
1912.....	693	690	+3	1,194	1944.....	43,563	94,986	-51,423	201,003
1913.....	714	715	-*	1,193	1945.....	44,362	98,303	-53,941	258,682
1914.....	725	725	-*	1,188	1946.....	39,650	60,326	-20,676	269,422
1915.....	683	746	-63	1,191	1947.....	39,677	38,923	+754	258,286
1916.....	762	713	+48	1,225	1948.....	41,375	32,955	+8,419	252,292
1917.....	1,100	1,954	-853	2,976	1949.....	37,663	39,474	-1,811	252,770
1918.....	3,630	12,662	-9,032	12,455	1950.....	36,422	39,544	-3,122	257,357
1919.....	5,085	18,448	-13,363	25,485	1951.....	47,480	43,970	+3,510	255,222
1920.....	6,649	6,357	+291	24,299	1952.....	61,287	65,303	-4,017	259,105
1921.....	5,567	5,058	+509	23,977	1953.....	64,671	74,120	-9,449	266,071
1922.....	4,021	3,285	+736	22,963	1954.....	64,420	67,537	-3,117	271,260
1923.....	3,849	3,137	+713	22,350	1955.....	60,209	64,389	-4,180	274,374
1924.....	3,853	2,890	+963	21,251	1956.....	67,850	66,224	+1,626	272,751
1925.....	3,598	2,881	+717	20,516	1957.....	70,562	68,966	+1,596	270,527
1926.....	3,753	2,888	+865	19,643	1958.....	68,550	71,369	-2,819	276,343
1927.....	3,992	2,837	+1,155	18,512	1959.....	67,915	80,342	-12,427	284,706
1928.....	3,872	2,933	+939	17,604	1960.....	77,763	76,539	+1,224	286,331
1929.....	3,861	3,127	+734	16,931	1961.....	77,659	81,515	-3,856	288,971
					1962.....	81,409	87,787	-6,378	298,201
					1963 est.....	85,500	94,311	-8,811	303,494
					1964 est.....	86,900	98,802	-11,902	315,604

\*Less than one-half million dollars.

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

Certain interfund transactions are excluded from administrative budget receipts and expenditures starting in 1932. For years prior to 1932 the amounts of such transactions are not significant.

## Federal Finances and the Gross National Product

Since the gross national product (GNP) is the total of all the goods and services produced by the economy in a given year, its trend is a useful measure of the growth of economic performance. By calculating annual Federal expenditures as a percentage of GNP, it is possible to tell at a glance how Federal financial transactions have changed over a period of time in relation to the change in the economy as a whole.

Only Federal purchases of goods and services represent the use of currently produced resources by the Federal Government—in effect the Government's direct share of the GNP. In contrast, both administrative budget expenditures and Federal payments to the public include funds lent or transferred to others, or given to State and local governments, which do not represent the use of current economic resources by the Federal Government.

[Amounts In billions of dollars]

Fiscal year	Gross national product	Administrative budget expenditures		Cash payments to the public		Federal purchases of goods and services		Public debt	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1942	140.5	34.0	24.2	34.5	24.6	30.0	21.4	72.4	51.5
1943	178.4	79.4	44.5	78.9	44.2	72.4	40.6	136.7	76.6
1944	202.8	95.0	46.8	94.0	46.4	85.6	42.2	201.0	99.1
1945	218.3	98.3	45.0	95.2	43.6	90.0	41.2	258.7	118.0
1946	202.8	60.3	29.7	61.7	30.4	41.3	20.4	269.4	132.8
1947	223.3	38.9	17.4	36.9	16.5	16.8	7.5	258.3	115.7
1948	246.6	33.0	13.4	36.5	14.8	16.6	6.7	252.3	102.3
1949	261.6	39.5	15.1	40.6	15.5	21.8	8.3	252.8	96.7
1950	263.8	39.5	15.0	43.1	16.3	20.0	7.6	257.4	97.6
1951	310.8	44.0	14.2	45.8	14.7	26.4	8.5	255.2	82.1
1952	338.8	65.3	19.3	68.0	20.1	47.8	14.1	259.1	76.5
1953	359.7	74.1	20.6	76.8	21.4	56.8	15.8	266.1	74.0
1954	362.0	67.5	18.6	71.9	19.9	54.0	14.9	271.3	75.0
1955	377.0	64.4	17.1	70.5	18.7	45.0	11.9	274.4	72.8
1956	408.5	66.2	16.2	72.6	17.8	45.1	11.0	272.8	66.8
1957	433.0	69.0	15.9	80.0	18.5	48.3	11.2	270.5	62.5
1958	440.2	71.4	16.2	83.4	19.0	50.5	11.5	276.3	62.8
1959	466.5	80.3	17.2	94.8	20.3	53.9	11.6	284.7	61.0
1960	494.8	76.5	15.5	94.3	19.1	53.2	10.8	286.3	57.8
1961	505.5	81.5	16.1	99.5	19.7	54.8	10.8	289.0	57.2
1962	539.0	87.8	16.3	107.7	20.0	59.8	11.1	298.2	55.3
1963 (estimate)	564.5	94.3	16.7	116.8	20.7	64.4	11.4	303.5	53.8

# Expenditures and New Obligational Authority by Agency

The following table indicates the expenditures estimated in 1964 for the major agencies of the Federal Government. It also shows the amount of spending authority being requested for each agency. Because of the long lead time required to design, order, produce, and deliver such complex goods as military and space equipment, and for other reasons, not all the new obligational authority granted will result in expenditures during the same year.

[Fiscal year 1964 estimate. In millions of dollars]

Description	Expenditures		New obligational authority <sup>1</sup>	
	Administrative budget funds	Trust funds	Administrative budget funds	Trust funds
Legislative Branch .....	155	1	149	1
The Judiciary .....	69	*	69	1
Executive Office of the President .....	31		33	
Funds appropriated to the President:				
Foreign assistance:				
Military .....	1,450	571	1,480	953
Economic .....	2,300	3	3,465	3
Public works acceleration program .....	400			
Other .....	225	*	244	
Department of Agriculture .....	6,565	48	8,144	51
Department of Commerce .....	895	3,401	981	3,715
Department of Defense:				
Military functions .....	51,000	5	52,181	5
Civil functions .....	1,140	28	1,146	23
Department of Health, Education, and Welfare .....	5,742	16,650	7,158	16,746
Department of the Interior .....	1,165	84	1,279	70
Department of Justice .....	337	57	355	
Department of Labor .....	433	3,770	527	4,288
Post Office Department .....	554		565	
Department of State .....	361	8	374	8
Treasury Department .....	11,232	22	11,297	21
Atomic Energy Commission .....	2,850		2,893	
Federal Aviation Agency .....	801		810	
General Services Administration .....	594	*	659	
Housing and Home Finance Agency .....	695	485	829	203
National Aeronautics and Space Administration .....	4,200		5,712	
Veterans Administration .....	5,470	548	5,580	730
Other agencies .....	355	2,753	1,481	3,597
District of Columbia .....	86	400	67	386
Allowances:				
Comparability pay adjustment .....	200		200	
Contingencies .....	175		250	
Subtotal .....	99,482	28,835	107,927	30,803
Deduct interfund transactions .....	679	454		
Total .....	98,802	28,382	107,927	30,803

\* Less than one-half million dollars.

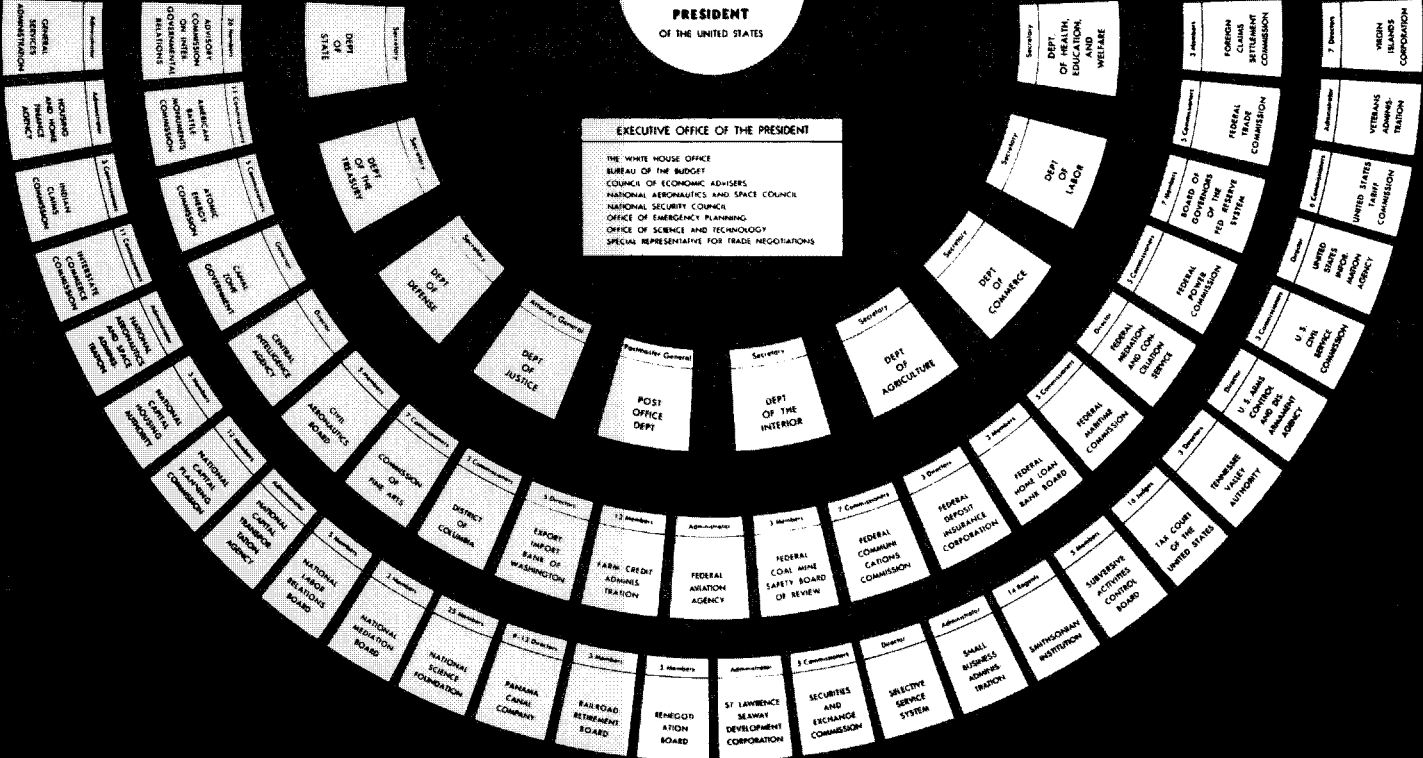
<sup>1</sup> Of which \$11.8 billion in administrative budget funds and \$30.4 billion in trust funds do not require current action by the Congress.

# EXECUTIVE BRANCH OF THE GOVERNMENT



**EXECUTIVE OFFICE OF THE PRESIDENT**

THE WHITE HOUSE OFFICE  
BUREAU OF THE BUDGET  
COUNCIL OF ECONOMIC ADVISERS  
NATIONAL AERONAUTICS AND SPACE COUNCIL  
NATIONAL SECURITY COUNCIL  
OFFICE OF EMERGENCY PLANNING  
OFFICE OF SCIENCE AND TECHNOLOGY  
SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS





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