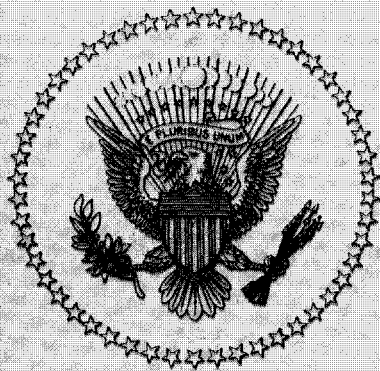


THE BUDGET IN BRIEF

FISCAL YEAR 1967

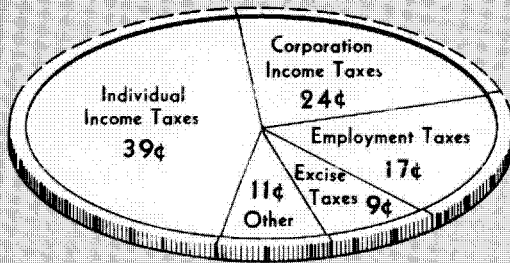


EXECUTIVE OFFICE OF THE PRESIDENT • BUREAU OF THE BUDGET

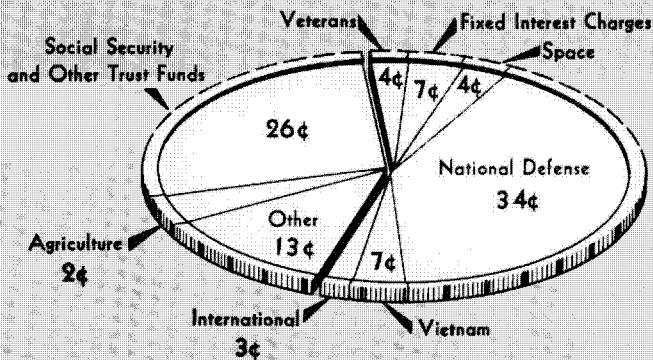
THE GOVERNMENT DOLLAR

Administrative Budget and Trust Funds

Where it comes from . . .



Where it goes . . .



Fiscal Year 1967 Estimate

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FROM THE PRESIDENT'S BUDGET MESSAGE

We cannot fight for peace and freedom in Vietnam, while sacrificing individual dignity and opportunity at home. For it would be a hollow victory if our pursuit of world peace were carried out at the expense of domestic progress.

Yet we must also recognize that a truly Great Society looks beyond its own borders. The freedom, health, and prosperity of all mankind are its proper concern.

The struggle in Vietnam must be supported. The advance toward a Great Society at home must continue unabated.

This budget provides the means for both these goals.

I urge the support of Congress and all Americans for its principles and its programs.



JANUARY 24, 1966.

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 approval 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. *Appropriations* are the most common form of obligational authority.

Obligations.—Commitments made to pay out money—as distinct from the actual *payment* for the product or service. They must be made within the amounts authorized by Congress and are incurred, for example, when personnel earn salaries, purchasing contracts are made, or loan agreements are 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.—Combines the administrative budget with the trust funds, showing the flow of cash between the Government and the public. This statement is often referred to as Receipts from and Payments to the Public.

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

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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.

INTRODUCTION

The 1967 budget, like its predecessors, has several important uses. It is the culmination of many months of executive planning and evaluation. As such, it embodies the President's *plan* for meeting national needs. The budget is also an important *instrument of economic policy*, since Government taxes and expenditures influence the spending decisions of individuals and businesses. It is a *financial report* to Congress and to the people on how the Federal Government is spending the funds entrusted to it. At the same time, the budget is also a *request for legislation*, since congressional sanction is needed before the proposals can be translated into action. Finally, the budget brings together the facts and figures needed for the discussion, refinement, and declaration of many of our national goals—first within the executive branch and finally in the Congress.

Congress begins its consideration shortly after receiving the budget in January, about 6 months before the start of the fiscal year. This is an arduous task, encompassing thousands of pages of supporting material. Congress then passes judgment on the various revenue and spending proposals. Once approval is granted, Federal agencies undertake the programs which have been authorized. The Treasury, as the Government's central receiving and disbursing agent, collects the taxes and pays the agencies' bills.

Two different sets of figures are often discussed in connection with the budget—the *administrative* budget and *consolidated cash* payments and receipts. The administrative budget is the one most often referred to in congressional discussions and in the press. The budget totals on a consolidated cash basis are more comprehensive since they include expenditures and receipts in *both* the administrative budget *and* the trust funds.

This booklet discusses the budget program for fiscal year 1967, the relationship between the budget and the national economy, and the budget process—from formulation, through congressional enactment, to final agency spending.

PART 1

THE BUDGET: A MULTIPURPOSE TOOL

The Federal budget serves many purposes. Consequently, it must be examined from several points of view. Individual budget *programs* have the basic purpose of meeting the pressing national needs of a growing and dynamic society. The budget is also an essential instrument for more efficient *administration* of the Government's programs. Beyond these more traditional roles, the overall relationship of *total budget payments and receipts* constitutes an important factor in the achievement of an expanding and healthy economy through its influence on private investors and consumers.

A PROGRAM TO MEET NATIONAL NEEDS

The programs in the 1967 budget reflect a balanced effort to meet our heavy defense and foreign policy responsibilities and to continue progress toward essential domestic objectives. The overall revenue and expenditure totals in the budget are designed to accomplish these objectives while maintaining steady economic growth.

Among the prime responsibilities of our government is defense against aggression. Today we are incurring heavy costs both in actual combat against those who would destroy the independence of South Vietnam, and in maintaining and improving those forces needed to deter potential aggressors elsewhere. As citizens in a world of shrinking distances, our own destinies are bound up with the fate of other nations. Recognizing this fact, we are providing economic and military assistance to the developing nations of the free world to safeguard their independence and to assist them in helping themselves to build strong, healthy economies.

This budget presents a responsible fiscal program. It accommodates our foreign and domestic responsibilities in an environment of strong but noninflationary economic growth.—From the President's budget message, January 24, 1966.

The quickening tempo of social and economic change places mounting demands on the *domestic* programs of the Federal Government. The rapid growth in population, higher standards of living, and the expanding productive power of our society create new problems—problems of urban decay and congestion, of air and water pollution, of people and regions left behind in the general economic advance, of rising aspirations for a fuller existence. The Congress in 1965 enacted a series of important new measures to meet these objectives. The budget provides substantial funds to move forward with the new programs. But because of the mounting cost of defending freedom in Southeast Asia and the necessity to guard against inflation at home, the rate of advance is less than would otherwise have been the case. Even more importantly the budget reflects an especially careful review of older and lower priority programs, many of which have been reduced or modified to lessen their demand for Federal resources.

Budget Highlights

A detailed discussion of the budget program is presented in part 2. In summary, that program will enable us:

- To meet our international commitments with unmistakable resolve—by constantly improving our powerful national defenses, by helping South Vietnam defend its freedom, and by providing needed assistance to less developed nations;
- To promote balanced, inflation-free prosperity—by insuring that revenues and expenditures continue to be appropriate to the needs of the economy;
- To continue the attack on poverty—by further strikes at its root causes—ignorance, disease, unemployment, and discrimination.

- To enrich the quality of American life—by improving the education, health, and cultural opportunities open to our citizens;
- To create an environment worthy of a strong and prosperous Nation—by enhancing its natural beauty, purifying its air and water, and improving its housing and transportation facilities;
- To provide for future generations the bounties of rich natural resources—by encouraging forward-looking conservation practices and by harnessing our unsurpassed food production techniques to better serve national objectives; and
- To meet our foreign and domestic goals efficiently—by improving the management of Federal programs, cutting the cost of operations, and pruning lower priority activities.

To meet these goals an estimated \$145.0 billion of Federal payments to the public will be required in 1967. This is an increase of \$10.0 billion over the comparable amount in 1966. Estimated cash receipts of \$145.5 billion will yield a cash *surplus* of about \$500 million in 1967 compared with a *deficit* of \$6.9 billion in 1966.

FEDERAL RECEIPTS FROM AND PAYMENTS TO THE PUBLIC

(Fiscal years. In billions)

Source	1965 actual	1966 estimate	1967 estimate
FEDERAL RECEIPTS			
Administrative budget receipts.....	\$93.1	\$100.0	\$111.0
Trust fund receipts.....	31.0	33.5	41.6
Deduct: Intragovernmental transactions and other adjustments.....	4.4	5.4	7.1
Total receipts from the public.....	119.7	128.2	145.5
FEDERAL PAYMENTS			
Administrative budget expenditures.....	96.5	106.4	112.8
Trust fund expenditures.....	29.6	33.8	37.9
Deduct: Intragovernmental transactions and other adjustments.....	3.7	5.2	5.7
Total payments to the public.....	122.4	135.0	145.0
Excess of receipts (+) or payments (—).....	—2.7	—6.9	+0.5

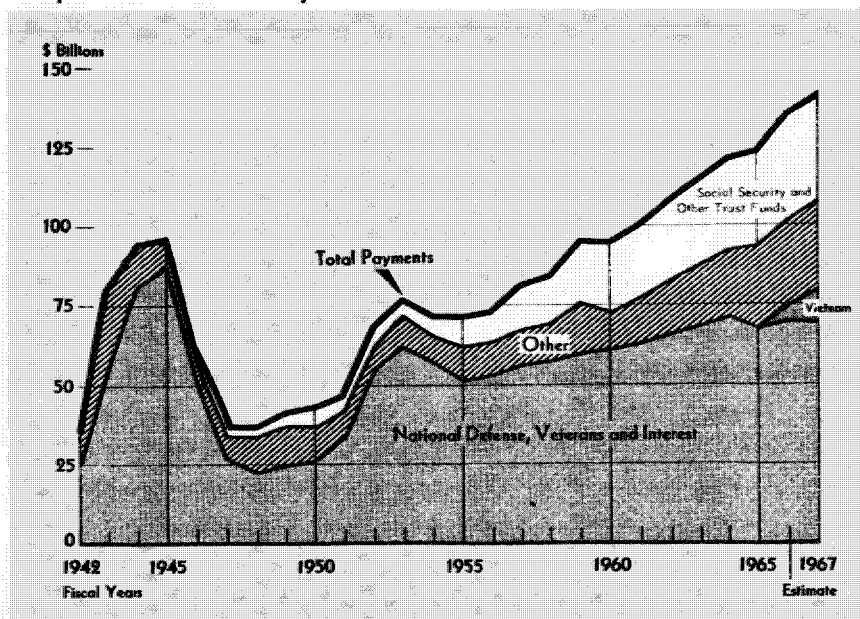
Changing Federal Programs

A dynamic world requires adapting budget programs to new or changing needs. In response to this requirement, there will be significant changes in 1967 in the spending for individual programs.

Briefly the major components of total payments¹ in 1967 will be:

- \$79.1 billion for *national defense, veterans and interest*. This is 55% of total payments, representing the costs of past wars and current preparedness.
- \$37.9 billion for the self-financed social security, highway and other *trust funds*, accounting for 26% of total payments. More than 85% of these funds finance *Great Society* programs.
- \$12.9 billion for the other essential *Great Society* programs in the fields of health, labor, welfare, education, housing and community development. This represents 9% of total payments and is the most rapidly growing segment of the budget.
- \$15.1 billion for all other Federal programs—about 10% of total payments.

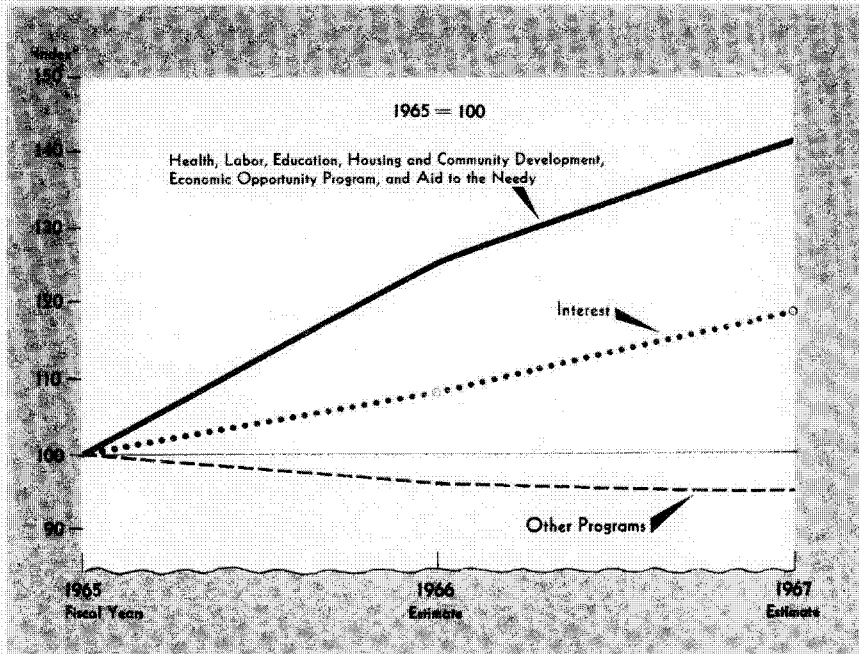
Composition of Federal Payments



¹The 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.

While one important aspect of the budget is the composition of total payments, another important element is how it changes from year to year. The chart below shows the relative growth in selected portions of total *civilian* payments (excluding national defense) since 1965.

Changes in Civilian Payments 1965-1967



A PROGRAM FOR BETTER MANAGEMENT

The Federal budget is an important vehicle for both devising and managing Government programs. Through the budget process, the President performs the difficult tasks of assigning priorities—deferring, restricting, or rejecting some programs to provide funds for more urgent tasks. The need for such priorities was particularly acute this year. Some programs will rise less than would have been the case in more normal times. Others, of lower priority, have been reduced.

To assist him in his decision-making role, the President has instituted a new Planning-Programming-Budgeting system in the major agencies of the Government and encouraged other agencies to apply its principles wherever practical. First, the appropriate goals or objectives

of the various Government agencies will be carefully identified in the light of national needs, and *explicitly* stated in terms of programs and alternatives designed to meet those needs. Next, wherever possible, ways of measuring output or performance will be devised for each of the programs. Finally, the accomplishments and costs associated with each existing or proposed program will be evaluated and compared in as precise and concrete terms as possible. This step is crucial. For essential to good government is the ability of agency heads, the President, and Congress to choose among carefully formulated and compared alternatives. To be useful for decision-making, the analysis of performance and costs must be *complete*. They should include, for example, not only the costs of building a hospital but the continuing costs of operating and maintaining it once built. Moreover, the future should be taken into account by assembling the costs and results of developing and operating the system for a relevant time period—for example, 5 years.

The Planning-Programing-Budgeting system will be an important tool for insuring that Federal programs are undertaken only in response to real needs, that these programs are the most efficient means of meeting these needs, and that approved programs are carried out in the most economical way.

Cost Reduction

A significant byproduct of more systematic means of making program decisions will be broader opportunities for cost savings—savings which can be transferred to high priority Government activities, or reflected in future tax reductions. The fruits of sound management in Government are striking:

- The Department of Defense built its cost savings up to an annual level of \$4.8 billion by 1965, compared with 1961. Other measures being taken will ultimately raise the annual value of these savings to more than \$6 billion.
- The civilian cost reduction program will reduce the cost of operating the Government by about \$1 billion in each of the years 1966 and 1967.

For example, NASA saved \$88 million in procurement mainly by converting from reimbursement to incentive contracts; the Social Security Administration is saving \$12 million by further automating the computation of benefits; and the Post Office will save an estimated \$23 million as a result of increased productivity in processing mail.

Efficiency and economy are promoted not only by cost reduction but also by timely reorganization and the adoption of modern management systems. A number of important reorganizations were accomplished in the past year, and further changes will be recommended by the President. Additional emphasis will be given to the improvement of productivity in Government operations and to the management of automatic data processing systems.

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

Calendar year 1966 marks the twentieth anniversary of the Employment Act of 1946—which charged the Federal Government with specific responsibility for promoting “maximum employment, production, and purchasing power.” This declaration explicitly recognized, two decades ago, that the revenue and expenditure policies of the Government have a major influence on the health and growth of the Nation’s economy. The President uses the budget as the principal vehicle to propose policies and programs to meet the Government’s economic responsibilities.

The past 5 years of unprecedented prosperity are due in large part to the attention given in recent budgets to the objectives of the Employment Act. For example:

- *Employment* increased by nearly 5½ million new jobs during the period—a rate of growth one-third greater than during the preceding 5 years. Unemployment fell from a high of almost 7% to just over 4% today.
- *Production* in the Nation rose an average of 5.5% each year—compared to less than 2.5% per year for the earlier 5-year period.
- *Purchasing power* has been protected against erosion. Prices paid by consumers inched upward at an annual average of about 1.3%—a rate one-third slower than that of the preceding 5 years.

Our current success in nearly closing the gap between actual production, and that of which our economy is capable, requires that particularly careful attention be given to prices. The 1967 budget was drawn up in full light of all the factors affecting the economy; its programs are designed to meet the Nation's needs without sacrificing hard-earned gains to inflation.

Taxes and the Economy

Among the major forces at work in achieving this prosperous half decade have been the Government's tax policies—influencing the dollars available for consumers to spend and for businesses to invest. In the past 3 years, taxes on individual and corporate incomes have been cut substantially, many excise taxes have been reduced or eliminated, and several other investment incentives have been adopted. In each instance, the size and nature of the specific tax policy were carefully geared to the needs of the economy.

In the early part of the 1960's the economy was lagging behind its potential. Unemployment was high and much industrial plant capacity was idle. By increasing the purchasing power of consumers and business firms, the tax cuts promoted strong and continuing economic growth, with a consequent reduction in unemployment and unused plant capacity.

While tax revenues have an effect on the economy, the economy has an equally important effect on revenues. Since the major Federal taxes are levied as a percentage of income, revenues depend as much on the level of the Nation's income as they do on the tax rates. Thus, despite reduced tax *rates*, revenues have risen substantially throughout the period as the economic *base* has expanded.

A growing economy provides rising Federal revenues and expanding economic resources both for meeting our military and international commitments and for moving closer to our Great Society goals. But this does not relieve us of the obligation to weigh expenditure decisions carefully and carry them out efficiently. Inflation need not be the price of social progress; nor should it be a cost of defending freedom.—From the President's budget message, January 24, 1966.

FEDERAL RECEIPTS FROM THE PUBLIC

[Fiscal years. In billions]

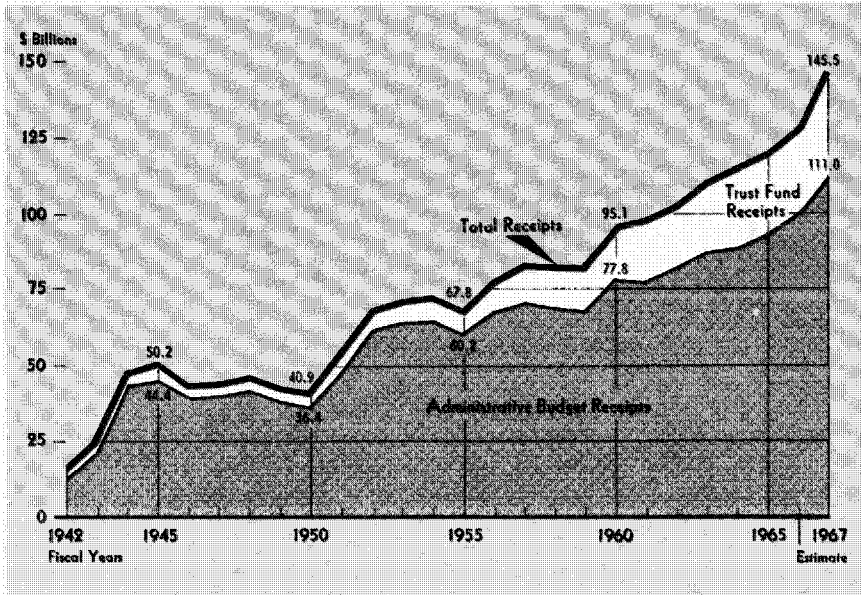
Source	1965 actual	1966 estimate	1967 estimate
ADMINISTRATIVE BUDGET RECEIPTS			
Individual income taxes	\$48.8	\$51.4	\$56.2
Corporation income taxes	25.5	29.7	34.4
Excise taxes	10.9	9.2	8.9
Other	7.9	9.7	11.5
Total, administrative budget receipts	93.1	100.0	111.0
TRUST FUND RECEIPTS			
Social security receipts (employment taxes)	16.9	18.8	24.3
Deposits by States, unemployment insurance	3.1	2.9	2.9
Gasoline and other highway excise taxes	3.7	3.9	4.4
Other	7.4	8.0	10.0
Total, trust fund receipts	31.0	33.5	41.6
Deduct: Intragovernmental transactions and other adjustments	4.4	5.4	7.1
Total, receipts from the public	119.7	128.2	145.5

The economic situation at the present time is quite different than it has been in recent years. The unemployment rate has been substantially reduced. Much of the earlier years' idle plant capacity has been absorbed by higher output. Because of the costs of meeting our responsibilities in Vietnam, the Federal Government's use of manpower and industrial resources will rise more this year than in other recent years. Under these conditions, fiscal policy must emphasize restraint rather than stimulation.

The budget recommends several tax measures to increase revenues. Without changing the amount of taxes corporations pay, the Government proposes to speed up the collection of those taxes, so that they are paid closer in time to when income is earned. Similarly, reforms in the withholding system on personal taxes are proposed, which will also bring more individuals closer to a "pay-as-you-earn" position. Finally, it is proposed to defer the reductions in excise taxes on telephone service and automobiles which were scheduled for January 1, 1966, and later years. Combined, these measures will add \$1.2 billion to Federal revenues in 1966 and \$4.8 billion in 1967.

In addition to these tax changes, a payroll tax and wage base increase to finance higher social security benefits and the new hospital insurance programs were enacted by the Congress last year and took effect on January 1, 1966; another payroll tax increase is scheduled for January 1, 1967. These increases will raise cash budget receipts by \$1.5 billion in 1966 and \$6.2 billion in 1967.

Federal Receipts



In fairness to the taxpayers and to encourage efficient use of Government-financed transportation facilities, a number of new or increased user charges are being proposed this year. These charges are designed to assure that travelers and shippers who obtain special benefits from Government air, land, and water transportation programs pay an appropriate share of the costs. Increases are essential for completing the Interstate Highway System on a pay-as-you-go basis and for financing certain additional services to highway users.

Expenditures and the Economy

Just as Federal taxes affect the Nation's economy, so also do Federal expenditures. Considerable attention has been given this year, as in the past, to carefully weighing the needs of the Nation against what it can afford to provide.

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 how Federal Government finances 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 \$142.7 billion in 1967. Of this total, \$74.4 billion will be spent directly by the Federal Government to purchase goods and services to carry out its programs—mainly for national defense. The remainder does not represent direct Federal purchases, but mainly payments to individuals and State and local governments who, in turn, use the funds for their own purposes. Examples are veterans' pensions, social security benefits, and grants to State and local governments for highway construction, public assistance, fighting poverty, and other important programs.

While 1966 expenditures exceed revenues by \$2.2 billion on a national income basis, the 1967 deficit on the same basis has been cut substantially to only \$0.5 billion. This reflects the movement toward greater economic restraint on the part of the Federal Government.

The Balance of Payments

Our foreign trade position, as measured by the balance of payments, has benefited from economic growth and relative price stability. The basic strength of our position is shown by the substantial excess of our exports of goods and services over our imports—despite a temporary reduction in this excess in 1965. Voluntary efforts to curb the flow of U.S. private investment overseas, coupled with strict controls over Government spending abroad, are largely responsible for the substantial improvement in our balance-of-payments position in calendar year 1965. In 1965, the payments deficit was cut in half from the 1964 amount, to about \$1.3 billion.

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 with stable prices. These, in turn, will further improve our competitive position abroad and strengthen our balance of payments.

THE BUDGET IN PERSPECTIVE

The Federal Government provides a wide range of *public services*—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 requirements for services from the Federal Government, and for Federal assistance to State and local governments in meeting the needs of their citizens.

Over the last decade alone, population increased by nearly 30 million people. Changes in the age distribution and location of our people increase public service demands over and above what this total growth, alone, would require.

First, population has increased markedly in *age groups under 18 or over 65 which have greater need* for such public services as education or social security. These groups have increased by more than 25% over the past 10 years and now constitute over 45% of our people.

Second, the number of *people living in urban areas* has increased in this same decade more than 30%, and now makes up about 70% of the population.

The *quantitative* changes outlined above paint only part of the picture of growing Federal responsibilities. Our society has changed *qualitatively*, as well. The standard of living has risen dramatically. 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 nearly 25% over the past decade. As our level of living increases we not only desire better private goods and services, but we demand and can afford better *public services* as well. Just as old automobiles or washing machines have little appeal, outdated public health, substandard education, or ineffective pollution control practices are also unacceptable.

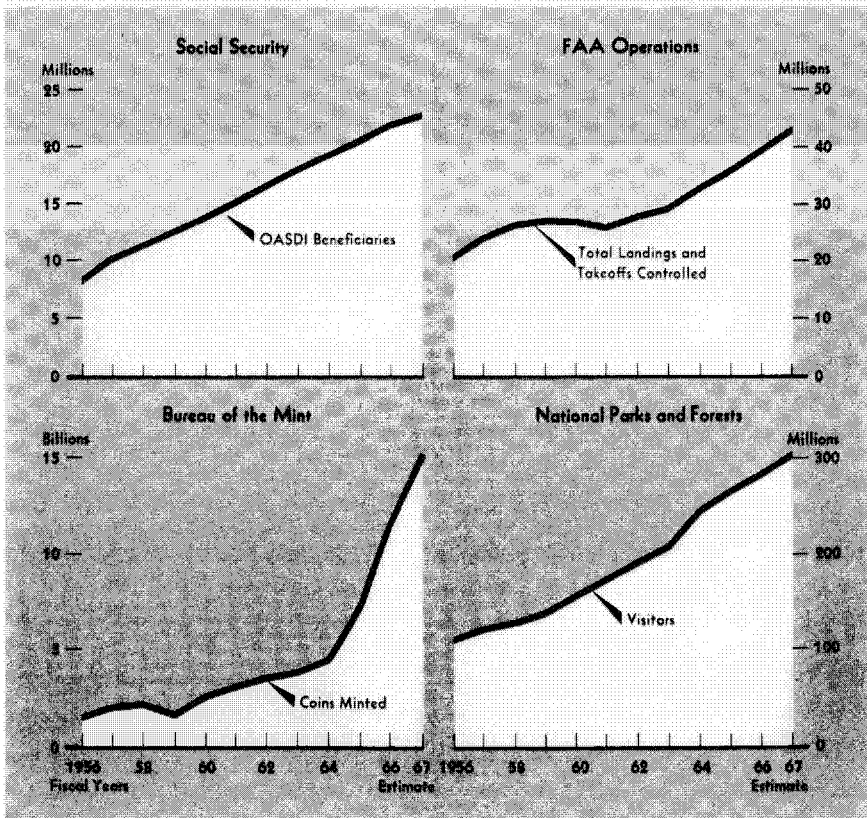
The efforts to eliminate poverty, strengthen education in poorer areas, and develop lagging regions of the country, all demonstrate an

increasingly acute social awareness—a force which not only demands better public services, but wants them equally for *all*.

The soaring workloads of Federal agencies stem directly from these steadily increasing requirements for more and better public services. For example, between 1957 and 1967:

- The number of active urban renewal projects will have risen by 305%.
- Visitors to our national parks will have increased by more than 110%.
- The number of occupied public housing units will have grown by nearly 70%.
- Enrollees in vocational education programs will have risen by more than 80%.

Selected Program Trends

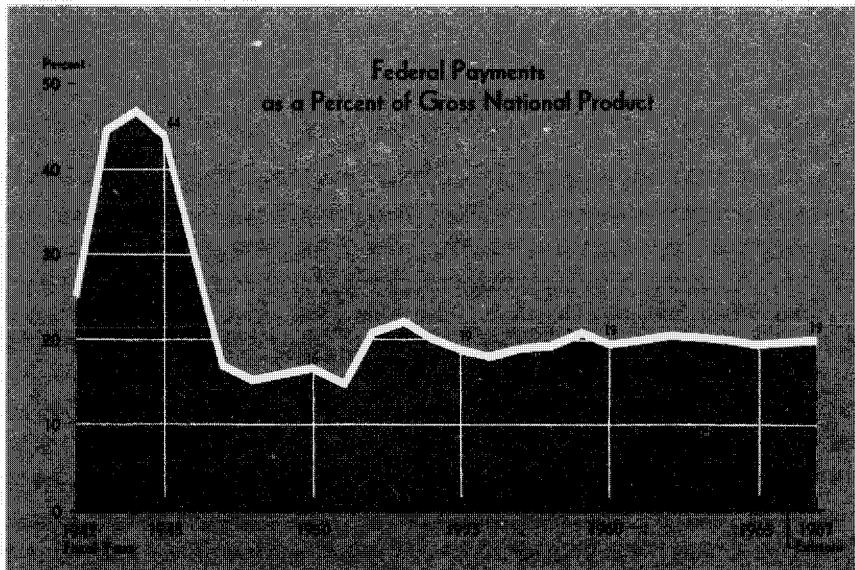


Public Use of the Nation's Output and Labor Force

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

For more than a decade, Federal cash payments have constituted a remarkably stable proportion of gross national product (GNP)—approximately one-fifth. This relationship will remain virtually unaltered in 1967, with Federal payments estimated to be 19% of GNP. Considering only the administrative budget, which excludes the rapidly growing trust funds, the ratio of Federal spending to GNP will be 15% in 1967, the second lowest ratio in 15 years. Only 1965 bears a smaller relationship to GNP. If the costs of Vietnam programs are excluded, regular Federal expenditures drop to 14% of GNP in 1967—lower than any recent year.

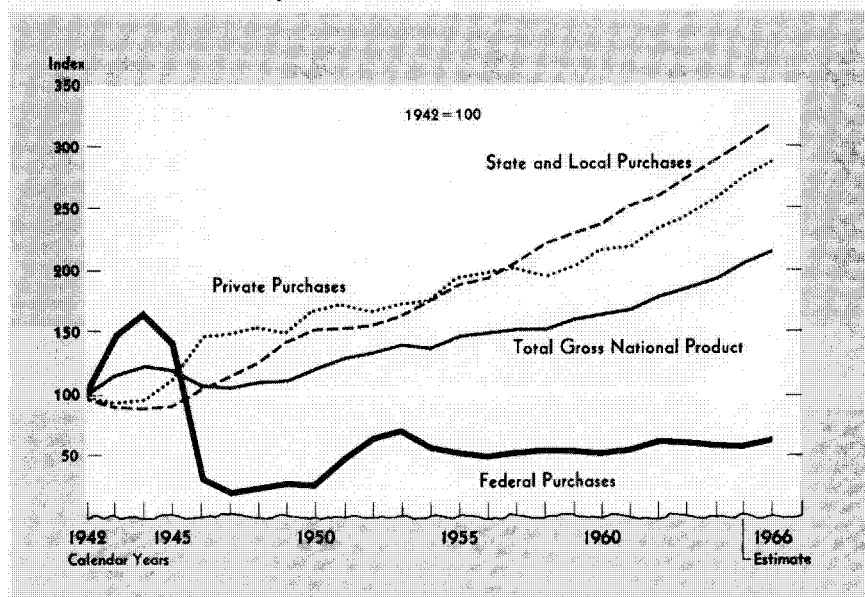
However, both administrative budget and cash figures do not fully measure the economic impact of Federal spending largely because they include transactions which do not directly affect current income or output (as explained on page 59 of this booklet). The national income



accounts make these and other necessary adjustments. On this basis, the major classifications of Federal expenditures are: purchases of goods and services, transfer payments, and grants-in-aid to State and local governments.

Federal purchases of goods and services represent the amount of national production actually used by the Federal Government. In 1957, Federal purchases of goods and services were 11% of GNP; in 1967, they are estimated to decline to about 10%. When *all* defense programs are omitted, Federal use of the national output for *civilian* purposes in 1967 constitutes less than 3% of GNP.

The Nation's Real Output: Public and Private Demand



State and local governments, in trying to meet their rapidly growing responsibilities, will have increased their purchases of current output by about 125% in the past 10 years—much more rapidly than the Federal Government. A part of this increase has been financed by Federal grant-in-aid programs. Private spending can also be expected to increase by an impressive 70% during the period. The accompanying chart shows the relative growth in spending by the major sectors of

the economy since 1942. (The amounts are in *real* terms, which means that the effects of price increases have been removed.)

The same trends are evident for Government employment. While Federal civilian employment is expected to have increased only 12.9% since 1957, the total labor force will have increased about 15%, and the population more than 15%. As a result, Federal civilian employment in 1967 will constitute a smaller proportion of total civilian employment (less than 4%) and of total population (less than 2%) than a decade earlier. In the same period, State and local governments have found it necessary to increase employment by about 60% to meet the demands facing them. Federal employment, therefore, is also a declining portion of all governmental employment—24% estimated for 1967 compared to 31% in 1957.

Aid to State and Local Governments

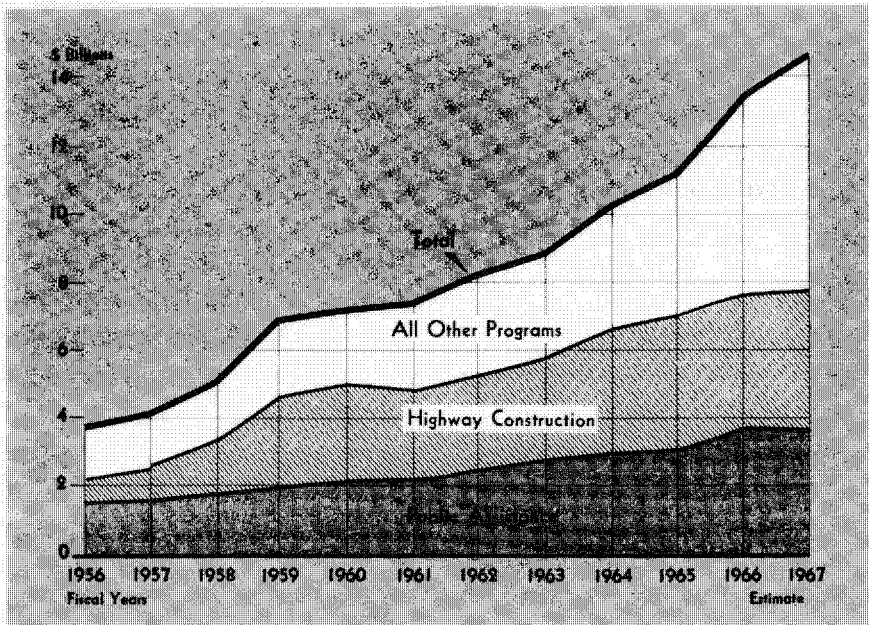
The strain on State and local government resources, implied by the expenditure and employment growth cited above, create an additional responsibility for the Federal Government—to assist these governments in meeting the burgeoning needs of their people. Federal expenditures to aid State and local governments (including loans and shared revenue as well as grants) will have grown from about \$4.1 billion in 1957 to an estimated \$14.6 billion in 1967—an increase of 256%.

These aids cover a wide variety of activities ranging from airport construction to urban renewal. In 1967, 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 1957 to about 10% currently. Federal funds have also become an important source of revenue for State and local governments, constituting about 15% of total State-local general revenue in recent years. Many of the newer Federal programs—in health, education, housing, and community development—involve the Federal Government in cooperative ventures with State and local governments in communities across the Nation.

Federal Aid to State and Local Governments

Budget and Trust Fund Expenditures



Federal expenditures for these purposes insure that many essential public needs are met at the local level, thus maintaining a workable cooperative federalism.

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 1966, it is expected to be \$320.0 billion.

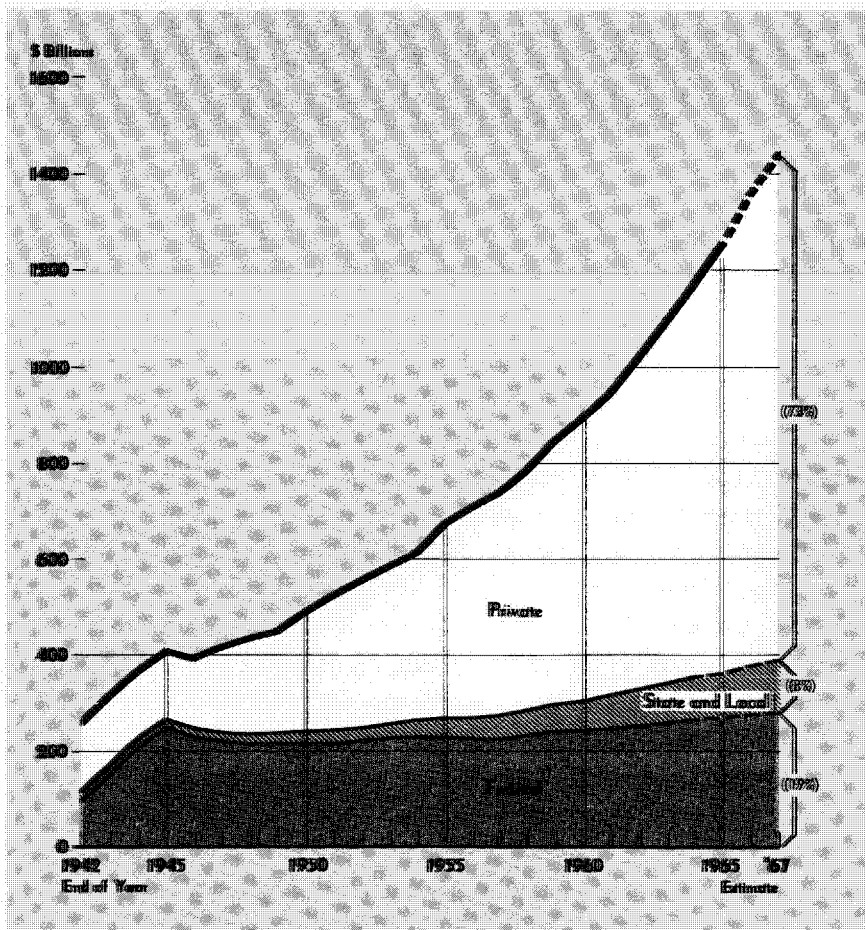
While the debt will increase \$1.7 billion in 1967, to \$321.7 billion, it will continue to decline in relation to the size of our economy. As a percentage of the gross national product, the public debt has declined sharply since 1947—from 118% to less than 46% today. As the economy continues to expand, the public debt should become a continually smaller proportion of gross national product.

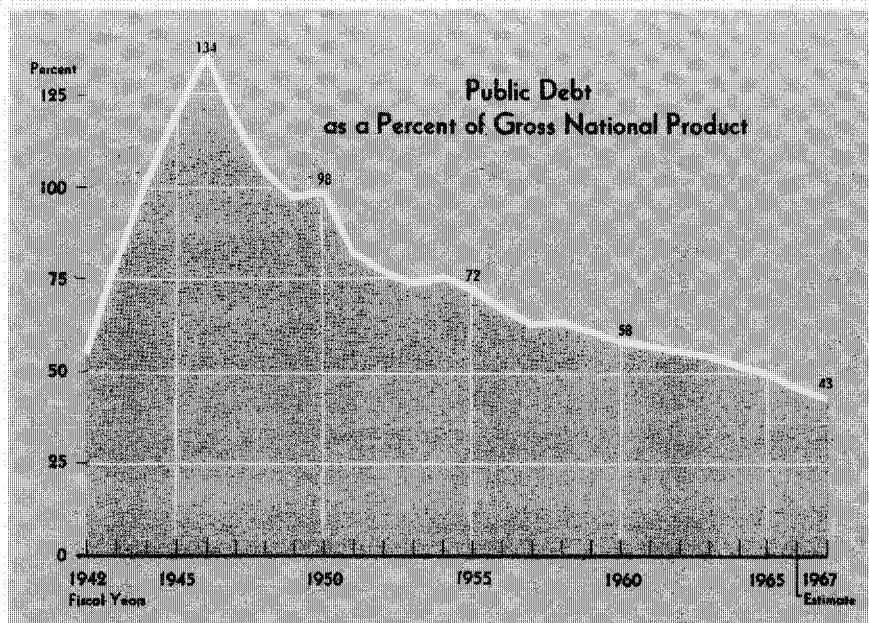
Moreover, Federal debt has grown much more slowly than other kinds of debt. The national debt has grown only 25% since 1947.

while private debt has risen about 500% and the debt of State and local governments almost 650%.

On June 30, 1965, individual Americans *directly* owned 22% of the public debt in the form of savings bonds and other Government securities and shared *indirectly* in an additional 28% as depositors in banks and savings institutions, and owners of insurance policies. Another 20% 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. The bulk of these amounts also represent indirect holdings of individual Americans. Only 5% of the debt was owed to foreign citizens.

Net Public and Private Debt





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 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 1967, net Federal investment expenditures, other than for defense and space, will total 8.4 billion. This total would be substantially higher were it not for the sale of almost \$5 billion of financial assets, as a result of increased efforts to substitute private credit for Federal lending programs wherever appropriate.

Outlays for *other developmental purposes* are also grouped and shown separately, since they yield benefits of increased productivity over many years. These will total \$7.4 billion in 1967 for such human development programs as education, training, and research.

Net expenditures for investment and for other developmental purposes in 1967 will constitute 11% of total Federal payments and about 20% of outlays excluding defense and space.

Our military needs are heavy. But they have not led us to a short-sighted policy of abandoning the war on poverty, ignorance, blight, and disease. We will continue to advance toward our goals for a Great Society.—From the President's budget message, January 24, 1966.

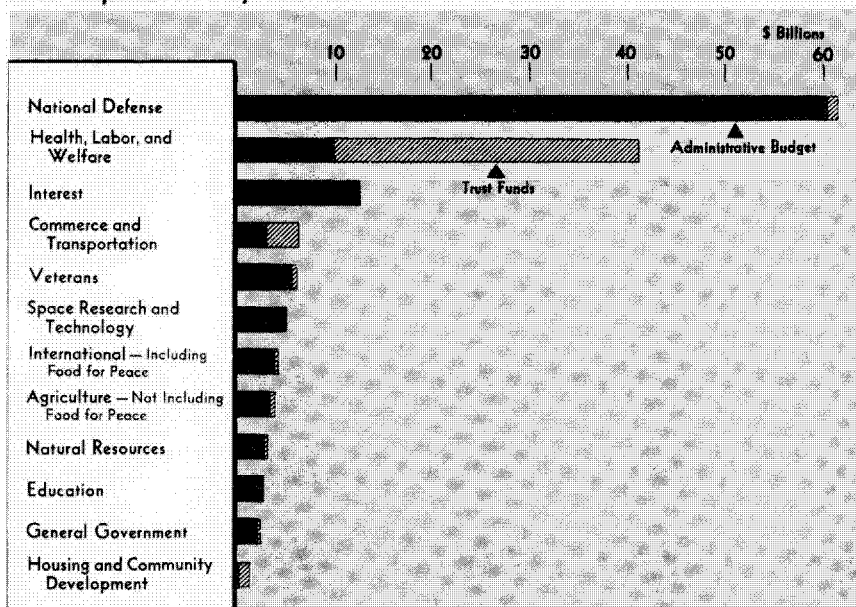
PART 2

THE BUDGET PROGRAM BY FUNCTION

The expenditures of the Federal Government are grouped into 12 functional categories according to the general purpose served, even though programs are carried on by many different agencies. The chart below¹ indicates the estimated scale of each of these functions.

The only activities not classified by purpose are those covered under a special allowance for contingencies, estimated at \$350 million in 1967. This allowance, which is separate from the specific appropriation requests proposed in the budget, assures that the budget totals make provision for needs and costs which are unknown at this time, and for proposals now under study.

1967 Expenditures by Function



¹ The figures in this section 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, as they have been in calculating the totals.

NATIONAL DEFENSE

1967 Expenditures { Administrative Budget. \$60.5 Billion
Trust Funds..... \$ 0.9 Billion

This Nation is faced with two fundamental defense tasks. We must maintain and continue to improve the powerful strategic and conventional war forces needed to meet all forms of threat to our vital interests. At the same time that we seek peace, we must provide whatever forces and equipment are needed to fulfill our commitment in South Vietnam. Funds requested in the 1967 budget and the supplemental requests for the current year will enable us to meet the requirements in Southeast Asia which can now be foreseen, without weakening forces devoted to other missions.

Principally because of the heightened conflict in Vietnam, expenditures for national defense in 1967 are estimated at \$61.4 billion, \$4.0 billion more than in 1966. Total expenditures are lower than they might otherwise be, however, because of savings from vigorous cost-reduction efforts, prompt retirement of obsolete weapon systems and unneeded installations, and postponement of certain activities not critical to our efforts in Southeast Asia.

Aside from special Vietnam costs, regular national defense payments would actually decline from \$52.8 billion in 1966 to \$51.1 billion in 1967.

Department of Defense—Military

Expenditures by the Department of Defense, as shown in the accompanying chart, are for the pay of military personnel, purchase of weapons and equipment, operation and maintenance of equipment and facilities, research and development, civil defense, and the construction of needed facilities.

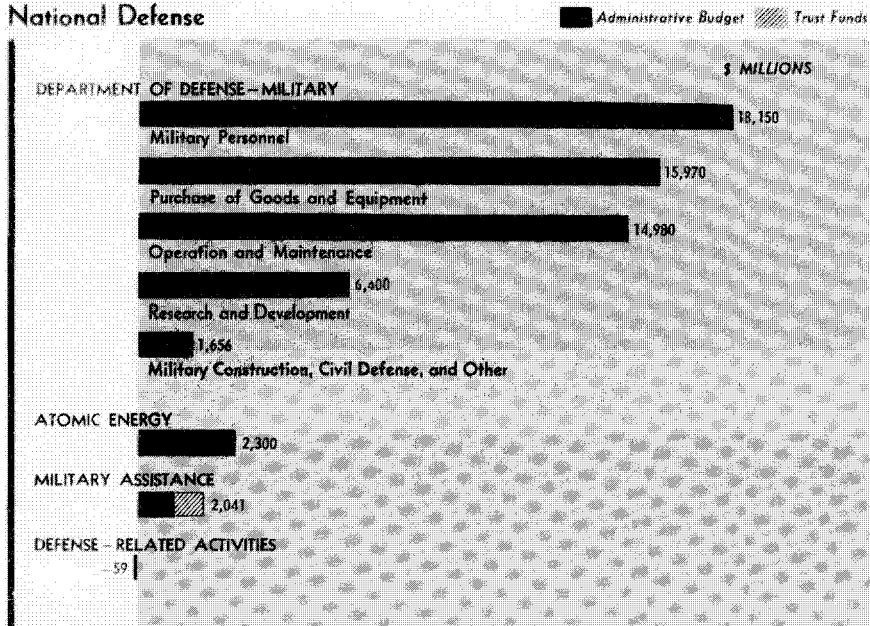
However, for purposes of planning, the Department of Defense has found it useful to consider its financial needs another way—in terms of major programs. Each program groups all forces, regardless of military service, according to major military mission.

Strategic retaliatory forces.—These forces are the primary deterrent to nuclear attack against the United States and its allies. In 1967, we will begin procurement of the new Minuteman III missile for future deployment. Current missile forces will be strengthened with the addition of more Minuteman II and Polaris A-3 missiles. We will begin purchasing the new FB-111 bomber, which will be used to replace bombers being phased-out in future years. Development of

the Poseidon submarine-launched ballistic missile and a new short-range air-to-surface missile (SRAM) will continue.

Continental air and missile defense forces.—Our defense forces include a combination of systems to warn against attack, weapons to resist attack, and civil defense programs to increase the population's survival from attack. Currently, the threat of bomber attack relative to missile attack is declining, permitting further downward adjustments in interceptor systems. Development of the NIKE-X antimissile system will continue in 1967, and programs to identify more civil defense shelters, as well as to increase the capacity of existing shelters, will proceed.

National Defense



General-purpose forces.—Our ground, sea, and air forces are equipped and trained to respond to conventional, limited, and guerrilla wars. The 1967 budget provides for the needs of our forces in Vietnam. It also continues the progress already made in improving the readiness, mobility, and firepower of the Armed Forces, and in particular includes further acquisition of modern supplies, equipment, and nonnuclear ordnance. Significant additions include the light-weight Lance surface-to-surface missile, the first large-scale purchase of the F-111A tactical fighter for the Air Force, and another nuclear-powered aircraft carrier.

Airlift-sealift forces.—These forces include the ships and planes required to concentrate our military forces rapidly and to sustain them in combat. This ability may significantly reduce the duration and destructiveness of a conflict. Procurement will begin for the new C-5A transport aircraft and contracts will be awarded for designing a new class of fast deployment logistic ships—involving a new concept in ship construction and more efficient operation than existing ships.

Reserve forces.—Present defense planning requires highly trained reserve units—not just large numbers of men—which can be mobilized and deployed quickly in an emergency. To achieve needed combat readiness, the Secretary of Defense has proposed a major realignment of the Army reserve components, disbanding units for which there is no foreseeable need, and improving required units through increased manning and equipment levels. All remaining paid drill units would be placed in the National Guard.

Research and development.—The 1967 budget will continue support of a vigorous research and development program. This category does not represent the total research and development effort. Projects approved for procurement, such as the C-5A, are included in appropriate mission-oriented programs. The 1967 budget provides for projects for limited and conventional war—such as an armed helicopter for close fire support and advanced air-to-air and air-to-surface missiles. Funds will be increased in 1967 for development of an advanced surface-to-air missile (SAM-D). Development of the manned orbiting laboratory (MOL) will also proceed.

General support.—Defense-wide support activities include training, intelligence, security, command, control, and communications, as well as supply, housing, and medical services. Improvements in communications—including those with South Vietnam—will continue to be emphasized in 1967. In addition, the recent buildup in Vietnam has necessitated increases in other support operations.

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 1967 will fall by \$90 million to \$2.3 billion, as the procurement of uranium and the production of special nuclear materials and nuclear weapons decline. Continued emphasis will be given to civilian nuclear power reactor development and to physical and biomedical research. Development efforts will be intensified on the long-range objective of the civilian power program—"fast breeder" power reactors, which would produce more fuel than they consume. Work on the peaceful applications of radioisotopes and nuclear explosives (Project Plowshare) will also continue in 1967.

Military Assistance

The security of the free world cannot be guarded by one nation alone. Recognizing that the loss of freedom anywhere is a vital concern to all free peoples, the United States provides assistance to nations unable by themselves to support adequate military forces.

Today, our military aid is concentrated in the less prosperous and more vulnerable countries close to Communist China and the Soviet Union.

Defense-Related Services

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

INTERNATIONAL AFFAIRS AND FINANCE

1967 Expenditures	{	Administrative Budget. \$4.2 Billion
		Trust Funds..... \$0.1 Billion

World peace, social and economic advancement, mutual understanding—these are the primary aims of the Government's international programs. The Department of State is responsible for conducting our foreign relations and advising the President on policies to further the objectives of the United States and the free world. Overseas information and exchange programs acquaint people of other lands with our people, our ideals, and our positions on world issues.

Economic assistance supports U.S. foreign policy objectives by strengthening the ability of developing nations to help themselves achieve economic and social progress. To support our effort in Vietnam, expenditures for Southeast Asia economic assistance will be increased.

Conduct of Foreign Affairs

High caliber representation abroad and in international organizations is a continuing need for a world leader. Six years ago the State Department maintained diplomatic and consular posts in 82 countries; today it maintains representatives in 113 countries. In addition, the United States is a member of the United Nations and participates in over 60 other international organizations and programs.

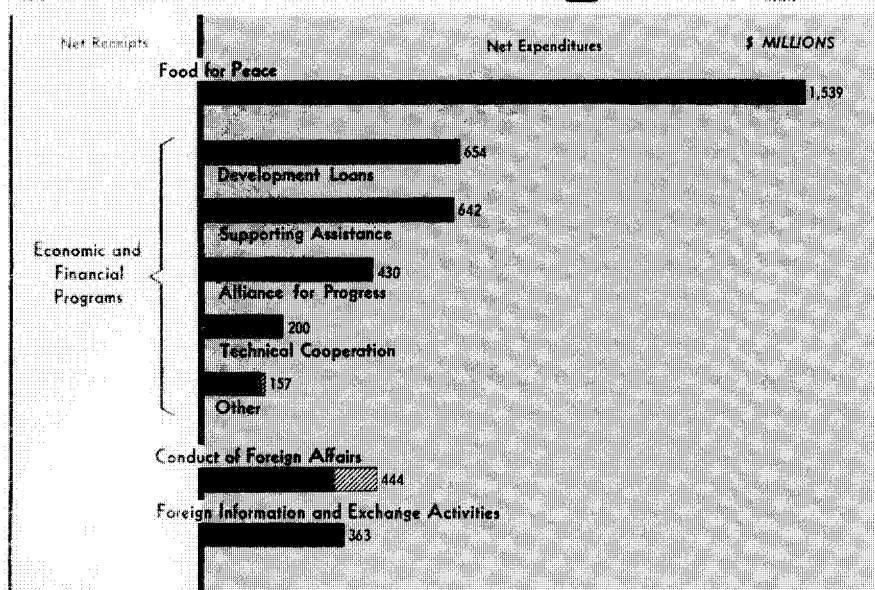
Economic and Financial Programs

These programs are based on the premise that both the security of the American nation and the innate compassion of its people are served by measures to help the millions of people in the developing countries build strong economies and free societies. The basic approach is one of supplementing local resources in support of self-help efforts—through long-term development loans and technical and supporting assistance. In 1967 particular emphasis will be given to measures to improve the levels of the health, education, and agricultural production in these nations.

Development loans and technical cooperation.—Long-term, low-interest loans supplement local resources for such key activities as the construction of schools and transportation facilities. In the coming year loan assistance will continue to be concentrated in a relatively small number of key nations. The United States also pays part of the costs of U.S. advisers, whose experience and technical skills are needed in solving complex problems of economic and social development.

Alliance for Progress.—The Alliance for Progress encourages the economic and social reforms needed to promote orderly economic and political development in Latin America. Financial and technical assistance is provided in relation to each country's progress in undertaking necessary reforms.

International Affairs and Finance



Supporting assistance.—The United States provides commodities, equipment, and technical advice to countries facing immediate threats to their stability and security.

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

- The Peace Corps will expand its work in less developed countries in education, community development, health, and agriculture.
- The Export-Import Bank finances and guarantees export loans and insures U.S. exports. It also sells participating interests in loans to private investors. Receipts from these sales and loan repayments are estimated to exceed disbursements by \$309 million in 1967.
- Continued U.S. support will be provided to the International Development Association and the Inter-American Development Bank's Fund for Special Operations, to enable them to make loans on terms which developing nations can afford. Proposed legislation would permit the United States to become a charter member of the new Asian Development Bank.

Food for Peace

Agricultural commodities are made available to help feed hungry people and contribute to economic development abroad. About two-thirds of the Food for Peace program consists of sales of commodities to foreign nations for their own currencies. Expenditures in 1967 are estimated at \$1.5 billion. The total volume of food shipped is expected to exceed the 1966 level.

Since food production in the developing countries has not been keeping pace with the requirements of expanding populations, we are intensifying our efforts to promote increased agricultural production in the less developed countries themselves. To this end, legislation will be proposed for a new Food for Peace program, which will be closely coordinated with increased economic assistance for agricultural development.

Foreign Information and Exchange Activities

The Department of State and the U.S. Information Agency conduct various programs aimed at improving the world's understanding of our Nation and our foreign policy. Motion pictures, radio and television broadcasts, and cultural and educational exchange activities are some of the techniques used.

SPACE RESEARCH AND TECHNOLOGY

1967 Administrative Budget Expenditures.. \$5.3 Billion

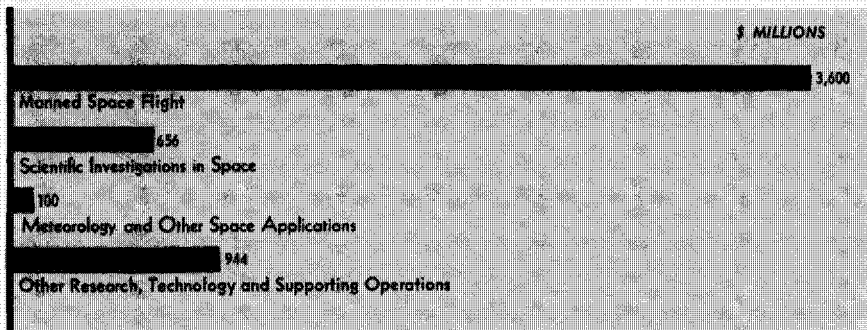
The National Aeronautics and Space Administration's development programs are the foundation for man's continued success in solving the mysteries of space. Remarkable progress has already been made toward the accomplishment of a manned lunar mission in this decade. The space systems obtained through this program will provide the capability for future manned space ventures. Other important programs will involve the continued use of complex unmanned spacecraft.

Because such progress has already been made in these programs, and equivalent new programs have not been started, expenditures are estimated to decline \$300 million from 1966 to \$5.3 billion in 1967.

Manned space flight.—In 1967, about two-thirds of the funds for NASA space programs will be for manned space flight activities. The highly successful Gemini program will be concluded during 1967.

The next step will be the launching of the Apollo spacecraft for both manned and unmanned testing. In the initial manned flights, the Apollo spacecraft will be launched into earth orbit by Saturn IB rockets. The first unmanned test flight of the powerful Saturn V rocket also will occur in 1967. The Saturn V—which generates over 16 times the thrust of the rockets currently being used in the Gemini program—will be used to launch the Apollo spacecraft on the manned lunar mission before the end of this decade.

Space Research and Technology



Scientific investigations in space.—In preparation for the manned lunar landing, unmanned investigations of the moon will be intensified in 1967—using the Surveyor spacecraft, which will land on the moon, and the Lunar Orbiter, which will orbit and photograph the moon. Large unmanned astronomical observatories will enable astronomers to observe the universe from outside the earth's atmosphere. Mariner spacecraft will travel to Venus in 1967 and to Mars in 1969. The first unmanned Voyager landings on the surface of Mars in the 1970's are now being planned.

Meteorology and other space applications.—The Nimbus satellite will test new data-gathering instruments for use in weather forecasting. Flights of the Applications Technology Satellite will be made in 1967 for experiments on a variety of space applications—such as communications, meteorology, and space science.

Other research, technology, and supporting operations.—These activities include research in aeronautics and new spacecraft systems, as well as operation of worldwide networks to track spacecraft. NASA will continue to provide research grants to colleges and universities, and training grants for advanced degree candidates.

AGRICULTURE AND AGRICULTURAL RESOURCES

1967 Expenditures	{ Administrative Budget.	\$3.4 Billion
	{ Trust Funds.....	\$0.6 Billion

Our increasingly efficient agricultural production is a source of strength for the Nation. It provides us with an abundant supply of high quality food. It also enables us to help other nations improve their nutrition. At the same time, the reduced number of people needed in farming creates special problems for the rural economy.

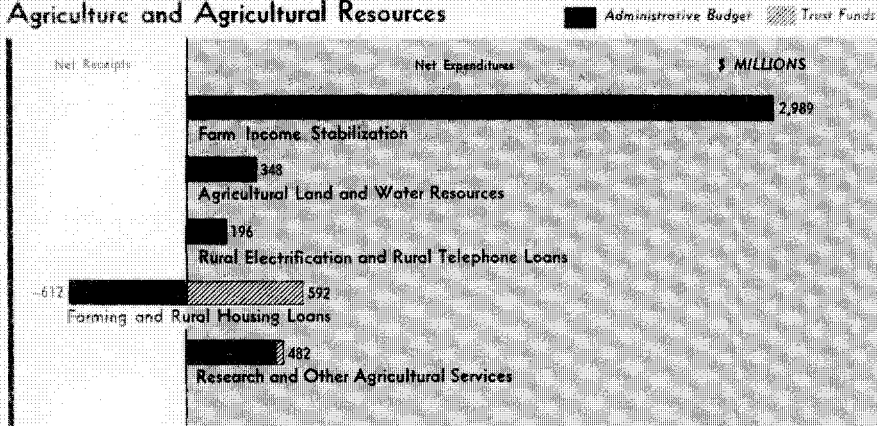
Federal programs are being adapted to the changes in agricultural and rural conditions. Under the Food and Agriculture Act of 1965, greater emphasis in farm commodity programs will be placed on direct payments to farmers—rather than on high support prices through commodity loans—to encourage cooperation in farm production control and to shore up farm income. Through broader Federal programs to improve the opportunities of all low-income people, increasing assistance will be given to low-income rural families. The recently established Rural Community Development Service is being expanded to assist in this effort.

Farm income stabilization.—Expenditures in 1967 for farm income stabilization are estimated at \$3.0 billion, \$145 million less than in 1966. Under the new cropland adjustment program, the Federal Government is sharing the costs to farmers of diverting cropland from cotton, feed grains, or wheat to recreational and other uses. The President's National Advisory Commission on Food and Fiber will review present farm programs in the course of its comprehensive study of our agricultural and related foreign trade policies.

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. In 1967, there will be a substantial increase in grants and loans to finance rural water and sewer facilities. Legislation is being proposed to authorize sales of shares in direct loans made by the Farmers Home Administration. These sales will further increase private financing of rural credit programs.

Agricultural land and water resources.—The Government provides assistance to farmers for undertaking selected conservation practices on their farms. Twenty resource conservation and development pilot projects, aimed at promoting the economic growth of rural areas, will be continued in 1967. Planning assistance for additional areas will be initiated during the year.

Agriculture and Agricultural Resources



Rural electrification and telephone loans.—The Rural Electrification Administration makes low-interest loans to furnish and improve electric and telephone services in rural areas. Continued emphasis on reasonable contracts for REA-financed systems to purchase power from other suppliers will reduce the need for generation and transmission loans.

Research and other agricultural services.—In 1967, the Department of Agriculture will continue to improve its research and other agricultural services through construction of necessary facilities and by increasing grants and contracts for research. Special research and extension efforts will assist in the development of the Appalachian region. Emphasis also will be placed on research on environmental problems, such as safe and effective methods of controlling the pests and diseases that attack plants and livestock.

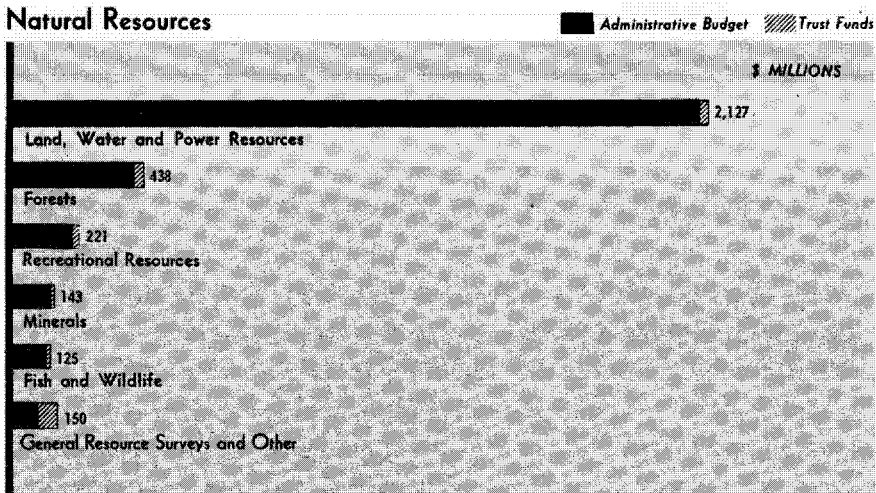
A system of user fees is proposed again to cover the cost of Federal meat and poultry inspection. Since this inspection adds to the market value of the products, its cost should not be made a general charge on all taxpayers.

NATURAL RESOURCES

1967 Expenditures { Administrative Budget. \$3.1 Billion
 Trust Funds..... \$0.1 Billion

The prudent use and development of our vast resource endowment are essential to future national strength. Resource development activities of the Federal Government are coordinated with similar programs of States, local governments, and private interests.

Land, water, and power resources.—These programs, which account for two-thirds of all expenditures for natural resources, provide for the efficient development and use of the Nation's water resources. They include flood control, irrigation, power development, navigation, water supply, and related water projects—representing national investments which yield benefits for many years to come. The Water Resources Planning Act of 1965 paved the way for the establishment of joint Federal-State river basin planning commissions and for financial aid to the States for water resources planning.



The Corps of Engineers will spend an estimated \$1.3 billion in 1967 to continue construction of water resources projects and to begin construction on 25 new projects—a decrease from the 41 new projects proposed for 1966. An enlarged flood-plain information program will help State and local governments and private citizens make better

use of flood-plain lands. The Bureau of Reclamation will undertake four new projects. The Tennessee Valley Authority will begin construction of two water resource projects and an additional steamplant unit. The watershed protection program of the Soil Conservation Service includes 35 new projects in 1967, compared with 80 projects in 1966.

The Office of Saline Water will intensify its research and development work on desalting water for municipal and industrial uses. Construction of a distillation unit, designed to advance the technology of large-scale conversion plants, will be continued.

Programs of the Bureau of Indian Affairs will improve the economic and social conditions of 380,000 American Indians. Emphasis will be placed on necessary school construction and other education needs of Indian children. Other programs will provide for irrigation development and roads on Indian reservations, and for expansion of industrial activities and housing facilities.

Forest resources.—National forest lands are a major source of the timber used by American industry. These forests also provide recreational opportunities for a large segment of our population. Expenditures by the Forest Service for recreational facilities will increase to \$36 million in 1967 to help provide for the increasing number of visitors.

Recreational resources.—The Nation's outdoor recreation areas are an important outlet for the leisure time of our growing population. A nationwide Outdoor Recreation Plan is being developed by the Bureau of Outdoor Recreation. The Land and Water Conservation Fund will be used to make grants to States for recreation purposes as well as to acquire new Federal recreation areas. The National Park Service expects about 128 million visits to the 230 national park areas in 1967.

Minerals, fish, wildlife, and other.—The Federal Government will operate 90 fish hatcheries and 304 wildlife refuges in 1967. Assistance to commercial fishing will be continued. Three new research and exploratory fishing vessels will be completed during the year.

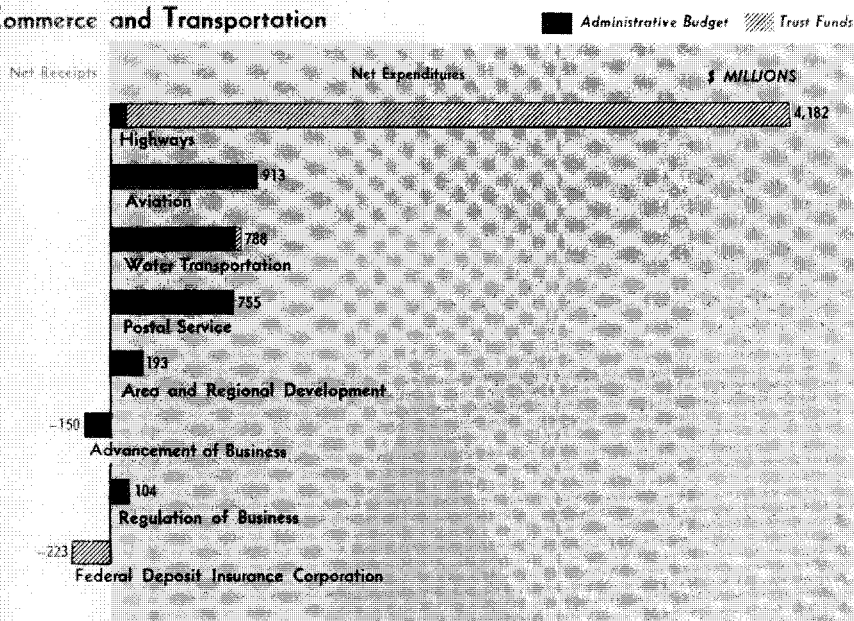
Conservation efforts will also contribute to enhancing natural beauty through two demonstration plants designed to convert junk automobiles into products usable by the steel industry.

COMMERCE AND TRANSPORTATION

1967 Expenditures { Administrative Budget. \$2.7 Billion
 Trust Funds..... \$3.9 Billion

The Nation's economic growth and stability is advanced by improvements in transportation and aids to businesses and to depressed regions of the country. The Federal Government also promotes both the public and private interest by encouraging effective competition and by regulating certain key industries. Payments for commerce and transportation programs will decline by \$418 million from 1966, largely because of increased sales of loans by the Small Business Administration, termination of the temporary accelerated public works program started in 1963, and lower net expenditures for the postal service.

Commerce and Transportation



Transportation

Development of a fast, safe, and economical transportation system is important for the Nation's continued economic growth and for meeting the needs of our increasingly mobile population. The Federal Government is increasing its efforts to improve intercity ground transportation through research and testing of a high-speed system.

In addition, the 1967 program includes a recommendation for the establishment of a Department of Transportation.

Highways.—Expenditures for federally aided highway programs, which will increase by \$135 million in 1967 to \$4.2 billion, represent about 63% of the total outlays for Federal commerce and transportation activities. Highway expenditures are financed primarily from highway user charges, such as receipts from taxes on gasoline, which are deposited in the highway trust fund. In addition to expenditures of \$3 billion on the Interstate Highway System, Federal aid for the primary and secondary highway systems will approach \$1 billion in 1967. More than half of the 41,000-mile Interstate System is now complete. As a result of the Highway Beautification Act of 1965, special efforts are being made to enhance the scenic and recreational aspects of our highway system.

Aviation.—The Federal Aviation Agency is continuing to modernize and automate the air traffic control system. Despite substantial progress in reducing costs through improved productivity and elimination of less useful services, expenditures in 1967 will rise \$40 million chiefly because of research and development on the civil supersonic transport. The jointly financed Government-industry design competition for a safe and profitable civil supersonic aircraft will be completed in 1967.

Water transportation.—Both operating and construction subsidies are paid to maintain the competitiveness of our ocean shipping industry. Funds will be provided for the construction of 13 new vessels as part of the continuing program for replacement of old vessels in the subsidized fleet.

The Coast Guard will receive five icebreakers from the Navy Department and will now be responsible for all U.S. icebreaking activities.

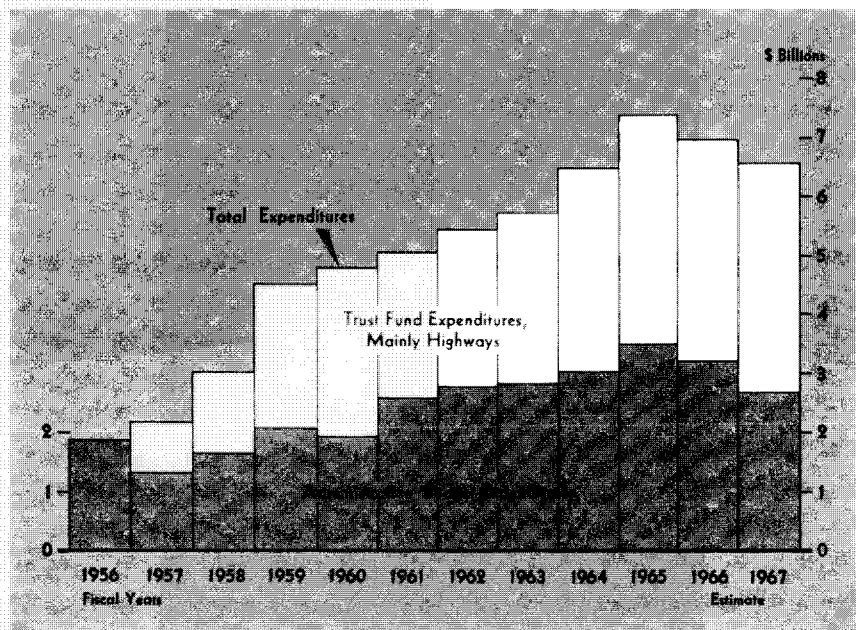
Postal Services

Expenditures of the Post Office are estimated to exceed revenues by \$755 million in 1967, which is a decrease of \$123 million from 1966. The largest part of the revenue deficiency represents the cost of providing public services which are not chargeable to users of the postal service. The remaining amount, the postal deficit, is the loss sustained by the Post Office in its regular operations. The postal deficit is estimated at \$187 million in 1967, compared to \$375 million in 1966.

Advancement of Business

The Department of Commerce provides many services valuable to American business. These include weather information, census and economic data, civilian research and technology aids, and export encouragement. Research and development, particularly in the fields of weather prediction and modification, will be expanded by the new Environmental Science Services Administration. Continued support will be given to Government programs that encourage American businesses to expand overseas markets for their products.

Commerce and Transportation



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. Wherever possible, private credit will be substituted for public funds—through Government loan guarantees and bank participation, for example. The projected sale to the public of shares in a pool of SBA loans will achieve greater private financing and will yield net receipts estimated at \$545 million in 1967. As a result of these sales, receipts for the year for all SBA programs will exceed expenditures by \$485 million.

Area and Regional Development

Economic development expenditures in the Department of Commerce estimated at \$183 million in 1967, will be more than double those of 1966. The new Public Works and Economic Development Act of 1965 will make loans and grants available to distressed areas. In addition, financial aid will be made available to other areas when coordinated efforts with surrounding depressed areas can best advance the economic development of the district. Encouragement also will be given to multi-State economic planning. Expenditures for the special economic development efforts in the Appalachian region will increase about four-fold in 1967.

HOUSING AND COMMUNITY DEVELOPMENT

1967 Expenditures	{ Administrative Budget.	\$0.1 Billion
	{ Trust Funds.....	\$1.2 Billion

The new Department of Housing and Urban Development provides central leadership in strengthening and coordinating programs to upgrade our urban areas—areas which contain 70% of our population. Federal assistance also contributes to the ability of families to acquire a suitable home and improve their living conditions. These programs include grants, loans, purchases of mortgages, and insurance of private loans and savings and loan accounts.

Urban Renewal and Community Facilities

Federal programs help stimulate local efforts to improve our communities and to halt urban blight. Increasing emphasis will be placed on renewal of cities without displacing large numbers of families, and on the creation of parks and other efforts to beautify the developed areas of cities. Other grants will help cities finance mass transportation facilities, encourage comprehensive urban planning, and provide assistance for basic water and sewer facilities. Aid for the construction of neighborhood facilities in city core areas will help bring needed social services to low-income neighborhoods.

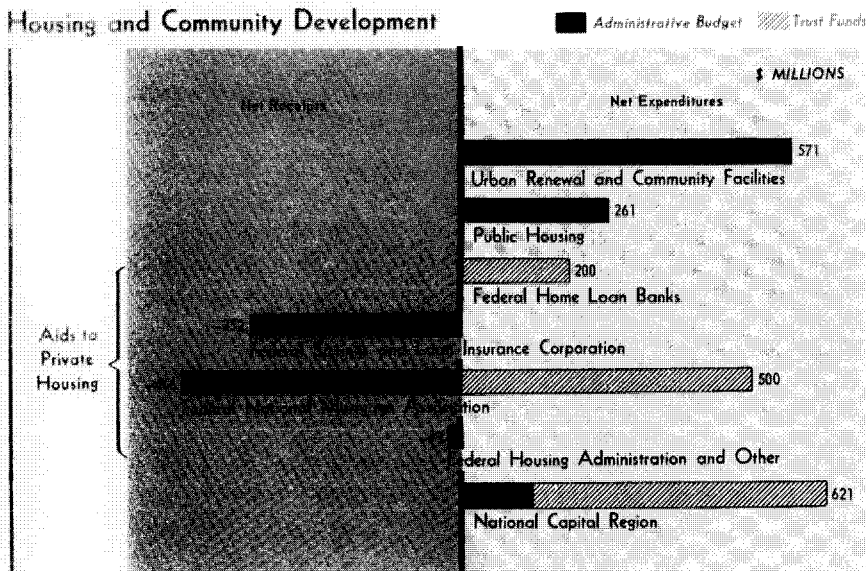
Public Housing Programs

The Federal Government assists local housing authorities to provide decent, safe, and sanitary housing for low-income families. New contracts to support 60,000 more publicly-aided apartments and homes

for low-income families are expected to be approved in 1967—an increase of nearly 50% over the estimate for 1966.

Aids to Private Housing

The Federal Government encourages better housing for the Nation primarily by assuring the availability of private credit on reasonable terms. In total, these programs will generate more receipts than expenditures in 1967, primarily from insurance premium receipts on savings and mortgages, and from sales of shares in Government-held mortgages.



Federal Savings and Loan Insurance Corporation.—Federal insurance of savings and loan accounts encourages individual savers to pool their funds for home mortgage lending. Premiums charged for Federal insurance and other income will exceed estimated expenditures in 1967 by \$352 million, permitting the Corporation to strengthen its reserve position.

Federal home loan banks.—These banks supplement private funds which are available for financing home mortgages. They do this by lending money to member savings and loan associations when loan demands are temporarily greater than the funds available.

Federal Housing Administration.—To improve housing conditions and to broaden homeownership, the Federal Housing Administration insures certain housing loans against loss—thus encouraging a larger amount of private financing. In 1967, receipts (mainly from insurance premiums and sales of acquired properties and mortgages) will exceed expenditures by \$106 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 Association is expected to *buy* fewer mortgages in 1967 than the record amount estimated in 1966. Decreased *sales* of mortgages are also anticipated for 1967, even though the program of selling shares in pools of mortgages has been popular and successful.

Other aids to private housing.—In 1967, loans will be made to help build more housing for the elderly and the handicapped. In addition, the new program of rent supplements for lower income families will make it possible for more of these people to obtain better housing.

National Capital Region

The District of Columbia government provides both State and local government services for the residents and businesses of the National Capital city. As the major landholder and employer in 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. The Congress has enacted legislation authorizing the initial phase of a rail rapid transit system for the District and its surrounding area.

HEALTH, LABOR, AND WELFARE

1967 Expenditures	{	Administrative Budget.	\$10.0 Billion
	{	Trust Funds.....	\$31.1 Billion

These programs provide retirement income, hospital insurance, and other health services for older Americans. They also protect families against the possible loss of income that would result from the unemployment, disability, or death of the wage earner. Other programs promote the well-being of the American people through

health research and care, manpower training, vocational rehabilitation, and the Nation's attack on poverty. Payments for these purposes will increase by \$5.2 billion over 1966. About 75% of the total is self-financed through trust funds.

Economic opportunity programs.—The Economic Opportunity Act of 1964 provided the basic design for combating poverty in the United States and eliminating its causes. In 1967, estimated expenditures of \$1.6 billion—compared to \$1.2 billion in 1966 and \$0.2 billion in 1965—will be made to help break the vicious cycle whereby one generation's poverty, ignorance, and disease breed the same painful conditions for the next. Economic opportunity programs are aimed at helping the disadvantaged one-fifth of our population to help themselves through development of their skills.

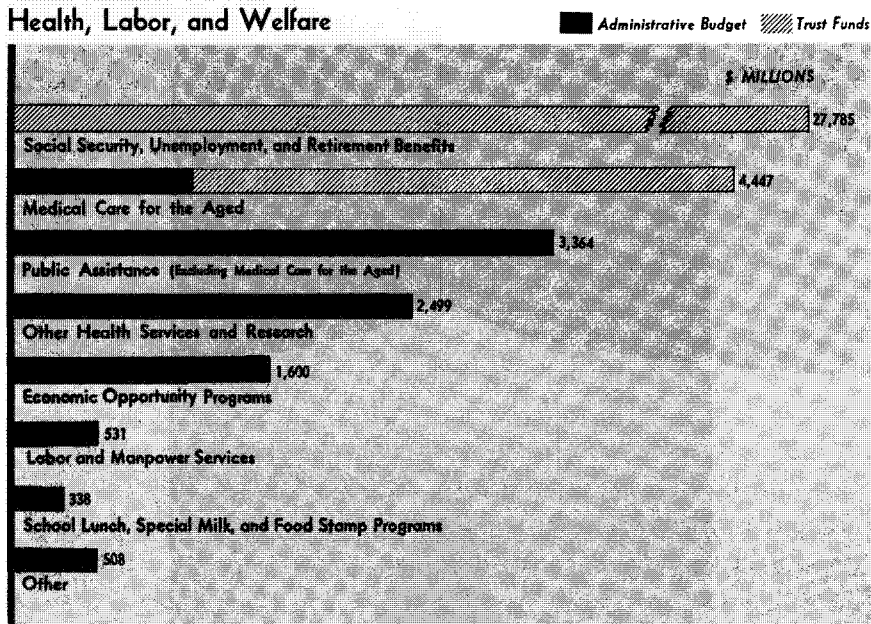
The organizations and methods used in this attack on poverty are flexible and varied. *Community action programs* will coordinate and focus local leadership and resources in about 900 cities and multi-county areas in 1967. These programs are intended to assure that adequate health services, employment counseling, literacy training, and other services are provided in impoverished areas. Project Head Start, which was so successful last year, will provide preschool instruction programs for over 700,000 poor children. *Job Corps* programs will offer opportunity to more than 45,000 out-of-school youths who need vocational and prevocational training and education. *Work and training programs* will help over 400,000 youths and adults by providing full-time and part-time jobs, basic education, counseling, and vocational training. *Other programs* include aid to many of the 400,000 migrant farmworkers in the United States, loans to rural families and farmers, assistance to the States for adult literacy training, and services to the poor provided by 4,500 Volunteers in Service to America (VISTA).

Social insurance.—In 1967, an estimated \$24.9 billion in benefits will be provided to the retired, the disabled, or their survivors under the self-financed insurance and retirement programs which cover almost all of the Nation's workers and their families. The old-age, survivors, and disability insurance trust funds are the largest and will pay out approximately \$21.8 billion in benefits. Railroad and Federal employees will receive benefits from special trust funds amounting to \$3.1 billion.

Legislation enacted in calendar year 1965 provides a 7% increase in social security cash benefits.

Public assistance (excluding medical care for the aged).—Grants to States for public assistance in 1967 will help meet the most basic needs—food, clothing, and shelter—of almost 7.5 million of our poorest citizens. The Federal expenditures of \$3.3 billion, when matched with State and local funds, will provide \$5.7 billion in 1967 to provide assistance to needy people. Increased emphasis will be placed on encouraging public assistance recipients to become self-sufficient.

Health, Labor, and Welfare



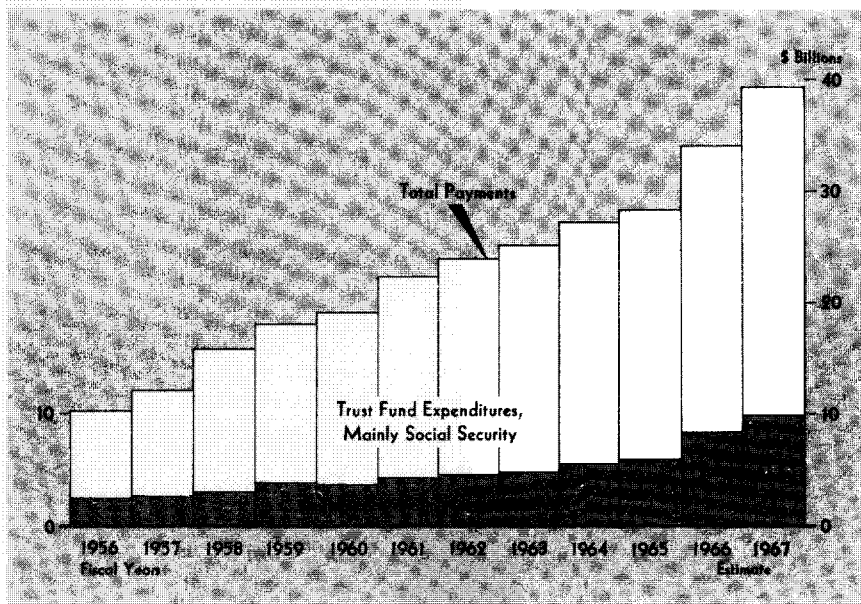
Health services and research.—An estimated \$6.1 billion will be spent by the Federal Government for the necessary leadership and resources to improve the mental and physical health of our people. Newly enacted programs will make better health care available to the aged and to needy children and will provide for improved treatment of various illnesses.

Beginning on July 1, 1966, a large share of the cost of hospital and medical care for older people will be met from the administrative budget and trust funds. This assistance was provided for in the 1965 Amendments to the Social Security Act.

Increases in the level of health research supported by the National Institutes of Health have stimulated a fourfold increase over the past 10 years in total national health research—both public and private. Health research by NIH will comprise nearly 40% of the total national effort in 1967.

Regional medical programs were recently approved to disseminate the latest techniques for diagnosing and treating heart disease, cancer, stroke, and related diseases. Through regional planning and utilization of specialized medical resources—manpower, equipment, and facilities—improved diagnosis and treatment will be available.

Health, Labor, and Welfare



In 1963, programs to aid construction of academic facilities and to provide students with loans were initiated in order to increase our supply of doctors, dentists, and other health personnel. In addition, recent legislation provided for operating grants for health professional schools, special grants for curriculum improvement, and scholarships for needy students.

Efforts to improve the quality of our environment and to protect the public from unsafe foods and drugs will be increased in 1967. Expenditures for these purposes are estimated to reach \$331 million in 1967, an increase of \$92 million over 1966.

Labor and manpower.—These activities of the Federal Government play an important role in our economy by providing workers with financial assistance when they are unemployed, and by helping them to acquire new skills and find new jobs.

The Manpower Development and Training Act has become an important tool in helping the unemployed equip themselves to meet up-to-date job requirements. In 1967, emphasis will be placed on those who have little or no skills—by increasing on-the-job training and combined job-classroom training—to enable them to share in the opportunities of a prospering economy.

The local offices of the Federal-State employment service help to match the abilities of workers with the needs of employers. Increased grants to State employment agencies in 1967 will be used primarily for improving employment services for the disadvantaged, particularly youths, and expanding a pilot survey being made to identify skill shortages in private industry.

The unemployment insurance program would be substantially improved by proposed legislation to raise benefits, cover more than 4½ million additional workers, and authorize assistance for the long-term unemployed.

Other welfare services.—In 1967, the Federal-State vocational rehabilitation program will restore an estimated 215,000 individuals to employability. The school-lunch and special-milk programs will be more specifically directed to improving the nutrition of needy children. The food stamp program will continue to expand as its benefits are made available to more low-income families.

EDUCATION

1967 Administrative Budget Expenditures . . \$2.8 Billion

Education is essential to the material wealth of our Nation and its social and cultural progress. It is our major weapon in the attack on poverty. The Federal Government is providing increased assistance to assure that educational objectives critical to the national interest are being met and that educational opportunities are available to all.

Expenditures in 1967 will rise to \$2.8 billion—more than 80% above the 1965 level. New programs emphasize the need to make a special educational effort for economically disadvantaged children to help break the chronic cycle of deprivation.

Assistance for elementary and secondary education.—In 1967, \$970 million will be spent for the special grants to low-income areas authorized by the Elementary and Secondary Education Act of 1965—more than four times the amount in 1966. The new programs are focused on providing better educational opportunities for disadvantaged children and stimulating educational innovation. Special attention will be paid to augmenting regular educational programs through remedial instruction, guidance and counseling, and other efforts needed to overcome learning handicaps.

Another \$110 million will be spent for supplementary centers and efforts to stimulate innovation in American education through projects employing new instructional techniques, curricular materials, and organization of schools. There will be a \$70 million increase in grants for library and text books, and for improving and expanding State educational agencies.

The special aid to school districts affected by Federal activities is declining by \$87 million in 1967 reflecting recent studies of this program and the impact of the large new Federal programs which meet many of the same needs.

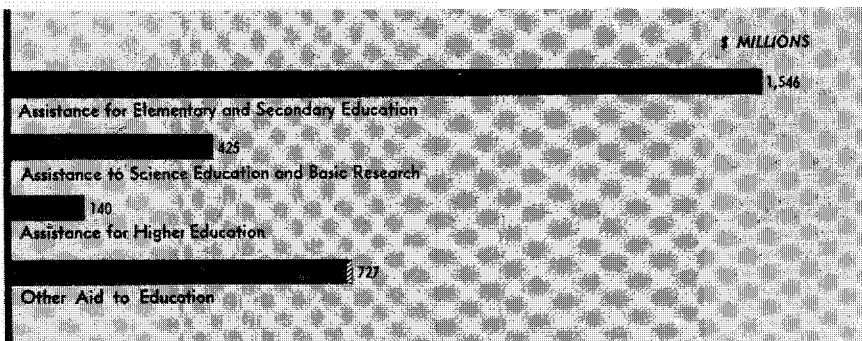
Assistance for higher education.—The Higher Education Act of 1965 provides additional financial support for qualified students who need assistance to further their education. It is estimated that about 210,000 students will be assisted through work-study programs; 775,000 students will receive federally subsidized loans; and 220,000 will obtain Government scholarships. This Act also authorizes funds to improve college libraries and to aid smaller colleges which lack adequate funds and staff.

Support will be given to an estimated 1,300 colleges for construction of academic facilities. Almost \$400 million will be spent for loans and grants for these purposes. In addition, expenditures for the college housing loan program will increase to an estimated \$289 million in

1967. A proposed sale of shares in pools of housing and academic facility loans will reduce expenditures by approximately \$908 million. The substitution of loan subsidies for direct National Defense Education Act loans to students will provide a further offset of \$34 million. The combined effect of these actions will be to reduce *net* Federal expenditures for higher education to only \$140 million in 1967, while actually increasing the amount of assistance made available.

Education Expenditures for 1967

■ Administrative Budget ▨ Trust Funds



Assistance to science education and basic research.—The National Science Foundation continues to perform a vital role in furthering science education and basic research. In 1967, expenditures by the Foundation will rise by \$60 million, to \$425 million. Expanded support of basic research accounts for nearly two-thirds of the estimated increase. Grants will be made to selected academic institutions to increase the number of centers of excellence in the sciences. Additional grants will be made to a wider range of institutions to improve individual college and university science departments, and to increase the effectiveness of undergraduate education activities.

Other aids to education.—The budget provides for expansion of vocational education programs which support training for gainful employment. Expenditures will increase \$42 million for educational research and demonstration projects to develop more effective methods of teaching, particularly through regional laboratories authorized in the Elementary and Secondary Education Act of 1965.

Through the new Teacher Corps and teacher fellowship programs, over 3,700 teachers and interns will be available to serve in schools with concentrations of children from low-income families, and 5,800 graduate fellowships will be awarded.

Provision is also made for additional expenditures for such programs as public libraries, university community services, and the newly authorized National Foundation on the Arts and the Humanities.

VETERANS BENEFITS AND SERVICES

1967 Expenditures	{	Administrative Budget.	\$5.7 Billion
		Trust Funds.....	\$0.7 Billion

The Federal Government provides special benefits and services for the veterans of the Nation's wars or their survivors. Expenditures for these programs will rise in 1967 largely as a result of the recently enacted liberalization of compensation payments, the reduced sales of housing loans and mortgages, and a proposal to provide education and training assistance to veterans with recent military service.

Compensation.—Compensation payments of \$2.3 billion in 1967 will be made to approximately 2.3 million veterans or their survivors for disability or death arising from military service.

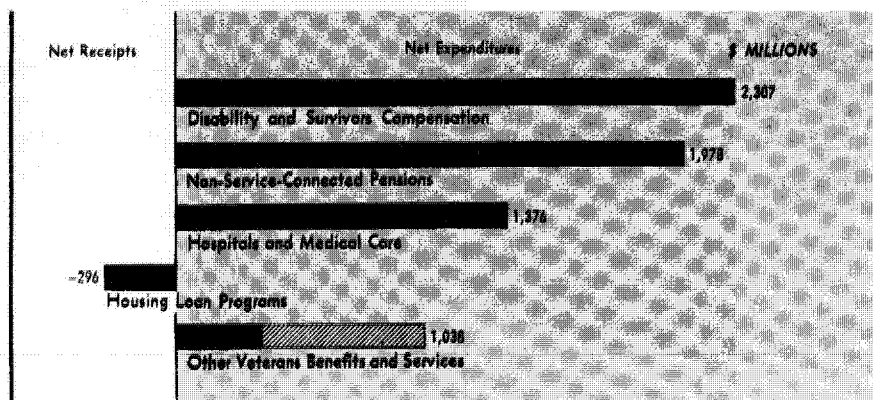
Pensions.—Payments are made to lower income veterans or their survivors for disability or death from causes not related to military service. In 1967, payments estimated at \$2.0 billion will be made to 2.2 million recipients. World War I veterans and their survivors comprise over 65% of all pensioners. However, an increasing number of World War II and Korean veterans or their survivors are now becoming eligible for pensions.

Hospitals and medical care.—In 1967, an estimated \$1.4 billion will be spent to furnish hospital and medical care for approximately 138,700 veterans per day. This includes the cost of improving the facilities necessary to provide this medical care. In 1967, five new replacement hospitals are to be opened, and construction will begin on two others.

Loan guarantee and direct housing loan programs.—The Veterans Administration will guarantee 156,000 housing loans for eligible veterans, and make 4,500 direct loans to veterans in rural areas and relatively small communities where sufficient private credit is not available. From 1966 to 1967, the numbers of home mortgages guaranteed will decline by 7%, and new loans will decrease by 1,500—as fewer veterans remain eligible for these services. The excess of receipts over expenditures from these housing programs, estimated at \$296 million, results primarily from the sales of loans and shares in a pool of loans owned by the Veterans Administration.

Veterans Benefits and Services

■ Administrative Budget ▨ Trust Funds



Education and training benefits.—Estimated expenditures for these programs will increase in 1967, principally as a result of proposed legislation to provide education and training assistance to veterans of recent service to ease their readjustment to civilian life. Benefits have been liberalized for education and training of war orphans and children of totally disabled veterans, and for the vocational rehabilitation of disabled veterans. The number of war orphans or dependent children receiving education and training is estimated at 14,700 in 1967.

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. Recently enacted legislation provides insurance coverage of up to \$10,000 for each serviceman on active duty.

GENERAL GOVERNMENT

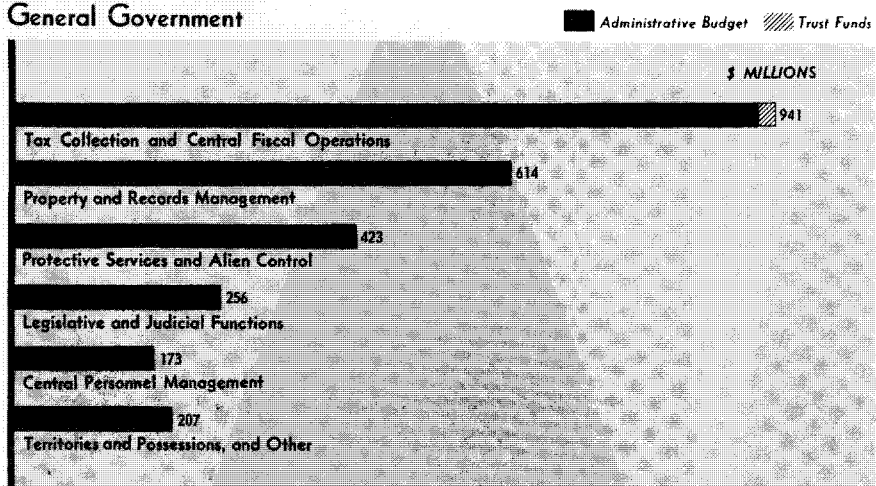
1967 Administrative Budget Expenditures . . \$2.6 Billion

Expenditures for general government provide for Government-wide service 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 an estimated \$2.6 billion in 1967, \$115 million more than in 1966.

Tax collection and central fiscal operations.—The Treasury collects the revenues and pays the bills of the Federal Government. An increase in expenditures in 1967 will permit the Internal Revenue Service to complete the nationwide master-file system for taxpayer information. This system should add as much as \$50 million annually in revenue collections. The increase will also enable the IRS to handle the additional 1.3 million tax returns expected this year.

General property and records management.—The General Services Administration is proceeding with its programs to provide more modern and improved facilities for Government operations throughout the United States. Additional efforts also will be made to increase the efficiency—while lowering the costs—of procurement, maintenance, and use of automatic data processing equipment by Federal agencies.

General Government



Protective services and alien control.—Increased expenditures for the law enforcement and related activities of the Department of Justice will provide assistance to State and local law enforcement agencies, finance prison construction projects, and provide for intensified efforts to rehabilitate Federal prisoners.

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

Territories and possessions.—The Federal Government provides certain services and financial assistance to the Virgin Islands, American Samoa, the Trust Territory of the Pacific, and Guam. In addition economic aid is provided to the Ryukyu Islands. The activities of the Virgin Islands Corporation will be terminated at the end of 1966 as a result of the increased self-sufficiency of the Islands.

INTEREST

1967 Administrative Budget Expenditures . . \$12.9 Billion

Expenditures in 1967 for interest on the public debt are expected to be about \$750 million above the 1966 level. This increase reflects both the higher level of the outstanding public debt, and increases in the market rate of interest. Of total interest expenditures, \$2.3 billion 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, 1965.

OWNERSHIP OF THE PUBLIC DEBT

	<i>Amount, in billions</i>
Individuals	\$71.2
Federal trust funds and agencies	63.4
Commercial banks	57.9
Federal reserve banks	39.1
State and local governments	23.6
Corporations	15.9
Foreign and international	15.7
Other investors	31.2
Total	317.9

[The] overall 1967 deficit in the administrative budget is \$1.8 billion, sharply lower than in 1966 and the smallest deficit in 7 years, despite the added costs we are incurring in Southeast Asia. . . . [On] a consolidated cash basis—which is the most comprehensive measure of budget totals—the 1967 budget will show a surplus of \$0.5 billion.—From the President's budget message, January 24, 1966.

PART 3

BUDGET FACTS AND FIGURES

The budget necessarily involves a great many numbers, usually accompanied by dollar signs. To have any meaning, these numbers must be related to the Government programs and policies they represent, to the process which brings them into being, to the size of the economy, to the needs of society, and to a host of 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.

A more complete understanding of the budget, however, requires some knowledge of the different *measures of Federal spending*, of the *budget process*, and of the *historical statistics* which show how current amounts compare with the past. Tables on the budget may be found starting on page 66.

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, 1967*. Contains most of the facts, figures, and analyses that general users of the budget would normally desire or need. Price: \$1.50.
2. *The Budget of the United States Government, 1967—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds. Price: \$6.50.
3. *Special Analyses of the United States Budget, 1967*. Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program. Price: 50 cents.

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."

To gain 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.

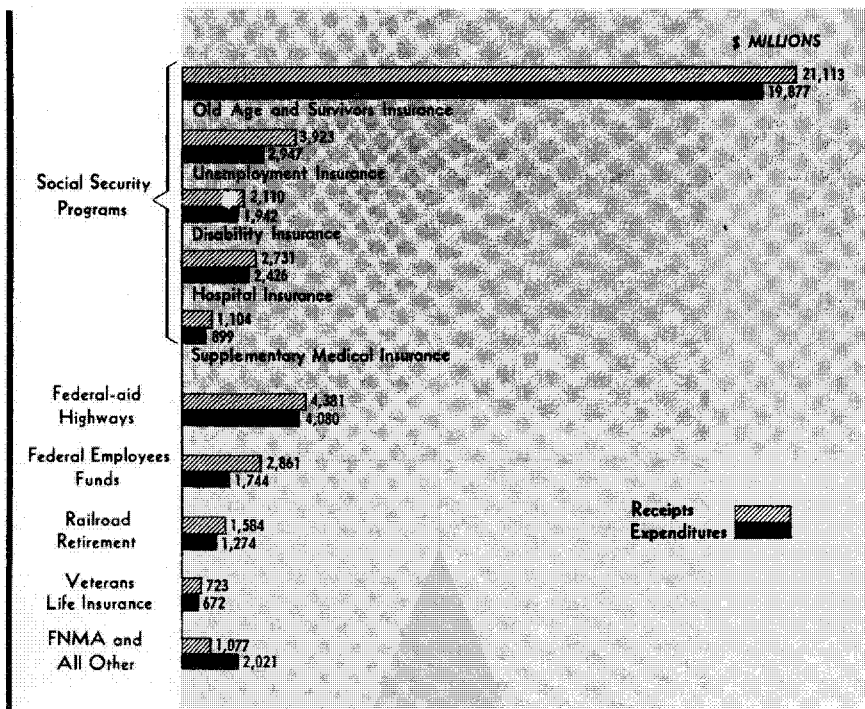
Administrative budget funds include most of the receipts and expenditures of the Government. Administrative budget funds are the property of the Federal Government—owned just as land and equipment are owned. They include the transactions of Government-owned enterprises of a business nature, such as the 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.

Most of the major trust funds finance insurance-type activities such as social security (old-age and survivors insurance, disability insurance, and hospital insurance for the aged), unemployment insurance, Federal employees' retirement, and veterans' life insurance. Trust funds also finance the Federal-aid highway program and that portion of the Federal National Mortgage Association (FNMA) which is partially owned by private stockholders.

Trust Fund Estimates for 1967



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 funds. In addition, the trust funds invest reserve funds in U.S. bonds and receive revenue from interest on these investments and other sources. Thus, “tax receipts” for the trust funds and “total trust fund receipts” will differ by the amounts of revenue received from nontax sources—largely interest on bond holdings. The chart above

lists the major trust funds along with their estimated receipts and expenditures for 1967. In many cases, current trust fund receipts exceed expenditures, thereby providing the reserve funds needed to meet the expected future payments.

SUMMARY OF FEDERAL RECEIPTS AND PAYMENTS

[Fiscal years. In billions]

Description	1966 actual	1966 estimate	1967 estimate
FEDERAL RECEIPTS			
Administrative budget receipts.....	\$93.1	\$100.0	\$111.0
Trust fund receipts.....	31.0	33.5	41.6
Deduct: Intragovernmental transactions and other adjustments.....	4.4	5.4	7.1
Total, cash receipts from the public.....	119.7	128.2	145.5
Deduct: Loans, differences in coverage, and other adjustments.....	1.0	.6	.7
Add: Cash to accrual basis and other adjustments.....	.9	1.2	-2.6
National income accounts receipts—Federal sector.....	119.6	128.8	142.2
FEDERAL PAYMENTS			
Administrative budget expenditures.....	96.5	106.4	112.8
<i>Excluding special Vietnam costs.....</i>	<i>(96.4)</i>	<i>(101.7)</i>	<i>(102.3)</i>
Trust fund expenditures.....	29.6	33.8	37.9
Deduct: Intragovernmental transactions and other adjustments (net).....	3.7	5.2	5.7
Total, cash payments to the public.....	122.4	135.0	145.0
<i>Excluding special Vietnam costs.....</i>	<i>(122.3)</i>	<i>(130.3)</i>	<i>(134.5)</i>
Deduct: Loans, differences in coverage, and other adjustments.....	5.8	4.0	1.6
Add: Cash to accrual basis and other adjustments.....	1.7	-.7
National income account expenditures—Federal sector.....	118.3	131.0	142.7
<i>Excluding special Vietnam costs.....</i>	<i>(118.2)</i>	<i>(126.3)</i>	<i>(132.2)</i>
EXCESS OF RECEIPTS (+) OR PAYMENTS (-)			
Including special Vietnam costs:			
Administrative budget.....	-3.4	-6.4	-1.8
Receipts from and payments to the public.....	-2.7	-6.9	+ .5
National income accounts—Federal sector.....	+1.2	-2.2	-.5

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 to trust funds on their investments in U.S. securities—are eliminated from the statement, since they do not involve a flow of money between the Government and the public.

The statement of receipts from and payments to the public is much more inclusive than the administrative budget alone, and it 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 measure 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 land.

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 *pay* the taxes only 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 considered to be 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 transactions. As the table on page 60 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 military and civilian employees.

The second category, *transfer payments*, covers Federal payments for which no current services are rendered—unemployment and social security benefits (including hospital care for the aged), veterans pensions, and similar programs. Transfer payments do not represent Government use of resources, but rather the channeling of purchasing powers 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 then spend the funds in some other way—for example, by purchasing goods and services (such as constructing highways) or by making further transfer payments to individuals (such as public assistance payments).

NATIONAL INCOME ACCOUNT EXPENDITURES—FEDERAL SECTOR

[Fiscal years. In billions]

Description	1965 actual	1966 estimate	1967 estimate
Purchases of goods and services	\$64.5	\$70.7	\$74.4
Transfer payments	30.3	34.2	39.2
Grants-in-aid to State and local governments	10.9	12.8	14.7
Net interest paid	8.6	9.0	9.7
Subsidies less current surplus of Government enterprises	4.1	4.3	4.7
Total national income account expenditures— Federal sector	118.3	131.0	142.7

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

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

The Federal sector account, as part of the Nation's economic accounts which measure total national income and output, 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 and analysis. For example, the formulation of the 1967 budget began in March of 1965. Ten months later, in January 1966, the budget was sent to Congress—nearly 6 months before the beginning of the new fiscal year. When the fiscal year comes to a close on June 30, 1967, 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 program performance.

Inevitably over such a long period, many changes will 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 Congress may modify the President's requests or add new proposals of its own. There is a continuing need for flexibility in the budget system so that Federal programs can adapt to a constantly changing environment.

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 various Government agencies. Policies and issues are evaluated, modified, and reevaluated. This process continues through December when final decisions are made. At this point, the President's budget becomes a statement of concrete proposals reflected in specific dollar estimates.

An important refinement in the methods for reaching program and budget decisions was inaugurated recently. The major agencies of the Federal Government are instituting a new Planning-Programing-Budgeting system. The purpose of the new system is to provide more and better information for decisionmakers at all levels of Government—from individual program managers to the President and Congress. It will focus on *alternative* means to achieve *carefully defined* goals, specifying the *full costs and benefits* of each alternative. This will facilitate the identification of the most efficient combination of Government programs and policies.

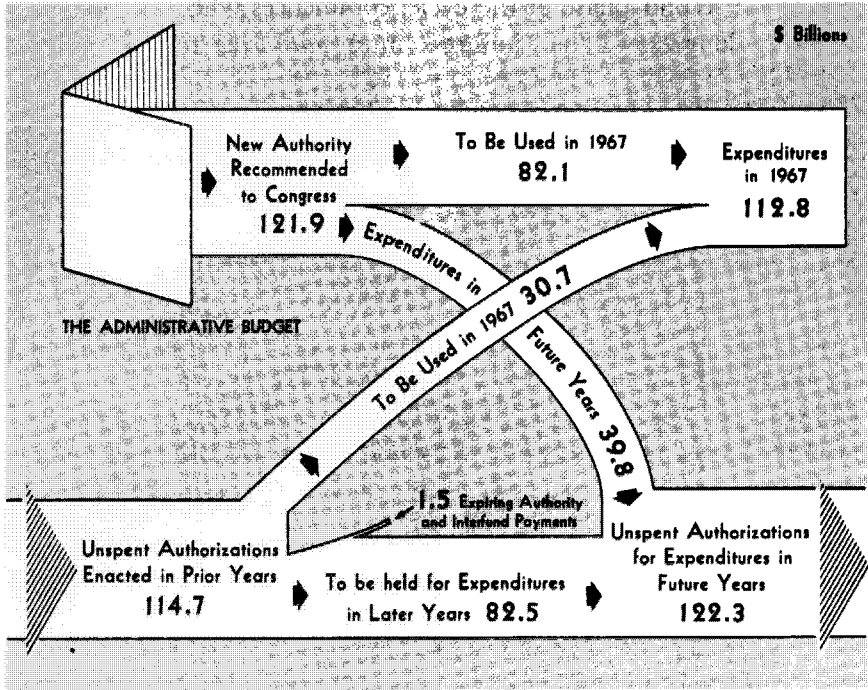
Congressional consideration.—Congressional review and enactment, the second phase of the cycle, commences when the budget is sent to Congress. The Congress must *authorize* the programs—usually for a period of several years—and their spending limits before any other action is taken. Then, the actual amounts to be spent are determined by the Appropriations Committees of both Houses of Congress—within any limits set earlier by the legislative committees. Budget requests are considered first in the House of Representatives. New revenue measures are referred to the Ways and Means Committee. Spending proposals are sent to the Appropriations Committee which, in turn, sends parts of the budget to its 12 subcommittees for detailed study and recommendations. The Appropriations Committee and the Ways and Means Committee then recommend 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 both Houses for approval and then is transmitted to the President for his signature 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 1967 is illustrated in the chart on the facing page.

1967 Administrative Budget – Relation of Authorizations to Expenditures



EXCERPTS FROM THE PRESIDENT'S BUDGET MESSAGE

To the Congress of the United States:

With this message I transmit to you today the budget of the United States of America for the fiscal year 1967.

A budget is not simply a schedule of financial accounts.

It is a program for action.

The program of the Federal Government which this budget recommends is grounded on these fundamental premises:

- In international affairs we are determined to seek peace with every means at our command

- but we are fully prepared to meet the costs of opposing aggression.

- In domestic affairs we are determined to press confidently forward toward the Great Society

- but we shall do so in an orderly and responsible way, and at a pace which reflects the claims of our commitments in Southeast Asia upon the Nation's resources.

The budget for 1967 bears the strong imprint of the troubled world we live in.

It provides the funds we now foresee as necessary to meet our commitments in Southeast Asia. If our efforts to secure an honorable peace bear fruit, these funds need not be spent. Yet it would be folly to present a budget which inadequately provided for the military and economic costs of sustaining our forces in Vietnam. And those costs are substantial.

In this setting I have sought to frame a balanced program.

- We are a rich nation and can afford to make progress at home while meeting obligations abroad—in fact, we can afford no other course if we are to remain strong. For this reason, I have not halted progress in the new and vital Great Society programs in order to finance the costs of our efforts in Southeast Asia.

- But even a prosperous nation cannot meet all its goals all at once. For this reason, the rate of advance in the new programs has been held below what might have been proposed in less troubled times, many older and lower priority activities have been reduced

or eliminated, and economies have been sought in every operation of the Government.

• At the same time, I want to insure that the necessary increase in budget expenditures is so financed as to promote economic stability. For this reason, I am proposing several tax measures designed to increase Federal revenues.

With this balanced program we can:

- Meet our international responsibilities with firmness.
- Maintain continued prosperity and economic stability at home.
- Raise the productivity, earnings, and living standards of our poorer citizens.
- Improve the quality of life for all citizens.
- Preserve and protect our national resources for the generations to come.

And we can achieve these ends without unduly straining our economic resources or impairing our steady economic expansion.

* * *

This Nation has committed itself to help defend South Vietnam against aggression. We are determined to fulfill that commitment.

This Nation has also committed itself to a major effort to provide better economic, social, and cultural opportunities for all Americans. We are also determined to fulfill this commitment.

Both of these commitments involve great costs. They are costs we can and will meet.

The objectives we are seeking are interdependent.

We cannot fight for peace and freedom in Vietnam, while sacrificing individual dignity and opportunity at home. For it would be a hollow victory if our pursuit of world peace were carried out at the expense of domestic progress.

Yet we must also recognize that a truly Great Society looks beyond its own borders. The freedom, health, and prosperity of all mankind are its proper concern.

The struggle in Vietnam must be supported. The advance toward a Great Society at home must continue unabated.

This budget provides the means for both these goals.

I urge the support of Congress and all Americans for its principles and its programs.



JANUARY 24, 1966.

TABLES ON THE BUDGET

Administrative Budget and Trust Fund Expenditures by Function, 1960-67

The following two tables show administrative budget and trust fund expenditures since 1960, 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 other actions—they have been shifted from one agency to another over the years.

ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1960	1961	1962	1963	1964	1965	1966	1967
<i>National defense:</i>								
Department of Defense—military:								
Military personnel.....	11,738	12,085	13,032	13,000	14,195	14,771	16,600	18,150
Purchase of weapons and equipment.....	13,334	13,095	14,532	16,632	15,351	11,839	13,880	15,970
Operation and maintenance.....	10,223	10,611	11,594	11,874	11,932	12,349	14,160	14,980
Research and development.....	4,710	6,131	6,319	6,376	7,021	6,236	6,370	6,400
Military construction, civil defense, and other.....	1,210	1,305	1,338	373	1,261	978	1,915	1,650
Subtotal, military.....	41,215	43,227	46,815	48,252	49,760	46,173	52,925	57,150
Atomic energy.....	2,623	2,713	2,806	2,758	2,765	2,625	2,390	2,300
Military assistance.....	1,609	1,449	1,390	1,721	1,485	1,229	1,275	1,150
Defense-related activities.....	244	104	92	24	172	136	-30	-59
Subtotal.....	45,691	47,494	51,103	52,755	54,181	50,163	56,560	60,541
<i>International affairs and finance:</i>								
Food for Peace.....	1,327	1,653	1,726	1,779	1,704	1,641	1,701	1,539
Economic and financial programs:								
Development loans.....	202	258	347	760	768	754	669	654
Supporting assistance.....	995	1,013	618	494	371	387	509	642
Alliance for Progress.....			155	260	272	367	420	430
Technical cooperation.....	149	169	272	245	226	227	204	200
Other.....	35	487	738	67	-158	359	-127	147
Conduct of foreign affairs.....	217	216	249	346	297	346	327	328
Foreign information and exchange activities.....	137	158	197	201	207	223	229	237
Subtotal.....	3,064	3,954	4,301	4,151	3,687	4,304	3,932	4,177
<i>Space research and technology:</i>								
Manned space flight.....	113	279	565	1,516	2,768	3,538	3,810	3,600
Scientific investigations in space.....	125	232	359	483	641	662	735	656
Meteorology and other space applications.....	8	17	61	92	112	89	101	100
Other research, technology, and supporting operations.....	154	217	272	460	650	804	954	944
Subtotal.....	401	744	1,257	2,552	4,171	5,093	5,600	5,300
<i>Agriculture and agricultural resources:</i>								
Farm income stabilization.....	2,370	2,345	3,093	3,954	4,144	3,438	3,134	2,989
Agricultural land and water resources.....	324	347	367	324	324	341	374	348
Rural electrification and telephone loans.....	330	301	303	342	342	392	193	196
Farming and rural housing loans.....	289	349	234	300	251	268	90	-612
Research and other agricultural services.....	293	324	341	391	414	457	522	452
Subtotal.....	3,606	3,667	4,338	5,311	5,475	4,898	4,313	3,372
<i>Natural resources:</i>								
Land, water, and power resources.....	1,279	1,444	1,623	1,779	1,832	1,922	1,985	2,098
Forests.....	220	331	280	303	332	374	421	409
Recreational resources.....	74	91	94	112	130	134	194	204
Minerals.....	65	61	68	71	91	105	114	141
Fish and wildlife.....	68	73	81	94	105	120	123	123
General resources surveys and other.....	51	55	60	73	73	94	84	86
Subtotal.....	1,757	2,056	2,206	2,431	2,563	2,750	2,920	3,062

ADMINISTRATIVE BUDGET EXPENDITURES BY FUNCTION—Continued

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1960	1961	1962	1963	1964	1965	1966	1967
Commerce and transportation:								
Aviation.....	568	716	781	808	835	875	879	913
Water transportation.....	508	569	654	672	658	728	749	756
Postal service.....	525	914	797	770	578	805	878	755
Area and regional redevelopment.....			7	101	401	398	217	193
Regulation of business.....	59	67	74	84	91	98	101	104
Highways.....	38	36	33	41	39	39	77	102
Advancement of business.....	265	271	427	366	401	557	301	-150
Subtotal.....	1,963	2,573	2,774	2,843	3,002	3,499	3,202	2,672
Housing and community development:								
Urban renewal and community facilities.....	130	162	261	222	306	420	477	571
Public housing programs.....	134	150	163	178	149	230	249	261
Aids to private housing:								
Federal Savings and Loan Insurance Corporation.....	-20	-35	-237	-264	-248	-205	-262	-352
Federal National Mortgage Association.....	-30	75	-123	-439	-347	-540	-629	-466
Federal Housing Administration and other.....	-122	-84	211	167	*	-73	172	-19
National capital region.....	30	51	74	70	59	64	71	127
Subtotal.....	122	320	349	-67	-80	-104	77	123
Health, labor, and welfare:								
Public assistance (excluding medical care for the aged).....	2,061	2,147	2,331	2,631	2,786	2,827	3,288	3,364
Other health services and research.....	815	938	1,130	1,354	1,668	1,610	2,091	2,499
Health services for the aged.....		23	103	157	210	272	390	1,122
Economic opportunity programs.....						211	1,210	1,600
Labor and manpower.....	510	809	591	224	345	464	523	531
School lunch, special milk, and food stamp.....	234	241	275	284	308	299	364	338
Vocational rehabilitation and other.....	70	85	108	140	158	214	511	508
Subtotal.....	3,690	4,244	4,538	4,789	5,475	5,898	8,377	9,962
Education:								
Elementary and secondary education.....	327	332	337	392	404	418	730	1,546
Science education and basic research.....	120	143	183	206	310	309	365	425
Higher education.....	261	286	350	428	383	413	712	140
Other aids to education.....	156	181	207	219	241	405	512	723
Subtotal.....	866	943	1,076	1,244	1,339	1,544	2,318	2,834
Veterans benefits and services:								
Disability and survivors compensation.....	2,049	2,034	2,017	2,116	2,158	2,176	2,311	2,307
Non-service-connected pensions.....	1,265	1,532	1,635	1,698	1,743	1,864	2,001	1,978
Hospitals and medical care.....	961	1,030	1,084	1,145	1,229	1,270	1,342	1,376
Education and training.....	383	237	142	88	59	43	37	126
Housing loan programs.....	328	312	236	-109	44	-100	-856	-296
Other benefits and services.....	281	268	287	248	259	241	286	230
Subtotal.....	5,266	5,414	5,403	5,186	5,492	5,495	5,122	5,721
General government:								
Tax collection and central fiscal operations.....	558	607	653	715	791	825	872	918
Property and records management.....	372	372	419	444	576	606	581	614
Protective services and alien control.....	263	289	300	323	335	366	397	423
Legislative and judicial functions.....	158	170	192	194	192	218	250	256
Central personnel management.....	84	140	153	142	174	174	173	173
Territories and possessions, and other.....	108	131	158	160	211	213	202	207
Subtotal.....	1,542	1,709	1,875	1,979	2,280	2,402	2,476	2,591
Interest.....	9,266	9,050	9,198	9,980	10,765	11,435	12,104	12,854
Allowance for contingencies.....							75	350
Deduct interfund transactions.....	694	654	633	513	664	870	647	712
Total administrative budget expenditures.....	76,539	81,515	87,787	92,642	97,684	96,507	106,428	112,847

TRUST FUND EXPENDITURES BY FUNCTION

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1960	1961	1962	1963	1964	1965	1966	1967
National defense.....	256	196	366	679	487	751	875	898
International affairs and finance.....	48	13	15	44	62	-160*	190	126
Space research and technology.....					*	*	*	*
Agriculture and agricultural resources.....	458	416	398	507	496	927	600	623
Natural resources.....	116	183	112	122	137	134	144	142
Commerce and transportation.....	2,831	2,505	2,662	2,877	3,482	3,864	3,780	3,895
Housing and community development.....	1,439	-273	1,524	-36	1,889	1,136	1,988	1,194
Health, labor, and welfare.....	16,358	19,236	20,382	21,855	22,733	23,186	26,589	31,110
Education.....	1	1	1	2	2	2	3	4
Veterans benefits and services.....	673	811	733	835	666	624	554	682
General government.....	17	16	20	19	18	21	23	24
Deposit funds (net).....	-78	203	-544	146	-567	-210	-166	-48
Deduct interfund transactions.....	908	515	528	505	521	638	795	767
Total trust fund expenditures.....	21,212	22,793	25,141	26,545	28,885	29,637	33,786	37,882

* Less than one-half million dollars.

Government Employment and Population, 1942-67

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.

State and local employment have risen more rapidly than Federal executive branch employment in the past two decades. This trend is expected to continue in 1967.

Year	Government employment				Population	
	Federal executive branch (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (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.....	2,371	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	6,834	9,324	26.7	189,417	13.1
1964.....	2,469	7,236	9,705	25.4	192,119	12.9
1965.....	2,496	7,659	10,155	24.6	194,583	12.8
1966 (estimate).....	2,639			24.6		13.4
1967 (estimate).....	2,700			24.0		13.6

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 1966 and 1967 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, 1960-67

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	
	1960	1961	1962	1963	1964	1965	1966	1967
<i>Receipts from the public:</i>								
Individual income taxes.....	40,715	41,338	45,571	47,588	48,697	48,792	51,400	56,240
Corporation income taxes.....	21,494	20,954	20,523	21,579	23,493	25,461	29,700	34,400
Excise taxes.....	11,676	11,860	12,534	13,194	13,731	14,570	13,028	13,257
Employment taxes.....	11,067	12,405	12,561	14,862	16,832	16,905	18,819	24,339
Estate and gift taxes.....	1,606	1,896	2,016	2,167	2,394	2,716	2,932	3,301
Customs.....	1,105	982	1,142	1,205	1,252	1,442	1,655	1,845
Deposits by States, unemployment insurance.....	2,167	2,398	2,729	3,009	3,042	3,052	2,900	2,900
Veterans life insurance premiums.....	482	504	501	494	494	488	490	490
Other budget and trust receipts.....	4,766	4,905	4,288	5,641	5,596	6,274	7,229	8,766
Total, receipts from the public.....	95,078	97,242	101,865	109,739	115,530	119,699	128,154	145,539
<i>Payments to the public:</i>								
National defense.....	45,915	47,685	51,462	53,429	54,514	50,790	57,421	61,404
International affairs and finance.....	2,806	3,608	3,976	3,805	3,492	4,583	4,092	4,429
Space research and technology.....	401	744	1,257	2,552	4,171	5,093	5,600	5,300
Agriculture and agricultural resources.....	3,601	3,677	4,399	5,623	5,761	5,353	4,598	3,645
Natural resources.....	1,866	2,151	2,282	2,535	2,680	2,820	2,914	3,041
Commerce and transportation.....	4,819	5,107	5,487	5,777	6,545	7,421	7,038	6,620
Housing and community development.....	1,440	-103	1,691	-268	1,674	908	1,982	1,193
Health, labor, and welfare.....	19,107	22,365	23,975	25,698	27,285	28,292	34,115	39,331
Education.....	867	945	1,052	1,214	1,299	1,497	2,264	2,774
Veterans benefits and services.....	5,907	6,187	6,092	5,971	6,107	6,080	5,642	6,380
Interest.....	7,233	7,257	6,940	7,427	8,011	8,605	9,304	10,152
General government.....	1,558	1,677	1,837	1,953	2,221	2,341	2,414	2,523
Deposit funds (net).....	-78	1,203	-544	-194	-567	-210	-166	-48
Undistributed adjustments.....	-1,114	-1,960	-2,224	-1,771	-2,862	-1,170	-2,170	-1,696
Total, payments to the public.....	94,328	99,542	107,662	113,751	120,332	122,395	135,048	145,048
Excess of receipts (+) or payments (-).....	+750	-2,300	-5,797	-4,012	-4,802	-2,696	-6,894	+491

Expenditures and New Obligational Authority by Agency

The following table indicates the 1967 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 1967 estimate. In millions of dollars]

Description	Expenditures		New obligational authority ¹	
	Administra- tive budget funds	Trust funds	Administra- tive budget funds	Trust funds
Legislative branch.....	205	2	239	2
The Judiciary.....	93	1	93	1
Executive Office of the President.....	31		31	
Funds appropriated to the President:				
Military assistance.....	1,150	891	917	1,144
Economic assistance.....	2,200	1	2,469	1
Office of Economic Opportunity.....	1,600		1,750	*
Other.....	78	*	501	*
Department of Agriculture.....	5,798	60	6,615	62
Department of Commerce.....	923	4,127	1,143	4,361
Department of Defense:				
Military.....	57,150	6	58,938	6
Civil.....	1,369	36	1,358	38
Department of Health, Education, and Welfare.....	10,191	25,144	11,714	27,058
Department of Housing and Urban Development.....	—414	500	1,435	135
Department of the Interior.....	1,322	86	1,390	129
Department of Justice.....	405	63	405	
Department of Labor.....	522	2,947	673	3,923
Post Office Department.....	755		836	
Department of State.....	405	11	402	11
Treasury Department.....	14,247	29	14,299	28
Atomic Energy Commission.....	2,300	*	2,263	*
Federal Aviation Agency.....	840		758	
General Services Administration.....	633	*	628	*
National Aeronautics and Space Administration.....	5,300	*	5,012	*
Veterans Administration.....	5,718	673	6,060	724
Other.....	275	3,582	1,373	4,467
District of Columbia.....	111	489	104	494
Allowance for contingencies.....	350		500	
Deduct interfund transactions.....	712	767		
Total.....	112,847	37,882	121,904	42,584

*Less than one-half million dollars.

¹Of which \$15.6 billion in administrative budget funds and \$40.9 billion in trust funds do not require current action by the Congress.

Administrative Budget Totals and Public Debt, 1789-1967

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 commencement of social security payments in 1937, 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 ¹	Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year ¹
1789-1849	1,160	1,090	+70	63	1933	1,997	4,598	-2,602	22,539
1850-1899	13,895	14,932	-1,037	1,437	1934	3,015	6,645	-3,630	27,734
1900	567	521	+46	1,263	1935	3,706	6,497	-2,791	32,824
1901	588	525	+63	1,222	1936	3,997	8,422	-4,425	38,497
1902	562	485	+77	1,178	1937	4,956	7,733	-2,777	41,089
1903	562	517	+45	1,159	1938	5,588	6,765	-1,177	42,018
1904	541	584	-43	1,136	1939	4,979	8,841	-3,862	45,890
1905	544	567	-23	1,132	1940	5,137	9,055	-3,918	48,497
1906	595	570	+25	1,143	1941	7,096	13,255	-6,159	55,332
1907	666	579	+87	1,147	1942	12,547	34,037	-21,490	76,991
1908	602	659	-57	1,178	1943	21,947	79,368	-57,420	140,796
1909	604	694	-89	1,148	1944	43,563	94,986	-51,423	202,626
1910	676	694	-18	1,147	1945	44,362	98,303	-53,941	259,115
1911	702	691	+11	1,154	1946	39,650	60,326	-20,676	269,898
1912	693	690	+3	1,194	1947	39,677	38,923	+754	258,376
1913	714	715	-*	1,193	1948	41,375	32,955	+8,419	252,366
1914	725	725	-*	1,188	1949	37,663	39,474	-1,811	252,798
1915	683	746	-63	1,191	1950	36,422	39,544	-3,122	257,377
1916	762	713	+48	1,225	1951	47,480	43,970	+3,510	255,251
1917	1,100	1,954	-853	2,976	1952	61,287	65,303	-4,017	259,151
1918	3,630	12,662	-9,032	12,455	1953	64,671	74,120	-9,449	266,123
1919	5,085	18,448	-13,363	25,485	1954	64,420	67,537	-3,117	271,341
1920	6,649	6,357	+291	24,299	1955	60,209	64,389	-4,180	274,418
1921	5,567	5,058	+509	23,977	1956	67,850	66,224	+1,626	272,825
1922	4,021	3,285	+736	22,963	1957	70,562	68,966	+1,596	270,634
1923	3,849	3,137	+713	22,350	1958	68,550	71,369	-2,819	276,444
1924	3,853	2,890	+963	21,251	1959	67,915	80,342	-12,427	284,817
1925	3,598	2,881	+717	20,516	1960	77,763	76,539	+1,224	286,471
1926	3,753	2,888	+865	19,643	1961	77,659	81,515	-3,856	289,211
1927	3,992	2,837	+1,155	18,512	1962	81,409	87,787	-6,378	298,645
1928	3,872	2,933	+939	17,604	1963	86,376	92,642	-6,266	306,466
1929	3,861	3,127	+734	16,931	1964	89,459	97,684	-8,226	312,526
1930	4,058	3,320	+738	16,185	1965	93,072	96,507	-3,435	317,864
1931	3,116	3,577	-462	16,801	1966 est.	100,000	106,428	-6,428	320,000
1932	1,924	4,659	-2,735	19,487	1967 est.	111,000	112,847	-1,847	321,681

*Less than one-half million dollars.

¹ 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, 1942-66

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 channeled 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 at end of year ¹	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1942.....	139.2	34.0	24.4	34.5	24.8	29.9	21.5	77.0	55.3
1943.....	177.5	79.4	44.7	78.9	44.5	72.3	40.8	140.8	79.3
1944.....	201.9	95.0	47.1	94.0	46.6	85.6	42.4	202.6	100.4
1945.....	216.8	98.3	45.3	95.2	43.9	89.7	41.4	259.1	119.5
1946.....	201.6	60.3	29.9	61.7	30.6	40.1	19.9	269.9	133.9
1947.....	219.8	38.9	17.7	36.9	16.8	13.0	5.9	258.4	117.5
1948.....	243.5	33.0	13.5	36.5	15.0	13.2	5.4	252.4	103.6
1949.....	260.0	39.5	15.2	40.6	15.6	19.3	7.4	252.8	97.2
1950.....	263.3	39.5	15.0	43.1	16.4	19.0	7.2	257.4	97.7
1951.....	310.5	44.0	14.2	45.8	14.7	25.1	8.1	255.3	82.2
1952.....	337.2	65.3	19.4	68.0	20.2	46.6	13.8	259.2	76.8
1953.....	358.9	74.1	20.7	76.8	21.4	56.1	15.6	266.1	74.1
1954.....	362.1	67.5	18.7	71.9	19.8	53.2	14.7	271.3	74.9
1955.....	378.6	64.4	17.0	70.5	18.6	43.9	11.6	274.4	72.5
1956.....	409.4	66.2	16.2	72.5	17.7	45.2	11.0	272.8	66.6
1957.....	431.3	69.0	16.0	80.0	18.5	47.7	11.1	270.6	62.7
1958.....	440.3	71.4	16.2	83.5	19.0	50.7	11.5	276.4	62.8
1959.....	469.1	80.3	17.1	94.8	20.2	54.7	11.7	284.8	60.7
1960.....	495.2	76.5	15.5	94.3	19.0	52.7	10.6	286.5	57.8
1961.....	506.5	81.5	16.1	99.5	19.7	55.5	11.0	289.2	57.1
1962.....	542.1	87.8	16.2	107.7	19.9	60.9	11.2	298.6	55.1
1963.....	572.4	92.6	16.2	113.8	19.9	63.4	11.1	306.5	53.5
1964.....	609.6	97.7	16.0	120.3	19.7	65.8	10.8	312.5	51.3
1965.....	648.7	96.5	14.9	122.4	18.9	64.5	9.9	317.9	49.0
1966 (estimate)....	700.0	106.4	15.2	135.0	19.3	70.7	10.1	320.0	45.7

¹ Includes Government enterprise debt guaranteed by the U.S. Treasury.

ORGANIZATION CHART OF THE EXECUTIVE BRANCH

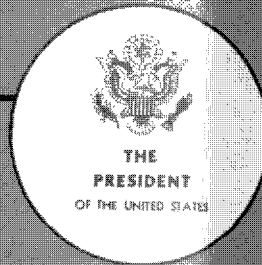
This foldout chart presents a graphic view of the major components of the Executive Branch of the Government. Included are the staff offices that make up the Executive Office of the President, the 11 executive departments, and various agencies, boards, and commissions. Temporary commissions, and interagency and public advisory committees are not included.

New Agencies Created During Calendar Year 1965:

- Department of Housing and Urban Development (replacing the Housing and Home Finance Agency).
- Appalachian Regional Commission.
- National Foundation on the Arts and Humanities.
- Water Resources Council.

For further details on the organization and functions of Federal agencies, see the *U.S. Government Organization Manual* (for sale by the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402).

EXECUTIVE BRANCH OF THE GOVERNMENT



THE
PRESIDENT
OF THE UNITED STATES

EXECUTIVE OFFICE OF THE PRESIDENT

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

DEPARTMENTS

DEPT. OF STATE

DEPT. OF THE TREASURY

DEPT. OF DEFENSE

DEPT. OF JUSTICE

POST OFFICE DEPT.

DEPT. OF THE INTERIOR

DEPT. OF AGRICULTURE

DEPT. OF COMMERCE

DEPT. OF LABOR

DEPT. OF HEALTH, EDUCATION AND WELFARE

DEPT. OF HOUSING AND URBAN DEVELOPMENT

AGENCIES, BOARDS AND COMMISSIONS

