

# THE BUDGET in BRIEF

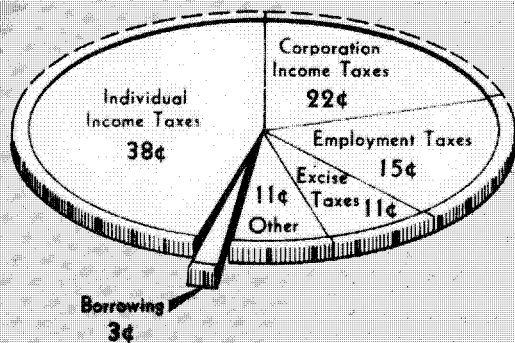
FISCAL YEAR **1966**

*This budget recognizes that a growing economy  
is needed to promote national strength and progress.  
It is also needed to move us toward a balanced budget.*

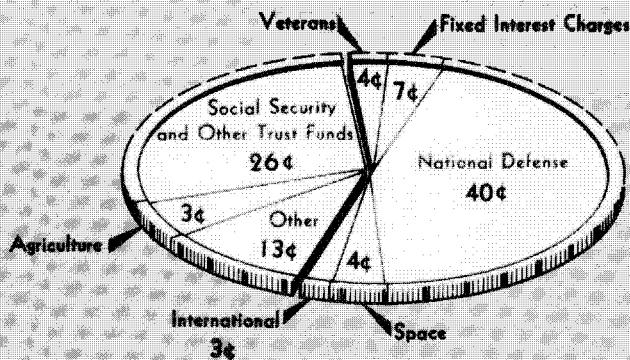
A handwritten signature in dark ink, which appears to read "Richard J. Johnson".

# THE GOVERNMENT DOLLAR

Where it comes from . . .



Where it goes . . .



**Fiscal Year 1966 Estimate**

Includes Trust Funds

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# CONTENTS

GLOSSARY on page 2.

INTRODUCTION on page 3.

|  | Page |
|--|------|
| <b>PART 1. THE BUDGET: A MULTIPURPOSE TOOL.....</b>    | 5    |
| A Program To Meet National Needs.....                  | 5    |
| A Program To Eliminate Waste.....                      | 9    |
| A Program for Growth and Prosperity.....               | 10   |
| Taxes and the economy.....                             | 10   |
| Expenditures and the economy.....                      | 12   |
| The budget, prices, and the balance of payments.....   | 13   |
| The Budget in Perspective.....                         | 14   |
| Growing public responsibilities.....                   | 14   |
| Public use of the Nation's output and labor force..... | 16   |
| Aid to State and local governments.....                | 18   |
| Changing Federal programs.....                         | 18   |
| Public debt.....                                       | 20   |
| Investment.....  | 22   |
| <b>PART 2. THE BUDGET PROGRAM BY FUNCTION.....</b>     | 23   |
| National defense.....                                  | 24   |
| International affairs and finance.....                 | 28   |
| Space research and technology.....                     | 30   |
| Agriculture and agricultural resources.....            | 32   |
| Natural resources.....                                 | 33   |
| Commerce and transportation.....                       | 35   |
| Housing and community development.....                 | 38   |
| Health, labor, and welfare.....                        | 41   |
| Education.....   | 45   |
| Veterans benefits and services.....                    | 47   |
| General government.....                                | 49   |
| Interest.....  | 50   |
| <b>PART 3. BUDGET FACTS AND FIGURES.....</b>           | 51   |
| Measures of Federal finances.....                      | 52   |
| The budget process.....                                | 56   |
| <b>PART 4. PORTIONS OF THE PRESIDENT'S BUDGET</b>      |      |
| MESSAGE.....   | 59   |
| TABLES ON THE BUDGET.....                              | 70   |

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

## GLOSSARY

**Fiscal year.**—Year running from July 1 to June 30 and designated by the calendar year in which it ends.

**New obligational authority.**—Congressional authorization to obligate the Federal Government to pay out money. While usually voted each year, it may be made *permanent authority*, as with interest on the public debt. Obligational authority may be enacted in several forms:

- *Appropriations* are the most common form and authorize agencies to obligate money for a stated purpose.
- *Contract authorizations* allow an agency to contract for the purchase of goods and services. A subsequent appropriation is necessary to pay the bills incurred.
- *Authorizations to spend debt receipts* permit agencies to borrow money (usually from the Treasury) for a stated purpose.

**Obligations.**—Commitments *made* to pay out money. They must be made within the amounts authorized by Congress and are incurred, for example, when personnel are hired, purchasing contracts made, or loan agreements signed.

**Expenditures.**—Consist generally of checks issued and cash paid. The transactions of business-type activities which generate their own receipts (such as the Post Office) are normally recorded as *net expenditures*—that is, disbursements less receipts. If receipts exceed disbursements, the result is shown as a negative expenditure.

**Administrative budget.**—Provides the framework for requesting and approving authority to obligate funds owned by the Federal Government.

**Trust funds.**—Money held by the Federal Government in trust for specified purposes. These funds are not included in the administrative budget.

**Consolidated cash statement.**—Often called the Statement of Receipts from and Payments to the Public. The statement combines the administrative budget with the trust funds, showing the flow of cash between the Government and the public.

**Gross national product.**—Total market value of all goods and services that the Nation produces in a single year.



## INTRODUCTION

The budget is both a financial report and a plan for the future. It is also a request for legislation, since congressional approval 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 operation of our economic system.

The budget is presented to the Congress each January, about 6 months before the start of the fiscal year. Congress considers the budget and votes new obligational authority and revenue measures. Once granted authority, Federal agencies may obligate the Government to make the payments necessary to carry out the authorized programs. However, there may be a considerable interval between the time Congress votes the spending authority and the time the payments are actually made.

The totals discussed in the budget include the amounts contained in both the *administrative budget* and the *Government trust funds*. They are usually referred to as the *consolidated cash totals* and should not be confused with the administrative budget totals which are often used alone.

This booklet provides information on the budget program for the fiscal year 1966; the process of formulating, voting, and executing the budget; and the relation of the budget to the national economy.

## FROM THE PRESIDENT'S BUDGET MESSAGE

This budget provides reasonably for our needs. It is not extravagant. Neither is it miserly.

It stands on five basic principles:

- Government fiscal policies must promote national strength, economic progress, and individual opportunity.
- Our tax system must continue to be made less burdensome, more equitable, and more conducive to continued economic expansion.
- The Great Society must be a *bold* society. It must not fear to meet new challenges. It must not fail to seize new opportunities.
- The Great Society must be a *compassionate* society. It must always be responsive to human needs.
- The Great Society must be an *efficient* society. Less urgent programs must give way to make room for higher priority needs. And each program, old and new, must be conducted with maximum efficiency, economy, and productivity.

The major features of the 1966 budget translate these principles into action.



JANUARY 25, 1965.

*Additional portions of the President's budget message are reprinted beginning on page 59.*

## **PART 1**

# **THE BUDGET: A MULTIPURPOSE TOOL**

The Federal budget serves many purposes. Consequently, it may be examined from several points of view. The budget is primarily a program to meet the pressing national needs of our dynamic society. The budget is also, however, an aid in promoting an expanding and healthy economy and an essential instrument for insuring efficient operation of all the Federal Government's programs.

### **A PROGRAM TO MEET NATIONAL NEEDS**

Recognizing that vulnerability to aggression could bring to naught our efforts to build a better society within our borders, we give first priority in the Federal Government's program to strengthening our national defense. Recognizing too that our own destiny is bound up with the fate of other nations, we give economic and military aid to those less developed countries which show the will and the capacity to safeguard their independence and pursue self-sustaining economic growth.

At home, the quickening tempo of social and economic change requires continuing reassessment of the domestic programs of the Federal Government. The rapid growth in the productive power of our economy creates new problems—problems of urban congestion and blight, of water and air pollution, of people and regions left behind in the general economic advance, of rising aspirations for a fuller existence—but it also gives us the resources to cope with these problems. The programs of the Federal Government must be responsive to these changing needs.

Details of the Government's programs are discussed in Part 2 of this booklet. Among the central objectives of these programs are the following:

- Our Nation will continue to maintain the strongest defense establishment in the world. We will steadily improve the effectiveness of our Armed Forces. Intensive research and development will pave the way for continued improvements in weapons and equipment.
- We will work toward world peace and prosperity through financial and technical assistance to less developed nations. These nations, in turn, must demonstrate the will and determination to achieve political stability and economic progress. Our support for the United Nations and for improved international understanding will reemphasize our own determination to seek a world of mutual trust.
- Poverty will be attacked at its sources—by programs to improve the education of our youth, to train those whose skills are no longer in demand, and to assist areas to lift themselves from chronic depression.
- The Nation's health will be advanced through expanded research and measures to hasten the practical application of research findings. At the same time, our older citizens will be able to obtain needed hospital care through an expanded social security program, while new programs will provide medical attention for our needy children.
- Living conditions in both urban and rural areas will be improved through programs to assist these areas in solving their pressing problems of housing, transportation, community facilities, and economic development.

*Our basic task is threefold:*

- *To keep our economy growing.*
- *To open for all Americans the opportunities now enjoyed by most Americans.*
- *To improve the quality of life for all.*—From the President's State of the Union Message, January 4, 1965.

*We seek to establish a harmony between man and society which will allow each of us to enlarge the meaning of his life and all of us to elevate the quality of our civilization.—From the President's State of the Union Message, January 4, 1965.*

• The natural beauty of our land will be preserved and sound use of natural resources encouraged by measures to create new parks and recreational areas and to reduce harmful pollution of our air and water.

The effort required to meet these and other urgent needs is measured by the total of Federal cash payments to the public. In 1966, these payments will amount to an estimated \$127.4 billion, an increase of \$6.0 billion over 1965. To finance these expenditures, total cash receipts will rise to an estimated \$123.5 billion in 1966, up \$6.1 billion from 1965. As a result, the Federal deficit on a consolidated cash basis is expected to be \$3.9 billion, a \$100 million reduction from 1965.

### FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

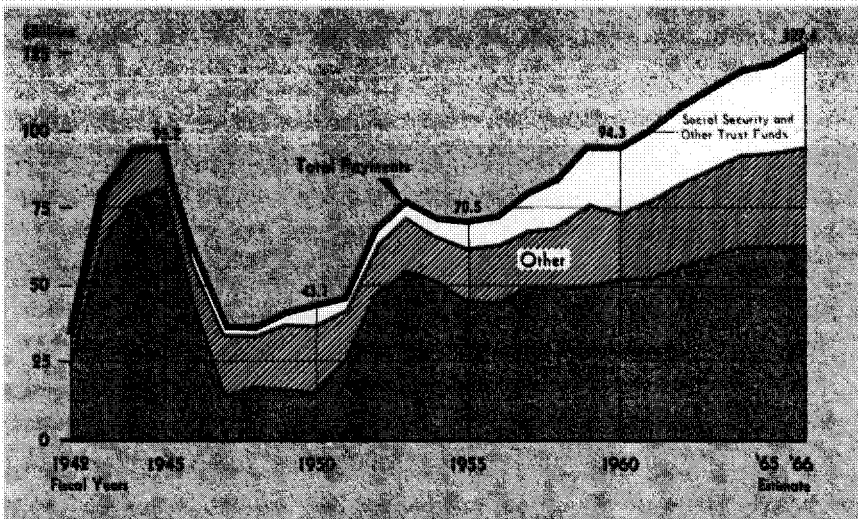
[Fiscal years. In billions]

| Description  | 1964<br>actual | 1965<br>estimate | 1966<br>estimate |
|--|----------------|------------------|------------------|
| <b>FEDERAL RECEIPTS</b>  |                |                  |                  |
| Administrative budget receipts . . . . .                               | \$89.5         | \$91.2           | \$94.4           |
| Trust fund receipts . . . . .  | 30.3           | 30.5             | 33.6             |
| Deduct: Intragovernmental transactions . . . . .                       | 4.3            | 4.3              | 4.5              |
| <b>Total receipts from the public . . . . .</b>                        | <b>115.5</b>   | <b>117.4</b>     | <b>123.5</b>     |
| <b>FEDERAL PAYMENTS</b>  |                |                  |                  |
| Administrative budget expenditures . . . . .                           | 97.7           | 97.5             | 99.7             |
| Trust fund expenditures . . . . .                                      | 28.9           | 29.0             | 32.9             |
| Deduct: Intragovernmental transactions and other adjustments . . . . . | 6.2            | 5.1              | 5.2              |
| <b>Total payments to the public . . . . .</b>                          | <b>120.3</b>   | <b>121.4</b>     | <b>127.4</b>     |
| <b>Excess of receipts (+) or payments (-) . . . . .</b>                | <b>-4.8</b>    | <b>-4.0</b>      | <b>-3.9</b>      |

Within total payments to the public, there will be significant changes from 1965 in individual programs. Of the 12 functional areas described in Part 2, spending will increase in 6 while remaining approximately the same or declining in the other 6. Briefly, the major components of total expenditures in 1966 will be:<sup>1</sup>

- \$51.6 billion in the administrative budget for national defense, a reduction of \$0.6 billion from 1965, and \$16.7 billion for space and interest payments. Together, these amounts account for slightly more than half of total Federal payments.
- \$32.9 billion for the self-financed social security, highway, and other trust funds, up \$3.9 billion from 1965. The bulk of these expenditures will finance programs to benefit the aged, the unemployed, the disabled and survivors of deceased workers.
- \$31.4 billion for all the rest of the activities of the Federal Government, up \$2.3 billion from 1965. This rise results from the \$3.3 billion increase in administrative budget expenditures for health, labor, welfare, and education, partially offset by small declines in other areas.

#### Composition of Federal Payments



<sup>1</sup> The sum of the following figures exceeds the net total of Federal payments to the public, largely because some transactions, which take place wholly between Government agencies, have not been deducted.

## A PROGRAM TO ELIMINATE WASTE

The Federal budget, like the budget of a corporation, involves hard choices—selecting the goals of greatest importance and the best means to achieve them. Through the budget process, the President performs the difficult task of assigning priorities—deferring, restricting, or rejecting some programs to provide funds for more urgent requirements. But the budget process also provides the President an opportunity to review the economy and efficiency with which existing programs are managed, to identify and direct specific management improvements and cost reductions, and to assure that the best methods are used in carrying out new programs considered worthy of support. This budget reflects substantial accomplishments in this area in 1965 and the President's determination to achieve even greater advances in 1966.

*Wherever waste is found, I will eliminate it.  
Last year we saved almost \$3.5 billion by eliminating waste.  
I intend to do better this year.*—From the President's State  
of the Union Message, January 4, 1965.

Many striking examples of cost reduction have resulted from the enthusiastic response of Federal managers and employees to the President's challenge to find less expensive ways of accomplishing the vital tasks of government. For example:

- The Defense Department cost-reduction program saved \$2.8 billion in fiscal year 1964 alone while increasing our military strength.
- The Atomic Energy Commission saved \$66.1 million in calendar year 1964, a result of 2,658 separate cost-reduction actions.
- Consolidation and improvement of the Federal Telecommunications System will save an estimated \$25 million annually.
- By selective purchasing of automatic data processing equipment, the Government will realize net annual savings in leasing fees of about \$175 million by 1967.

These are only a few of the many efforts underway to give greater effect to every tax dollar. Efficient and economical government use of resources is essential to effective national policy, to continued prosperity, and to maintenance of the public trust.

## A PROGRAM FOR GROWTH AND PROSPERITY

The revenue and expenditure policies of the Federal Government have a major influence on the health and growth of the Nation's economy. This fact was recognized by Congress in passing the Employment Act of 1946—charging the Federal Government with specific responsibility for promoting “maximum employment, production, and purchasing power.” The budget is the principal vehicle through which the President proposes policies and programs designed to meet this responsibility.

*We are in the midst of the greatest upward surge of economic well-being in the history of any nation.—From the President's State of the Union Message, January 4, 1965.*

### **Taxes and the Economy**

The largest single source of revenue is the individual income tax, followed in importance by the corporation income tax. Other important sources include employment taxes (largely for social security), excise taxes, unemployment insurance payroll taxes, customs duties, and estate and gift taxes. The accompanying table shows the amount of revenue expected this year from the principal sources.

Since the major taxes are levied as a proportion of income, Federal Government revenues depend largely on the level of the Nation's income and economic activity. This economic activity, however, will be strongly influenced by changes in the tax structure. For example, the reduction in corporate and individual income tax rates enacted last year was a major element in spurring the economy to record levels of production, profits, and income. During the past 4 years, the Nation has averaged a 5% rate of economic growth, compared with a 3.7% rate during the entire period since 1947. The current economic expansion—now extending 4 years—is the longest in our postwar history.

In the *administrative budget*, the most important change in tax policy proposed by the President in 1966 is a \$1.75 billion reduction in excise tax rates. This will help to assure continued economic expansion.



## FEDERAL RECEIPTS FROM THE PUBLIC

[Fiscal years. In billions]

| Source   | 1964<br>actual | 1965<br>estimate | 1966<br>estimate |
|--|----------------|------------------|------------------|
| <b>ADMINISTRATIVE BUDGET RECEIPTS</b>            |                |                  |                  |
| Individual income taxes .....                    | \$48.7         | \$47.0           | \$48.2           |
| Corporation income taxes .....                   | 23.5           | 25.6             | 27.6             |
| Excise taxes .....                               | 10.2           | 10.7             | 9.8              |
| Other .....                                      | 7.1            | 7.9              | 8.8              |
| Total, administrative budget receipts .....      | 89.5           | 91.2             | 94.4             |
| <b>TRUST FUND RECEIPTS</b>                       |                |                  |                  |
| Social security receipts .....                   | 16.8           | 16.7             | 18.7             |
| Deposits by States, unemployment insurance ..... | 3.0            | 3.0              | 2.9              |
| Gasoline and other highway excise taxes .....    | 3.5            | 3.6              | 4.0              |
| Other .....                                      | 6.9            | 7.2              | 8.0              |
| Total, trust fund receipts .....                 | 30.3           | 30.5             | 33.6             |
| Deduct: Intragovernmental transactions .....     | 4.3            | 4.3              | 4.5              |
| Total, receipts from the public .....            | 115.5          | 117.4            | 123.5            |

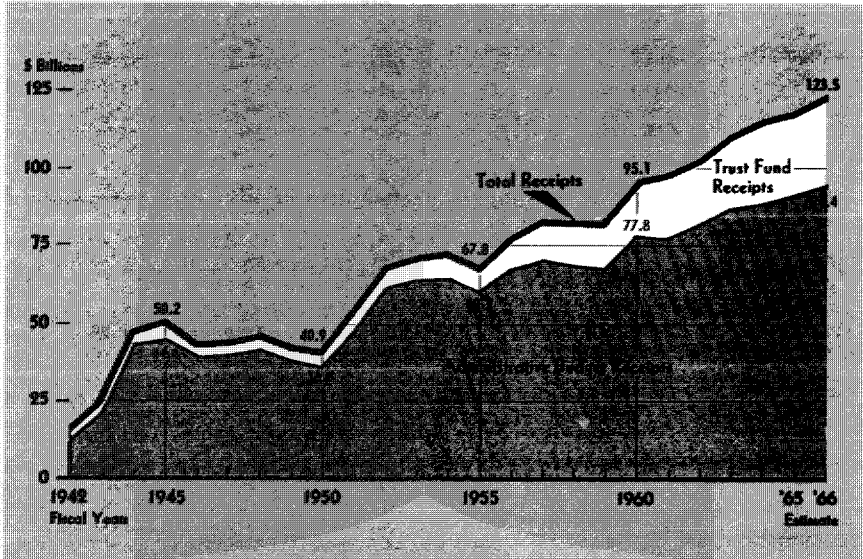
sion, and it will reduce or eliminate taxes that are costly to administer and burdensome to business. Furthermore, the excise tax reform will improve the equity of the tax structure by making an individual's tax liability depend more on his ability to pay and less on the products he buys.

It is estimated that the revenue lost through excise tax reforms will be more than offset in 1966 by the growth of revenue from other taxes. Thus, total revenue in the *administrative budget* in 1966 will exceed the 1965 level by \$3.2 billion. This gain is even larger when compared with the immense loss in both tax revenue and national output which would result from a pause in the upward surge of our economy.

The President is also requesting that Congress enact or extend certain user charges. User charges are designed to insure that those who obtain special direct benefits from a Government program pay an equitable share of the costs of that program. For example, increases in existing fees and establishment of new fees will be proposed in such areas as transportation, patents, and meat inspection.

In the *trust funds*, an increase in employer and employee payroll tax rates is proposed for January 1, 1966. This increase is related to a proposed improvement in social security benefits and the recommended program of hospital insurance for the elderly under social security.

### Federal Receipts



### Expenditures and the Economy

Just as reductions in the Federal tax rates stimulate the Nation's economy, so also do increases in Federal *expenditures*.

A better understanding of the economic significance of Federal transactions can be obtained by examining a special set of figures, summarized in the budget, called the Federal sector of the national income accounts. These figures measure Federal Government finances as they affect the current flow of income and output in the economy. (A description of these accounts is contained in Part 3 of this booklet.)

On a national income basis, outlays of the Federal Government will total \$127.0 billion in fiscal year 1966. Of this total, however, only \$66.7 billion will be spent directly to purchase goods and services

to carry out Federal programs. Most of the remainder represents Federal financing of the use of the Nation's goods and services by others. Examples are veterans pensions, social security benefits, research grants to universities, and grants to State and local governments for highway construction, public assistance, and other important programs.

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

In 1966, Federal payments are expected to exceed receipts by \$3.9 billion. If the economy were operating at maximum capacity, the fiscal policy associated with such a deficit might create excess demand for the output of our farms and factories—thus leading to rising prices. At present, however, we have capable workers who are idle and factories which are not in full use. An expansionary fiscal policy at this time helps to reduce the gap between current spending and the spending necessary for full, productive employment of workers and machinery. The fruits of this policy can be seen in the relative stability of the price level in this country since 1961 accompanied by a reduction in unemployment from nearly 7% in early 1961 to about 5% now.

Economic growth with price stability has had favorable effects on our foreign trade position, as reflected in the balance of payments. The basic strength of our position is shown by the consistent and substantial excess of our exports of goods and services over our imports. On the other hand, an increasing flow of U.S. private investment overseas, coupled with essential Government commitments abroad, have strained the Nation's balance of payments. Positive actions, such as the interest equalization tax on the purchase of foreign securities, have been necessary to insure progress in reducing this strain. In calendar year 1964, these actions—along with strict controls over Government spending abroad—resulted in a further improvement in our balance of payments position.

In the long run, a healthy balance of payments depends on a healthy economy. Steady and balanced growth in an inflation-free economy will bring increased domestic investment and greater productivity. These, in turn, will further improve our competitive position abroad and strengthen our balance of payments.

## THE BUDGET IN PERSPECTIVE

The Federal Government provides *public services*, ranging from national defense to control of water pollution. The pattern and quantity of public services provided at any given time are strongly influenced by changing social and economic forces. Some of these relationships are discussed below.

### **Growing Public Responsibilities**

The accelerating pace of growth and change in recent years has led to expanding demands for services from the Federal Government.

Over the last decade alone, population increased more than 18%. The problems associated with even this large growth are understated if no attention is given to the composition of the total.

First, it is important to note the change in age distribution. Population has increased markedly in *age groups which have greater need for public services*—those under 18 or over 65 years of age. These groups have increased by nearly 30% over the past 10 years, and now constitute over 45% of our people.

Second, it is equally significant to note sociological changes in the populace. In this same decade, the number of *people living in urban areas* has increased more than 30%, and now makes up about 70% of the population.

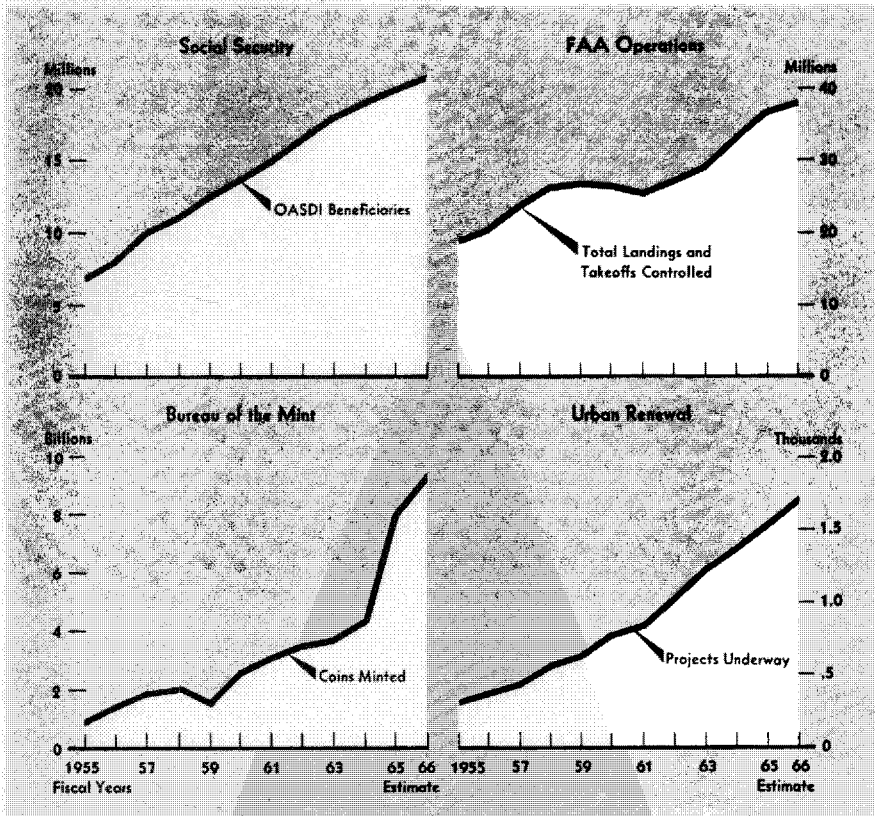
These changes in age distribution and location of our people increase public service demands over and above what total growth, alone, would require.

The *quantitative* changes outlined above paint only part of the picture of growing Federal responsibilities. Our society has changed *qualitatively*, as well. Our standard of living has risen dramatically in the last decade. One measure of this increase is *real disposable income per capita*, which is simply the amount of money available for private spending after adjustment for taxes, price increases, and population growth. Using this measure, the Nation's standard of living rose 24% over the past decade. As our level of living increases we not only desire better private goods and services, but we demand better *public services* as well. Just as old automobiles or washing machines have little appeal, outdated public health or education practices are also unacceptable.

The soaring workloads of Federal agencies are a reflection of these steadily increasing pressures for more and better public services. For example, between 1956 and 1966:

- The volume of mail will have risen over 30%.
- Enrollees in vocational education will have increased by 70%.
- The number of children participating in the school lunch program will have increased almost 85%.
- The number of veterans pension cases will have increased almost 100%.
- Visits to our national parks will have increased 115%.
- Beneficiaries under the social security programs will have increased 160%.
- Active urban renewal projects will have increased about 350%.
- The number of coins minted will have increased almost 560%.

### Selected Program Trends

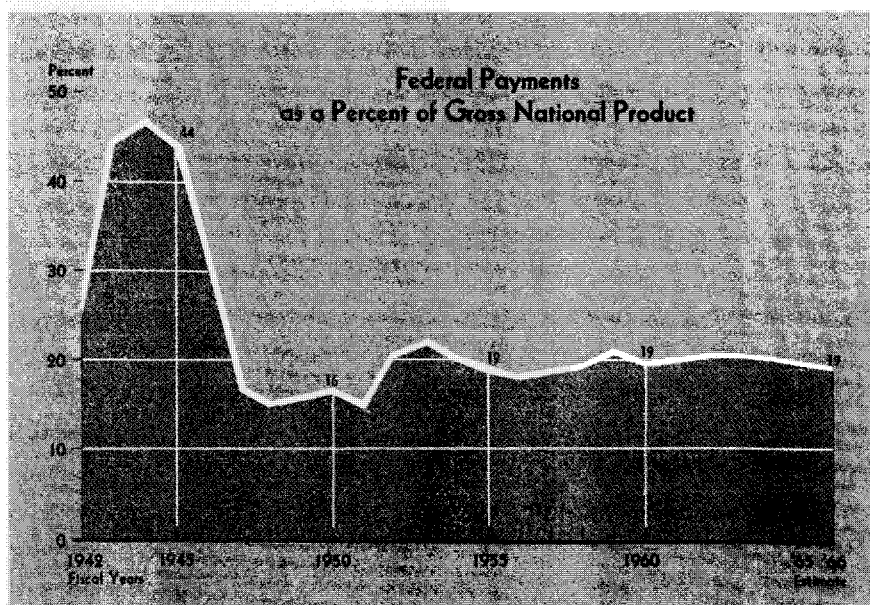


## Public Use of the Nation's Output and Labor Force

The reasons for growth in Federal spending are clear. The relative magnitude of the increase, however, requires some comparisons to place it in proper perspective. The total national economy and State and local governments serve as useful measuring rods since they are subject to demands similar to those affecting the Federal Government.

In the decade ending with fiscal year 1966, Federal cash payments to the public will have increased by an estimated 76%. Over the same period, the gross national product (GNP) will have risen over 60%. While Federal payments rose as a proportion of GNP during the first part of the decade, they are now falling for the third consecutive year, and in 1966 will drop to less than 19%. Considering only the administrative budget, which excludes the rapidly growing trust funds, the ratio of Federal spending to GNP will drop to under 15% in 1966, the lowest ratio in 15 years.

However, both administrative budget and cash figures fail to indicate the real economic impact of Federal spending largely because they include transactions which do not affect current output (as explained on page 55 of this booklet). The national income accounts make these and other necessary adjustments. Under the national income definition, Federal purchases of goods and services represent the

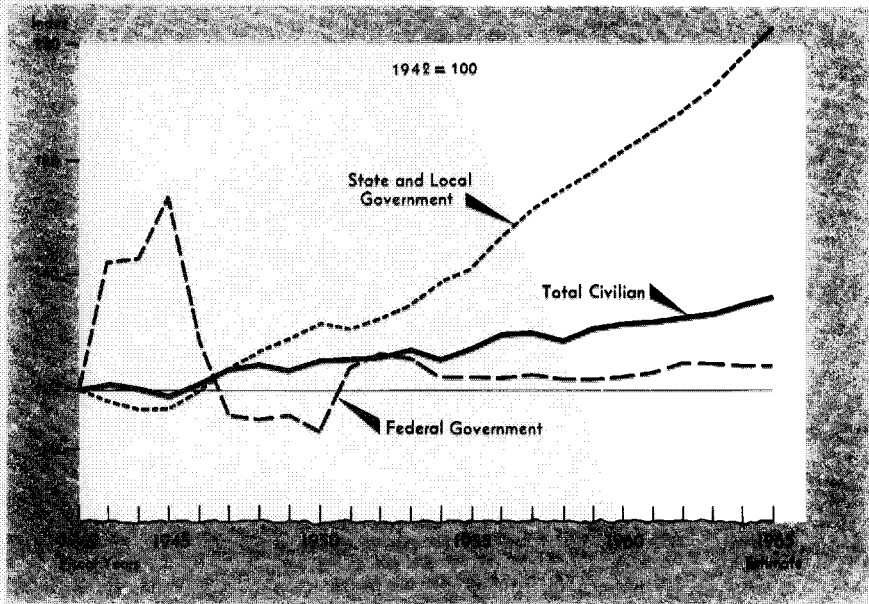


amount of national production actually *used* by the Federal Government. In 1956, Federal purchases of goods and services were 11.1% of GNP; in 1966 they are estimated to decline to about 10%. Like administrative budget expenditures, 1966 Federal purchases will represent *the smallest proportion of GNP in the past 15 years*. Aside from essential spending for defense, Federal use of the national output for civilian purposes in 1966 will account for less than 2% of GNP.

Over the same decade, State and local governments will have increased their purchases of current output by about 125%—much more rapidly than the Federal Government—in trying to meet their rapidly growing responsibilities.

The same trends are evident for Government employment. While Federal civilian employment is expected to increase only 5% since 1956, the total labor force will have increased 12%, and the population more than 18%. As a result, Federal civilian employment in 1966 will constitute a smaller proportion of total civilian employment (less than 3.5%) and of total population (1.3%) than a decade earlier. In the same period, State and local governments have found it necessary to increase employment by about 50% to meet the demands facing them. Federal employment, therefore, is also a declining portion of total government employment—24% in 1966 compared to 32% in 1956.

**Civilian Employment** Total, Federal Government, State and Local Government



## **Aid to State and Local Governments**

The strains on State and local government resources, implied by the expenditure and employment growth cited above, create an additional responsibility for the Federal Government—that of assisting these governments to meet the burgeoning needs of their people. Federal expenditures to aid State and local governments (including loans and shared revenue as well as grants) have grown from about \$3.8 billion in 1956 to an estimated \$13.6 billion in 1966—an increase of nearly 260%.

These aids cover a wide variety of activities ranging from airport construction to urban renewal. In 1966, about half of the funds will be spent for highways and public assistance.

Federal aids to State and local governments have taken on added significance in the last decade. As a proportion of total Federal cash payments to the public, these aid expenditures rose from 5% in 1956 to about 11% currently. Federal funds have also become an important source of revenue for State and local governments, constituting about 14% of total State-local general revenue in recent years.

Federal expenditures for these purposes insure that essential public needs are met as local responsibilities, thus maintaining a workable, cooperative federalism.

## **Changing Federal Programs**

Dynamic changes require dynamic, rather than static, budget programs. A sound program for a decade past will not meet today's needs. Federal budgets have responded to the changing nature of the challenges which confront the Nation.

### **PERCENTAGE COMPOSITION OF FEDERAL PAYMENTS**

[Fiscal years. Percent of total]

| Functions   | 1956<br>actual | 1961<br>actual | 1966<br>estimate |
|---|----------------|----------------|------------------|
| Health, labor, and welfare; education; and housing and<br>community development . . . . . | 15.2           | 23.4           | 29.3             |
| National defense, space, and interest . . . . .   | 63.5           | 55.9           | 52.2             |
| Other . . . . .   | 21.4           | 20.7           | 18.5             |
| <b>Total . . . . .</b>  | <b>100.0</b>   | <b>100.0</b>   | <b>100.0</b>     |

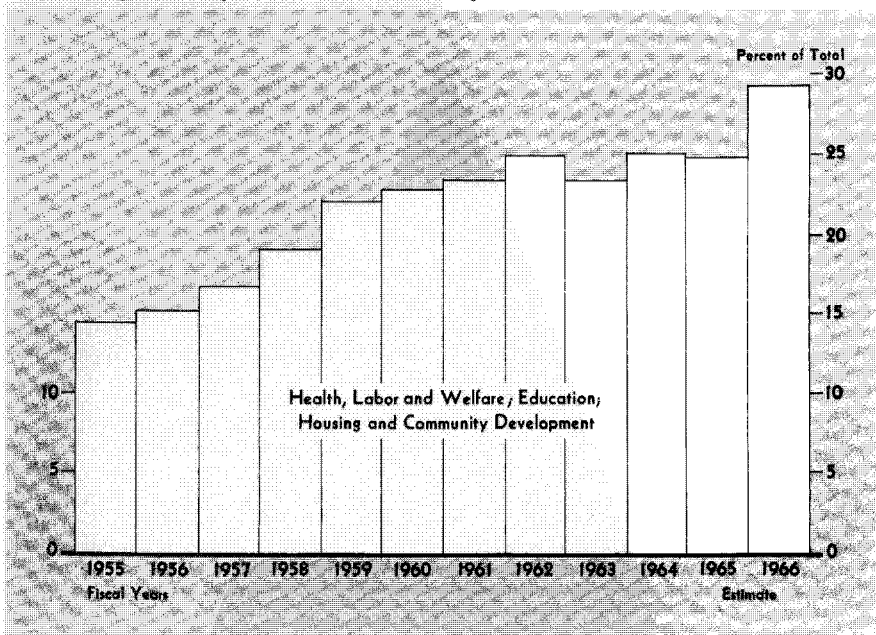


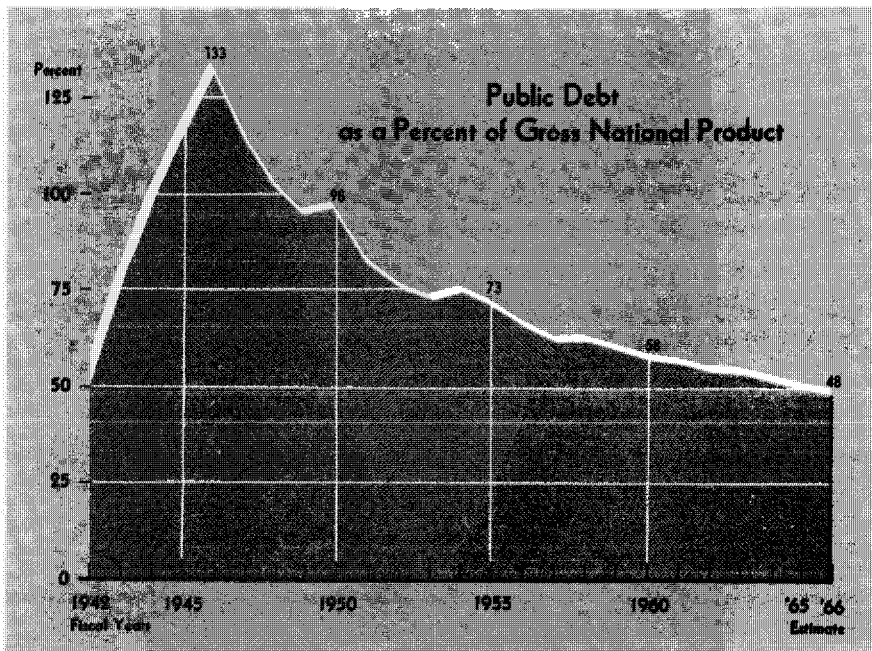
By combining the many functions of the Government into major categories, significant trends can be seen more readily. The categories in the table indicate the increasing emphasis which is being placed on human resource development in 1966—in response to the expanding needs already mentioned, and the quest for national excellence. Expenditures for all health, labor, welfare, housing, community development, and education programs have more than trebled in absolute amount in a decade, now constituting 29% of total Federal cash outlays.

Payments for defense, space, and interest have risen much less rapidly. This is particularly true in 1966, when expenditures for national defense, the largest item, are expected to decline by about \$300 million. Space and interest payments, together, will rise by about \$550 million. In the 1966 budget, therefore, these functions continue to decline as a proportion of total payments.

Other Federal programs include such functions as international affairs, agriculture, natural resources, commerce and transportation, veterans, and general government. These programs have grown in absolute amount, but less rapidly than total payments. Consequently, they have accounted for a relatively declining proportion of payments.

### The Changing Composition of Federal Payments





## Public Debt

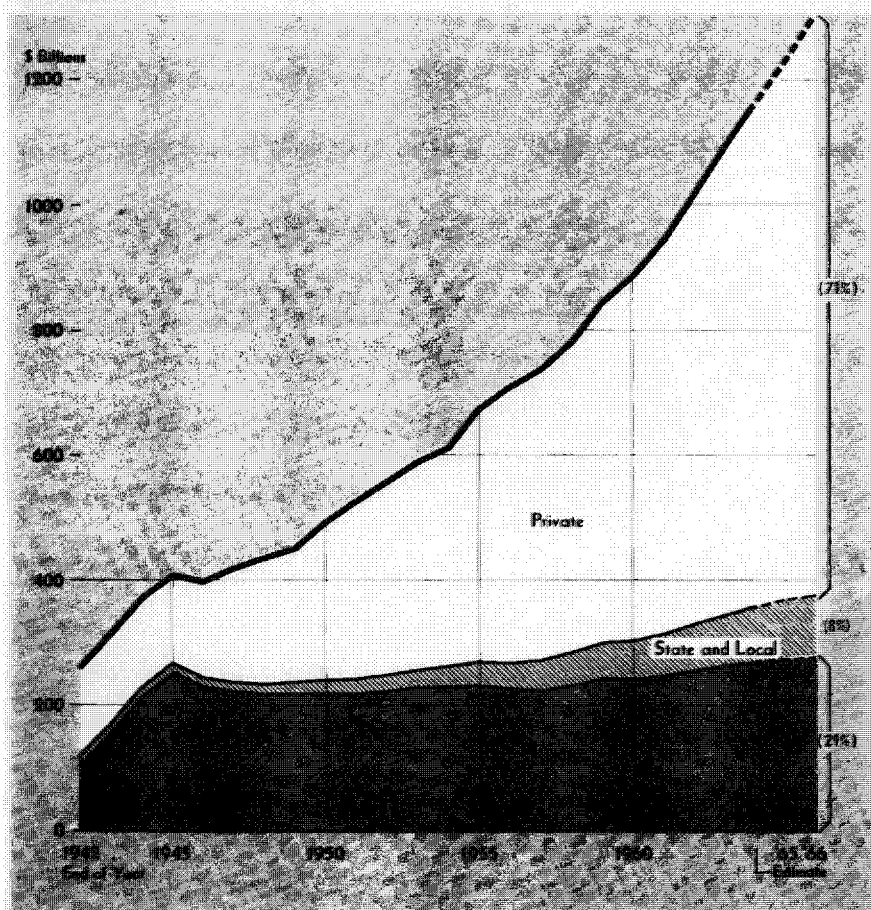
The public debt of the Federal Government was incurred primarily to defend the cause of freedom in World War II. About two-thirds of the present debt level was incurred in the 8-year period from 1939 to 1947. In 1939, the debt was \$45.9 billion. By 1947, it had risen almost sixfold to \$258.4 billion. At the end of 1965, it is expected to be \$316.9 billion.

While the debt will increase \$5.6 billion in 1966, to \$322.5 billion, it will continue to decline in relation to the size of our economy. As a percentage of the gross national product, the public debt has declined sharply since 1947—from 116% to less than 50% today. As the economy continues to expand, the public debt should become a continually smaller proportion of gross national product.

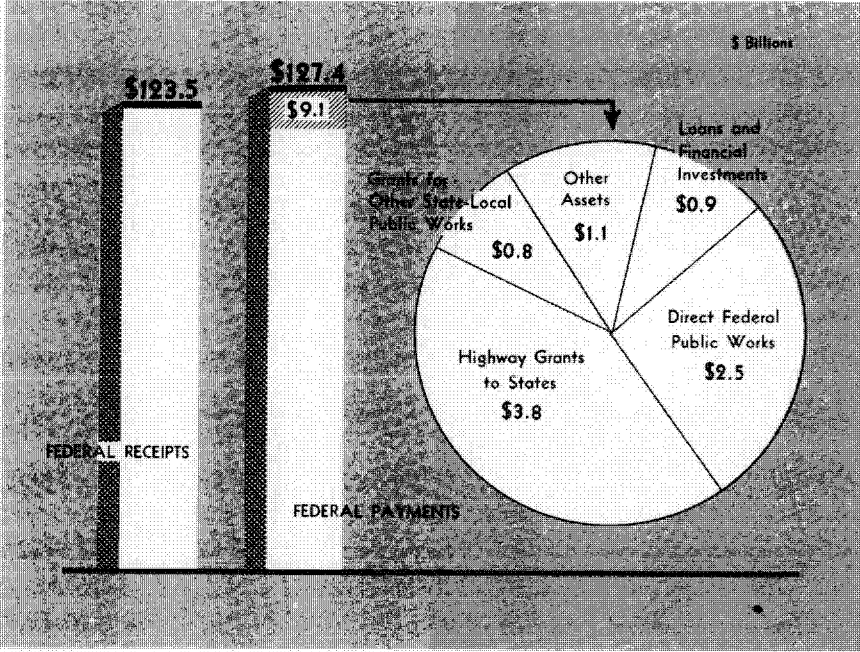
Moreover, Federal debt has grown much more slowly than other kinds of debt. The national debt has grown only 25% since 1947, while private debt has risen about 420%, and the debt of State and local governments almost 600%.

Finally, the public debt is not a drain on national resources because the vast bulk of it is *owed to American taxpayers*. On June 30, 1964, individual Americans *directly* owned 22% in the form of savings bonds and other Government securities and shared *indirectly* in an additional 29% as depositors in banks and savings institutions, and owners of insurance policies. Another 19% of the debt was owned by agencies of the Federal Government itself, mostly in the trust funds which finance such programs as social security and unemployment compensation, and 7% was held by State and local governments. Only 5% of the debt was owed to foreign citizens.

### Net Public and Private Debt



## Additions to Federal Assets – Other Than Defense and Space



### Investment

In assessing financial position, it is important to consider assets as well as liabilities. While the Federal Government does not budget separately for capital investments and current operating expenses, data are made available in the budget to identify those expenditures which are of an *investment* nature. These expenditures add to our supply of assets and produce benefits which extend over many years. Examples are the construction of highways and other public works, loans to finance housing, and grants to build hospitals. In 1966, net Federal investment expenditures, other than defense and space, will total \$9.1 billion.

Outlays for *other developmental purposes* are also grouped and shown separately, since they also yield benefits over many years. These will total \$5.8 billion in 1966 for such programs as education, training, health, and research.

Net expenditures for investment and other developmental purposes in 1966 will constitute 11.7% of total Federal payments and over 20% of outlays excluding defense and space.

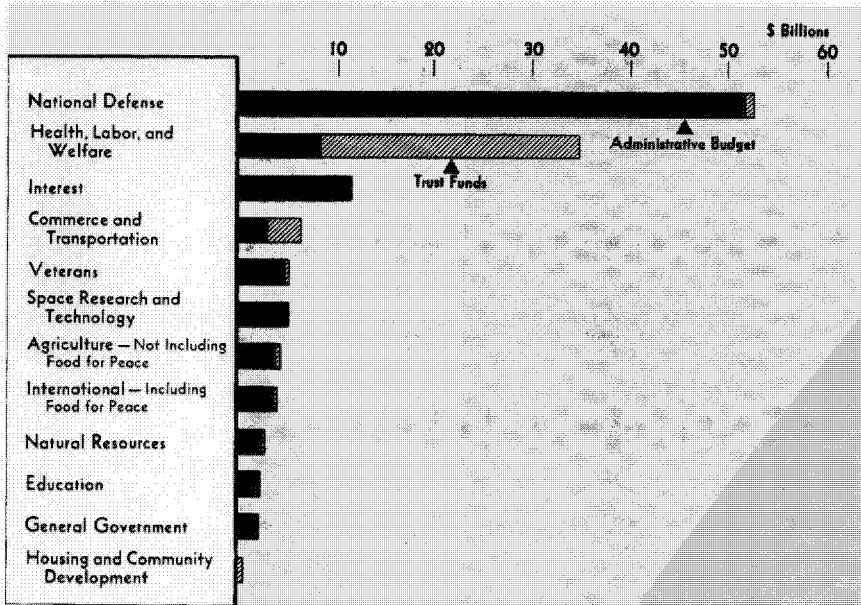
## PART 2

# THE BUDGET PROGRAM BY FUNCTION

For budget purposes, the many activities conducted by the Federal Government are arranged in 12 functional categories, as summarized in this section and shown on the chart below.<sup>1</sup> All programs serving the same general purpose are grouped together, even when they are carried on by different agencies.

The only activities not classified by purpose are those covered under special allowances, which are estimated at \$507 million in 1966. These allowances provide for the promotion of economic development of the Appalachian region, and for contingencies. The allowance for contingencies does not encompass specific appropriation requests proposed by the budget, but rather assures that there is flexibility within the budget totals for "supplemental" requests if the need should arise.

1966 Expenditures by Function



<sup>1</sup> The figures do not add to the net total of Federal payments to the public, largely because some transactions which take place wholly between one Government agency and another, have not been eliminated.

## NATIONAL DEFENSE

|                   |   |                          |        |         |
|-------------------|---|--------------------------|--------|---------|
| 1966 Expenditures | { | Administrative Budget .. | \$51.6 | Billion |
|                   |   | Trust Funds.....         | \$ 1.0 | Billion |

America maintains the most powerful military forces in the world. These forces are capable of an effective response to any form of aggression—ranging from local insurgency to general nuclear war—anywhere in the world. Although great advances in our military strength and readiness have been made in the past few years, further improvements are needed to insure our continued superiority over all potential aggressors.

However, it is now possible to maintain and improve our forces without increasing defense outlays each year. In fact, estimated expenditures are *declining*, from \$54.7 billion in 1964 to \$53.0 billion in 1965 and to \$52.6 billion in 1966. These reductions are possible because of gains already made in our defense and atomic energy programs, vigorous cost reduction efforts, and prompt retirement of older weapons systems no longer needed. The estimated expenditures for 1966 include \$47.9 billion for military activities of the Department of Defense, \$2.1 billion for military assistance, \$2.5 billion for atomic energy programs, and \$48 million for other defense-related activities.

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

The Department of Defense carries out eight major programs which provide the balanced military strength required for the security of the Nation:

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

(2) *Continental defense forces*, combining systems to warn against attack, weapons (such as interceptor aircraft and ground-to-air missiles) needed to resist an attack, and civil defense shelters to increase chances of survival from attack.

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

(4) *Airlift and sealift forces*, including the ships and planes designed to move our combat forces rapidly wherever needed.

(5) *Reserve forces*, comprising units intended to augment the regular forces swiftly when needed.

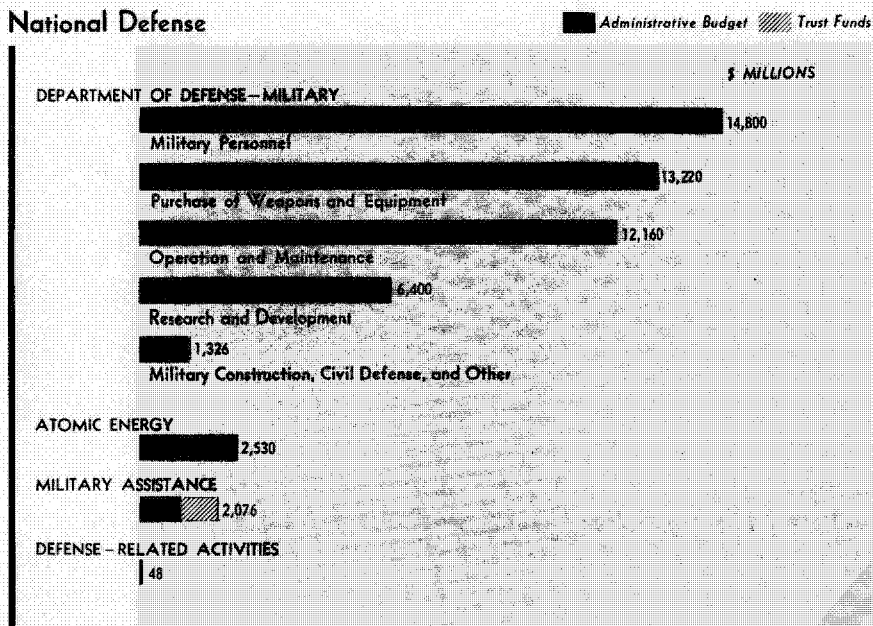
(6) *Research and development* activities, providing the new weapons and techniques on which the effectiveness of all forces depends.

(7) *General support* activities, including training, intelligence, security, Defense-wide supply, housing, and medical care for military personnel.

(8) *Retirement pay* for military personnel.

To carry out these programs, the Department of Defense will make expenditures to pay military personnel, purchase equipment, operate and maintain equipment and facilities, conduct research and development, and build necessary facilities.

### National Defense



*Military personnel.*—Active duty personnel of the Army, Navy, Marine Corps, and Air Force will total 2.6 million at the end of 1966. The reserve components of those services will decline to 869,300 in paid drill status, primarily because of the planned realignment of the Army Reserve and Army National Guard. This realignment is designed to increase the combat power and readiness of the Army reserve components.

*Purchase of weapons and equipment.*—We now have more than 850 intercontinental strategic missiles, over 900 long-range bombers, and 22 Polaris submarines (each able to carry 16 missiles). These forces represent a strong deterrent to nuclear attack. The 1966 budget provides for further improvements through procurement of newer versions of Minuteman and Polaris missiles. Our flexible general-purpose forces will be strengthened through the acquisition of advanced tactical fighters and airlift aircraft, antisubmarine and amphibious warfare ships, and other modern weapons, munitions, and equipment.

*Operation and maintenance.*—The costs of operating and maintaining equipment and facilities will decline slightly in 1966, primarily because of cost reduction efforts (including base closings), and the gradual elimination of older, less economical weapons.

*We cannot afford second-best defense forces. Neither can we afford to be wasteful.*—From the President's Budget Message, January 25, 1965.

*Research and development.*—Expenditures for research and development will decline by \$300 million in 1966, primarily because the development of a number of large weapons systems has been virtually completed. Increasing emphasis is being placed on developing improvements for these systems and on laying the basic groundwork for new strategic weapons. A number of tactical and limited war weapons will also be given more support. Current projects include work on a large booster rocket for the space program, various antisubmarine warfare systems, and a new battle tank. Development will continue on the C-5A, an airplane able to carry large loads very economically and land on relatively short airfields. It will have the largest cargo capacity of any plane ever built.

*Military construction, civil defense, and other.*—The 1966 budget contains a number of military construction projects, including troop housing, administrative facilities, and research and development facilities. The budget also proposes construction of 12,500 new family housing units for military personnel.



The 1966 civil defense program concentrates on increasing the capacity of existing shelters, encouraging the inclusion of shelter space in new buildings, continuing the nationwide shelter survey, and providing necessary training, provisions, and equipment.

### ***Atomic Energy***

The Atomic Energy Commission is responsible for developing and manufacturing nuclear weapons, pursuing other military uses for nuclear energy, adapting atomic energy to peaceful uses, and conducting basic research. Expenditures in 1966 will fall by \$170 million to \$2.5 billion, as the procurement of uranium and production of special nuclear materials decline. Continued emphasis will be given to the civilian nuclear power program and physical and biomedical research. The Commission will assist non-Federal groups to build two advanced power reactors in 1966 to improve the use of nuclear fuels. Development efforts will also continue on the long-range objective of the civilian power program—"high-gain breeder" power reactors which produce significantly more fuel than they consume. Work on the peaceful application of nuclear explosives (Project Plowshare) and of isotopes will continue in 1966.

### ***Military Assistance***

Military assistance to more than 60 allied and friendly nations is a recognition of the benefits derived from united resistance to aggression. The 1966 program concentrates almost three-quarters of our military assistance in 11 nations forming an arc around the southern and eastern flanks of the Sino-Soviet bloc—Greece, Turkey, Iran, Pakistan, India, Thailand, Laos, Vietnam, the Philippines, and the Republics of China and Korea. In the developing nations of Africa and Latin America, the program strives to strengthen internal security and to promote productive use of local military personnel through civic action projects (such as road and school construction).

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

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

## INTERNATIONAL AFFAIRS AND FINANCE

|                   |   |                          |                            |
|-------------------|---|--------------------------|----------------------------|
| 1966 Expenditures | { | Administrative Budget .. | \$4.0 Billion <sup>1</sup> |
|                   |   | Trust Funds.....         | \$0.3 Billion              |

The Nation's international programs promote peace, stability, and progress in an increasingly interdependent world. Efforts to strengthen the economies of developing nations—through economic and technical aid administered by the Agency for International Development—account for the bulk of expenditures. The Department of State promotes the foreign policy interests of the United States and the free world through direction of our foreign relations. The United States Information Agency promotes international understanding of our people, our guiding philosophy, and our positions on world issues through overseas information and exchange programs.

### ***Conduct of Foreign Affairs***

High caliber representation abroad and in international organizations is a continuing need for a world power—a need which grows with the complexity of international relations. Five years ago the State Department maintained diplomatic and consular posts in 82 countries; today it maintains representatives in 113 countries.

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

Throughout the world, millions of people live in extreme poverty, amid the social and political unrest which such poverty breeds. Our economic and financial programs assist developing nations to build healthy economies and to strengthen their political independence. These assistance programs both require and encourage increasing local initiative and self-help, attributes which are crucial to any nation's development.

*Development loans and technical cooperation.*—Long-term loans are made at low rates of interest to supplement local resources for such key activities as the construction of schools and transportation facilities. Equally vital support is provided in the form of technical assistance in such important areas as agriculture, education, and

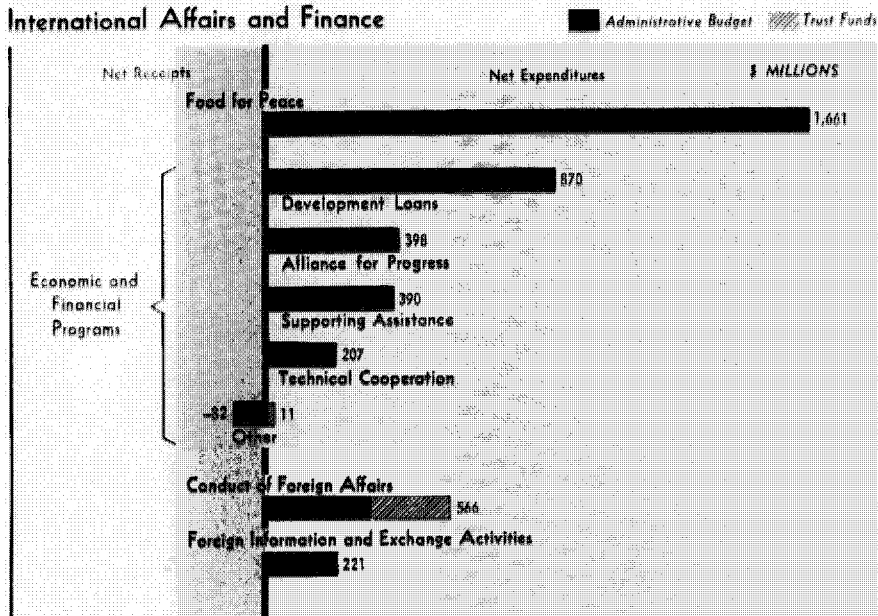
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<sup>1</sup>Includes Food for Peace expenditures formerly classified as Agriculture and Agricultural Resources.

health. In addition, the Federal Government enlists the support of the American business community for development by guaranteeing private overseas investment against certain types of losses.

**Alliance for Progress.**—The Alliance for Progress encourages the economic and social reforms needed to accelerate economic growth in Latin America. Sustained efforts by many of these nations warrant an expansion of our assistance in 1966, to take advantage of opportunities for significant economic and social advancement.

### International Affairs and Finance



**Supporting assistance.**—The United States provides commodities, equipment, and technical advice to counter threats to political and economic stability in countries vital to the security of the free world—such as Vietnam.

**Other programs.**—Several other programs give additional support to U.S. development efforts:

- At the end of 1966, the Peace Corps will have 17,000 people working or training for service in 46 developing countries.
- The Export-Import Bank will continue to finance and insure U.S. exports, while selling a participating interest in loans to private U.S. investors. Receipts from these sales and loan repayments will exceed expenditures in 1966.

- International organizations to which the United States contributes, such as the International Development Association and the Inter-American Development Bank, will continue their important development financing activities through increased contributions from the United States and other nations.

### ***Food for Peace***

The Food for Peace program makes available our surplus agricultural commodities to help feed hungry people around the world. Estimated expenditures will be \$1.7 billion in 1966—the same level as in 1965.

### ***Foreign Information and Exchange Activities***

The Department of State and the U.S. Information Agency conduct a wide variety of activities to promote better understanding of our Nation and our foreign policy. These include the use of motion pictures, radio and television broadcasts, cultural and educational exchange activities, and book translation programs. Continuing emphasis is being given to developing areas, especially Africa.

## **SPACE RESEARCH AND TECHNOLOGY**

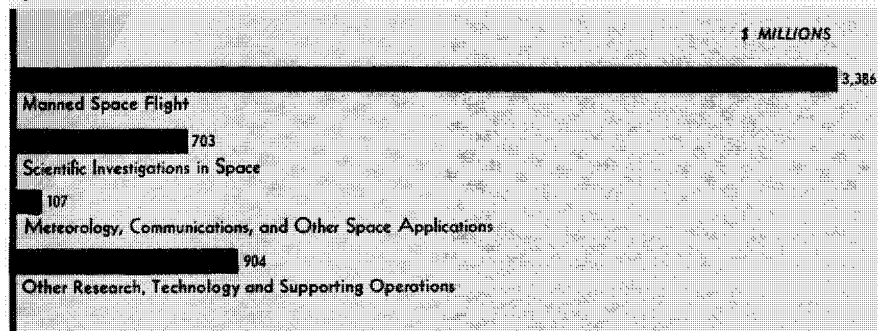
### **1966 Administrative Budget Expenditures: \$5.1 Billion**

The goal of our space program is to secure the benefits of world leadership in space exploration and in scientific knowledge and technology. The Nation's balanced, comprehensive program to attain this goal includes scientific expeditions into space by manned and unmanned vehicles, further development of satellites for weather forecasting and other purposes, and extensive supporting research and development. These activities will not only contribute to the advancement of scientific knowledge and our immediate objectives in space exploration, but will also provide many useful civilian and military applications. The largest single effort is focused on achieving a manned round trip to the moon by the end of this decade.

Because of the momentum already achieved in these programs, expenditures are estimated to increase by \$200 million in 1966—compared to average annual increases of about \$1 billion over the past 4 years.

*Manned space flight.*—The manned lunar landing program will continue to spend two-thirds of the funds devoted to space purposes. Manned flights of two-man Gemini spacecraft will be conducted to gain training and experience for the lunar program. Testing will also continue on the Saturn I rocket, which has flown successfully seven times in seven attempts. Added support will be given the three-man Apollo spacecraft and the Saturn V rocket—the two principal components of the actual lunar vehicle.

### Space Research and Technology



*Scientific investigations in space.*—In 1966, an important new program of space exploration will be undertaken. Voyager spacecraft—following up the current Mariner photographic mission—will be developed to carry scientific and life detection instruments to Mars. In addition, Surveyor and Lunar Orbiter spacecraft will photograph and relay other information about the moon's surface preparatory to a manned landing.

*Meteorology, communications, and other space applications.*—Additional development of weather forecasting by satellite will be undertaken, using the highly successful Tiros satellite and the larger Nimbus version. Versatile Advanced Technology Satellites will be developed for experiments on a variety of space applications—such as communications, meteorology, and space science.

*Other research, technology, and supporting operations.*—These activities provide for the maintenance and long-term improvement of our ability to master space. They include the worldwide tracking system and a broad program of supporting research in space technology and aeronautics.

## AGRICULTURE AND AGRICULTURAL RESOURCES

|                   |   |                          |               |
|-------------------|---|--------------------------|---------------|
| 1966 Expenditures | { | Administrative Budget .. | \$3.9 Billion |
|                   |   | Trust Funds.....         | \$0.5 Billion |

High agricultural productivity is one of the Nation's greatest achievements. However, one result of the great strides made in increasing American agricultural efficiency has been a progressive reduction in the number of people needed in farming. Because fewer families can now expect to earn a living from agriculture alone, a large number of lower income farm families need to find new employment or supplement their present farming incomes, if they are to share more fully in our national prosperity.

During 1966, about two-thirds of Federal expenditures for agricultural programs will be for the stabilization of farm income and related purposes. Other programs designed to benefit rural families will encourage further improvement of rural electric power and telephone services, provide insurance for rural housing loans, and increase the emphasis on providing better economic opportunities in rural areas.

*Farm income stabilization.*—Expenditures in 1966 for farm income stabilization—estimated at \$2.7 billion—are \$387 million less than in 1965. (This figure excludes the Food for Peace program, which is discussed on page 30.) Part of the decrease results from changes in the price support programs for feed grains, cotton, and rice. The Secretary of Agriculture will conduct a comprehensive review of farm policies, in an effort to design programs that will continue the national benefits from our highly efficient commercial agriculture and bolster farm income, while reducing the burden on the Federal budget and directing more of our effort to the problems of low-income farmers.

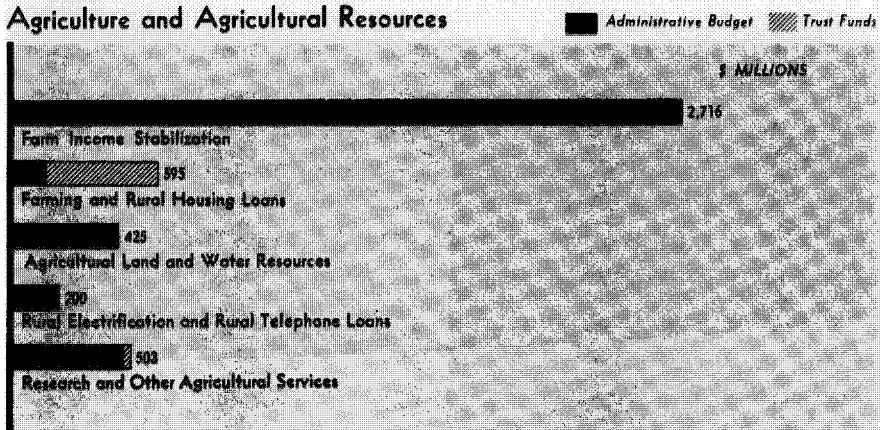
*Farming and rural housing loans.*—The Farmers Home Administration makes direct Federal loans and insures private loans to meet the special credit needs associated with farming and rural life. Legislation is proposed to supplement direct rural housing loans with larger amounts of insured private credit. Increased emphasis will also be placed on better housing for domestic farm labor.

*Agricultural land and water resources.*—Under the agricultural conservation program, the Government shares with farmers the cost of a number of conservation practices that are in the long-run public

interest. In 1966, expenditures under the watershed protection program will finance the Federal share of 280 on-going watershed projects and 70 new ones.

**Rural electrification and telephone loans.**—The Rural Electrification Administration makes low-interest loans to furnish and improve electric and telephone services in rural areas. While only 38% of our farms had telephone service in 1950, approximately 79% now have such service. Reduced expenditures for both programs in 1965 and 1966 reflect proposed legislation which would authorize the use of collections on outstanding loans to help finance new loans.

### Agriculture and Agricultural Resources



**Research and other agricultural services.**—Special emphasis will be given to research and regulatory programs of the Department of Agriculture in 1966. Particular stress will be placed on research on environmental problems, such as pesticides and toxic molds.

To finance the costs of Federal meat and poultry inspections—which enhance the value of these products—a system of user fees is being proposed.

### NATURAL RESOURCES

|                   |   |                          |       |         |
|-------------------|---|--------------------------|-------|---------|
| 1966 Expenditures | { | Administrative Budget .. | \$2.7 | Billion |
|                   |   | Trust Funds.....         | \$0.2 | Billion |

The prudent use and development of our vast resource endowment are essential to future national strength.

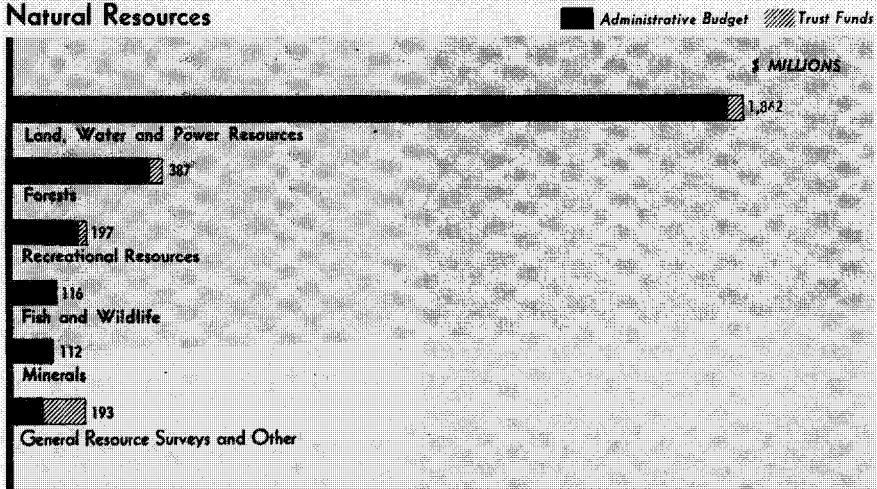
**Land, water, and power resources.**—These programs account for about two-thirds of natural resources expenditures and cover a wide

range of activities. They represent national investments in flood control, irrigation, water supply, navigation, power development, and recreation which yield dividends long after their costs have been repaid.

The Corps of Engineers will spend an estimated \$1.2 billion in 1966 to carry forward present projects and to start 37 new ones. The Bureau of Reclamation will begin nine additional projects. The Tennessee Valley Authority will start four new water resource projects and a \$150 million steam electric generating plant.

High priority will be placed on research to advance the technology for desalting water. Work also will progress on the Pacific Northwest-Southwest Intertie, which will benefit 11 Western States by tying together certain private and public power systems.

### Natural Resources



The Bureau of Land Management is responsible for the administration of grazing, forestry, and mineral leasing conducted on 464 million acres of public lands in the Western States and in Alaska.

Through the Bureau of Indian Affairs, the Federal Government finances programs to improve the economic and social conditions of 380,000 American Indians. Two-thirds of this assistance is in the form of educational programs. In 1966, industrial development programs for Indians will be expanded and vocational training programs extended to include 5,400 participants.

*Forest resources.*—Our national forests—comprising a total area larger than the State of Texas—will be further improved in 1966 by augmenting timber quality, building access roads, and advancing



research on the uses and marketing of forest products. Additional recreation facilities will also be provided to help meet the needs of the 154 million visitors expected in 1966.

**Recreational resources.**—As the Nation increases in population and becomes more urbanized, there is a correspondingly growing need to provide for suitable outdoor recreation. For example, approximately 118 million visits will be made to the national parks in 1966—twice as many as in 1957. Accordingly, the budget provides for continued development of the national park system. In addition, financed through the recently established Land and Water Conservation Fund, new Federal recreation areas will be acquired and a new grant program started to help States acquire and develop recreation areas.

**Minerals, fish, wildlife, and other.**—More than 30 million Americans who participate in sport fishing and hunting will benefit from the 88 fish hatcheries and 315 wildlife refuges operated by the Federal Government in 1966. In addition, the budget includes an expanded program to assist in the construction of commercial fishing vessels.

To conserve another scarce resource, the budget proposes that the Federal Government enter into additional long-term contracts to purchase helium.

## COMMERCE AND TRANSPORTATION

|                   |   |                          |               |
|-------------------|---|--------------------------|---------------|
| 1966 Expenditures | { | Administrative Budget .. | \$2.8 Billion |
|                   |   | Trust Funds.....         | \$3.7 Billion |

The Federal Government assists private businesses in many ways that further the Nation's economic growth and stability. These measures include direct aid to businesses and to areas with special problems, and indirect aid to all businesses through improvement of transportation and communication facilities. The Federal Government also promotes both the public and private interest by encouraging effective competition and by regulating key industries where competition is not fully effective.

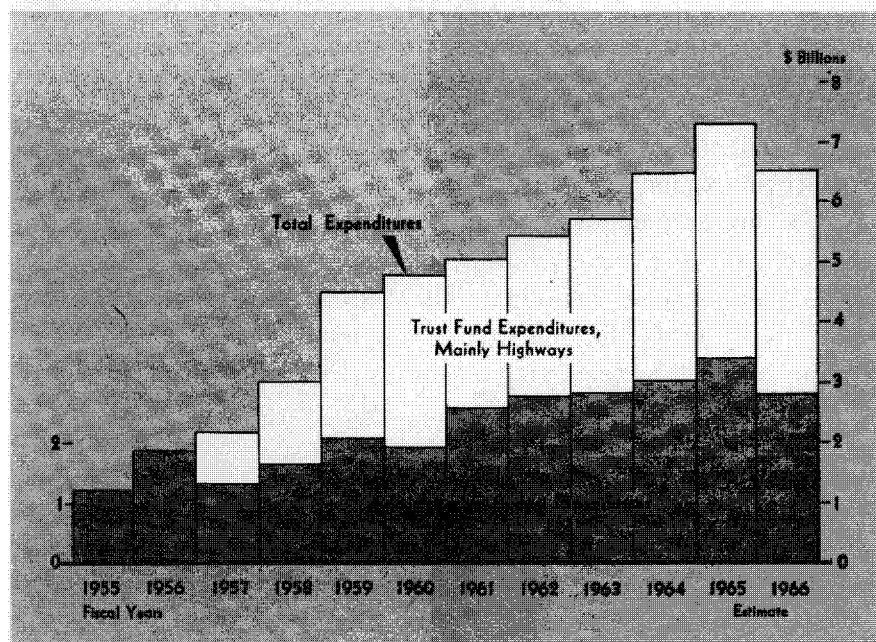
### **Transportation**

Fast, safe, and economical transportation is essential to the Nation's economic growth and to the needs of our increasingly mobile population. If the Nation is to have such a system, Federal transportation

programs must be revised to place greater emphasis on the forces of free competition. New and increased user charges to insure that beneficiaries of special Government services pay their fair share are consistent with this objective.

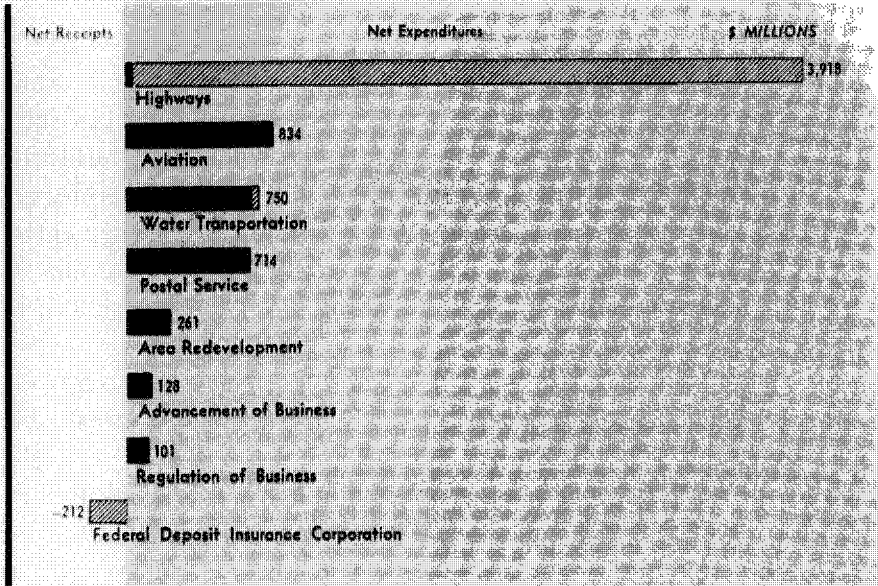
**Highways.**—The highway program, which accounts for about 60% of commerce and transportation outlays, is financed primarily by user charges. Revised highway taxes are recommended this year to permit adequate progress on Federal-aid highway construction while preserving the “pay-as-you-build” status of the highway trust fund. This fund is financed through receipts from taxes on gasoline and other items related to highway use. In 1966, payments from the fund are estimated at about \$3.9 billion. The accompanying chart shows the significant rise in expenditures from this trust fund since 1957. Most of the outlays are for the 41,000-mile Interstate Highway System, of which over 17,000 miles have already been completed and an additional 18,000 miles are in various stages of development. Federal aid for primary and secondary highways accounts for nearly \$1 billion in 1966—about one-quarter of total Federal outlays for highways. Special efforts will be made to enhance the scenic and recreational aspects of our highway system.

### Commerce and Transportation



# Commerce and Transportation

■ Administrative Budget    ▨ Trust Funds



*Aviation.*—The Federal Aviation Agency will continue to modernize and automate its traffic control services, while at the same time reducing its expenditures by \$31 million from the 1965 level—primarily by eliminating marginal facilities and increasing productivity.

*Water transportation.*—Both operating and construction subsidies are paid to maintain the competitiveness of our ocean shipping industry. This objective will be further served in 1966 through installation of automated equipment in 42 ships—the 16 new ships to be added to the fleet in 1966 and 26 ships already in operation. In addition, the Coast Guard will accelerate its replacement of obsolete ships so as to perform better its search-and-rescue and other missions.

## Postal Services

Expenditures of the Post Office are estimated to exceed revenue by \$714 million in 1966. The largest part of the revenue deficiency represents the cost of providing public services not chargeable to users of the postal service. The remaining \$234 million, the postal deficit, is the loss sustained by the Post Office in its regular operations. Further improvements in postal efficiency and better service are expected in 1966 from increased sorting and distribution by ZIP code.

## ***Advancement of Business***

The Department of Commerce assists American business mainly by providing civilian research and technology aids, weather information, census and economic data, and export encouragement. In 1966, the Weather Bureau expects to initiate regular reports of worldwide weather conditions through observations made by meteorological satellites. Programs to encourage exports will be further augmented. These measures will help continue the current rapid expansion of American exports—thus further improving the Nation's balance of payments position.

The Small Business Administration (SBA) will continue to provide loans and other aids to credit-worthy small businesses which are unable to obtain funds elsewhere on reasonable terms. An estimated \$85 million in loans are now being disbursed to assist earthquake-stricken Alaska. In 1966, increased loans will be made to very small businesses under the antipoverty program as well as to those displaced by federally aided construction. However, the projected sale to the public of shares in a pool of SBA loans—proposed in order to achieve greater private financing—is expected to cause receipts for all SBA programs to exceed expenditures in 1966 by an estimated \$195 million.

## ***Area Redevelopment***

The Area Redevelopment Administration finances a variety of programs designed to attract new firms to communities in depressed areas and to help these communities and regions increase job opportunities for their people. Legislation is proposed to extend and improve the program in 1966.

## **HOUSING AND COMMUNITY DEVELOPMENT**

|                          |   |                                |                       |
|--------------------------|---|--------------------------------|-----------------------|
| <b>1966 Expenditures</b> | { | <b>Administrative Budget..</b> | <b>\$0.01 Billion</b> |
|                          |   | <b>Trust Funds .....</b>       | <b>\$0.8 Billion</b>  |

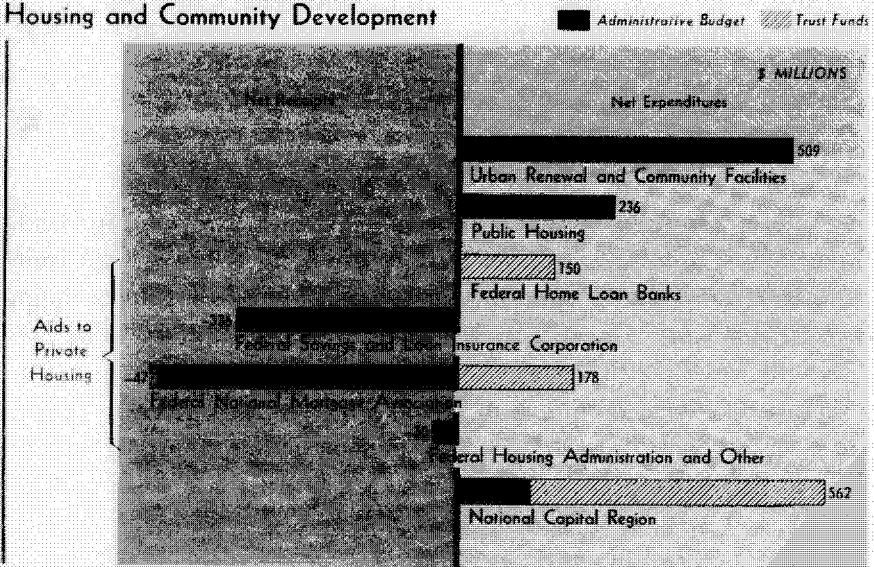
A decent home and a suitable living environment for every American family is a national goal. To help achieve this aim, the Federal Government extends financial assistance in forms which encourage maximum participation by private investors and by other levels of government. Federal assistance consists of grants, loans, purchases of mortgages, and insurance of private loans and savings and loan

accounts. To assure effective leadership for a strengthened attack on urban problems, the President has proposed a new Department of Housing and Urban Development.

### Urban Renewal and Community Facilities

Federal programs help stimulate local efforts to improve our communities and to halt urban blight. Completed urban renewal projects are expected to rise by the end of 1966 to 162. Another 1,600 projects will be in process or being planned. Grants for urban planning, which help local communities shape their future growth, will almost triple in 1966. Other grants, under newly enacted legislation, will help to revitalize urban mass transportation. In addition, grants will continue to be made to encourage acquisition of undeveloped urban land to help shape city growth. Legislation is proposed to provide grants for basic community facilities in rapidly growing metropolitan areas.

### Housing and Community Development



### Public Housing Programs

The Public Housing Administration assists local housing authorities to provide decent, safe, and sanitary housing for low-income families. Additional authority will be proposed for almost 200,000 more housing units over the next 4 years.

## ***Aids to Private Housing***

The Federal Government fosters better housing for the Nation primarily by assuring the availability of private credit on reasonable terms. The methods used are largely or wholly self-supporting. They may generate more receipts than expenditures, as in both 1965 and the current fiscal year.

***Federal Savings and Loan Insurance Corporation.***—Federal insurance of savings and loan accounts encourages individual savers to pool their funds for home mortgage lending. This provides the largest single source of funds for private housing. Premiums charged for Federal insurance and other income will exceed estimated expenditures in 1966 by \$336 million, permitting the Corporation to strengthen its reserve position.

***Federal home loan banks.***—The 12 home loan banks supplement private funds available for financing home mortgages. They accomplish this by lending money to member savings and loan associations which experience loan demands temporarily greater than they can meet.

***Federal Housing Administration.***—To improve housing conditions and to broaden home ownership, the Federal Housing Administration insures certain housing loans against loss—thus encouraging private financing. In 1966, federally insured loan funds will be used to construct or purchase an estimated 570,000 houses and apartments, and to modernize or improve another 665,000 houses. Receipts (mainly from insurance premiums and sales of acquired properties and mortgages) will exceed expenditures by \$127 million.

***Federal National Mortgage Association.***—The Federal National Mortgage Association influences the supply of funds for private housing by buying and selling federally insured or guaranteed mortgages. The new program of selling shares in pools of mortgages in order to encourage increased participation by private investors has been popular and successful. In 1966, the Association will have enough receipts to pay for all current operations as well as repay some previous borrowings.

*Other aids to private housing.*—In 1966, loans will help rehabilitate private housing in urban renewal areas. Legislation is being proposed to help more people with moderate incomes obtain suitable housing.

### **National Capital Region**

The government of the District of Columbia provides both State and local services for the businesses and residents of the National Capital. As the major industry of the District, 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 for needed capital improvements. New legislation and additional funds will be sought this year to provide for these expanding needs.

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

|                   |   |                          |                |
|-------------------|---|--------------------------|----------------|
| 1966 Expenditures | { | Administrative Budget .. | \$8.3 Billion  |
|                   |   | Trust Funds.....         | \$26.5 Billion |

Federal health, labor, and welfare programs play a major role in promoting the well-being and independence of the American people. More than 75% of the expenditures in this category will support social insurance programs which help to protect families against loss of income due to the retirement, unemployment, disability, or death of the family breadwinner. These programs are self-financed through trust funds, the rising benefit payments of which are shown on the chart on page 42.

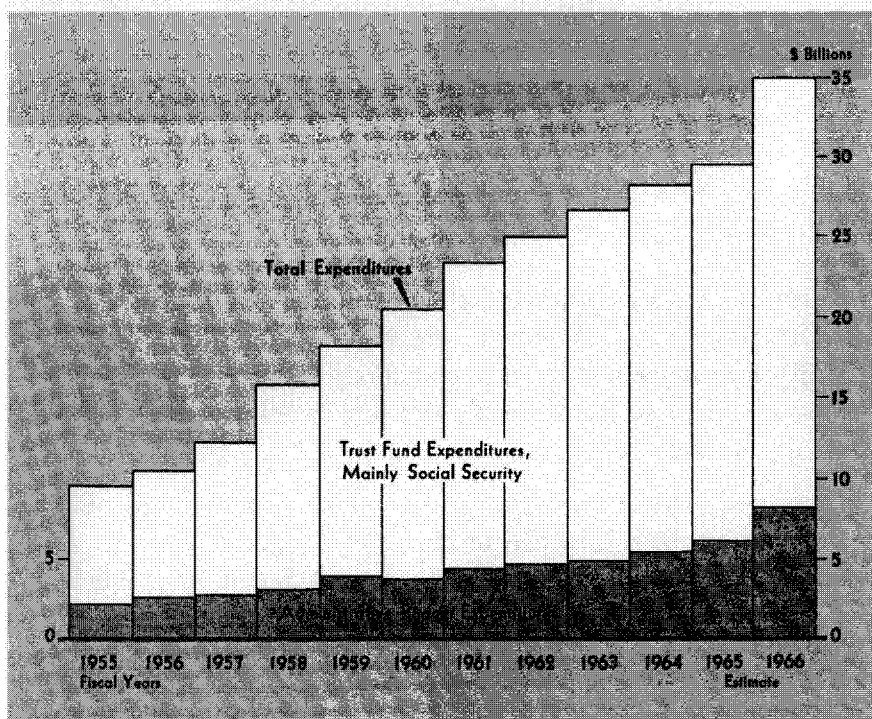
A record increase of over \$5 billion in 1966 for all health, labor, and welfare programs will provide the resources to carry the war on poverty into its second year of operation, to increase social security benefits, and to augment health and other measures for developing human resources.

*Economic opportunity programs.*—Last year, an unprecedented national effort was launched to attack the sources of poverty in the United States. In 1966, estimated expenditures of \$1.3 billion will be made to help break the vicious cycle whereby one generation's poverty, ignorance, and disease breed the same appalling conditions for the next. Economic opportunity programs are thus aimed particularly at the younger generation—raising their educational, skill, and health levels, and increasing their job opportunities.

The organizations and methods used in this attack on poverty are flexible and varied. *Community action* programs will coordinate and focus local leadership and resources on the problem in about 300 communities in 1966. *Job Corps* and *work and training* programs attack directly the problems associated with unemployment—providing useful work, remedial education, and vocational training for about 330,000 young men and women and about 110,000 employable adults. *Other* programs include jobs for needy college students, aid to migrant workers, loans to farmers and other rural families, assistance to the States for literacy training, and services to the poor provided by 5,000 Volunteers in Service to America (VISTA).

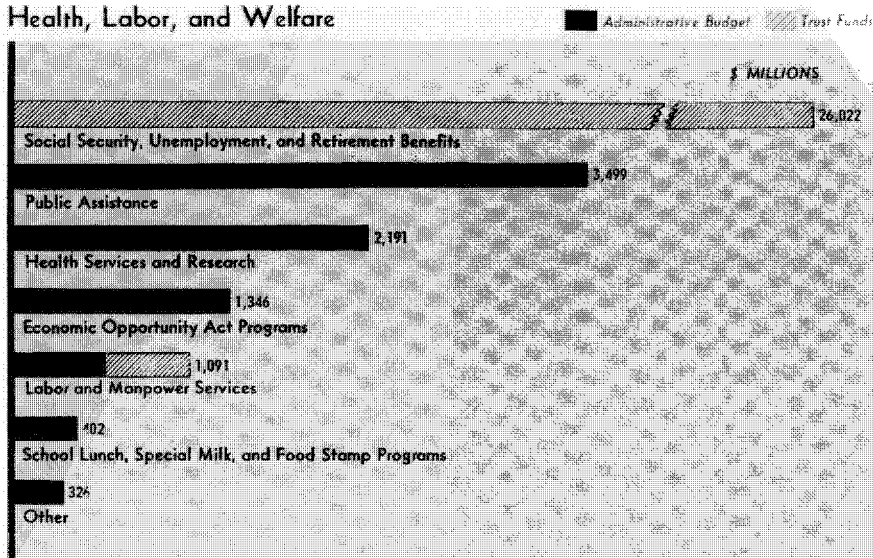
*Social insurance.*—In 1966, an estimated \$23.2 billion in benefits will be provided to the retired, the disabled, or their survivors under self-financed insurance and retirement programs which cover more than 90% of the Nation's workers and their families. The old-age, survivors, and disability insurance trust fund is the largest, and will

### Health, Labor, and Welfare





## Health, Labor, and Welfare



spend approximately \$20.4 billion. Benefits to railroad and Federal employees from special trust funds will be about \$2.8 billion.

Legislation is recommended this year to increase social security benefits by about 7% and to establish an insurance program to assist the aged in paying the heavy costs of hospital and nursing home care. Hospital care for the 15% of the aged who are not eligible for social security or other Federal insurance benefits will be financed from the administrative budget. Hospital benefits will begin in fiscal year 1967.

To provide income during periods of unemployment, a cooperative Federal-State system of unemployment compensation was set up 30 years ago. Expenditures from the unemployment insurance trust fund will total nearly \$3.3 billion in 1966. Legislation will be proposed to strengthen the unemployment insurance system by broadening the coverage, establishing minimum standards for level and duration of payments, and establishing a new separate Federal program of extended benefits for the long-term unemployed.

**Public assistance.**—Grants to States for public assistance in 1966 will help meet the most basic needs—food, clothing, shelter, and medical care—of almost 8 million of our poorest citizens. Legislation is proposed to increase the existing low levels of public assistance payments and to expand medical assistance for children in poor families. Continuing emphasis will be placed on encouraging public assistance recipients to become self-sufficient.

*Health services and research.*—An estimated \$2.2 billion will be spent this year to safeguard and further improve the mental and physical health of our people. This increase of about 20% over 1965 will provide funds for expanded research, training, construction of facilities, and consumer protection activities.

The Federal Government will spend about \$1.3 billion for health research and facilities in 1966—approximately two-thirds of the Nation's total expenditures for this purpose. One-half of the Federal funds will support research in universities.

A new program of multipurpose regional medical centers is proposed for 1966. These regional centers will provide the modern specialized resources needed to combat such major diseases as heart disease, stroke, and cancer.

In 1963, the Federal Government undertook a program to encourage training of the larger numbers of health personnel which our growing population needs. Financial assistance to medical and dental schools and students is designed to increase the number of medical school graduates by 50% and to double the number of dental school graduates over the next 10 years. Further measures are proposed this year to help defray the mounting costs of operating medical and dental schools, and to provide scholarships for needy students.

Under recent amendments to the Hill-Burton hospital construction program, measures are being taken to modernize older general hospitals and to help provide nursing home facilities for the chronically ill and aged.

An increased attack on mental illness and mental retardation has been launched under legislation enacted in 1963. An estimated \$455 million will be spent by the Department of Health, Education, and Welfare in these two areas in 1966, a 39% increase over the level in 1964.

Expenditures of \$248 million are estimated for 1966 to combat health hazards caused by air and water pollution, contaminated soils and foods, and unsafe drugs.

*Labor and manpower.*—The manpower activities of the Department of Labor play an important role in our economy by helping workers acquire needed skills and find jobs.

In its 3-year life, the Manpower Development and Training Act has become an important tool in helping the unemployed equip themselves to meet today's job requirements. In 1966, approximately 260,000 workers will receive training for productive employment—bringing the total number of persons receiving training under the program to an estimated 700,000.

The 1,900 local offices of the Federal-State employment service match the abilities of workers with skills needed by employers. Resulting nonagricultural job placements are estimated to increase by about 38% between 1961 and 1966. Counseling services are being expanded, particularly for disadvantaged youth.

*Other welfare services.*—In 1966, the Federal-State vocational rehabilitation program will restore an estimated 145,000 persons to employability. The Department of Agriculture will spend an estimated \$302 million in 1966 for school lunch and special milk programs to improve the well-being of many American children. The food stamp program will provide food for more than 1 million needy people in 1966.

## EDUCATION

### 1966 Administrative Budget Expenditures: \$2.7 Billion

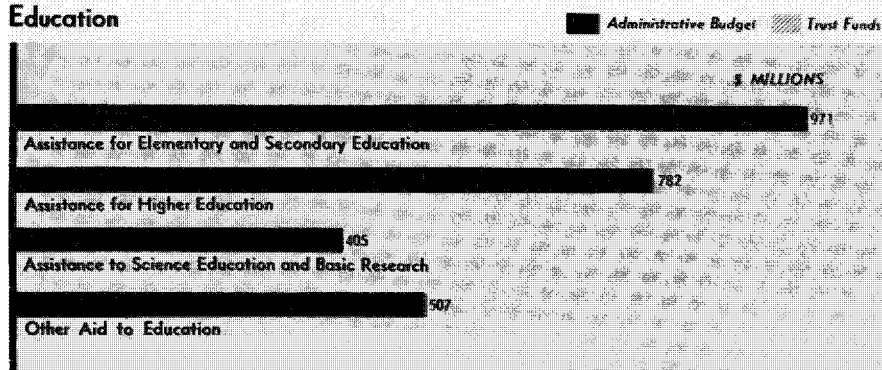
Education enriches the life of the individual and is essential to the freedom, economic growth, and welfare of our society. While education is properly the primary responsibility of State, local, and private institutions, the Federal Government must provide increased help to assure that educational objectives critical to the national interest are being met. Recognizing this responsibility, the Federal Government is greatly expanding its financial assistance to education. Expenditures for new and existing education programs in 1966 are estimated at \$2.7 billion—an increase of more than 75% over 1965.

About one-third of the increased expenditures will carry forward the programs enacted by the last Congress—mainly for vocational and higher education. Another \$600 million will be spent for essential new programs under \$1.5 billion of proposed new spending authority. These programs will stress innovation in and support for elementary and secondary education, especially for children in economically disadvantaged areas. Opportunities in higher education will also be ex-

panded—particularly for students from low-income families—and institutions of higher learning will be strengthened.

*Assistance for elementary and secondary education.*—In addition to expenditures of \$500 million under new programs, the Government will spend \$368 million in 1966 for continued assistance to schools in areas where enrollments are increased by children of Federal employees. Under the National Defense Education Act, \$103 million will be spent for counseling and testing programs and for new equipment. Last year that act was broadened to cover five new subject areas: history, civics, geography, English, and remedial reading.

## Education



*Assistance for higher education.*—In an effort to meet the demands of rising college enrollments, expenditures of \$165 million will be made in 1966 for loans and grants to colleges for construction of classrooms, libraries, and laboratories under the Higher Education Facilities Act of 1963. Estimated expenditures of \$265 million will be made for loans under the college housing program. In addition, 340,000 students will receive loans totaling \$180 million under the National Defense Education Act. Expenditures under the new legislation are estimated to be \$100 million.

*Assistance to science education and basic research.*—The National Science Foundation continues to perform a vital role in expanding science education and basic research. Expenditures of the Foundation are expected to increase nearly 25% in 1966—to a level of \$405 million. This increase will permit the continued orderly expansion of Federal support for research in universities to offset the de-

clining growth rate of the more specialized research programs conducted by other Federal agencies. The Foundation will also help overcome the shortage of trained scientific personnel by aiding 8,800 graduate students in the sciences, by sponsoring institutes for training 45,000 science teachers, and by pursuing related programs designed to strengthen college and university science faculties.

*Other aids to education.*—Vocational education is essential for the 65% of the Nation's young people who will not attend college and for workers whose skills are made obsolete by rapid economic change. To meet this challenge, the Office of Education will more than double its outlays for vocational education in 1966 to \$186 million. Other educational aids include educational research, construction of educational television facilities, training for teachers of the handicapped, and grants for the construction and operation of libraries.

## VETERANS BENEFITS AND SERVICES

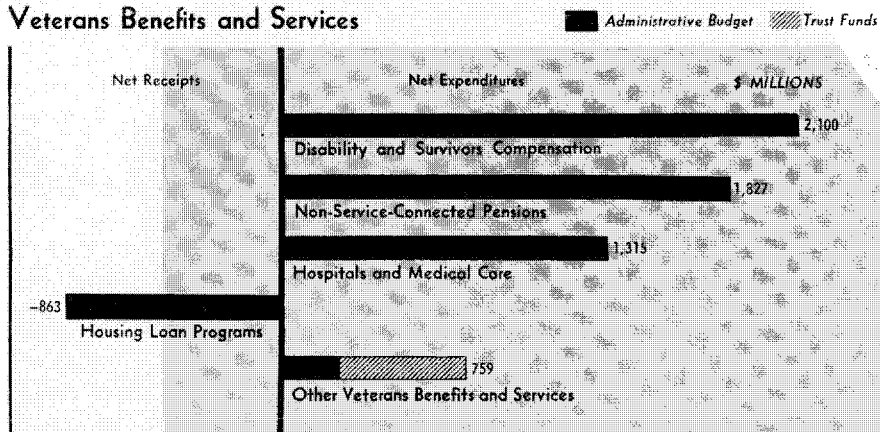
|                          |   |                                 |                      |
|--------------------------|---|---------------------------------|----------------------|
| <b>1966 Expenditures</b> | { | <b>Administrative Budget ..</b> | <b>\$4.6 Billion</b> |
|                          |   | <b>Trust Funds.....</b>         | <b>\$0.5 Billion</b> |

The Federal Government provides special benefits and services for the veterans of the Nation's wars or their survivors. The major continuing programs for veterans—compensation, pensions, and medical and hospital care—will be continued in 1966 at about their present record levels. However, total payments for veterans programs will decline by an estimated \$0.9 billion from 1965, primarily as a result of increased sales of housing loans and mortgages—including shares in pools of loans—held by the Veterans Administration.

*Compensation.*—Compensation payments are made to approximately 2.4 million veterans or to their survivors for disability or death arising from military service.

*Pensions.*—Payments are made to lower-income veterans or their survivors for disability or death from causes not related to military service. In 1966, these payments—totaling an estimated \$1.8 billion—will be made to about 2.1 million recipients. World War I pensioners and their survivors will receive nearly 70% of the total. However, an increasing number of World War II and Korean veterans or their survivors are now becoming eligible for pensions.

## Veterans Benefits and Services



*Hospitals and medical care.*—These expenditures provide hospital and medical care for an average of 138,802 beneficiaries per day. They also provide for continued improvement in the quality of medical care and for the sixth step of a 15-year program for modernizing the 125,000-bed veterans hospital system.

*Loan guarantee and direct housing loan programs.*—In 1966, the Veterans Administration will guarantee an estimated 170,000 housing loans for eligible veterans. The Administration will also make 10,000 direct loans to veterans in rural areas and small towns where adequate credit is not generally available. New loan guarantees and direct loans are declining as fewer veterans remain eligible for these services. Increased 1966 sales of properties and loans held by the Veterans Administration will result in an excess of receipts over expenditures in the housing program.

*Education and training benefits.*—Expenditures for veterans education and training will decline further in 1966 as the program for veterans of the Korean conflict terminates on January 31, 1965. The number of war orphans and children of totally disabled veterans receiving education and training is estimated to increase slightly to 17,100 in 1966.

*Other benefits and services.*—The National Service and U.S. Government life insurance trust funds finance about 5 million life insurance policies, primarily for veterans of World Wars I and II. Last year, life insurance programs were reopened for certain disabled veterans.

# GENERAL GOVERNMENT

## 1966 Administrative Budget Expenditures: \$2.5 Billion

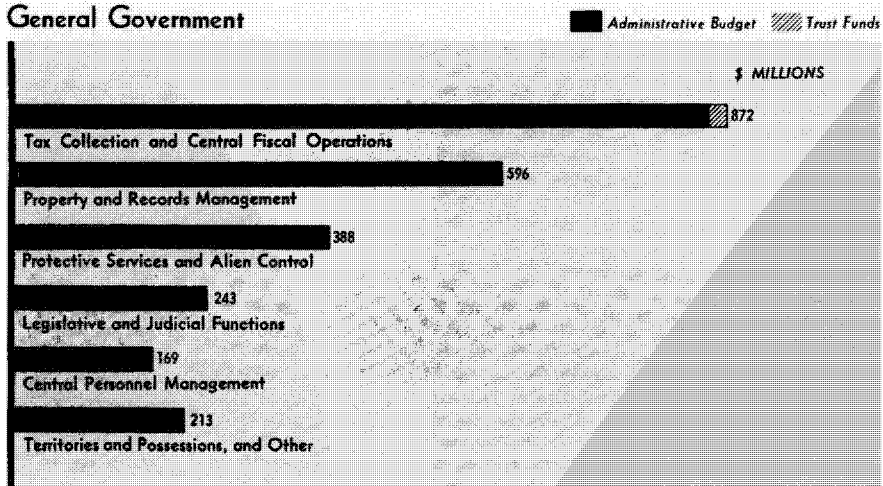
Expenditures for general government provide for Government-wide activities, for executive direction and financial management, and for the costs of the Congress and the Federal court system.

These general administrative, legislative, and law enforcement expenses of the Federal Government will require estimated expenditures of \$2.5 billion in 1966.

**Tax collection and central fiscal operations.**—The Treasury collects the revenues and pays the bills of the Government. An increase in expenditures in 1966 is necessary for the Internal Revenue Service to handle the additional 1.9 million tax returns expected this year and to make progress on the automatic data processing system for handling returns. Automation measures will improve the efficiency and equity of tax collection.

**General property and records management.**—As part of the continuing program to provide more efficient facilities for Government operations, the 1966 budget will provide funds to design several new buildings and to construct 24 buildings already under design—as well as to purchase or remodel 10 other buildings. The General Services Administration will also manage a larger volume of supplies for defense installations and civilian agencies.

### General Government



*Protective services and alien control.*—The Federal Bureau of Investigation is increasing its expenditures to help assure internal security and to make necessary investigations of civil rights violations and criminal activity.

*Central personnel management.*—These expenditures include the administrative costs of the Civil Service Commission. They also include the costs of accident compensation and part of the expense of health benefits for Federal employees.

*Territories and possessions.*—The Federal Government provides certain services and financial assistance to the Virgin Islands, Ryukyu Islands, American Samoa, the Trust Territory of the Pacific, and Guam. Revenues collected in the Canal Zone cover the cost of the Government's activities in that area.

## INTEREST

### 1966 Administrative Budget Expenditures: \$11.6 Billion

Interest on the public debt is expected to rise by \$308 million in 1966 as a result of a larger public debt and the higher short-term interest rates necessary to limit the flow of funds abroad. Over \$2 billion of the total interest expenditures will be paid to the Federal trust funds and agencies which have their reserves invested in U.S. securities.

The table below shows the estimated ownership of the public debt, as of June 30, 1964.

#### OWNERSHIP OF THE PUBLIC DEBT

|  | <i>Amount,<br/>in billions</i> |
|--|--------------------------------|
| Individuals .....                      | \$68.6                         |
| Federal trust funds and agencies ..... | 60.7                           |
| Commercial banks .....                 | 59.7                           |
| Federal reserve banks .....            | 34.8                           |
| State and local governments .....      | 22.6                           |
| Corporations .....                     | 20.2                           |
| Foreign and international .....        | 15.6                           |
| Other investors .....                  | 30.3                           |
| Total .....                            | 312.5                          |



## PART 3

# BUDGET FACTS AND FIGURES

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

In order to introduce the reader to some of the more technical aspects of the budget, this section briefly presents information on measures of Federal finances and a discussion of the budget process. Historical statistics may be found starting on page 70.

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

1. *The Budget of the United States Government, 1966*. Contains most of the facts, figures, and analyses that users of the budget would normally desire or need.
2. *The Budget of the United States Government, 1966—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds.

## MEASURES OF FEDERAL FINANCES

Federal financial activities are studied from several points of view for many different purposes. No single measure serves all purposes equally well. In the budget (as well as in this booklet), Government income and spending are discussed in terms of the administrative budget, the trust funds, the statement of cash receipts from and payments to the public, and the Federal sector of the national income accounts.

For an understanding of the different measuring concepts, it is helpful to begin with the two basic sets of accounts used by the Government. The first covers administrative budget funds; the second covers trust funds. Together they comprise the financial books of the Government, recording in detail the expenditures of each agency and the revenues of the Government. They are indispensable tools for the proper management of Federal finances.

*Administrative budget funds* include most of the receipts and expenditures of the Government. The receipts go into a general fund except for small amounts channeled to special funds. Administrative budget funds are the property of the Federal Government—owned just as land and equipment are owned. They include the transactions of Government-owned enterprises of a business nature, such as the Post Office, the Export-Import Bank, and the Federal Housing Administration.

The administrative budget—which covers only administrative budget funds—is the oldest and most widely known measure of our Federal finances. It is mainly within the framework of this budget that Congress evaluates requests for funds and grants the authority for Government agencies to carry out the President's program. Expenditures from this budget emerge as the result of Presidential requests, congressional action, and administration of authorized programs by Government agencies. Thus, the administrative budget is generally used for control, administration, and execution of programs financed with funds owned by the Government.

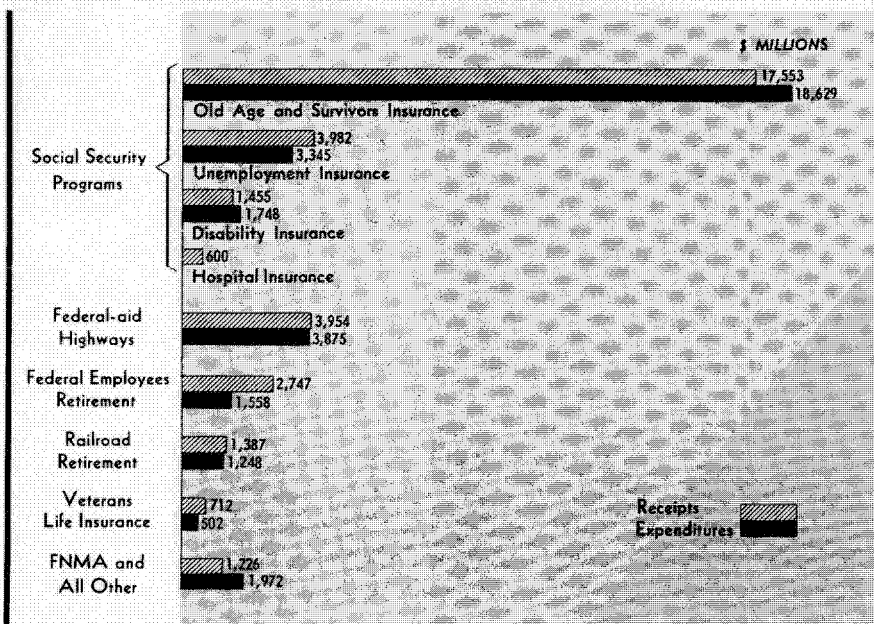
*Trust funds* are created when Congress designates certain receipts to be set aside—in trust—for specified payments or programs. They are also created, occasionally, when an activity is owned partly by the Federal Government and partly by someone else. Trust funds may be

used only to finance the activities for which they are designated. For example, premiums paid by veterans on their Government life insurance policies are held in trust and used only to pay insurance claims or dividends to policyholders.

Most of the major trust funds finance insurance-type activities such as social security (old-age, survivors, and disability insurance), unemployment insurance, Federal employees' retirement, and veterans' life insurance. Trust funds also finance the Federal-aid highway program and the secondary market operations of the Federal National Mortgage Association (FNMA).

Receipts of the trust funds come from sources related to their activities. For example, employers and employees covered by social security pay the taxes to finance the social security trust funds; taxes related to highway use—such as those on gasoline—provide the receipts for the highway trust fund. The chart below lists the major trust funds along with their estimated receipts and expenditures for 1966. In many cases, trust fund receipts exceed expenditures. The excess is accumulated in reserves to meet future payments and is usually invested in U.S. securities to earn interest for the fund.

**Trust Fund Estimates for 1966**



## SUMMARY OF FEDERAL RECEIPTS AND PAYMENTS

[Fiscal years. In billions]

| Description   | 1964<br>actual | 1965<br>estimate | 1966<br>estimate |
|---|----------------|------------------|------------------|
| <b>FEDERAL RECEIPTS</b>   |                |                  |                  |
| Administrative budget receipts .....  | \$89.5         | \$91.2           | \$94.4           |
| Trust fund receipts.....  | 30.3           | 30.5             | 33.6             |
| Deduct: Intragovernmental transactions.....                                 | 4.3            | 4.3              | 4.5              |
| <b>Total, cash receipts from the public.....</b>                            | <b>115.5</b>   | <b>117.4</b>     | <b>123.5</b>     |
| Add: Adjustment from cash to accrual basis.....                             | -0.7           | -0.9             | -1.8             |
| Deduct: Receipts from loans, property sales, and other adjustments.....     | 0.2            | 0.5              | 0.7              |
| <b>National income account receipts—Federal sector.....</b>                 | <b>114.7</b>   | <b>116.0</b>     | <b>121.0</b>     |
| <b>FEDERAL PAYMENTS</b>   |                |                  |                  |
| Administrative budget expenditures.....                                     | 97.7           | 97.5             | 99.7             |
| Trust fund expenditures.....  | 28.9           | 29.0             | 32.9             |
| Deduct: Intragovernmental transactions and other adjustments (net).....     | 6.2            | 5.1              | 5.2              |
| <b>Total, cash payments to the public.....</b>                              | <b>120.3</b>   | <b>121.4</b>     | <b>127.4</b>     |
| Add: Adjustment from cash to accrual basis.....                             | 1.8            | 1.7              | 1.1              |
| Deduct: Disbursements for loans, land purchases, and other adjustments..... | 3.6            | 2.1              | 1.5              |
| <b>National income account expenditures—Federal sector.....</b>             | <b>118.5</b>   | <b>121.0</b>     | <b>127.0</b>     |
| <b>EXCESS OF RECEIPTS (+) OR PAYMENTS (-)</b>                               |                |                  |                  |
| Administrative budget.....  | -8.2           | -6.3             | -5.3             |
| Receipts from and payments to the public.....                               | -4.8           | -4.0             | -3.9             |
| National income accounts—Federal sector.....                                | -3.9           | -5.0             | -6.0             |

*Federal receipts from and payments to the public.*—Basically, this statement of cash flow between the Federal Government and the public (often called the consolidated cash statement) represents a linking of the administrative budget with the trust funds. Payments between the administrative budget and the trust funds—such as interest payments on trust fund investments in U.S. securities—are elimi-

nated from the statement, since they do not involve a flow of money between the Government and the public.

The statement of Federal receipts from and payments to the public is much more inclusive than the administrative budget alone, and is the best measure of the cash needs and borrowing requirements of the Federal Government. It also gives a truer picture of the total impact of the Federal Government on the economy than the administrative budget.

*The Federal sector of the national income accounts.*—Like the consolidated cash statement, this gauge of Federal activities includes both the administrative budget and the trust funds. However, it excludes transactions of a purely financial nature (such as loans) and purchases and sales of existing assets (such as land and secondhand items) which do not involve current production or income.

The national income accounts also differ from the consolidated cash statement regarding the time when receipts and payments are recorded. Receipts are recorded in the income accounts as liabilities build up, rather than on the date when the Treasury receives the money. For example, corporations *accrue* Federal tax liabilities as they earn profits—but only *pay* the taxes after some months have elapsed. Similarly, expenditures for purchase of most goods and services are recorded in the income accounts when the goods are delivered or the services performed, rather than when the actual payment is made. This timing is a better reflection of the economic impact of Federal transactions on spending decisions in the private sector of the economy.

Expenditures in the Federal sector of the national income accounts are divided into five basic components that indicate the economic nature of the expenditures. As the table on the following page shows, the largest item is *purchases of goods and services*, representing the amount of our gross national product which is used directly by the Government for public purposes. This category includes such items as military equipment, new Government buildings, and the services of Federal employees.

The second category, *transfer payments*, covers Federal payments (for the most part to individuals) for which no current services are rendered—unemployment and social security benefits, veterans pensions, and similar programs. Transfer payments do not represent

NATIONAL INCOME ACCOUNT EXPENDITURES—FEDERAL SECTOR

[Fiscal years. In billions]

| Description  | 1964<br>actual | 1965<br>estimate | 1966<br>estimate |
|--|----------------|------------------|------------------|
| Purchases of goods and services .....                                      | \$66.1         | \$65.9           | \$66.7           |
| Transfer payments .....  | 30.4           | 31.8             | 35.2             |
| Grants-in-aid to State and local governments .....                         | 9.8            | 10.7             | 13.0             |
| Net interest paid .....  | 8.1            | 8.5              | 8.6              |
| Subsidies less current surplus of Government enterprises .....             | 4.1            | 4.1              | 3.5              |
| <b>Total national income account expenditures—<br/>Federal sector.....</b> | <b>118.5</b>   | <b>121.0</b>     | <b>127.0</b>     |

Government use of resources, but rather the channeling of purchasing power to others.

*Grants-in-aid to State and local governments* also represent a transfer of funds. In this case, however, the transfer is to another level of government which may either purchase goods and services (by constructing highways, for example) or make further transfer payments to individuals (such as public assistance payments).

*Net interest* consists of interest paid by the Federal Government, less interest received on loans to others.

*Subsidies less current surplus of Government enterprises* includes Federal aid to business and agriculture and the surplus or deficit of Government business-type activities such as the Post Office and TVA.

The Federal sector account is part of the Nation's economic accounts which measure total national income and output and, therefore, is particularly valuable in analyzing the impact of Federal activities on the Nation's economy.

## THE BUDGET PROCESS

Each January the President recommends to Congress a budget representing his judgment on the Federal programs required to meet the Nation's needs during the coming fiscal year.

The budget is the culmination of many months of planning. For example, the formulation of the 1966 budget began in March of 1964. Ten months later, in January 1965, administrative action was completed and the budget was sent to Congress—about 6 months before the new fiscal year began. When the fiscal year ends, June 30, 1966, over 2 years will have elapsed since the start of the budget cycle.

These intervals of approximately 10 months, 6 months, and 12 months correspond roughly to three basic steps of budgeting: executive formulation, congressional deliberation and enactment, and administrative execution.

Inevitably over such a long period, many changes take place in the original proposals: international and domestic situations may vary from the assumptions made earlier, the President may amend some of his own proposals, and the Congress may modify the President's requests or add new proposals of its own.

*Executive budget formulation.*—During the period of executive formulation of the budget, there is a continuous exchange of information between the President, his staff, and the Government agencies. Policies and issues are constantly evaluated, modified, and reevaluated. This process, in which the Congress does not participate in any way, continues through December when final policy decisions are made. At that point, the President's budget becomes a statement of concrete proposals reflected in specific dollar estimates.

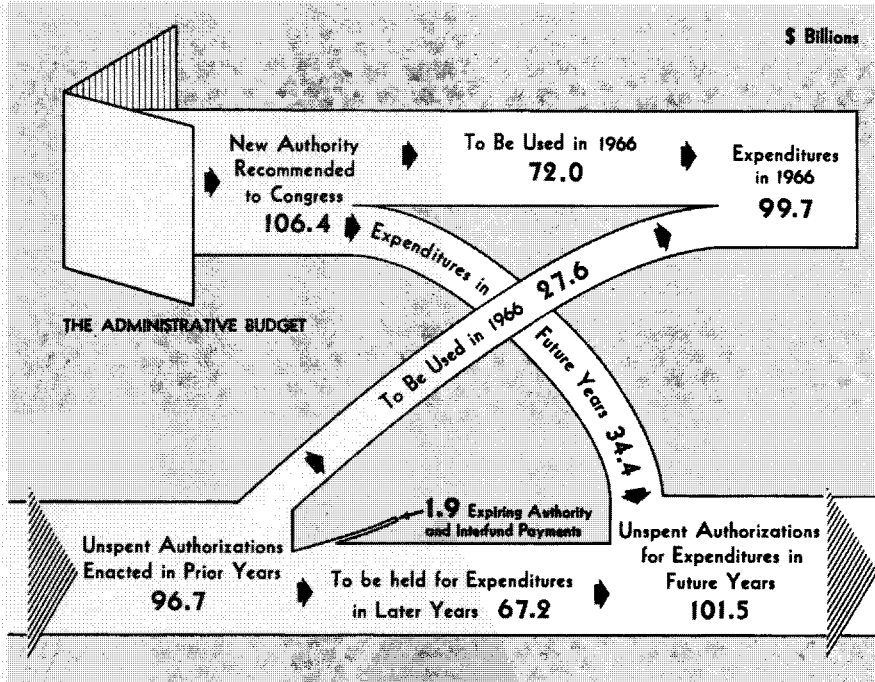
*Congressional consideration.*—Congressional review and enactment, the second phase of the cycle, commences when the budget is sent to Congress. The House of Representatives acts on the budget first, and refers it to the Appropriations Committee. Twelve subcommittees study in detail the parts sent to them and make recommendations to the parent Appropriations Committee. The Appropriations Committee then recommends actions to be taken by the House of Representatives. As parts of the budget are approved by the House, they are forwarded to the Senate, where a similar process is followed. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) meets to resolve the issues. The conference report is returned to the House and Senate for approval, and then transmitted to the President for his approval or veto.

*Budget execution and control.*—As the budget is approved, it becomes the basis for the program of each agency during the fiscal year. However, not all the funds approved by Congress are spent in that one year. The funds authorized for some programs (such as the building of warships or other major construction items) will be spent over a period of several years.

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 alter expenditures *in that year* by the same amount. Such a change may affect expenditures over a period of several years.

The relationship between new obligational authority and expenditures estimated for 1966 is illustrated in the accompanying chart.

**1966 Administrative Budget – Relation of Authorizations to Expenditures**





## PART 4

# PORTIONS OF THE PRESIDENT'S BUDGET MESSAGE

*To the Congress of the United States:*

I am presenting to you today the budget of the United States for the fiscal year 1966.

A budget is a plan of action. It defines our goals, charts our courses, and outlines our expectations. It reflects hard decisions and difficult choices. This budget is no exception.

It is a budget of priorities. It provides for what we must do, but not for all we would like to do.

It is a budget of both opportunity and sacrifice. It begins to grasp the opportunities of the Great Society. It is restrained by the sacrifices we must continue to make in order to keep our defenses strong and flexible.

This budget provides reasonably for our needs. It is not extravagant. Neither is it miserly.

It stands on five basic principles:

- Government fiscal policies must promote national strength, economic progress, and individual opportunity.
- Our tax system must continue to be made less burdensome, more equitable, and more conducive to continued economic expansion.
- The Great Society must be a *bold* society. It must not fear to meet new challenges. It must not fail to seize new opportunities.
- The Great Society must be a *compassionate* society. It must always be responsive to human needs.
- The Great Society must be an *efficient* society. Less urgent programs must give way to make room for higher priority needs. And each program, old and new, must be conducted with maximum efficiency, economy, and productivity.

The major features of the 1966 budget translate these principles into action.

First, excise taxes are substantially reduced. Social security benefits, including hospital insurance, are increased. These are combined with other expenditure increases to yield an overall fiscal policy designed to maintain our steady economic expansion.

Second, the budget supports a massive defense establishment of steadily growing power, within reduced outlays.

Third, our international and space programs are being advanced at a satisfactory rate, but with smaller increases than in earlier years.

Fourth, expanded programs and higher expenditures are proposed to:

- Provide better and more education for our children.
- Extend the war against poverty.
- Promote advances in the Nation's health.
- Improve conditions in the urban areas where most of us live.
- Help the Appalachian region lift itself out of its present depressed condition.
- Strengthen our social security protection.
- Increase economic opportunities in rural communities.
- Encourage sound use of our natural resources.
- Conserve natural beauty in our land.

Fifth, a large part of the funds for needed program expansion has come from savings, reductions, and economies in other parts of the budget.

## FISCAL POLICY

This budget recognizes that a growing economy is needed to promote national strength and progress. It is also needed to move us toward a balanced budget. When the economy slows down, Federal revenues fall and spending tends to increase. The result is larger, not smaller, budget deficits.

Nearly 4 years ago, this Nation began its fourth postwar economic expansion. With the help of last year's income tax reduction—the largest and most comprehensive ever enacted—this expansion has already outlasted each of the previous three postwar recoveries.

During the past 4 years, the Nation's real output of goods and services—the gross national product—has grown at an average rate of about 5% per year.

New highs have been achieved in employment, income, and profits. Unemployment has been reduced. Price stability has been maintained.

This is a creditable record of achievement. And we look forward to continued growth in the year ahead. The Nation's output in calendar year 1965 is expected to reach \$660 billion, plus or minus \$5 billion.

Nevertheless, we must keep in mind that our economy is still producing at a level well below its potential. Nearly 4 million people are out of work. The unemployment rate is still nearly 5%. Plants and machines are standing idle while human wants and needs go unmet. An estimated 35 million people continue to live in poverty.

We cannot substitute last year's achievements for next year's goals; nor can we meet next year's challenge with last year's budget.

The revenue and expenditure proposals presented in the 1966 budget are carefully designed to promote continued economic expansion and improved economic opportunities.

This budget takes into account the need to reduce the Nation's balance of payments deficit. During the last calendar year, the deficit showed a significant decline. To help insure continued improvement, I will intensify efforts to carry out Federal activities with the least possible burden on our balance of payments.

## BUDGET SUMMARY

*Administrative budget.*—In preparing this budget, I have applied exacting tests of efficiency and necessity to all proposed expenditures. As a result, total administrative budget expenditures are being held to \$99.7 billion in 1966. Although expenditures will rise by a relatively small amount, they will decline as a percent of the gross national product—to less than 15%, the lowest ratio achieved in 15 years.

Administrative budget receipts are expected to increase in 1966 to \$94.4 billion. This is \$3.2 billion over the estimated level for 1965. This increase reflects the economic growth anticipated in calendar year 1965. It also takes into account the revenue losses from proposed excise tax changes and from the second stage of income tax cuts enacted last year.

The resulting 1966 administrative budget deficit of \$5.3 billion is \$1 billion lower than the 1965 deficit, marking continued progress toward a balanced budget.

As our population increases, as science and technology change our methods of doing things, as our wants multiply with the growth in

our incomes, and as urbanization creates new problems, there is growing need for more public and private services. It is evident that unless defense needs should decline substantially, Government expenditures will continue to rise over the long run.

At the same time, we have good reason to expect that Government expenditures in the years ahead will grow more slowly than the gross national product, so that the ratio of Federal spending to our total output will continue to decline.

The expenditures proposed in this budget reflect a careful balancing of national goals against budgetary costs. The budget I now present will, in my judgment, carry out the responsibilities of the Federal Government efficiently and wisely. It was constructed on that basis alone.

My budgets for both 1965 and 1966 have provided for major increases in areas of high national priority—particularly education, health, aid to the needy, housing, and the war on poverty. Also, for these 2 consecutive years, careful pruning of less urgent programs and vigorous cost reduction efforts have, on balance, resulted in lower expenditures in other major sectors of the budget. The application of these strict policies of priority and frugality is evident in the modest growth in administrative budget expenditures.

### THE CHANGING FEDERAL BUDGET

[Fiscal years. In billions]

| Description   | Administrative budget expenditures |                            |                  |                            |                  |
|---|------------------------------------|----------------------------|------------------|----------------------------|------------------|
|   | 1964<br>actual                     | Change,<br>1964 to<br>1965 | 1965<br>estimate | Change,<br>1965 to<br>1966 | 1966<br>estimate |
| National defense and space.....   | \$58.4                             | -\$1.3                     | \$57.1           | -\$0.4                     | \$56.7           |
| Interest.....   | 10.8                               | + .5                       | 11.3             | + .3                       | 11.6             |
| Health, labor, education, housing and<br>community development, economic<br>opportunity program, and aid to the<br>needy..... | 6.7                                | + .7                       | 7.4              | +3.6                       | 11.0             |
| All other.....  | 21.8                               | - .1                       | 21.7             | -1.3                       | 20.4             |
| Total, administrative budget.....   | 97.7                               | - .2                       | 97.5             | +2.2                       | 99.7             |

*Consolidated cash statement.*—The administrative budget is based on a definition of Federal spending which excludes such important Federal activities as social security and highway construction that are

financed through trust funds. A more comprehensive measure of the Government's finances is the consolidated cash budget which covers all of the Government's programs.

On the consolidated cash basis, total payments to the public are estimated at \$127.4 billion in 1966. Total receipts from the public are estimated at \$123.5 billion, resulting in a net excess of payments of \$3.9 billion. The estimated increase of \$6.0 billion in cash payments in 1966 over 1965 is mostly in trust funds which are financed by special taxes.

About \$9.5 billion of the nondefense payments recommended in this budget—almost 2½ times the size of the entire cash deficit—represent an investment in physical and financial assets which will provide benefits to the Nation for many years to come. These payments are made for Federal civil public works, equipment, and loans as well as for highways, hospitals, and other State, local, and private assets.

*Federal sector, national income accounts.*—Another measure of Federal finance which includes trust funds emphasizes the direct impact of Government fiscal activities on the economy. This measure is based on the national income accounts. Under this concept, Federal fiscal data are estimated on an accrual rather than a cash basis. Purely financial transactions—such as loans—which do not *directly* affect production or income are excluded. On this basis, the deficit for 1966 is estimated at \$6.0 billion.

Federal expenditures as measured by the national income accounts are estimated to rise by \$6.0 billion in 1966. This increase—covering both purchases of goods and services and other types of payments—will provide a strong stimulus for continued economic growth.

## FEDERAL REVENUES

The Revenue Act of 1964 has played a major role in widening and strengthening our prosperity. At the beginning of this month, the second stage of the rate reductions provided under the Act became effective. In total, last year's tax law will decrease consumer and business tax liabilities by about \$14 billion in the current calendar year.

With this substantial change in income taxes completed, it is now appropriate to revise and adjust *excise taxes* as well. Some of the present excises are costly and inefficient to administer. Some impose

onerous recordkeeping burdens on small business. Some distort consumer choices as among different kinds of goods.

Within the revenue requirements for continued progress toward a balanced budget, I believe it is vital that we correct the most pressing of these deficiencies this year. I plan to transmit to the Congress recommendations to repeal some excise taxes and reduce others. In addition to improving the tax system, the recommended changes will increase purchasing power and stimulate further growth in the economy.

These changes should become effective July 1, 1965. They will reduce tax liabilities on a full-year basis by \$1.75 billion. Revenues collected by the Treasury in 1966 will be reduced by \$1.5 billion.

My *other major revenue proposals* this year involve important activities financed through trust funds.

I am recommending prompt enactment of a hospital insurance program for elderly persons, who are finding hospital and medical costs far greater than their ability to pay. This program should be self-financing, with a combined employer-employee payroll contribution of 0.6% on the first \$5,600 of income to start in calendar year 1966.

I am also recommending an increase from \$4,800 to \$5,600 in the wage base on which social security taxes are paid. This would take effect on January 1, 1966, and would be coupled with a smaller increase in the payroll tax than is scheduled at that date under existing law. These changes will provide the funds for the needed increases being proposed in old-age, survivors, and disability insurance benefits.

While I am recommending reductions in certain excise taxes, I am also proposing increases in certain other excise taxes which are in the nature of *user charges*. The excise taxes for which I am recommending reduction or repeal are not associated with the provision of particular Government services. However, certain existing excises on transportation are in effect a charge for the use of facilities and services provided by the Government. In these cases, I am proposing changes in *user charges for transportation* so that different modes of transportation can compete on more equitable and efficient terms and users of special Government services will pay a greater share of the costs.

The estimated cost of completing the Interstate Highway System—which is financed by highway user taxes—has recently been increased by \$5.8 billion. To avoid serious delay in completing the system while remaining on a pay-as-you-go basis, I will include in my excise tax proposals specific recommendations for increasing certain highway user charges.

In contrast to the users of the highways, the users of the airways and inland waterways bear considerably less than the full cost of the Government investments and services provided them. Accordingly, I am recommending increased or new taxes on aviation gasoline and jet fuels and a new tax on air freight for commercial aviation. Receipts from the existing 2-cent tax on aviation gasoline should be kept in the general fund rather than transferred to the highway trust fund, and the 5% ticket tax on air passengers should be made permanent. A fuel tax for inland waterway users is also being proposed.

I will continue to press for *other user charges* in Government programs where benefits are provided to specific, identifiable individuals and businesses. Fairness to all taxpayers demands that those who enjoy special benefits should bear a greater share of the costs. Legislation is needed for some of the charges, such as patent and meat inspection fees. In other instances, equitable user charges will be instituted through administrative action.

I will also present recommendations to correct certain abuses in the tax-exempt privileges enjoyed by private foundations.

## NEW OBLIGATIONAL AUTHORITY

This budget includes new obligational authority for 1966 of \$106.4 billion in the administrative budget.

- \$93.5 billion of this requires congressional action this year.
- \$12.9 billion represents permanent authorizations that do not require further congressional action, mainly the appropriation for interest on the public debt.

Most of the \$34.5 billion in new obligational authority recommended for 1966 for trust funds represents revenues from special taxes which are automatically appropriated.

## NEW OBLIGATIONAL AUTHORITY

[Fiscal years. In billions]

| Description   | 1964<br>actual | 1965<br>estimate | 1966<br>estimate |
|---|----------------|------------------|------------------|
| <b>Total authorizations requiring current action by Congress:</b>     |                |                  |                  |
| Administrative budget funds.....                                      | \$87.9         | \$94.5           | \$93.5           |
| Trust funds.....  | .4             | 1.4              | .5               |
| <b>Total authorizations not requiring current action by Congress:</b> |                |                  |                  |
| Administrative budget funds.....                                      | 13.2           | 12.8             | 12.9             |
| Trust funds.....  | 31.2           | 30.3             | 34.0             |
| <b>Total new obligational authority:</b>                              |                |                  |                  |
| Administrative budget funds.....                                      | 101.1          | 107.3            | 106.4            |
| Trust funds.....  | 31.5           | 31.8             | 34.5             |

The 1965 estimate in the administrative budget includes \$6.0 billion of recommended supplemental authorizations. These authorizations will provide funds for several programs for which I am requesting immediate consideration and enactment—for example, housing activities and aid to Appalachia. The new obligational authority and related expenditures under these supplemental proposals are reflected fully in the estimates presented in this budget.

\* \* \*

## REDUCING GOVERNMENT COSTS

As we focus attention on improving the quality of American life, we must also see to the quality of American Government.

The tasks we face are formidable. They require new dedication, new vision, and new skills. We have neither the resources nor the right to saddle our people with unproductive and inefficient Government organization, services, or practices.

This must be a year of renewal—a year that will be long remembered for what we accomplish in bringing the public service to its highest state of readiness.

To realize this renewal, action will be necessary on a wide front. I pledge that this administration will strive to conduct the work of the Government by the same exacting standards that would apply in the most expertly managed private business.

*Government organization.*—We must reorganize and modernize the structure of the executive branch in order to focus responsibilities and increase efficiency. I will shortly propose certain reorganizations



which will constitute the initial and most urgent steps that I deem necessary to consolidate functions and strengthen coordination of related activities.

I will ask that permanent reorganization authority be granted to the President to initiate improvements in Government organization, subject to the disapproval of the Congress.

*Controlling employment.*—In this budget, as in the budget for 1965, I have insisted upon stringent criteria to control the growth of Federal civilian employment. It is important that we have enough people to carry on the Government's business efficiently, but we must also see that we have no more employees than we need.

Realistic guidelines and goals have been established to aid administrators in the effective management of the Government's large and diverse work force. Controls on employment have been established for each agency. To remove the guesswork from determination of employment needs, agencies are installing improved work measurement systems, and the Bureau of the Budget is providing advice and assistance in introducing measures of productivity into agency management systems. The result of such efforts has been and will continue to be a reduction in the size of the Federal work force relative to the work being accomplished. The effectiveness of these controls may be seen in the fact that had Federal civilian employment kept its 1955 relationship to total population, Federal employees would have totaled 2,747,000 on June 30, 1964, more than 275,000 above the actual number as of that date.

Modest and highly selective increases in employment are proposed in the budget for 1966, mainly to carry out new and expanded programs recommended in this budget and to reduce excessive overtime in the Post Office Department. At the same time, we will take full advantage of every opportunity to keep the work force at minimum levels by eliminating functions, consolidating operations, closing unnecessary offices and installations, and abolishing vacancies. Total civilian employment proposed for 1966 is about 1% above the totals for the current year, and I am confident that we will be able to keep actual employment somewhat below these estimates.

*Management improvement and cost reduction.*—The past year has been a successful one from the standpoint of improved management and cost reduction. Next year will be still better.

Led by the outstanding performance of the Department of Defense, Government agencies last year undertook cost reductions that saved almost \$3.5 billion. These economies were not easy to come by. They have resulted from the concentrated work of Government officials and employees in all agencies, large and small. They reflect a wide variety of actions ranging from the abolition of reports and other publications to the introduction of computers, the application of modern business equipment, the adoption of new purchasing methods, and decisions to close major installations.

I am counting heavily on the continuation and acceleration of cost reduction and management improvement efforts. Every dollar saved in this way can be put to better use in carrying on more urgent business. And today every dollar is important. Among other things, we must:

- Continue our war on excessive paperwork.
- Increase our capacity to find and correct management weaknesses throughout the Government.
- Reexamine our career services, making certain that they are all they should be with respect to selection, training, placement, promotion, rotation, retirement, and removal.
- Seek legislation that will remove legal barriers to efficient operation.

I have instructed the Director of the Bureau of the Budget to give direction to a comprehensive, Government-wide cost reduction program to be put into effect in every department and agency. In general, this program will require the head of each agency to:

- Take personal charge of cost reduction efforts.
- Set specific goals for reductions in cost.
- Reassess priorities for all programs and operations.
- Identify and remove roadblocks to economy.
- Verify reported savings.

I believe the Congress and the American people approve my goals of economy and efficiency. I believe they are as opposed to waste as I am. We can and will eliminate it.

## CONCLUSION

Since I sent you my first budget a year ago:

- 4 million Americans have been born.
- 3.2 million young people have reached college age.
- 1.7 million new families have been formed.
- 1.3 million persons have entered the labor force.
- 1.5 million persons have reached retirement age.

Thus, our Nation faces growing responsibilities. But we also possess growing resources to meet them.

One result of our expanding economy is a larger revenue potential. This means a potential for:

- Necessary increases in Federal expenditures.
- Reductions in taxes.
- Reductions in the public debt.

No one of these goals is paramount at all times. Each must be balanced against the others to assure our continued progress toward a Great Society.

This progress does not rest on economic growth alone. It is aimed at improving the quality of our way of life. And it is aimed at insuring that all Americans share in this way of life.

The Federal Government must do its part.

This does not mean simply spending more.

It does mean spending more on some new and vital activities. But it also means cutting back or eliminating activities which are less urgent or no longer necessary.

Where there is waste, to end it; where there are needs, to meet them; where there are just hopes, to move toward their fulfillment—that is the object of the budget which I now submit to your consideration.

LYNDON B. JOHNSON.

January 25, 1965.

# TABLES ON THE BUDGET

## Administrative Budget and Trust Fund Expenditures by Function, 1959-66

The following two tables show administrative budget and trust fund expenditures since 1959, 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 |        |
|---|--------|--------|--------|--------|--------|--------|----------|--------|
|   | 1959   | 1960   | 1961   | 1962   | 1963   | 1964   | 1965     | 1966   |
| <b>National defense:</b>  |        |        |        |        |        |        |          |        |
| Department of Defense—military:   |        |        |        |        |        |        |          |        |
| Military personnel.....   | 11,801 | 11,738 | 12,085 | 13,032 | 13,000 | 14,195 | 14,820   | 14,800 |
| Purchase of weapons and equipment.....  | 14,409 | 13,334 | 13,095 | 14,532 | 16,632 | 15,351 | 13,275   | 13,220 |
| Operation and maintenance.....  | 10,378 | 10,223 | 10,611 | 11,594 | 11,874 | 11,932 | 12,220   | 12,160 |
| Research and development.....   | 2,866  | 4,710  | 6,131  | 6,319  | 6,376  | 7,021  | 6,700    | 6,400  |
| Military construction, civil defense,<br>and other.....                           | 1,769  | 1,210  | 1,305  | 1,338  | 373    | 1,261  | 1,085    | 1,320  |
| Subtotal, military.....   | 41,223 | 41,215 | 43,227 | 46,815 | 48,252 | 49,760 | 48,100   | 47,900 |
| Atomic energy.....  | 2,541  | 2,623  | 2,713  | 2,806  | 2,758  | 2,765  | 2,700    | 2,530  |
| Military assistance.....  | 2,340  | 1,609  | 1,449  | 1,390  | 1,721  | 1,485  | 1,200    | 1,100  |
| Defense-related activities.....   | 379    | 244    | 104    | 92     | 24     | 172    | 160      | 48     |
| Subtotal.....   | 46,483 | 45,691 | 47,494 | 51,103 | 52,755 | 54,181 | 52,160   | 51,578 |
| <b>International affairs and finance:</b>   |        |        |        |        |        |        |          |        |
| Food for Peace.....   | 1,120  | 1,327  | 1,653  | 1,726  | 1,779  | 1,704  | 1,661    | 1,661  |
| Economic and financial programs:  |        |        |        |        |        |        |          |        |
| Development loans.....  | 66     | 202    | 258    | 347    | 760    | 768    | 862      | 870    |
| Alliance for Progress.....  |        |        |        | 155    | 260    | 272    | 365      | 398    |
| Supporting assistance.....  | 1,138  | 995    | 1,013  | 618    | 494    | 371    | 370      | 390    |
| Technical cooperation.....  | 146    | 149    | 169    | 272    | 245    | 226    | 190      | 205    |
| Other.....  | 1,955  | 35     | 487    | 738    | 67     | -158   | 33       | -82    |
| Conduct of foreign affairs.....   | 237    | 217    | 216    | 249    | 346    | 297    | 346      | 321    |
| Foreign information and exchange activities.....                                  | 139    | 137    | 158    | 197    | 201    | 207    | 216      | 221    |
| Subtotal.....   | 4,802  | 3,064  | 3,954  | 4,301  | 4,151  | 3,687  | 4,043    | 3,984  |
| <b>Space research and technology:</b>   |        |        |        |        |        |        |          |        |
| Manned space flight.....  | 11     | 113    | 279    | 565    | 1,516  | 2,768  | 3,085    | 3,386  |
| Scientific investigations in space.....   | 25     | 125    | 232    | 359    | 483    | 641    | 693      | 703    |
| Meteorology, communications, and other<br>space applications.....                 | 1      | 8      | 17     | 61     | 92     | 112    | 110      | 107    |
| Other research, technology, and support-<br>ing operations.....                   | 109    | 154    | 217    | 272    | 460    | 650    | 1,012    | 904    |
| Subtotal.....   | 145    | 401    | 744    | 1,257  | 2,552  | 4,171  | 4,900    | 5,100  |
| <b>Agriculture and agricultural resources<br/>(not including Food for Peace):</b> |        |        |        |        |        |        |          |        |
| Farm income stabilization.....  | 4,275  | 2,370  | 2,345  | 3,093  | 3,954  | 4,144  | 3,103    | 2,716  |
| Agricultural land and water resources.....  | 376    | 368    | 397    | 426    | 404    | 410    | 441      | 424    |
| Rural electrification and telephone loans.....                                    | 315    | 330    | 301    | 303    | 342    | 342    | 199      | 200    |
| Farming and rural housing loans.....  | 311    | 289    | 349    | 234    | 300    | 251    | 242      | 138    |
| Research and other agricultural services.....                                     | 291    | 293    | 324    | 341    | 391    | 414    | 493      | 466    |
| Subtotal.....   | 5,568  | 3,650  | 3,717  | 4,397  | 5,390  | 5,560  | 4,477    | 3,944  |
| <b>Natural resources:</b>   |        |        |        |        |        |        |          |        |
| Land, water, and power resources.....   | 1,184  | 1,235  | 1,394  | 1,564  | 1,699  | 1,747  | 1,885    | 1,837  |
| Forests.....  | 201    | 220    | 331    | 280    | 303    | 332    | 383      | 359    |
| Recreational resources.....   | 85     | 74     | 91     | 94     | 112    | 130    | 145      | 186    |
| Fish and wildlife.....  | 68     | 68     | 73     | 81     | 94     | 105    | 121      | 114    |
| Minerals.....   | 71     | 65     | 61     | 68     | 71     | 91     | 109      | 111    |
| General resources surveys and other.....  | 61     | 51     | 55     | 60     | 73     | 73     | 92       | 84     |
| Subtotal.....   | 1,670  | 1,714  | 2,006  | 2,147  | 2,352  | 2,478  | 2,735    | 2,691  |

# ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION--Continued

[Fiscal years. In millions of dollars]

| Description   | Actual |        |        |        |        |        | Estimate |        |
|---|--------|--------|--------|--------|--------|--------|----------|--------|
|   | 1959   | 1960   | 1961   | 1962   | 1963   | 1964   | 1965     | 1966   |
| <i>Commerce and transportation:</i>                 |        |        |        |        |        |        |          |        |
| Aviation.....                                       | 494    | 568    | 716    | 781    | 808    | 835    | 868      | 834    |
| Water transportation.....                           | 436    | 508    | 569    | 654    | 672    | 658    | 705      | 728    |
| Postal service.....                                 | 774    | 525    | 914    | 797    | 770    | 578    | 718      | 714    |
| Area redevelopment.....                             |        |        |        | 7      | 101    | 401    | 385      | 261    |
| Advancement of business.....                        | 234    | 265    | 271    | 427    | 366    | 401    | 556      | 124    |
| Regulation of business.....                         | 58     | 59     | 67     | 74     | 84     | 91     | 96       | 101    |
| Highways.....                                       | 30     | 38     | 36     | 33     | 41     | 39     | 43       | 42     |
| Subtotal.....                                       | 2,025  | 1,963  | 2,573  | 2,774  | 2,843  | 3,002  | 3,372    | 2,804  |
| <i>Housing and community development:</i>           |        |        |        |        |        |        |          |        |
| Urban renewal and community facilities.....         | 108    | 130    | 162    | 261    | 222    | 306    | 406      | 509    |
| Public housing.....                                 | 97     | 134    | 150    | 163    | 178    | 149    | 221      | 236    |
| Aids to private housing:                            |        |        |        |        |        |        |          |        |
| Federal Savings and Loan Insurance Corporation..... | -41    | -20    | -35    | -237   | -264   | -248   | -313     | -336   |
| Federal National Mortgage Association.....          | 842    | -30    | 75     | -123   | -439   | -347   | -624     | -477   |
| Federal Housing Administration and other.....       | -69    | -122   | -84    | 211    | 167    | *      | -48      | -30    |
| National capital region.....                        | 33     | 30     | 51     | 74     | 70     | 59     | 79       | 107    |
| Subtotal.....                                       | 970    | 122    | 320    | 349    | -67    | -80    | -280     | 10     |
| <i>Health, labor, and welfare:</i>                  |        |        |        |        |        |        |          |        |
| Public assistance.....                              | 1,969  | 2,061  | 2,170  | 2,437  | 2,788  | 2,994  | 3,002    | 3,499  |
| Health services and research.....                   | 700    | 815    | 938    | 1,128  | 1,354  | 1,671  | 1,792    | 2,190  |
| Labor and manpower.....                             | 924    | 510    | 809    | 591    | 224    | 345    | 484      | 565    |
| Economic opportunity program.....                   |        |        |        |        |        |        | 347      | 1,346  |
| School lunch, special milk, and food stamp.....     | 218    | 234    | 241    | 275    | 284    | 308    | 353      | 402    |
| Vocational rehabilitation and other.....            | 66     | 70     | 85     | 108    | 140    | 158    | 230      | 326    |
| Subtotal.....                                       | 3,877  | 3,690  | 4,244  | 4,538  | 4,789  | 5,475  | 6,208    | 8,328  |
| <i>Education:</i>                                   |        |        |        |        |        |        |          |        |
| Elementary and secondary education.....             | 259    | 327    | 332    | 337    | 392    | 404    | 408      | 971    |
| Higher education.....                               | 225    | 261    | 286    | 350    | 428    | 383    | 428      | 782    |
| Science education and basic research.....           | 106    | 120    | 143    | 183    | 206    | 310    | 325      | 405    |
| Other aid to education.....                         | 141    | 156    | 181    | 207    | 219    | 241    | 347      | 505    |
| Subtotal.....                                       | 732    | 866    | 943    | 1,076  | 1,244  | 1,339  | 1,509    | 2,663  |
| <i>Veterans benefits and services:</i>              |        |        |        |        |        |        |          |        |
| Disability and survivors compensation.....          | 2,071  | 2,049  | 2,034  | 2,017  | 2,116  | 2,158  | 2,173    | 2,100  |
| Non-service-connected pensions.....                 | 1,152  | 1,265  | 1,532  | 1,635  | 1,698  | 1,743  | 1,834    | 1,827  |
| Hospitals and medical care.....                     | 921    | 961    | 1,030  | 1,084  | 1,145  | 1,229  | 1,280    | 1,315  |
| Education and training.....                         | 574    | 383    | 237    | 142    | 88     | 59     | 37       | 28     |
| Housing loan programs.....                          | 234    | 328    | 312    | 236    | -109   | 44     | -186     | -863   |
| Other benefits and services.....                    | 335    | 281    | 268    | 287    | 248    | 259    | 245      | 217    |
| Subtotal.....                                       | 5,287  | 5,266  | 5,414  | 5,403  | 5,186  | 5,492  | 5,383    | 4,623  |
| <i>General government:</i>                          |        |        |        |        |        |        |          |        |
| Tax collection and central fiscal operations.....   | 566    | 558    | 607    | 653    | 715    | 791    | 842      | 853    |
| Property and records management.....                | 295    | 372    | 372    | 419    | 444    | 576    | 598      | 596    |
| Protective services and alien control.....          | 255    | 263    | 289    | 300    | 323    | 335    | 376      | 388    |
| Legislative and judicial functions.....             | 149    | 158    | 170    | 192    | 194    | 192    | 232      | 243    |
| Central personnel management.....                   | 95     | 84     | 140    | 153    | 142    | 174    | 171      | 169    |
| Territories and possessions, and other.....         | 107    | 108    | 131    | 158    | 160    | 211    | 198      | 213    |
| Subtotal.....                                       | 1,466  | 1,542  | 1,709  | 1,875  | 1,979  | 2,280  | 2,417    | 2,462  |
| <i>Interest</i> .....                               | 7,671  | 9,266  | 9,050  | 9,198  | 9,980  | 10,765 | 11,286   | 11,594 |
| <i>Allowance for Appalachia</i> .....               |        |        |        |        |        |        | 3        | 107    |
| <i>Allowance for contingencies</i> .....            |        |        |        |        |        |        | 100      | 400    |
| Deduct interfund transactions.....                  | 355    | 694    | 654    | 633    | 513    | 664    | 833      | 600    |
| Total administrative budget expenditures.....       | 80,342 | 76,539 | 81,515 | 87,787 | 92,642 | 97,684 | 97,481   | 99,687 |

## TRUST FUND EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

| Description                                 | Actual        |               |               |               |               |               | Estimate      |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 1959          | 1960          | 1961          | 1962          | 1963          | 1964          | 1965          | 1966          |
| National defense.....                       | 229           | 256           | 196           | 366           | 679           | 487           | 811           | 982           |
| International affairs and finance.....      | 21            | 48            | 13            | 15            | 44            | 62            | -106          | 258           |
| Space research and technology.....          |               |               |               |               |               | *             | *             | *             |
| Agriculture and agricultural resources..... | 645           | 458           | 416           | 398           | 507           | 496           | 615           | 495           |
| Natural resources.....                      | 94            | 116           | 183           | 112           | 122           | 137           | 137           | 175           |
| Commerce and transportation.....            | 2,493         | 2,831         | 2,505         | 2,662         | 2,877         | 3,482         | 3,932         | 3,690         |
| Housing and community development.....      | 1,263         | 1,439         | -273          | 1,524         | -36           | 1,889         | 233           | 783           |
| Health, labor, and welfare.....             | 14,306        | 16,358        | 19,236        | 20,382        | 21,855        | 22,733        | 23,386        | 26,549        |
| Education.....                              | 1             | 1             | 1             | 1             | 2             | 2             | 2             | 2             |
| Veterans benefits and services.....         | 651           | 673           | 811           | 733           | 835           | 666           | 641           | 514           |
| General government.....                     | 10            | 17            | 16            | 20            | 19            | 18            | 19            | 20            |
| Deposit funds (net).....                    | -60           | -78           | 203           | -544          | 146           | -567          | -47           | 30            |
| Deduct interfund transactions.....          | 135           | 908           | 515           | 528           | 505           | 521           | 579           | 599           |
| <b>Total trust fund expenditures.....</b>   | <b>19,521</b> | <b>21,212</b> | <b>22,793</b> | <b>25,141</b> | <b>26,545</b> | <b>28,885</b> | <b>29,045</b> | <b>32,898</b> |

\*Less than one-half million dollars.

## Government Employment and Population, 1942-66

The following table presents data on employment and population. The figures for the Federal Government include all employment—full-time and part-time—in the executive branch. Legislative and judicial branch employment is excluded.

Both the total population and State and local employment have risen more than Federal executive branch employment in the last two decades. This trend will continue in 1966.

| Year                 | Government employment                   |  |                                       |  | Population                         |   |
|----------------------|---|--|---------------------------------------|--|------------------------------------|---|
|                      | Federal executive branch<br>(thousands) | State and local governments<br>(thousands) | All governmental units<br>(thousands) | Federal as percent of all governmental units | Total United States<br>(thousands) | Federal employment per 1,000 population |
| 1942.....            | 2,272                                   | 3,310                                      | 5,582                                 | 40.7   | 135,361                            | 16.8                                    |
| 1943.....            | 3,274                                   | 3,184                                      | 6,458                                 | 50.7   | 137,250                            | 23.9                                    |
| 1944.....            | 3,304                                   | 3,092                                      | 6,396                                 | 51.7   | 138,916                            | 23.8                                    |
| 1945.....            | 3,787                                   | 3,104                                      | 6,891                                 | 55.0   | 140,468                            | 27.0                                    |
| 1946.....            | 2,666                                   | 3,305                                      | 5,971                                 | 44.6   | 141,936                            | 18.8                                    |
| 1947.....            | 2,082                                   | 3,568                                      | 5,650                                 | 36.8   | 144,698                            | 14.4                                    |
| 1948.....            | 2,044                                   | 3,776                                      | 5,820                                 | 35.1   | 147,208                            | 13.9                                    |
| 1949.....            | 2,075                                   | 3,906                                      | 5,981                                 | 34.7   | 149,767                            | 13.9                                    |
| 1950.....            | 1,934                                   | 4,078                                      | 6,012                                 | 32.2   | 152,271                            | 12.7                                    |
| 1951.....            | 2,456                                   | 4,031                                      | 6,487                                 | 37.9   | 154,878                            | 15.9                                    |
| 1952.....            | 2,574                                   | 4,134                                      | 6,708                                 | 38.4   | 157,553                            | 16.3                                    |
| 1953.....            | 2,532                                   | 4,282                                      | 6,814                                 | 37.2   | 160,184                            | 15.8                                    |
| 1954.....            | 2,382                                   | 4,552                                      | 6,934                                 | 34.4   | 163,026                            | 14.6                                    |
| 1955.....            | 2,371                                   | 4,728                                      | 7,099                                 | 33.4   | 165,931                            | 14.3                                    |
| 1956.....            | 2,372                                   | 5,064                                      | 7,436                                 | 31.9   | 168,903                            | 14.0                                    |
| 1957.....            | 2,391                                   | 5,380                                      | 7,771                                 | 30.8   | 171,984                            | 13.9                                    |
| 1958.....            | 2,355                                   | 5,630                                      | 7,985                                 | 29.5   | 174,882                            | 13.5                                    |
| 1959.....            | 2,355                                   | 5,806                                      | 8,161                                 | 28.9   | 177,830                            | 13.2                                    |
| 1960.....            | 2,371                                   | 6,073                                      | 8,444                                 | 28.1   | 180,684                            | 13.1                                    |
| 1961.....            | 2,407                                   | 6,295                                      | 8,702                                 | 27.7   | 183,756                            | 13.1                                    |
| 1962.....            | 2,485                                   | 6,533                                      | 9,018                                 | 27.6   | 186,656                            | 13.3                                    |
| 1963.....            | 2,490                                   | 6,813                                      | 9,303                                 | 26.8   | 189,375                            | 13.1                                    |
| 1964.....            | 2,469                                   | 7,140                                      | 9,609                                 | 25.7   | 192,072                            | 12.9                                    |
| 1965 (estimate)..... | 2,469                                   |  |                                       | 24.9   |                                    | 12.7                                    |
| 1966 (estimate)..... | 2,496                                   |  |                                       | 24.3   |                                    | 12.6                                    |

**Notes:**

Employment data are for June.

Population data are for July 1 and include Hawaii and Alaska.

An official projection of population and of State and local government employment for 1965 and 1966 is not available. The percentages and ratios shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local employment.

## Receipts From and Payments to the Public, 1959-66

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       |                |
|--|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
|  | 1959          | 1960          | 1961          | 1962           | 1963           | 1964           | 1965           | 1966           |
| <i>Receipts from the public:</i>   |               |               |               |                |                |                |                |                |
| Individual income taxes.....   | 36,719        | 40,715        | 41,338        | 45,571         | 47,588         | 48,697         | 47,000         | 48,200         |
| Corporation income taxes.....  | 17,309        | 21,494        | 20,954        | 20,523         | 21,579         | 23,493         | 25,600         | 27,600         |
| Excise taxes.....  | 10,578        | 11,676        | 11,860        | 12,534         | 13,194         | 13,731         | 14,372         | 13,709         |
| Employment taxes.....  | 8,767         | 11,067        | 12,405        | 12,561         | 14,862         | 16,832         | 16,685         | 18,731         |
| Estate and gift taxes.....   | 1,333         | 1,606         | 1,896         | 2,016          | 2,167          | 2,394          | 2,800          | 3,200          |
| Customs.....   | 925           | 1,105         | 982           | 1,142          | 1,205          | 1,252          | 1,415          | 1,520          |
| Deposits by States, unemployment insurance.....                            | 1,701         | 2,167         | 2,398         | 2,729          | 3,009          | 3,042          | 2,950          | 2,900          |
| Veterans life insurance premiums.....                                      | 478           | 482           | 504           | 501            | 494            | 494            | 494            | 491            |
| Other budget and trust receipts.....                                       | 3,851         | 4,766         | 4,905         | 4,288          | 5,641          | 5,596          | 6,068          | 7,139          |
| <b>Total, receipts from the public.....</b>                                | <b>81,660</b> | <b>95,078</b> | <b>97,242</b> | <b>101,865</b> | <b>109,739</b> | <b>115,530</b> | <b>117,384</b> | <b>123,490</b> |
| <i>Payments to the public:</i>   |               |               |               |                |                |                |                |                |
| National defense.....  | 46,673        | 45,915        | 47,685        | 51,462         | 53,429         | 54,514         | 52,847         | 52,546         |
| International affairs and finance.....                                     | 3,420         | 2,806         | 3,608         | 3,976          | 3,805          | 3,492          | 3,636          | 4,153          |
| Of which Food for Peace.....   | (1,120)       | (1,327)       | (1,653)       | (1,726)        | (1,779)        | (1,704)        | (1,661)        | (1,661)        |
| Space research and technology.....   | 145           | 401           | 744           | 1,257          | 2,552          | 4,171          | 4,900          | 5,100          |
| Agriculture and agricultural resources (not including Food for Peace)..... | 6,030         | 3,645         | 3,728         | 4,458          | 5,703          | 5,846          | 4,650          | 4,113          |
| Natural resources.....   | 1,754         | 1,822         | 2,101         | 2,223          | 2,456          | 2,595          | 2,847          | 2,852          |
| Commerce and transportation.....   | 4,545         | 4,819         | 5,107         | 5,487          | 5,777          | 6,545          | 7,362          | 6,549          |
| Housing and community development.....                                     | 2,141         | 1,440         | -103          | 1,691          | -268           | 1,674          | -178           | 652            |
| Health, labor, and welfare.....  | 18,017        | 19,107        | 22,364        | 23,975         | 25,698         | 27,285         | 28,868         | 34,091         |
| Education.....   | 733           | 867           | 945           | 1,052          | 1,214          | 1,299          | 1,463          | 2,611          |
| Veterans benefits and services.....  | 5,910         | 5,907         | 6,187         | 6,092          | 5,971          | 6,107          | 5,985          | 5,111          |
| Interest.....  | 5,350         | 7,233         | 7,257         | 6,940          | 7,427          | 8,011          | 8,461          | 8,813          |
| General government.....  | 1,475         | 1,558         | 1,678         | 1,837          | 1,953          | 2,221          | 2,353          | 2,396          |
| Deposit funds (net).....   | -60           | -78           | 203           | -544           | -194           | -567           | -47            | 30             |
| Undistributed adjustments.....   | -1,382        | -1,114        | -1,960        | -2,224         | -1,771         | -2,862         | -1,756         | -1,620         |
| <b>Total, payments to the public.....</b>                                  | <b>94,752</b> | <b>94,328</b> | <b>99,542</b> | <b>107,662</b> | <b>113,751</b> | <b>120,332</b> | <b>121,393</b> | <b>127,398</b> |
| Excess of receipts (+) or payments (-).....                                | -13,092       | +750          | -2,300        | -5,797         | -4,012         | -4,802         | -4,009         | -3,908         |

## Expenditures and New Obligational Authority by Agency

The following table indicates the 1966 expenditure estimates 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 1966 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 .....                            | 193                         | 2             | 225                                     | 2             |
| The Judiciary .....                                 | 89                          | *             | 90                                      | 1             |
| Executive Office of the President .....             | 29                          |               | 29                                      |               |
| Funds appropriated to the President:                |                             |               |   |               |
| Mutual defense and development:                     |                             |               |   |               |
| Military Assistance .....                           | 1,100                       | 976           | 1,170                                   | 1,139         |
| Economic Assistance .....                           | 2,100                       | 2             | 2,210                                   | 1             |
| Public works acceleration program .....             | 145                         |               |   |               |
| Office of Economic Opportunity .....                | 1,346                       |               | 1,500                                   |               |
| Other .....   | 179                         | *             | 713                                     | *             |
| Department of Agriculture .....                     | 6,357                       | 63            | 6,622                                   | 67            |
| Department of Commerce .....                        | 810                         | 3,913         | 1,099                                   | 3,976         |
| Department of Defense:                              |                             |               |   |               |
| Military .....                                      | 47,900                      | 5             | 47,395                                  | 5             |
| Civil .....   | 1,337                       | 30            | 1,380                                   | 30            |
| Department of Health, Education, and Welfare .....  | 7,776                       | 20,398        | 9,780                                   | 19,608        |
| Department of the Interior .....                    | 1,174                       | 124           | 1,324                                   | 106           |
| Department of Justice .....                         | 377                         | 171           | 374                                     |               |
| Department of Labor .....                           | 565                         | 3,345         | 729                                     | 3,982         |
| Post Office Department .....                        | 714                         |               | 858                                     |               |
| Department of State .....                           | 416                         | 10            | 407                                     | 10            |
| Treasury Department .....                           | 12,862                      | 21            | 12,957                                  | 21            |
| Atomic Energy Commission .....                      | 2,530                       | *             | 2,481                                   | *             |
| Federal Aviation Agency .....                       | 750                         |               | 729                                     |               |
| General Services Administration .....               | 612                         | *             | 627                                     | *             |
| Housing and Home Finance Agency .....               | 454                         | 178           | 712                                     | 162           |
| National Aeronautics and Space Administration ..... | 5,100                       | *             | 5,260                                   | *             |
| Veterans Administration .....                       | 4,649                       | 507           | 5,683                                   | 714           |
| Other .....   | 113                         | 3,297         | 1,316                                   | 4,229         |
| District of Columbia .....                          | 103                         | 455           | 99                                      | 458           |
| Allowance for Appalachia .....                      | 107                         |               |   |               |
| Allowance for contingencies .....                   | 400                         |               | 650                                     |               |
| Deduct interfund transactions .....                 | 600                         | 599           |   |               |
| <b>Total .....</b>                                  | <b>99,687</b>               | <b>32,898</b> | <b>106,417</b>                          | <b>34,512</b> |

\*Less than one-half million dollars.

<sup>1</sup> Of which \$12.9 billion in administrative budget funds and \$34.0 billion in trust funds do not require current action by the Congress.



# Administrative Budget Totals and Public Debt, 1789-1966

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 also 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 are not as comprehensive as the totals for 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 <sup>1</sup> | Fiscal year | Administrative budget receipts | Administrative budget expenditures | Surplus (+) or deficit (-) | Public debt at end of year <sup>1</sup> |
|-------------|--------------------------------|------------------------------------|----------------------------|---|-------------|--------------------------------|------------------------------------|----------------------------|---|
| 1789-1849   | 1,160                          | 1,090                              | +70                        | 63                                      | 1932        | 1,924                          | 4,659                              | -2,735                     | 19,487                                  |
| 1850-1899   | 13,895                         | 14,932                             | -1,037                     | 1,437                                   | 1933        | 1,997                          | 4,598                              | -2,602                     | 22,539                                  |
| 1900        | 567                            | 521                                | +46                        | 1,263                                   | 1934        | 3,015                          | 6,645                              | -3,630                     | 27,734                                  |
| 1901        | 388                            | 525                                | +63                        | 1,222                                   | 1935        | 3,706                          | 6,497                              | -2,791                     | 32,824                                  |
| 1902        | 562                            | 485                                | +77                        | 1,178                                   | 1936        | 3,997                          | 8,422                              | -4,425                     | 38,497                                  |
| 1903        | 562                            | 517                                | +45                        | 1,159                                   | 1937        | 4,956                          | 7,733                              | -2,777                     | 41,089                                  |
| 1904        | 541                            | 584                                | -43                        | 1,136                                   | 1938        | 5,588                          | 6,765                              | -1,177                     | 42,018                                  |
| 1905        | 544                            | 567                                | -23                        | 1,132                                   | 1939        | 4,979                          | 8,841                              | -3,862                     | 45,890                                  |
| 1906        | 595                            | 370                                | +25                        | 1,145                                   | 1940        | 5,137                          | 9,055                              | -3,918                     | 48,497                                  |
| 1907        | 666                            | 379                                | +87                        | 1,147                                   | 1941        | 7,096                          | 13,255                             | -6,159                     | 55,332                                  |
| 1908        | 602                            | 659                                | -57                        | 1,178                                   | 1942        | 12,547                         | 34,037                             | -21,490                    | 76,991                                  |
| 1909        | 604                            | 694                                | -89                        | 1,148                                   | 1943        | 21,947                         | 79,368                             | -57,420                    | 140,796                                 |
| 1910        | 676                            | 694                                | -18                        | 1,147                                   | 1944        | 43,563                         | 94,986                             | -51,423                    | 202,626                                 |
| 1911        | 702                            | 691                                | +11                        | 1,154                                   | 1945        | 44,362                         | 98,303                             | -53,941                    | 259,115                                 |
| 1912        | 693                            | 690                                | +3                         | 1,194                                   | 1946        | 39,650                         | 60,326                             | -20,676                    | 269,898                                 |
| 1913        | 714                            | 715                                | -*                         | 1,193                                   | 1947        | 39,677                         | 38,923                             | +754                       | 258,376                                 |
| 1914        | 725                            | 725                                | -*                         | 1,188                                   | 1948        | 41,375                         | 32,955                             | +8,419                     | 252,366                                 |
| 1915        | 683                            | 746                                | -63                        | 1,191                                   | 1949        | 37,663                         | 39,474                             | -1,811                     | 252,798                                 |
| 1916        | 762                            | 713                                | +48                        | 1,225                                   | 1950        | 36,422                         | 39,544                             | -3,122                     | 257,377                                 |
| 1917        | 1,100                          | 1,954                              | -853                       | 2,976                                   | 1951        | 47,480                         | 43,970                             | +3,510                     | 255,251                                 |
| 1918        | 3,630                          | 12,662                             | -9,032                     | 12,455                                  | 1952        | 61,287                         | 65,303                             | -4,017                     | 259,151                                 |
| 1919        | 5,085                          | 18,448                             | -13,363                    | 25,485                                  | 1953        | 64,671                         | 74,120                             | -9,449                     | 266,123                                 |
| 1920        | 6,649                          | 6,357                              | +291                       | 24,299                                  | 1954        | 64,420                         | 67,537                             | -3,117                     | 271,341                                 |
| 1921        | 5,567                          | 5,058                              | +509                       | 23,977                                  | 1955        | 60,209                         | 64,389                             | -4,180                     | 274,418                                 |
| 1922        | 4,021                          | 3,285                              | +736                       | 22,963                                  | 1956        | 67,850                         | 66,224                             | +1,626                     | 272,825                                 |
| 1923        | 3,849                          | 3,137                              | +713                       | 22,350                                  | 1957        | 70,562                         | 68,966                             | +1,596                     | 270,634                                 |
| 1924        | 3,853                          | 2,890                              | +963                       | 21,251                                  | 1958        | 68,556                         | 71,369                             | -2,819                     | 276,444                                 |
| 1925        | 3,598                          | 2,881                              | +717                       | 20,516                                  | 1959        | 67,915                         | 80,342                             | -12,427                    | 284,817                                 |
| 1926        | 3,753                          | 2,888                              | +865                       | 19,643                                  | 1960        | 77,763                         | 76,539                             | +1,224                     | 286,471                                 |
| 1927        | 3,992                          | 2,837                              | +1,155                     | 18,512                                  | 1961        | 77,659                         | 81,515                             | -3,856                     | 289,211                                 |
| 1928        | 3,872                          | 2,933                              | +939                       | 17,604                                  | 1962        | 81,409                         | 87,787                             | -6,378                     | 298,645                                 |
| 1929        | 3,861                          | 3,127                              | +734                       | 16,931                                  | 1963        | 86,376                         | 92,642                             | -6,266                     | 306,466                                 |
| 1930        | 4,058                          | 3,320                              | +738                       | 16,185                                  | 1964        | 89,459                         | 97,684                             | -8,226                     | 312,526                                 |
| 1931        | 3,116                          | 3,577                              | -462                       | 16,801                                  | 1965 est.   | 91,200                         | 97,481                             | -6,281                     | 316,900                                 |
|             |                                |                                    |                            |   | 1966 est.   | 94,400                         | 99,687                             | -5,287                     | 322,500                                 |

\*Less than one-half million dollars.

<sup>1</sup> Includes Government enterprise debt guaranteed by the U.S. Treasury.

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, 1942-65

Since the gross national product (GNP) is the total of all the goods and services produced by the Nation in a given year, its trend is a useful measure of the growth of the economy. By calculating annual Federal outlays as a percentage of GNP, it is possible to tell at a glance how these outlays 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 <sup>1</sup> |                |
|---------------------|------------------------|------------------------------------|----------------|-----------------------------|----------------|---|----------------|--------------------------|----------------|
|                     |                        | 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           | 77.0                     | 54.8           |
| 1943.....           | 178.4                  | 79.4                               | 44.5           | 78.9                        | 44.2           | 72.4                                    | 40.6           | 140.8                    | 78.9           |
| 1944.....           | 202.8                  | 95.0                               | 46.8           | 94.0                        | 46.4           | 85.6                                    | 42.2           | 202.6                    | 99.9           |
| 1945.....           | 218.3                  | 98.3                               | 45.0           | 95.2                        | 43.6           | 90.0                                    | 41.2           | 259.1                    | 118.7          |
| 1946.....           | 202.8                  | 60.3                               | 29.7           | 61.7                        | 30.4           | 41.3                                    | 20.3           | 269.9                    | 133.1          |
| 1947.....           | 223.3                  | 38.9                               | 17.4           | 36.9                        | 16.5           | 16.9                                    | 7.6            | 258.4                    | 115.7          |
| 1948.....           | 246.6                  | 33.0                               | 13.4           | 36.5                        | 14.8           | 16.6                                    | 6.7            | 252.4                    | 102.3          |
| 1949.....           | 261.6                  | 39.5                               | 15.1           | 40.6                        | 15.5           | 21.8                                    | 8.3            | 252.8                    | 96.6           |
| 1950.....           | 263.9                  | 39.5                               | 15.0           | 43.1                        | 16.4           | 20.0                                    | 7.6            | 257.4                    | 97.5           |
| 1951.....           | 310.7                  | 44.0                               | 14.2           | 45.8                        | 14.7           | 26.5                                    | 8.5            | 255.3                    | 82.2           |
| 1952.....           | 338.8                  | 65.3                               | 19.3           | 68.0                        | 20.1           | 47.7                                    | 14.1           | 259.2                    | 76.5           |
| 1953.....           | 359.7                  | 74.1                               | 20.6           | 76.8                        | 21.3           | 56.8                                    | 15.8           | 266.1                    | 74.0           |
| 1954.....           | 362.0                  | 67.5                               | 18.7           | 71.9                        | 19.9           | 53.9                                    | 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.....           | 408.4                  | 66.2                               | 16.2           | 72.5                        | 17.8           | 45.2                                    | 11.1           | 272.8                    | 66.8           |
| 1957.....           | 433.0                  | 69.0                               | 15.9           | 80.0                        | 18.5           | 48.3                                    | 11.2           | 270.6                    | 62.5           |
| 1958.....           | 440.1                  | 71.4                               | 16.2           | 83.5                        | 19.0           | 50.5                                    | 11.5           | 276.4                    | 62.8           |
| 1959.....           | 466.6                  | 80.3                               | 17.2           | 94.8                        | 20.3           | 53.9                                    | 11.6           | 284.8                    | 61.0           |
| 1960.....           | 494.7                  | 76.5                               | 15.5           | 94.3                        | 19.1           | 53.0                                    | 10.7           | 286.5                    | 57.9           |
| 1961.....           | 505.0                  | 81.5                               | 16.1           | 99.5                        | 19.7           | 54.9                                    | 10.9           | 289.2                    | 57.3           |
| 1962.....           | 539.3                  | 87.8                               | 16.3           | 107.7                       | 20.0           | 60.0                                    | 11.1           | 298.6                    | 55.4           |
| 1963.....           | 568.0                  | 92.6                               | 16.3           | 113.8                       | 20.0           | 63.6                                    | 11.2           | 306.5                    | 54.0           |
| 1964.....           | 604.0                  | 97.7                               | 16.2           | 120.3                       | 19.9           | 66.1                                    | 10.9           | 312.5                    | 51.7           |
| 1965 (estimate).... | 640.0                  | 97.5                               | 15.2           | 121.4                       | 19.0           | 65.9                                    | 10.3           | 316.9                    | 49.5           |

<sup>1</sup> Includes Government enterprise debt guaranteed by the U.S. Treasury.



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