

# THE BUDGET IN BRIEF



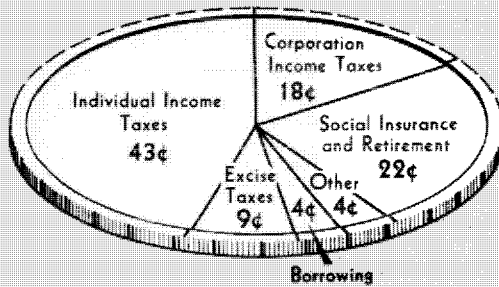
FISCAL YEAR 1966

EXECUTIVE OFFICE OF THE PRESIDENT/BUREAU OF THE BUDGET

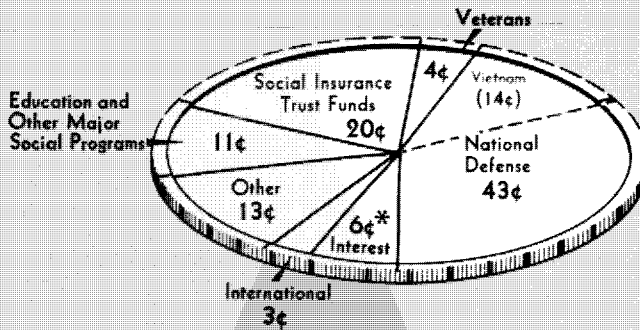
# THE GOVERNMENT DOLLAR

Fiscal Year 1969 Estimate

Where it comes from . . .



Where it goes . . .



\* Excludes Interest Paid to Trust Funds

## 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 12 executive departments, and various agencies, boards, and commissions. Temporary commissions, and interagency and public advisory committees are not included.

### Major Changes Since January 1967

- The three-member Board of Commissioners of the District of Columbia was replaced by a single Commissioner to carry out its executive-administrative functions and a nine-member Council to carry out its quasi-legislative functions.
- The National Capital Transportation Agency went out of existence, its functions being assumed by a non-Federal organization, the Washington Metropolitan Area Transit Authority.
- The Virgin Islands Corporation was dissolved.

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).

## FROM THE PRESIDENT'S BUDGET MESSAGE

This is a critical and challenging time in our history. It requires sacrifices and hard choices along with the enjoyment of the highest standard of living in the world. No nation has remained great by shedding its resolve or shirking its responsibilities. We have the capacity to meet those responsibilities. The question before us is whether or not our will and determination match that capacity.

In the past 4 years, this Nation has faced formidable challenges. We have confronted them with imagination, courage, and resolution. By acting boldly, we have forced a number of age-old concerns—ignorance, poverty, and disease—to yield stubborn ground.

The rollcall of accomplishments is long. But so is our agenda of unfinished business. Our heritage impels us to steadfast action on those problems of mankind which both gnaw at our conscience and challenge our imagination.

As your President, I have done all in my power to devise a program to meet our responsibilities compassionately and sensibly. The program is embodied in this budget for 1969. I urge active support for its principles and programs.



JANUARY 29, 1968.



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

## GLOSSARY

- FISCAL YEAR**—Year running from July 1 to June 30 and designated by the calendar year in which it *ends*.
- AUTHORIZATION**—An Act of Congress which authorizes Federal programs, obligations, or expenditures. The term “authorizations” sometimes refers to basic substantive legislation setting up a program or an agency, and authorizing appropriations to be made for it, but not actually providing authority to spend.
- NEW OBLIGATIONAL AUTHORITY (NOA)**—Authority provided by the Congress to obligate the Federal Government to pay out money. While usually voted each year, it may become available annually under a permanent law, as with interest on the public debt. *Appropriations* are the most common form of new obligational authority.
- LOAN AUTHORITY (LA)**—The portion of budget authority that is used to cover the principal of loans in the loan account.
- BUDGET AUTHORITY**—Total new obligational authority plus loan authority.
- OBLIGATIONS**—Commitments made by Federal departments and agencies to pay out money—as distinct from the actual payments made for products, services, loans or other purposes. The amounts may not be larger than those authorized by the Congress.
- LOAN ACCOUNT**—All domestic credit transactions where there are definite requirements for full repayment, plus all foreign loans made on commercial terms. They are recorded as gross loan disbursements, minus writeoffs and repayments, which equals *net lending*.
- EXPENDITURE ACCOUNT**—All outlays except those included in the loan account.
- EXPENDITURES**—The amount of checks issued, interest accrued, or other payments made, net of refunds and reimbursements received, in the expenditure account.
- OUTLAYS**—Total expenditures plus *net lending*.
- RECEIPTS**—Money received by the Government, except as a result of refunds or reimbursements.
- TRUST FUNDS**—Money held by the Federal Government in trust for *specified purposes*, such as social security and highways.
- FEDERAL FUNDS**—Funds entirely owned by the Federal Government as distinct from the trust funds which the Government theoretically holds in a fiduciary capacity.
- INTERFUND AND INTRAGOVERNMENTAL TRANSACTIONS**—Payments from one agency or fund to another. They are treated as offsets to expenditures, usually of the receiving fund or agency, to avoid double counting.
- PROPRIETARY RECEIPTS**—Receipts of Government activities of a business-type or market-oriented nature. They are treated as offsets to the expenditures of the agency and function to which they relate.
- GROSS NATIONAL PRODUCT**—Total market value of all final goods and services that the Nation produces in a single year.
- FISCAL POLICY**—Federal Government economic stabilization policies—as distinct from monetary policy—designed to foster economic goals such as high employment, stable growth and prices, and balance-of-payments equilibrium, through changes in taxes and levels of Government spending.
- MONETARY POLICY**—Federal Government economic stabilization policies—primarily executed by the Federal Reserve System—designed to achieve economic goals such as high employment, stable growth and prices, and balance-of-payments equilibrium, through influence on the money supply, interest rates, and credit availability.

## WHAT IS THE BUDGET?

The Budget of the United States Government is one of the most important documents issued by the Government each year. It presents the President's recommendations for the programs and financial plan of the Federal Government for the coming year.

The Federal Budget has many aspects and must serve various purposes:

- It represents a proposed *allocation of resources* to serve national objectives, between the private and public sectors, and within the public sector.
- It is an *economic document* which embodies the taxing and spending policies of the Government for promoting high employment, price stability, growth of the national economy, and improving the Nation's balance of payments.
- It sets forth the *President's requests to Congress* for action on appropriation of funds, new programs, and tax legislation, to achieve the Government's objectives.
- It *reports to the Congress and the people* on how the Government has spent the funds entrusted to it in past years.

The budget is presented to the Congress by the President each January, 6 months before the start of the fiscal year, which runs from July 1 to June 30 and is designated by the calendar year in which it ends. Congress considers the President's recommendations and votes new budget authority and revenue measures. Once granted this authority, Federal agencies may obligate the Government to make the outlays necessary to carry out the authorized programs. However, considerable time may elapse between the time Congress votes the budget authority and the time the outlays actually occur (explained in Part 3).

To carry out the recommendations of the President's Commission on Budget Concepts, which was established last year to review budget concepts and presentation, the 1969 budget is a *unified budget*. This budget supersedes the three concepts formerly used—the administrative budget, the consolidated cash statement budget, and the Federal sector of the national income accounts. This unified approach should help to increase both public and congressional understanding of the budget.



There are four major components of the new concept:

- It is *comprehensive* in coverage as it includes not only Federal funds but also the trust funds (such as the social security and highway funds) which were omitted from the former administrative budget.
- *Lending programs are separated from spending programs* within the total of Federal outlays, because Government spending is different from lending in terms of its direct effect on income and output in the economy.
- For consistency in reporting, the *receipts* of Government activities of a business-type nature are now *treated as offsets to the expenditures* of the agency or function to which they relate. For example, sales of timber from the national forests are now netted against the expenditures of the Department of Agriculture.
- To further clarify the role of the Congress in the budget process, *more prominence is given to actions requested of the Congress*, including appropriations as well as tax or other actions of a fiscal policy character.

In recent years, the *Budget in Brief* has highlighted consolidated cash totals. The totals under the new concept do not differ markedly from the former consolidated cash totals since both include the trust funds.

However, when compared with the widely used administrative budget, which excluded the social security, highway and other trust funds whose outlays now exceed \$45 billion, the budget totals under the new concept are not only more comprehensive but significantly higher. For example, under the new concept, the budget for fiscal 1969 reflects expenditures and net lending of \$186.1 billion, while the former administrative budget expenditure totals for 1969 would have been \$147.4 billion. Therefore, the 1969 presentation requires some adjustment in public thinking about Government finances. (The new concept is discussed in more detail in Part 4.)

The *Budget in Brief* is designed to present the highlights of the budget in a clear and nontechnical way. It is our hope that the *Budget in Brief* will help an increasing number of citizens to obtain a better understanding of the Federal Government's activities, responsibilities, and processes.

# PART 1

## BUDGET POLICY AND THE ECONOMY

### THE BUDGET PROGRAM FOR 1969

The Nation faces unprecedented challenges at home and abroad. The budget of the United States for 1969 presents the President's proposals for meeting these challenges during the coming year.

The budget proposals reflect our determination to:

- Defend the independence of Vietnam and improve the forces needed to deter potential aggression elsewhere;
- Expand the horizon of man's opportunity and progress at home; and
- Reduce inflationary pressures which would unfairly tax the purchasing power of those least able to afford it.

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

The Federal Government's foremost responsibility is to safeguard the peace and security of the United States. Correspondingly, the largest single category of expenditures is for national defense. We also pursue, with other nations, the quest for a peaceful and prosperous world. International programs complement our defense effort and support the cause of freedom and independence around the globe.

On the domestic front, we face urgent and increasing challenges, brought on by the quickening tempo of social and economic change. Our prosperity and economic growth in recent years have been unparalleled. We are entering our eighth year of unbroken economic advance. At the same time, the rapid growth in population, higher standards of living, and the expanding productive power of our society have created new problems and helped to supply the resources to tackle old ones—problems of urban decay and congestion, of air and water pollution, of people and regions left behind in the general economic

advance, and of increasing crime rates. The problems are serious; they gnaw at the fabric of our society. We have come increasingly to learn that in this land of opportunity, if man lacks opportunity, he lacks all.

We are also confronted with problems that are temporary in nature—but no less real. Our efforts to improve the lot of our needy and aged, to correct the imbalance in our international payments, and to elevate the real economic well-being of the entire Nation—are threatened by inflation and rising interest rates.

The tasks that lie before us challenge our ingenuity and our determination. But they can be met.

### **Budget Summary**

The overall revenue and expenditure totals in the 1969 budget are designed to help maintain sustainable and healthy economic growth, reduce the budgetary deficit substantially, and lessen the pressures on prices and interest rates. The individual budgetary programs, within the total, have been selected on the basis of a rigorous priority system to make progress towards achieving our urgent foreign and domestic goals.

The President has proposed three kinds of actions: First, selective expansion of existing programs or the inauguration of new programs only as necessary to meet those urgent requirements whose fulfillment we cannot delay.

Second, delays and deferments in existing programs, wherever this can be done without sacrificing vital national objectives.

Third, basic changes, reforms, or reductions designed to lower the budgetary cost of a number of Federal programs which, in their present form, no longer effectively meet the needs of today.

To carry forward the proposals in the 1969 budget, new budget authority of \$201.7 billion for 1969 will be required, of which \$141.5 billion must be acted upon in the current session of the Congress. The remainder will become available under existing law without current congressional action, including the social insurance trust funds and interest on the Federal debt.

Total budget outlays of \$186.1 billion are proposed for 1969, including \$182.8 billion of expenditures and \$3.3 billion of net lending.

## BUDGET SUMMARY

[Fiscal years. In billions]

| Description  | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
|--|----------------|------------------|------------------|
| <b>Budget authority (largely appropriations):</b>  |                |                  |                  |
| Previously enacted .....   | \$135.4        | \$125.1          |                  |
| Proposed for current action by Congress .....  |                | 3.3              | \$141.5          |
| Becoming available without current action by Congress .....                                | 58.7           | 69.9             | 73.1             |
| Deductions for interfund and intragovernmental transactions and proprietary receipts ..... | -11.5          | -11.8            | -12.9            |
| Total, budget authority .....  | 182.6          | 186.5            | 201.7            |
| <b>Receipts, expenditures, and net lending:</b>  |                |                  |                  |
| Expenditure account:   |                |                  |                  |
| Receipts .....   | 149.6          | 155.8            | 178.1            |
| Expenditures (excludes net lending) .....  | 153.2          | 169.9            | 182.8            |
| Expenditure deficit (-) .....  | -3.6           | -14.0            | -4.7             |
| Plus: Loan account:  |                |                  |                  |
| Loan disbursements .....   | 17.8           | 20.9             | 20.4             |
| Loan repayments .....  | -12.6          | -15.1            | -17.1            |
| Net lending .....  | 5.2            | 5.8              | 3.3              |
| <b>Equals: Total budget:</b>   |                |                  |                  |
| Receipts .....   | 149.6          | 155.8            | 178.1            |
| Outlays (expenditures and net lending) .....   | 158.4          | 175.6            | 186.1            |
| Budget deficit (-) .....   | -8.8           | -19.8            | -8.0             |

The total compares with an overall outlay of \$175.6 billion estimated for fiscal year 1968.

Almost all of the estimated \$10.4 billion growth in budget outlays is concentrated in those parts of the budget where increases are unavoidable—such as in programs under which payments are required by existing legislation, mandatory pay raises, major portions of the defense program, and higher interest payments on the Federal debt.

All other outlays, representing that portion of the budget which can be considered relatively controllable, have been held to the minimum level consistent with national needs and priorities.

Budget *receipts* in 1969 are estimated at \$178.1 billion, which is \$22.3 billion more than in 1968. The increase results from continued economic growth—yielding additional tax receipts—along with added revenues from the proposed temporary income tax surcharge

and other tax measures the President is proposing. With *outlays* of \$186.1 billion, the fiscal year 1969 *budget deficit* will be \$8.0 billion, compared with \$19.8 billion in 1968.

Between 1968 and 1969 the normal growth in revenues—associated with rising incomes and business activity—is expected to be \$11.5 billion. This more than covers the \$10.4 billion rise in budget outlays between the two years. Consequently, all of the revenues from the proposed surcharge and the speedup in corporate tax payments will be applied towards reducing the budget deficit.

When net lending is excluded, the *expenditure account deficit* in fiscal year 1969 is estimated to be \$4.7 billion, compared to \$14.0 billion in 1968. This expenditure account deficit is a more meaningful measure of the direct impact of the Federal budget on the Nation's income and output.

### THE BUDGET AND THE ECONOMY

Federal spending and taxing policies can contribute significantly to maintaining stable economic prosperity and growth. This was recognized by the Congress in enacting the Employment Act of 1946, in which the Government was given specific responsibility for the promotion of maximum employment, production, and purchasing power.

The tax system itself has an important influence on the level and rate of economic growth. As taxes are reduced, private after-tax incomes and profits rise, and economic activity is stimulated by the additional demands for goods and services. On the other hand, as taxes are increased, private demand is reduced and the rate of economic growth is restrained.

In the early part of the 1960's the economy was lagging behind its production potential. Unemployment was substantial, at times exceeding 7% of the civilian labor force, and much industrial plant capacity was idle. To fill the gap between actual and potential production, the Government adopted an expansionary fiscal policy. This policy was characterized chiefly by substantial reductions in individual, corporate, and excise taxes in 1962, 1964, and 1965. By increasing the purchasing power of consumers and business firms, the tax cuts fostered a strong and continuing economic expansion with striking reduction in unemployment and in unused plant capacity.

The best overall indicator of economic growth is the rise in the real gross national product (GNP)—the aggregate value of final goods and services produced during the year, adjusted for price changes. The GNP (in constant 1967 prices) rose by over \$200 billion during the

1961-67 period, an average annual rate of real growth of 5%. To put this in perspective, this *increase* in GNP is larger than the *total output* of West Germany, the world's third largest economy. As a result of the increased economic activity, more than 8.5 million new jobs were created, and for the calendar year 1967 the unemployment rate was below 4% for the second straight year. This economic expansion now entering its eighth year has been the longest and strongest economic expansion in our history.

### **The Current Situation**

Unlike the early 1960's the major economic problem facing the Nation today is not one of lagging economic growth, but its opposite. At the present time, the economy is threatened by overheating. We have had to increase defense expenditures very rapidly, in order to meet our commitments in Vietnam. As a consequence, the Federal budgetary deficit has climbed sharply. Other sectors of the economy are also surging ahead strongly. Demands on our resources are likely to reach beyond the Nation's capacity to produce goods and services.

These kinds of economic conditions, if unchecked, could lead to inflation, as a wage-price spiral is set underway. Interest rates, which have already risen in the past eighteen months, could rise more sharply. Our balance of payments position with the rest of the world could deteriorate, as export prices rose and our imports increased. Fiscal policy measures can help check these conditions and keep the economy on a path of stable noninflationary growth.

In the face of increasing expenditures in Vietnam, and with the outlook for rising inflationary pressures in the latter part of 1967, the President, in his Budget Message last year, proposed a 6% tax surcharge to meet these problems. In August of last year, in view of changed fiscal conditions, he modified his request, raising the proposed surcharge to 10%. In the current budget, the President is again proposing this 10% surcharge on income tax liabilities—effective January 1, 1968, on corporations and April 1, 1968, on individuals. The increase in individual income taxes would amount to about one penny on each dollar of income. The total tax increase in fiscal year 1969 from the surcharge would be \$9.8 billion. In addition, the 1969 budget proposes to retain certain excise taxes at the present level and accelerate collections of corporate income taxes.

With enactment of the tax measures proposed in the budget—the

total deficit can be reduced by \$11.8 billion between 1968 and 1969. Without the tax measures, the deficit in 1969 would remain close to \$20 billion for the second year in a row. With an economy already moving strongly upward, such a deficit in 1969 would clearly add sharply to inflationary pressures.

On the expenditure side, budget increases are being held to those required by law and those essential to carry out our most pressing defense and nondefense responsibilities. The 1969 budget provides for:

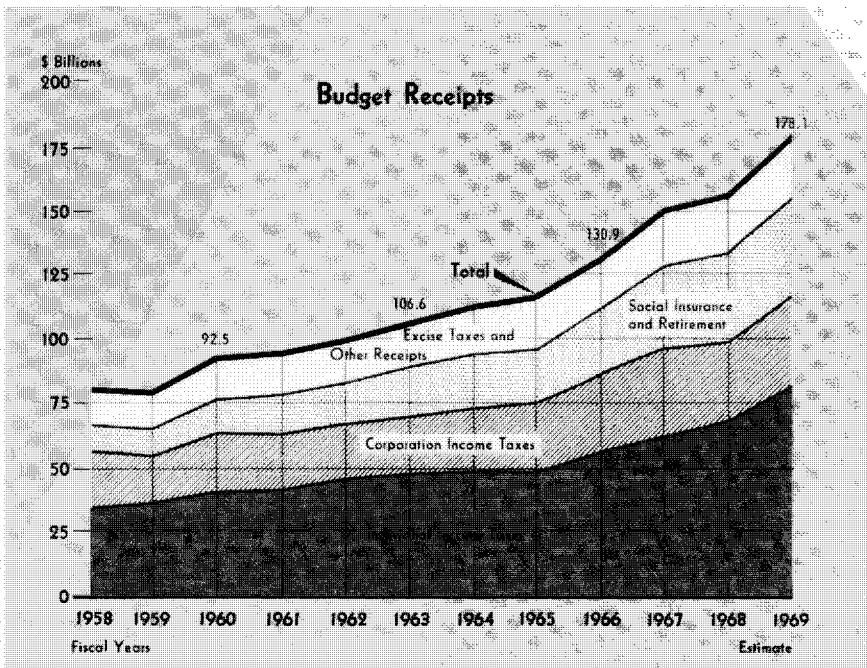
- *the cutback of controllable programs in 1968* from levels originally budgeted, which the Congress enacted on the President's recommendation;
- *additional reductions, deferrals, and program reform*, which would reduce program levels in a variety of Federal activities by \$2.9 billion in 1969;
- a determined effort to *slow the pace of federally financed construction* programs as much as possible consistent with orderly government; and
- a *careful review of all budget requests* to insure that increases are recommended only in case of high priority programs.

Taken together, the tax and expenditure proposals form a fiscal policy which provides the needed measure of restraint and holds the rate of growth of the demands on our resources to a level that would reduce inflationary forces, relieve the upward pressure on interest rates, and help sustain confidence in the American dollar.

Tax and expenditure policies must be timely. We cannot wait to take corrective action until inflationary forces are in full swing. Once a wage-price spiral begins, it cannot be quickly eliminated—it tends to continue for some time after corrective measures are applied. In the meantime, objectives of economic growth or price stability suffer, and certain groups of the population are made to shoulder unfairly the burdens of unemployment or inflation.

### **Budget Receipts in 1969**

In our Federal tax system most taxes are levied on personal income and corporate profits. Consequently, when incomes and profits grow, tax collections increase. In 1969, \$11.5 billion of the \$22.3 billion rise in collections over 1968 will be due to economic growth, while the proposed surcharge and other tax measures will account for the remaining \$10.8 billion of the increase.



*Individual income tax receipts* are estimated at \$80.9 billion in 1969, \$13.2 billion higher than in 1968. The increase is due to higher personal incomes and the tax increase. The proposed surcharge will yield \$0.9 billion of receipts in 1968 and \$6.9 billion in 1969.

*Corporate income tax receipts* are estimated to be \$34.3 billion in 1969, an increase of \$3.0 billion over 1968. This estimate includes an increase of \$1.0 billion from the proposed tax surcharge in 1968 and \$2.9 billion in 1969. The proposed acceleration of corporate tax payments will add \$0.8 billion to 1968 receipts and \$0.4 billion in 1969.

*Social insurance and retirement receipts* include employment taxes imposed on payrolls to finance social security; unemployment insurance; premiums for health and supplemental medical insurance; and civil service retirement. These combined receipts are expected to increase to \$40.0 billion in 1969, \$4.6 billion higher than in 1968, due mainly to the increase in social security taxes.



## BUDGET RECEIPTS

[Fiscal years. In billions]

| Source                                      | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
|---|----------------|------------------|------------------|
| Individual income taxes .....               | \$61.5         | \$67.7           | \$80.9           |
| Corporation income taxes .....              | 34.0           | 31.3             | 34.3             |
| Excise taxes .....                          | 13.7           | 13.8             | 14.7             |
| Employment taxes .....                      | 27.8           | 29.7             | 34.2             |
| Unemployment insurance .....                | 3.7            | 3.7              | 3.6              |
| Premiums for insurance and retirement ..... | 1.9            | 2.0              | 2.3              |
| Estate and gift taxes .....                 | 3.0            | 3.1              | 3.4              |
| Customs .....                               | 1.9            | 2.0              | 2.1              |
| Miscellaneous receipts .....                | 2.2            | 2.4              | 2.7              |
| Total receipts .....                        | 149.6          | 155.8            | 178.1            |

### **Budget Outlays in 1969**

Outlays recommended for 1969 are discussed in Part 2. Briefly the outlays include:

- \$182.8 billion of expenditures.
- \$3.3 billion of net lending.

To understand best the fiscal impact of Federal activities on the economy, it is most helpful to use figures from the expenditure account of the budget (which exclude “net lending”). The effect of repayable loans on the economy is very different than when the Federal Government spends money for a missile, a dam, or a grant program. A loan is simply an exchange of financial assets. Unlike other outlays, it does not add directly to the income of the recipient. Consequently, the budget identifies and distinguishes “expenditures” from “lending,” and, for purposes of evaluating economic impact, shows a separate calculation of the surplus or deficit based on expenditure totals alone.

*Expenditures* of the Federal Government are estimated to total \$182.8 billion in 1969. Only \$99.4 billion, however, will actually be used to buy goods and services—including the salaries of military and civilian employees—directly needed to carry out the Government’s programs. The remainder will be benefit payments to individuals or grants to State and local governments. For example, when the Government pays out social security benefits to individuals, it does not “buy” anything itself, and therefore does not directly use up resources produced by the economy. Rather, it transfers funds to eligible beneficiaries

under social security, Medicare, the GI bill, and various other programs, who then purchase goods and services for themselves.

Similarly, the Federal Government will grant significant amounts of Federal funds to the States to use for such purposes as education, air and water pollution, crime prevention, highway construction, and public assistance payments.

*National defense* programs account for \$79.8 billion, or 44%, of the estimated 1969 expenditure total. About one-third of defense expenditures are for our operations in Vietnam. Defense expenditures in 1969 are expected to be \$3.3 billion higher than in 1968—\$1.3 billion of the increase is accounted for by Vietnam, the remainder by other defense programs.

*Civilian expenditures* are estimated at \$103.0 billion in 1969, and account for 56% of total expenditures.

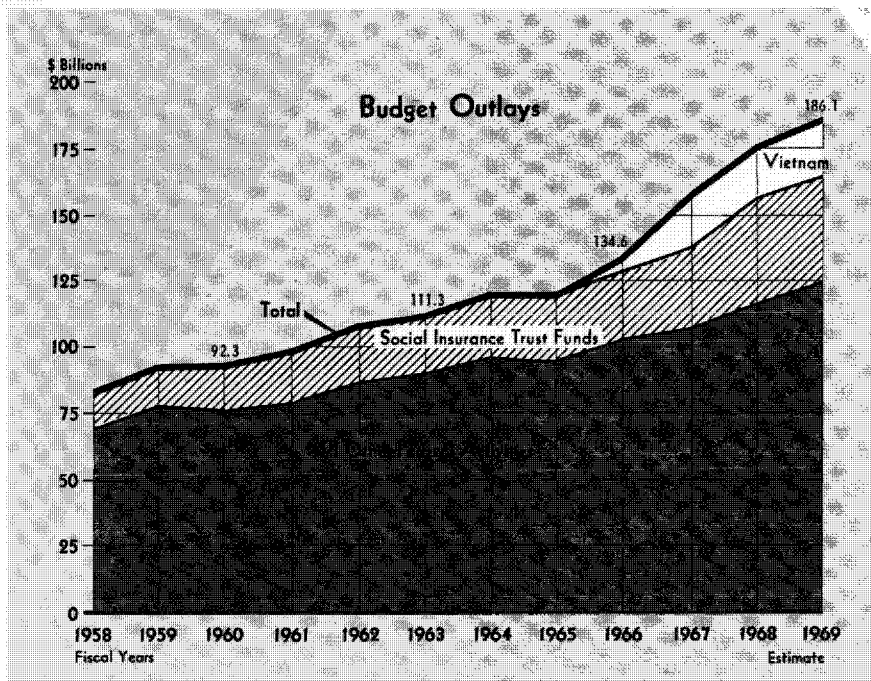
- Health, labor, and welfare programs (\$51.9 billion) make up one-half of total civilian expenditures. The social insurance trust funds—chiefly social security, unemployment insurance, and Medicare—account for \$39.5 billion of the spending for this category.
- Other major social programs—notably education and housing and community development—represent another \$5.8 billion in expenditures.

These three functional categories combined will account for 56% of civilian expenditures in 1969. They will increase by \$6.5 billion between 1968 and 1969, accounting for two-thirds of the overall rise in civilian program spending.

All other expenditures will comprise 25% of estimated total expenditures and will rise by \$3.2 billion in 1969.

In addition to these expenditures, the 1969 budget carries \$3.3 billion for *net lending*, a decrease of \$2.5 billion from 1968. The largest lending programs are conducted in connection with housing and community development and agriculture and agricultural resources. The net lending activity in these two functions alone accounts for 76% of total net lending estimated for 1969.

The decline in net lending from 1968 to 1969 results mainly from reduced purchases of mortgages in the secondary market operations of the Federal National Mortgage Association, as greater reliance will be placed on the private credit market.



The \$186.1 billion in *total budget outlays*—expenditures plus net lending—represents an increase of \$10.4 billion from the current fiscal year. Almost all of this increase is accounted for by rising outlays for defense and for relatively fixed charges under present laws.

Major increases in outlays from 1968 to 1969 are:

- \$3.3 billion for national defense—the largest single increase—for Vietnam and selective improvements to our forces.
- \$1.6 billion for military and civilian pay increases enacted last year.
- \$4.2 billion for the social insurance trust funds—chiefly social security, unemployment insurance, and Medicare.
- \$0.5 billion for other outlays of the Department of Health, Education, and Welfare, largely for public assistance and medical care for the poor.

Major decreases from 1968 to 1969 include:

- \$1.3 billion for the Department of Housing and Urban Development, reflecting the decline in mortgage purchases.
- \$230 million for the National Aeronautics and Space Administration, because requirements for the Apollo program are declining.
- \$320 million for the Post Office, reflecting the postal rate increase enacted in 1967.

## BUDGET OUTLAYS

[Fiscal years. In millions]

| Function   | 1967<br>actual | 1968<br>estimate | 1960<br>estimate |
|--|----------------|------------------|------------------|
| <b>Expenditures:</b>                                       |                |                  |                  |
| National defense .....                                     | \$70, 095      | \$76, 491        | \$79, 792        |
| <i>Excluding special Vietnam</i> .....                     | (49, 961)      | (51, 960)        | (54, 008)        |
| International affairs and finance .....                    | 4, 110         | 4, 330           | 4, 478           |
| <i>Excluding special Vietnam</i> .....                     | (3, 687)       | (3, 872)         | (3, 998)         |
| Space research and technology .....                        | 5, 423         | 4, 803           | 4, 573           |
| Agriculture and agricultural resources .....               | 3, 156         | 4, 412           | 4, 474           |
| Natural resources .....                                    | 2, 113         | 2, 416           | 2, 483           |
| Commerce and transportation .....                          | 7, 308         | 7, 695           | 7, 996           |
| Housing and community development .....                    | 577            | 697              | 1, 429           |
| Health, labor, and welfare .....                           | 39, 512        | 46, 396          | 51, 945          |
| Education .....  | 3, 602         | 4, 157           | 4, 364           |
| Veterans benefits and services .....                       | 6, 366         | 6, 798           | 7, 131           |
| General government .....                                   | 2, 452         | 2, 618           | 2, 827           |
| Interest .....   | 12, 548        | 13, 535          | 14, 400          |
| Allowances:  |                |                  |                  |
| Civilian and military pay increase .....                   |                |                  | 1, 600           |
| Contingencies .....  |                | 100              | 350              |
| Undistributed intragovernmental payments:                  |                |                  |                  |
| Government contribution for employee retirement (—) .....  | -1, 735        | -1, 913          | -2, 007          |
| Interest received by trust funds (—) .....                 | -2, 287        | -2, 678          | -3, 042          |
| Total expenditures .....                                   | 153, 238       | 169, 856         | 182, 797         |
| <i>Total expenditures, excluding special Vietnam</i> ..... | (132, 681)     | (144, 867)       | (156, 533)       |
| <b>Net lending:</b>  |                |                  |                  |
| International affairs and finance .....                    | 540            | 716              | 675              |
| Agriculture and agricultural resources .....               | 1, 221         | 899              | 1, 135           |
| Housing and community development .....                    | 1, 708         | 3, 257           | 1, 355           |
| Other .....  | 1, 705         | 907              | 99               |
| Total net lending .....                                    | 5, 176         | 5, 779           | 3, 265           |
| Total outlays .....  | 158, 414       | 175, 635         | 186, 062         |
| <i>Total outlays, excluding special Vietnam</i> .....      | (137, 857)     | (150, 646)       | (159, 798)       |

## Controllability of Budget Outlays

The ability of the Government to alter outlays in the short run for fiscal policy purposes is limited. In many programs outlays are fixed by law, or are otherwise relatively uncontrollable through the annual budget process.

The following table presents the 1969 budget in terms of its controllability. Of the \$186.1 billion of fiscal 1969 outlays, \$79.8 billion are for national defense, and \$106.3 billion for civilian outlays.

Over two-thirds, \$71.9 billion, of the civilian outlays are for programs for which outlays are relatively uncontrollable in the short run. For example, the law requires veterans pensions and compensation to be paid at legally established rates to eligible veterans; and interest must be paid on the Federal debt.

### CONTROLLABILITY OF BUDGET OUTLAYS

[Fiscal years. In billions]

| Type of controllability   | 1967<br>actual | 1968<br>estimate | 1969<br>estimate | Change,<br>1968 to<br>1969 |
|---|----------------|------------------|------------------|----------------------------|
| <b>National defense</b>   | <b>\$70.1</b>  | <b>\$76.5</b>    | <b>\$79.8</b>    | <b>+\$3.3</b>              |
| <b>Relatively uncontrollable civilian programs:</b>   |                |                  |                  |                            |
| Open-ended programs and fixed costs:  |                |                  |                  |                            |
| Social security, Medicare, and other social insurance trust funds   | 30.3           | 34.3             | 38.5             | +4.2                       |
| Interest  | 12.5           | 13.5             | 14.4             | +.9                        |
| Civilian and military pay increase  |                |                  | 1.6              | +1.6                       |
| Veterans pensions, compensation, and insurance  | 4.9            | 5.1              | 5.2              | +.1                        |
| Public assistance grants  | 4.2            | 5.2              | 5.7              | +.5                        |
| Farm price supports (Commodity Credit Corporation)  | 1.7            | 2.8              | 2.9              | +.1                        |
| Postal operations   | .8             | .7               | .3               | -.4                        |
| Legislative and judiciary   | .3             | .4               | .4               | *                          |
| Other   | 2.4            | 2.7              | 2.8              | +.1                        |
| Subtotal, relatively uncontrollable civilian programs   | <b>57.1</b>    | <b>64.7</b>      | <b>71.8</b>      | <b>+7.1</b>                |
| <b>Relatively controllable civilian programs, including outlays from prior year contracts and obligations</b> | <b>35.2</b>    | <b>39.0</b>      | <b>39.5</b>      | <b>+.5</b>                 |
| Undistributed intragovernmental payments (—)  | —4.0           | —4.6             | —5.0             | — .5                       |
| <b>Total budget outlays</b>   | <b>158.4</b>   | <b>175.6</b>     | <b>186.1</b>     | <b>+10.4</b>               |

\* Less than \$50 million.

All but \$0.5 billion of the increase is accounted for by national defense programs or by relatively uncontrollable programs. Apart from the \$3.3 billion increase estimated for defense, civilian outlays are estimated to rise by \$7.1 billion.

Of this increase:

- \$4.2 billion will be spent through the various self-financed social insurance trust funds under which benefits are fixed by law and cannot be controlled through the budgetary process. These programs, which account for 21% of total outlays, include primarily benefit payments for social security, Medicare, unemployment compensation, and railroad and Federal employee retirement.
- An additional \$1.3 billion of the increase represents outlays for interest on the public debt, veterans compensation and pensions, public assistance and other commitments established by law. These outlays amount to 17% of total outlays.
- Pay legislation enacted last year for Federal military and civilian employees provides for an additional salary increase effective July 1, 1968, which will add \$1.6 billion to outlays in fiscal year 1969.

In the 1969 budget, the portion of outlays which may be considered relatively “controllable,” including outlays from prior year contracts and obligations, amounts to 21% of the total outlays estimated for the year. Within the total of relatively controllable civilian outlays are significant portions of our education and community development programs; veterans hospital care; the food stamp and school lunch programs; the FBI and other law enforcement activities; and air safety and air traffic control, among others.

The increase over 1968 for programs in this category has been held to \$0.5 billion. The rise is more than accounted for by the increase of \$1½ to \$2 billion in payments on prior contracts and obligations—such as payments for the completion of ships already under construction. On the other hand, budget outlays by the Federal National Mortgage Association trust fund are scheduled to decline. All other outlays in relatively controllable civilian programs will be essentially unchanged from 1968 to 1969.

Within the relatively stable total of controllable outlays, however, there are a large number of individual increases and decreases which roughly offset each other. Tight budgeting does not mean an indiscriminate “hold-the-line” on all programs. Rather, it implies a rigorous application of priorities, providing increases where needs are urgent and returns high, slowing the growth of programs with less urgent priority, and reducing outlays where requirements have decreased or programs have become outmoded.

In the application of this priority system, the 1969 budget provides selective increases for a number of urgent domestic programs, particularly:

- manpower training;
- Model Cities;
- programs to control the rising crime rate;
- family planning and health care for mothers and infants;
- air and water pollution control; and
- research in better methods of education, and assistance in raising the supply of qualified teachers.

#### BUDGET OUTLAYS—SELECTIVE PROGRAM CHANGES

[Fiscal years. In billions]

| Description  | 1967<br>actual | 1968<br>estimate | 1969<br>estimate | Change,<br>1968 to<br>1969 |
|--|----------------|------------------|------------------|----------------------------|
| National defense.....  | \$70.1         | \$76.5           | \$79.8           | +\$3.3                     |
| Social security, Medicare, and other social insurance trust funds..... | 30.3           | 34.4             | 38.6             | +4.2                       |
| Other major social programs:   |                |                  |                  |                            |
| Education.....   | 4.0            | 4.5              | 4.7              | + .2                       |
| Health (excluding Medicare).....                                       | 3.4            | 4.3              | 4.8              | + .5                       |
| Labor and manpower.....  | 1.1            | 1.3              | 1.5              | + .2                       |
| Economic opportunity programs.....                                     | 1.5            | 1.9              | 2.0              | + .1                       |
| Welfare.....   | 3.9            | 4.6              | 4.9              | + .3                       |
| Urban community development, and low and moderate income housing.....  | 1.1            | 1.9              | 2.3              | + .4                       |
| Regional development.....  | .2             | .4               | .5               | + .1                       |
| Interest.....  | 12.5           | 13.5             | 14.4             | + .9                       |
| Pay increases for military and civilian employees.....                 |                |                  | 1.6              | +1.6                       |
| All other.....   | 34.2           | 36.9             | 36.0             | -.8                        |
| Undistributed intragovernmental payments (-).....                      | -4.0           | -4.6             | -5.0             | -.5                        |
| <b>Total budget outlays.....</b>                                       | <b>158.4</b>   | <b>175.6</b>     | <b>186.1</b>     | <b>+10.4</b>               |

#### **Budget Program Reductions and Reforms**

The 1969 budget recommends two kinds of measures to reduce Federal outlays.

- *Budget reductions* are proposed in the form of cuts in existing program levels which will not alter the character of the affected program. For example, temporary reductions are recommended in certain construction outlays, not because the programs concerned have outlived their usefulness, but because a deferral of this con-

## BUDGET PROGRAM REDUCTIONS AND REFORMS

[Fiscal years. In millions]

| Program  | Cuts below 1968<br>program level, as<br>funded |        |
|--|--|--------|
|  | 1969   | 1970   |
| <b>Budget reductions:</b>  |  |        |
| NASA (manned space flight and other).....  | -\$447   |        |
| Education programs (mainly books and equipment and college facility grants)..... | -361   |        |
| Agriculture (loan programs and other).....                                       | -197   |        |
| Ship construction subsidies and research.....                                    | -163   |        |
| General Services Administration (construction).....                              | -143   |        |
| Small Business Administration (loan programs).....                               | -90  |        |
| Interior (construction).....   | -61  |        |
| Health facilities (research and medical library).....                            | -39  |        |
| Atomic energy programs (special nuclear materials and other).....                | -36  |        |
| Other reductions.....  | -95  |        |
| Total, budget reductions.....  | -1,632   |        |
|  | 1969   | 1970   |
| <b>Program reforms:</b>  |  |        |
| Private housing—place greater reliance on the private market.....                | -\$669   | -\$669 |
| Transportation—charge users for benefits received.....                           | -286   | -319   |
| Education—tie impacted aid more closely to Federal burden.....                   |  | -100   |
| Veterans—eliminate overlapping and outmoded benefits.....                        | -107   | -107   |
| Agricultural conservation program—limit to long-term benefits.....               | -120   | -120   |
| SBA disaster loans—employ more equitable and rigorous criteria.....              | -50  | -50    |
| Other reforms.....   | -3   | -3     |
| Total, program reforms.....  | -1,235   | -1,368 |
| Grand total, budget program reductions and reforms, 1969.....                    | -2,867   |        |

struction is appropriate in a period when we are striving to reduce the Federal deficit and contain inflationary pressures. Such reductions are estimated to bring the affected 1969 programs some \$1.6 billion below 1968 appropriated levels.

- *Program reforms* represent a revamping of ongoing activities to bring them more into line with current program priorities. Under the proposals, the program level of the older outmoded activities would be reduced, or in certain cases, user charges will be imposed or increased on those who benefit directly from Federal services. These proposed reforms are estimated to reduce the 1969 budgetary burden for these programs by \$1.2 billion below 1968 levels.



The combination of budget reductions and program reforms for 1969 will reduce program obligations or commitments by about \$2.9 billion below currently estimated levels. In many cases, the value of these program reductions and reforms would rise in 1970. These proposals, shown in the accompanying table, will touch nearly every major agency in the Federal Government.

## PART 2

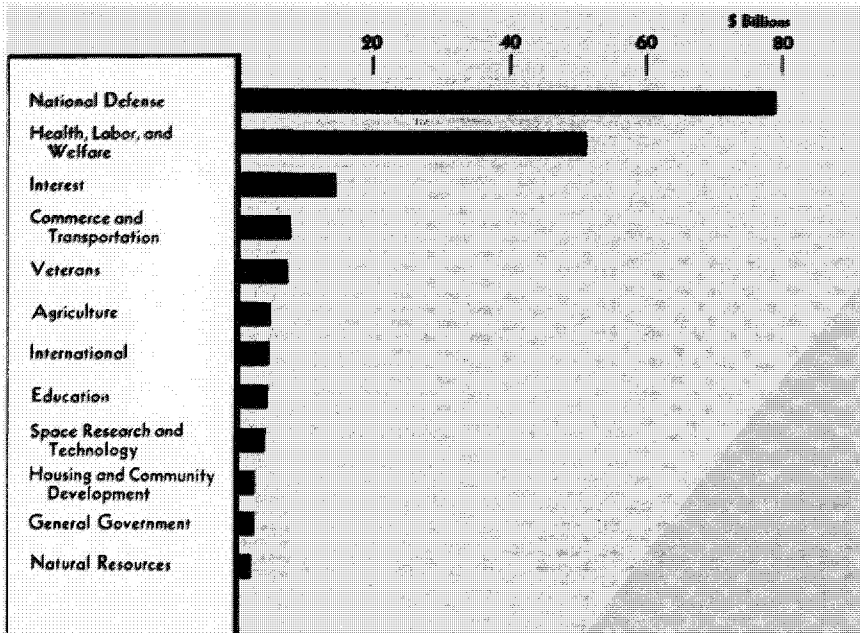
# THE BUDGET PROGRAM BY FUNCTION

The outlays of the Federal Government are grouped into 12 functional categories according to the general purpose served. This section describes, for each function, the trends and developments anticipated in existing programs and new programs the Congress is being asked to enact. The chart below indicates the relative size of each of these functions.

Apart from the outlays estimated in the functional categories, the budget

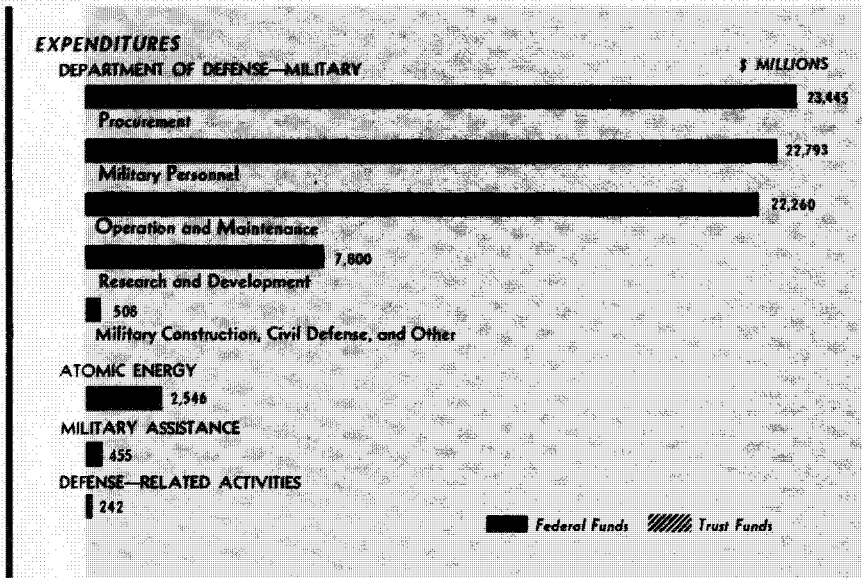
includes several allowances and adjustments. An estimated \$2 billion in allowances is provided in addition to the functional figures for (1) the second stage of the pay increase enacted in 1967 for military and civilian personnel and (2) unforeseen contingencies and the possible costs of programs on which detailed, specific proposals have not yet been completely formulated.

1969 Outlays by Function



## NATIONAL DEFENSE

**1969 Outlays** ----- **\$79,789 Million**  
**Expenditures** -- **\$79,792 Million**  
**Net Lending** -- **\$ -4 Million**



Note: The figures for DOD and defense related activities are not adjusted for \$7 million of interfund and intragovernmental transactions and \$249 million of proprietary receipts; thus the amounts shown above add to more than the total budget outlays for the function.

Our defense forces are designed to preserve the freedom and territorial integrity of this Nation and its allies. The funds requested in the budget should be sufficient to provide all the forces and equipment needed to defend South Vietnam and to maintain and improve the overall preparedness of our other defense forces.

Outlays for national defense in 1969 are estimated to increase by \$3.3 billion over 1968, and \$9.7 billion over 1967. Stringent standards were

applied in the review of all expenditures. Where military and international conditions dictate, vital programs have been expanded. At the same time a careful review is being continued to identify those programs which can be reduced, deferred or stretched out without reducing overall defense readiness.

*Support of Vietnam.*—The following table shows the special costs of Vietnam.

## ESTIMATED EXPENDITURES FOR SPECIAL SUPPORT OF VIETNAM OPERATIONS

[In millions]

| Fiscal year | Defense expenditures, excluding Vietnam | Special Vietnam expenditures |                                  |        |
|-------------|---|------------------------------|----------------------------------|--------|
|             |   | Defense                      | Economic assistance <sup>1</sup> | Total  |
| 1965.....   | \$46,070                                | \$103                        | .....                            | \$103  |
| 1966.....   | 48,597                                  | 5,812                        | \$282                            | 6,094  |
| 1967.....   | 47,333                                  | 20,133                       | 424                              | 20,557 |
| 1968.....   | 49,163                                  | 24,531                       | 458                              | 24,989 |
| 1969.....   | 50,874                                  | 25,784                       | 480                              | 26,264 |

<sup>1</sup> These expenditures are included under International Affairs and Finance.

Our large and rapidly-increasing deployments to Vietnam have begun to level off, and have not been made at the expense of forces required for other missions—as shown in the accompanying table.

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

For purposes of planning, the Department of Defense groups its forces in terms of major programs. Each program combines forces—regardless of the branch of military service—into the major military missions which must be performed. The table on page 26 briefly summarizes the forces planned for the major programs by the end of fiscal year 1969.

### **TOTAL MILITARY PERSONNEL AND DEPLOYMENTS TO SOUTHEAST ASIA**

[In thousands]

| Date                             | Total military personnel | Military personnel in Southeast Asia |
|----------------------------------|--------------------------|--------------------------------------|
| June 30, 1964.....               | 2,685                    | 21                                   |
| June 30, 1965.....               | 2,653                    | 103                                  |
| June 30, 1966.....               | 3,092                    | 322                                  |
| June 30, 1967.....               | 3,376                    | 529                                  |
| December 31, 1967, estimate..... | 3,400                    | 568                                  |

*Strategic forces.*—Our strategic forces constitute a powerful deterrent to nuclear aggression. We maintain a varied, reliable, and credible force

**SUMMARY OF ACTIVE FORCES**

| Description                                       | June 30, 1969<br>(estimated) |
|---|------------------------------|
| <b>SELECTED FORCES BY PROGRAM</b>                 |                              |
| <b>Strategic Forces:</b>                          |                              |
| Intercontinental ballistic missile squadrons..... | 26                           |
| Polaris submarines/missiles (in commission).....  | 41/656                       |
| Strategic bomber wings.....                       | 12                           |
| Manned fighter interceptor squadrons.....         | 19                           |
| <b>General Purpose Forces:</b>                    |                              |
| Army Divisions.....                               | 19                           |
| Warships (in commission).....                     | 376                          |
| Amphibious assault ships (in commission).....     | 166                          |
| Marine Corps divisions/aircraft wings.....        | 4/3                          |
| Air Force tactical forces squadrons.....          | 138                          |
| <b>Airlift and Sealift Forces:</b>                |                              |
| Aircraft squadrons.....                           | 54                           |
| Troopships, cargo ships, and tankers.....         | 130                          |
| <b>SELECTED DEPARTMENTWIDE TOTALS</b>             |                              |
| Active aircraft (all programs).....               | 35, 114                      |
| Commissioned ships in fleet (all programs).....   | 960                          |
| <b>Military personnel (in thousands):</b>         |                              |
| Army.....   | 1, 508                       |
| Navy.....   | 795                          |
| Marine Corps.....                                 | 306                          |
| Air Force.....                                    | 868                          |
| <b>Total, Department of Defense.....</b>          | <b>3, 477</b>                |

which can withstand a surprise attack and still destroy an aggressor.

Under the budget proposed for 1969 these forces will be strengthened through (1) the provision of multiple, independently targetable warheads for our Minuteman and Poseidon missile systems, (2) the continued improvement of our manned bomber force, (3) the procurement of the Sentinel ballistic missile defense system to counter the threat posed by the emerging Chinese nuclear capability, and

(4) the revamping of our air defense system.

*General purpose forces.*—Powerful and versatile tactical forces are required to counter a wide range of lesser threats against which the use of strategic nuclear power would not be appropriate. Most of our defense forces are for this mission.

The 1969 program will provide for all of our needs in Vietnam and for such selective improvements as: (1) increased land force firepower, mo-

bility, and defense against air attack, (2) a vigorous ship construction and conversion program, and (3) continued procurement of modern tactical aircraft.

**Airlift and sealift.**—These forces include the cargo- and troop-carrying ships and planes which can move the armed forces rapidly over great distances and sustain them in combat. This ability is designed to permit effective counteraction in the early stages of a conflict. In 1969, the budget provides for continuing funds to purchase the giant C-5A air transport and requests funds for the first four of a new series of fast deployment logistics ships.

**Research and development.**—This program is the Nation's investment in the future of our national security. Included are the development costs of weapon systems and equipment not yet approved for operational use. Systems already approved for procurement are reflected in the appropriate mission-oriented programs. The new Sentinel system, for example, is funded in the Strategic forces program. The 1969 budget emphasizes development projects to improve our strategic offensive and defensive capabilities, to identify the next generation of tactical aircraft, to improve land and sea force defenses against attack, and to meet land-combat needs—particularly in Southeast Asia.

**Military Assistance**

This Nation continues to assist allies which are unable to provide fully for their own defense. Expenditures for military assistance grants and credit sales in 1969 are estimated at \$525

million, compared with \$550 million in 1968.

**Atomic Energy**

The Atomic Energy Commission is responsible for developing and manufacturing nuclear weapons, improving nuclear power reactors for propulsion of naval ships and generation of electric power, enriching nuclear fuels for atomic power plants, pursuing the various applications of atomic energy to peaceful uses, and conducting basic research in the physical and biomedical sciences.

Expenditures will rise in 1969 by \$213 million, primarily in the weapons program to develop and prepare to produce the nuclear warhead for the Sentinel ballistic missile defense system. Smaller increases in the reactor development and basic research programs will be partially offset by a decline in expenditures for procurement of raw uranium concentrates.

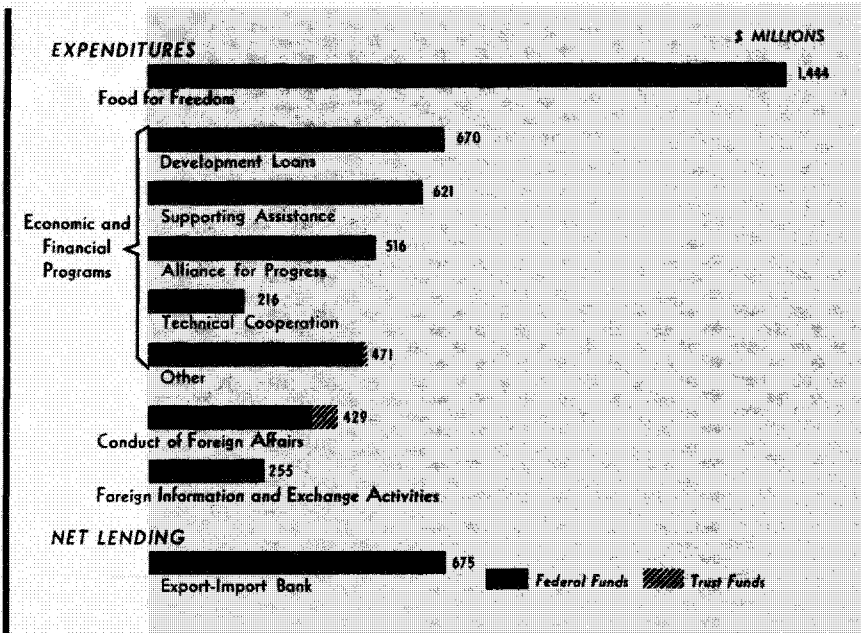
Development efforts will be further intensified on the "fast breeder" civilian power reactor, which promises to produce more fissionable fuel than it consumes while producing electric power.

National Defense

| Fiscal year             | Total outlays (in millions) | Percent of total budget outlays |
|-------------------------|-----------------------------|---------------------------------|
| 1969 estimate . . . . . | \$79, 789                   | 42. 9%                          |
| 1968 estimate . . . . . | 76, 489                     | 43. 5                           |
| 1967 . . . . .          | 70, 092                     | 44. 2                           |
| 1966 . . . . .          | 56, 770                     | 42. 2                           |
| 1965 . . . . .          | 49, 583                     | 42. 0                           |
| 1964 . . . . .          | 53, 651                     | 45. 2                           |
| 1963 . . . . .          | 52, 211                     | 46. 9                           |
| 1962 . . . . .          | 51, 179                     | 47. 8                           |
| 1961 . . . . .          | 47, 491                     | 48. 5                           |

## INTERNATIONAL AFFAIRS AND FINANCE

1969 Outlays ----- \$5,153 Million  
 Expenditures -- \$4,478 Million  
 Net Lending --- \$ 675 Million



Note: The amounts shown above are not adjusted for \$144 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The fundamental objective of our international programs is to promote a peaceful world community in which all peoples can progress toward more satisfying lives. We share with all nations a responsibility for helping to create such a world community.

### **Economic and Financial Programs**

Economic assistance programs directly serve the security and well-being of the United States by supporting the economic and social progress of the peoples of less developed countries. By cooperating with other developed nations and by channeling an increas-

ing share of assistance through multi-lateral agencies, we seek greater effectiveness in the use of our aid.

Outlays for economic aid programs administered by the Agency for International Development (AID), and for shipments of food under the Food for Freedom program amount to \$3.7 billion in 1969. Continued aid will be concentrated in those countries that demonstrate their desire to help themselves by taking the difficult self-help steps necessary to stimulate and sustain economic growth and social progress.

AID outlays are estimated to be \$2.3 billion in 1969. In line with the pro-

gram to improve the U.S. balance of payments, AID will take steps to insure that more than 90% of its total outlays in 1969 will be for purchases of goods and services in the United States, compared with 82% in 1966.

**Alliance for Progress.**—The Alliance encourages the economic and social reforms needed to promote orderly economic and political development in Latin America. In 1969, our assistance will be increased in accord with the decisions reached by the American Presidents at Punta del Este in April 1967 to increase agricultural production, promote education, foster science and technology, and help establish the foundation for a common market in Latin America.

**Development loans and technical cooperation.**—Development loans—concentrated in key countries other than Latin America—support a wide range of activities such as schools, fertilizer plants, transportation facilities and imports of machinery and materials to stimulate private production. The United States also pays part of the costs of technical advisors whose experience and skills are needed to solve the complex problems of economic and social development, particularly in agriculture, health, education, and family planning.

**Supporting assistance.**—Grants and loans are provided in a limited number of countries to strengthen political stability and security in order to maintain an environment in which economic and social development are possible. In 1969, Vietnam will receive almost 80% of this type of assistance.

**Other programs.**—Several other programs support our international objectives:

- In 1969, contributions will be made to the Inter-American Development Bank and the Asian Development Bank. Upon completion of negotiations among donor nations, legislation will be sought to authorize a new contribution to the International Development Association. All of these institutions provide greatly needed financial resources to developing nations.
- The Peace Corps will be active in about 60 countries in 1969, and will emphasize programs in agriculture, health, and education.
- The United States will continue to share the cost of supporting the United Nations and over 60 other international organizations of which this Nation is a member.
- The Export-Import Bank will aid U.S. exports by insuring, financing, and guaranteeing export loans. A new Export Expansion Program to extend the Bank's activity will be proposed.

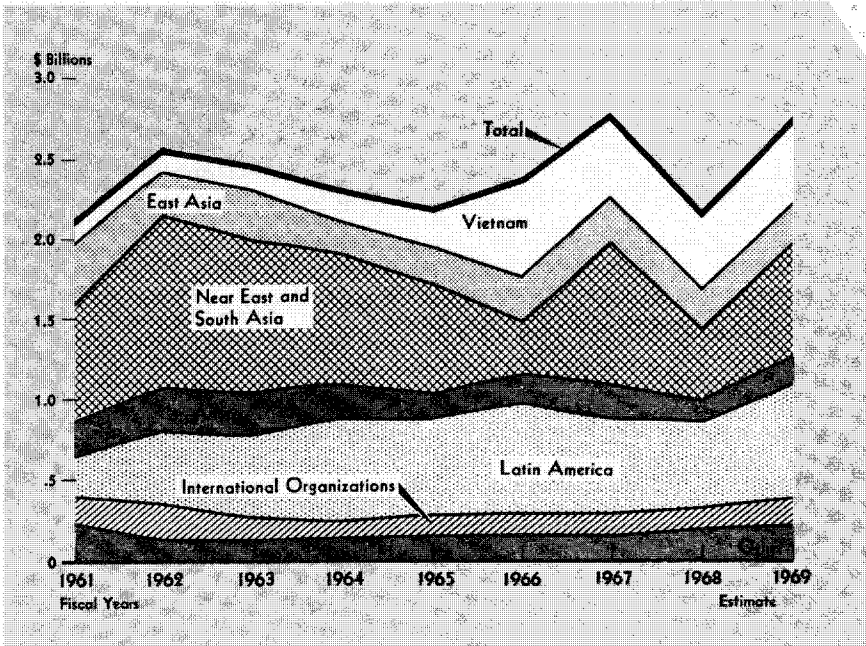
The chart on the following page shows program trends by region, summarizing the individual country programs which are the basic AID programming units.

### **Food for Freedom**

With large U.S. surplus food stocks eliminated, and the world food problem still critical, legislation in 1966 provided fundamental new directions in the Food for Freedom program. Principal among these was the recognition that, in the long run, adequate food supplies in developing nations must come primarily from increased



## Agency for International Development – Program Trends



agricultural production by these countries themselves.

Such changes, however, cannot be accomplished overnight. In the short run, the United States will continue to help fill the gap between food supplies and requirements by providing shipments of U.S. agricultural commodities. These shipments will total \$1.4 billion in 1969. Sales of food for local currency are being replaced by food shipments paid for in dollars.

### Foreign Information and Exchange Activities

The Department of State and United States Information Agency will conduct programs aimed at improving the world's understanding of our Nation and our foreign policy. Mo-

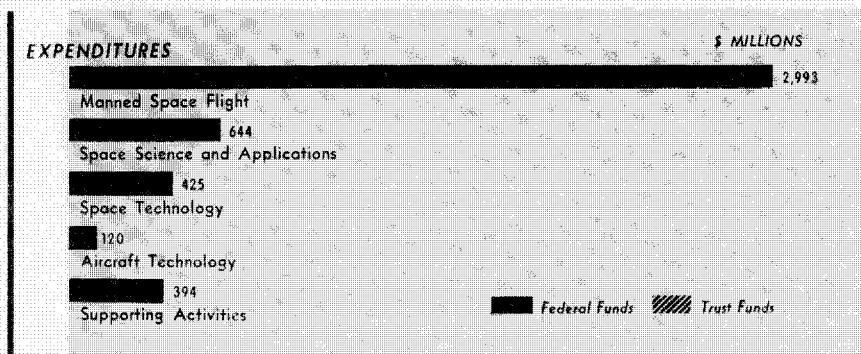
tion pictures, publications, radio and television broadcasts, and cultural and educational exchange activities are used to accomplish this goal. USIA activities will be increased in Latin America and Europe.

### International Affairs and Finance

| Fiscal year   | Total outlays (in millions) | Percent of total budget outlays |
|---------------|-----------------------------|---------------------------------|
| 1969 estimate | \$5,153                     | 2.8%                            |
| 1968 estimate | 5,046                       | 2.9                             |
| 1967          | 4,650                       | 2.9                             |
| 1966          | 4,443                       | 3.3                             |
| 1965          | 4,175                       | 3.5                             |
| 1964          | 4,151                       | 3.5                             |
| 1963          | 4,184                       | 3.8                             |
| 1962          | 4,562                       | 4.3                             |
| 1961          | 3,369                       | 3.4                             |

## SPACE RESEARCH AND TECHNOLOGY

1969 Outlays ----- \$4,573 Million



Note: The amounts shown above are not adjusted for \$3 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The National Aeronautics and Space Administration (NASA) will continue in 1969 with programs to improve our ability to operate in the space environment, advance man's knowledge of the universe, and use the experience gained for man's benefit.

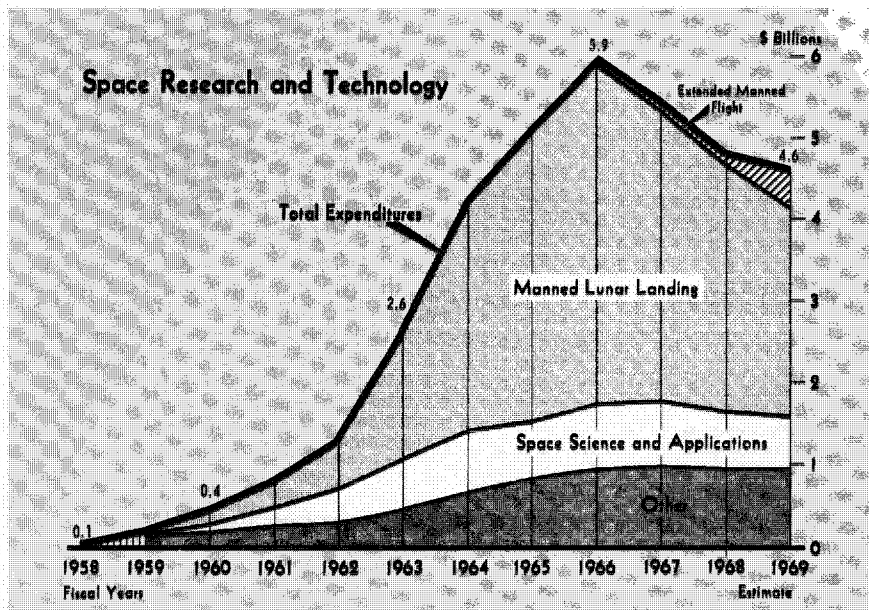
As in the current fiscal year, expenditures will continue to decline, since major systems for the Apollo program for a manned landing on the moon have progressed beyond the most costly phase of development. As a result of this progress and a stringent review of proposed new projects, expenditures for 1969 will be \$230 million below the \$4.8 billion estimated for 1968.

*Manned space flight.*—Flight tests of systems for the Apollo program, begun in the current fiscal year, will continue at a stepped-up pace as we approach our goal of placing a man on the moon by 1970. As these systems—the Saturn V launch vehicle,

Apollo spacecraft, and lunar module—are demonstrated to be flight-worthy, they will be tested by astronauts in earth orbit before a mission to the moon is undertaken.

Planning and development for the Apollo Applications program will continue in 1969. After the manned lunar landing, earth orbital flights will be undertaken, using launch vehicles and spacecraft originally developed for the Apollo program, and a manned orbiting workshop will be used to extend man's ability to operate effectively in space and conduct scientific experiments.

*Space science and applications.*—Unmanned exploration of the moon—in preparation for the manned lunar landing—terminates in the current fiscal year. Continuation of unmanned exploration of the planets is planned, with requested 1969 funds to be used for the development of flights to Mars in 1969, 1971, and 1973.



Increased funds are requested in 1969 to advance the technology for conducting resource surveys of the earth by use of spacecraft. Such systems eventually may be able to provide long-term economic benefits to man in mineral exploration, agriculture, and oceanography.

**Space technology and aircraft technology.**—Research will continue on a number of promising components and systems for possible future space and aeronautics missions. Examples are a 75,000-pound-thrust nuclear engine, which will significantly increase the capability of the Saturn V, and research in aero-

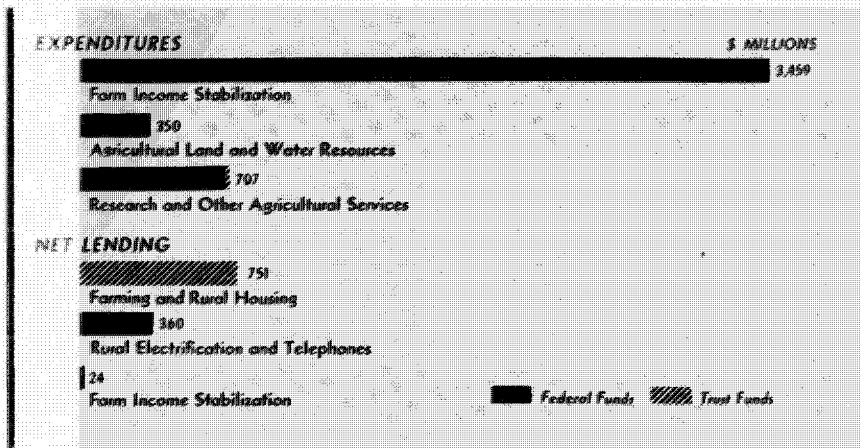
nautics—ranging from helicopters to aircraft capable of flying at hypersonic speeds.

Space Research and Technology

| Fiscal year   | Total outlays (in millions) | Percent of total budget outlays |
|---------------|-----------------------------|---------------------------------|
| 1969 estimate | \$4, 573                    | 2.5%                            |
| 1968 estimate | 4, 803                      | 2.7                             |
| 1967          | 5, 423                      | 3.4                             |
| 1966          | 5, 932                      | 4.4                             |
| 1965          | 5, 091                      | 4.3                             |
| 1964          | 4, 171                      | 3.5                             |
| 1963          | 2, 552                      | 2.3                             |
| 1962          | 1, 257                      | 1.2                             |
| 1961          | 744                         | .8                              |

## AGRICULTURE AND AGRICULTURAL RESOURCES

1969 Outlays ..... \$5,609 Million  
 Expenditures ..... \$4,474 Million  
 Net Lending ..... \$1,135 Million



Notes: The amounts shown above are not adjusted for \$6 million of interfund and intragovernmental transactions and \$36 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

Federal agricultural programs are designed to support and enlarge the contribution of our farm and rural economy to the Nation's overall prosperity. American agriculture possesses an unparalleled productive capacity. Today, one farmer feeds and clothes more than three times as many people as he was able to sustain 25 years ago. However, many rural people have benefited little from this progress.

The Department of Agriculture helps to provide economic opportunities for the rural poor through financial assistance for low-income rural housing, multicounty area development, and improved public services and facilities in rural areas.

**Farm income stabilization.**—Outlays for price support and related programs are estimated at \$2.8 billion in 1969. These programs are designed

to assure adequate supplies of agricultural commodities and an adequate income for our farmers.

**Financing rural electrification and rural telephones.**—The Rural Electrification Administration provides needed financial assistance for the distribution of electric power and improved telephone service to rural areas. In 1969, \$470 million of new loans will be made for these purposes.

**Agricultural land and water resources.**—The Department of Agriculture provides technical and financial assistance to farmers to promote land and water conservation practices. Several pilot projects are underway to help local communities carry out plans for orderly improvement, conservation, and utilization of their natural resources.

*Financing farming and rural housing.*—The Farmers Home Administration makes direct Federal loans and insures private loans to enable farmers and other rural residents to improve farm income and rural housing. In addition, this agency provides assistance to small communities for planning and construction of sewers and for water purification and distribution facilities. Loans made through the banking activities of the Farm Credit Administration are primarily to help finance the production and marketing of farm products.

*Research and other agricultural services.*—In the interest of maintaining high standards of nutrition and health for the Nation, the Government supports agricultural research activi-

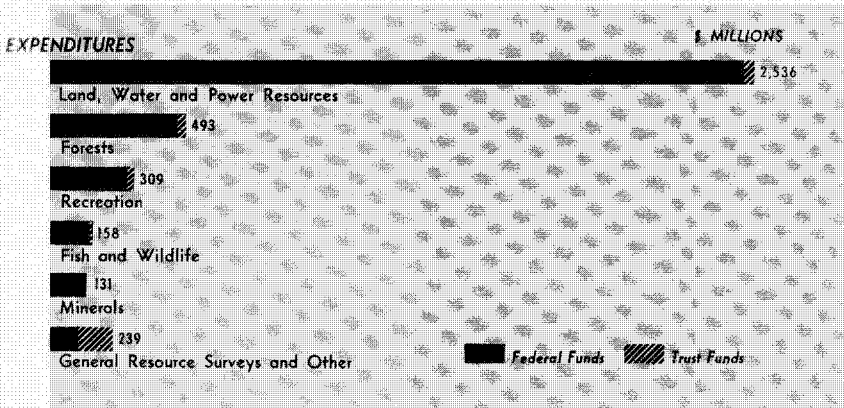
ties as well as plant and animal inspection. Funds requested to carry out the provisions of the Wholesome Meat Act will help the States to develop more effective intrastate meat inspection systems.

#### Agriculture and Agricultural Resources

| Fiscal year        | Total outlays (in millions) | Percent of total budget outlays |
|--------------------|-----------------------------|---------------------------------|
| 1969 estimate..... | \$5,609                     | 3.0%                            |
| 1968 estimate..... | 5,311                       | 3.0                             |
| 1967.....          | 4,377                       | 2.8                             |
| 1966.....          | 3,675                       | 2.7                             |
| 1965.....          | 4,809                       | 4.1                             |
| 1964.....          | 5,187                       | 4.4                             |
| 1963.....          | 5,129                       | 4.6                             |
| 1962.....          | 4,139                       | 3.9                             |
| 1961.....          | 3,339                       | 3.4                             |

## NATURAL RESOURCES

1969 Outlays ----- \$2,490 Million  
 Expenditures --- \$2,483 Million  
 Net Lending ----- \$ 7 Million



Note: The amounts shown above are not adjusted for \$1 million of interfund and intragovernmental transactions and \$1,381 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

Conservation and development of our natural resources are essential to the Nation's continued economic growth and to the needs of our growing population. The 1969 budget provides for improvement of water quality and supply, protection of our forests, conservation of fish and wildlife, development of mineral resources, and the acquisition of recreational areas.

*Land, water, and power resources.*—Water resource programs, which include flood control, irrigation, watershed protection, navigation, and related water projects, account for two-thirds of all activities for natural resources. Many of these programs involve multiple-purpose projects, providing electric power, water supply, fish and wildlife, and recreation bene-

fits. In addition, Federal grants are made to assist municipalities in the construction of waste treatment plants.

Because water problems are becoming increasingly critical in various parts of the country, legislation has been recommended to establish a National Water Commission to assess the problems and to outline actions for achieving more effective policies and programs.

Increasing emphasis is being given to pollution control programs which improve water quality for public water supplies and industrial use. Research in finding new sources of water through low-cost desalting methods and weather modification will be pursued in 1969.

The TVA will proceed with construction of a nuclear powerplant to meet increasing power needs.

Legislation has been proposed which will help improve reliability and minimize future risk of extensive power failures by encouraging comprehensive planning of the Nation's electrical power systems.

The well-being of Indian people will be advanced through programs of the Bureau of Indian Affairs to assist in job training, provide improved housing, expand employment opportunities, and improve education.

**Forest resources.**—The 154 national forests provide about 25% of the Nation's timber supply while also providing recreational activities, including hunting and fishing, for millions of visitors each year. In addition, forest lands supply watershed protection and grazing for livestock.

**Recreation.**—The demand for outdoor recreational resources expands at a rapid rate with increases in population and income. The number of visitors to national parks and other Federal recreational areas—one indicator of increased demand—has risen from 351 million in 1960 to an estimated 758 million in 1969, an increase of 116%. Increased expenditures in 1969

are proposed for the acquisition of recreational lands.

**Minerals, fish, wildlife, and other.**—Research on the abatement of air and water pollution from the use of coal and oil is being emphasized.

Legislation will be proposed to regulate strip mining operations which have left ugly scars on millions of acres of land and created serious water pollution problems.

The Bureau of Sport Fisheries and Wildlife will operate 91 fish hatcheries and 318 wildlife refuges in 1969. The Bureau of Commercial Fisheries will construct a fish protein concentrate pilot plant to help meet the need for a low-cost, nutritious diet supplement.

#### Natural Resources

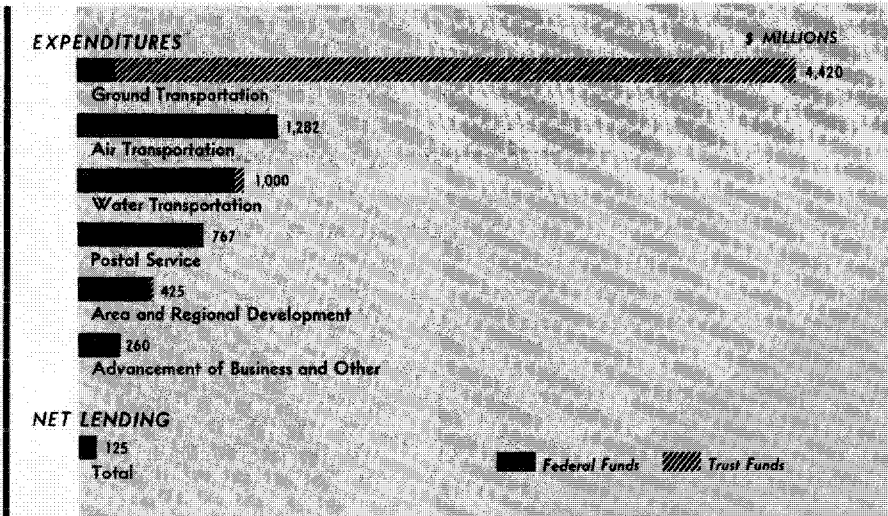
| Fiscal year        | Total outlays (in millions) | Percent of total budget outlays |
|--------------------|-----------------------------|---------------------------------|
| 1969 estimate..... | \$2,490                     | 1.3%                            |
| 1968 estimate..... | 2,432                       | 1.4                             |
| 1967.....          | 2,132                       | 1.3                             |
| 1966.....          | 2,186                       | 1.6                             |
| 1965.....          | 2,156                       | 1.8                             |
| 1964.....          | 2,065                       | 1.7                             |
| 1963.....          | 1,625                       | 1.5                             |
| 1962.....          | 1,757                       | 1.6                             |
| 1961.....          | 1,644                       | 1.7                             |

## COMMERCE AND TRANSPORTATION

1969 Outlays ----- \$8,121 Million

Expenditures-- \$7,996 Million

Net Lending-- \$ 125 Million



Note: The amounts shown above are not adjusted for \$8 million of interfund and intragovernmental transactions and \$149 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The Federal Government invests in facilities and services which add to present economic strength and lay the foundation for future growth. Programs to improve transportation and communication services, assist business, develop depressed areas, and assure effective competition and fair business practices will be strengthened in 1969. More than half of the total outlays for these programs will be devoted to highway construction.

### Transportation

Continued economic advance and increased population mobility bring growing demands for a safe and efficient national transportation network. The new Department of Transporta-

tion provides a focal point for the planning and coordination of the many Federal transportation programs. The Department is also mounting a concerted effort to relieve congestion on the highways and in the airways, to augment transportation safety efforts, and to develop new systems for high-speed, inter-city travel. The proposed reallocation of urban transportation responsibilities between the Departments of Transportation and Housing and Urban Development will make possible a coordinated approach to urban transportation problems.

The budget proposes new and increased transportation user charges to make provision of these services dependent on the willingness of users to



pay, thus shifting the financial burden to those who benefit directly from the Federal services.

**Air transportation.**—Reflecting the growing demand for air transportation, expenditures by the Federal Aviation Administration for the operation of the airways will continue to rise—providing needed improvements in traffic control systems, construction of airways facilities, and modernization of equipment. In addition, the budget includes funds to continue development of the civil supersonic transport. The Government plans to recoup its share of the costs through royalties on sales of the aircraft.

**Water transportation.**—The U.S. Merchant Marine will continue to receive operating and construction subsidies from the Maritime Administration to help American shipping compete with fleets of other nations. Funds will be provided for the construction of 10 new cargo vessels.

**Ground transportation.**—Federal expenditures for highway programs are estimated to be \$4.4 billion in 1969. These funds provide the Federal share of the cost of construction for the 41,000-mile Interstate Highway System (now almost three-fifths completed), construction of primary and secondary roads, and expanded efforts to reduce traffic congestion in urban areas. Highway construction expenditures are financed primarily from highway user charges, such as taxes on gasoline, which are deposited in the highway trust fund.

The Department of Transportation will continue to promote highway and motor vehicle safety through grants to

States and communities to conduct highway safety programs and through new and improved Federal motor vehicle standards.

Legislation will be proposed to: (1) extend the life of the highway trust fund and to increase the authorization to meet the higher cost now estimated to complete the Interstate System; and (2) provide a 1970 authorization of \$1 billion for the primary and secondary highway system.

### **Postal Services**

Costs for postal services are estimated to rise from \$6.8 billion in 1968 to \$7.3 billion in 1969. Over 90% of the costs incurred will be covered by receipts from operations, leaving an estimated \$78 million postal deficit, excluding the cost of providing public services.

### **Advancement of Business**

Business assistance programs, such as collection of economic and demographic statistics, observation and analysis of business trends, and provision of marketing and other technical services, are helping general business analysts as well as individual business firms. These programs are also useful aids in developing plans to attack social and economic problems that stem from hard-core unemployment and regional economic imbalance. For example, the Federal Government is working with businessmen and local officials to provide greater job opportunities for the unemployed in the larger urban centers.

The Department of Commerce will substantially expand its programs to promote exports of American prod-

ucts through programs such as trade and industrial exhibitions and "America Weeks." Expenditures for these programs will increase over 40% in 1969.

The financial and technical assistance programs of the Small Business Administration are designed to help small businesses which are unable to obtain such help from other sources. During 1968 and 1969, SBA will increase its efforts to encourage wider participation by private banks and to assist small businessmen in central cities and rural areas.

**Area and regional development**

The major objectives of our economic development programs are to reduce unemployment and to increase family incomes in the Nation's most seriously lagging areas. In 1969, the Economic Development Administration will stress industrial loans to development centers, and loans and grants for development facilities in our most depressed areas.

The development program of the Appalachian Regional Commission provides public facilities and services in areas which are critical to the eco-

nomie growth of the region. Emphasis is being given to the development of a regional transportation system, improved vocational education, health services, and utilization of natural resources.

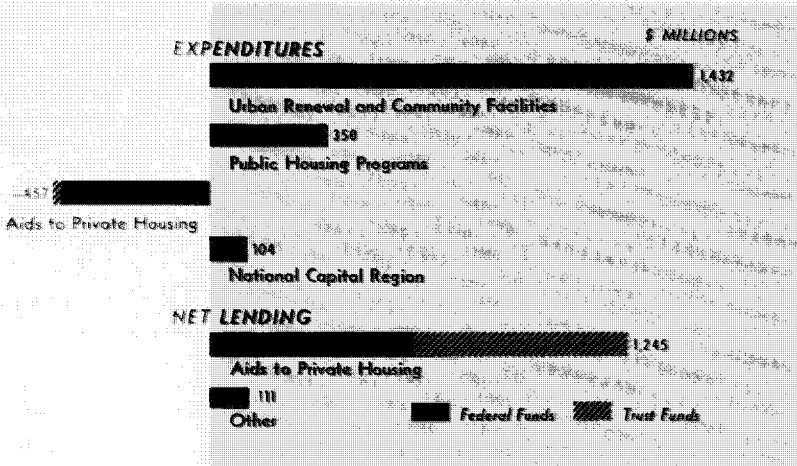
The five other regional commissions (New England, Upper Great Lakes, Ozarks, the "Four Corners" region in the Southwest, and the Coastal Plains) will initiate a new program authorized in the last session of Congress to supplement grants of various Federal agencies as a means of tying Federal programs into an overall regional development strategy.

**Commerce and Transportation**

| Fiscal year             | Total outlays (in millions) | Percent of total budget outlays |
|-------------------------|-----------------------------|---------------------------------|
| 1969 estimate . . . . . | \$8, 121                    | 4. 4%                           |
| 1968 estimate . . . . . | 7, 853                      | 4. 5                            |
| 1967 . . . . .          | 7, 446                      | 4. 7                            |
| 1966 . . . . .          | 6, 982                      | 5. 2                            |
| 1965 . . . . .          | 7, 318                      | 6. 2                            |
| 1964 . . . . .          | 6, 422                      | 5. 4                            |
| 1963 . . . . .          | 5, 661                      | 5. 1                            |
| 1962 . . . . .          | 5, 387                      | 5. 0                            |
| 1961 . . . . .          | 5, 003                      | 5. 1                            |

## HOUSING AND COMMUNITY DEVELOPMENT

1969 Outlays ..... \$2, 784 Million  
 Expenditures... \$1, 429 Million  
 Net Lending... \$1, 355 Million



Note: The amounts shown above include \$14 million of interfund and intragovernmental transactions and exclude \$14 million for proposed legislation.

A decent home and a suitable living environment for every American family are goals the Federal Government pursues through grants, loans, and insurance of private credit to State and local governments, and to private individuals and corporations. A 10-year program is proposed to provide 6 million housing units—homes and apartments—for low and moderate income families. The program will begin in 1969, under existing and proposed legislation, with 300,000 units.

**Public housing programs.**—The Federal Government, through its low rent housing program, assists local housing authorities in providing suitable apartments and homes for low in-

come families at rents they can afford. This program now assists more than 650,000 low rent housing units and an additional 133,000 will be made available in 1968 and 1969. Expenditures for public housing programs are expected to rise to \$350 million.

**Aids to private housing.**—Housing for low income families is also assisted through the rent supplement program. Under this program the Government pays private, nonprofit and limited dividend sponsors the difference between rent the family can afford and the rent required to cover the total cost of the housing. Payments on more than 26,000 units in 1969 will total \$15 million.

The Federal National Mortgage Association (FNMA) helps meet the housing needs of moderate income families by buying low interest rate mortgages, thereby making possible reduced rents. Loan commitments in 1969 will finance about 48,000 additional homes and apartments.

To improve housing conditions and broaden home ownership generally, the Federal Housing Administration insures certain private housing loans against loss—thus encouraging lenders to make loans with smaller down payments and longer terms that more people can afford.

The FNMA also supports private housing by buying and selling federally insured or guaranteed mortgages, thereby making funds available for housing when they are most needed. Further support of the private housing market is provided through the Federal Savings and Loan Insurance Corporation by insuring accounts in savings and loan institutions. These institutions make most of their loans for housing purposes.

*Urban renewal and community facilities.*—Federal urban development programs place increasing emphasis on the coordination of Federal, State, and local efforts to improve the physical and social environment of our cities. In 1969 the first 63 cities in the Model Cities program will have begun concentrated action programs to restore the physical and social fabric of large, blighted areas. Efforts to rehabilitate or to rebuild slum areas throughout the Nation will continue through the urban renewal program.

The Government encourages cities to plan their growth and develop-

ment on a comprehensive metropolitan-wide basis by providing grants for essential community facilities and assistance for the preservation of open space. Comprehensive urban planning is also directly assisted through grants to State, regional, and local planning agencies. Total outlays for urban renewal and community facilities will increase to \$1.5 billion in 1969 as the Model Cities program enters its first full year of operation, and urban renewal and public facilities projects progress.

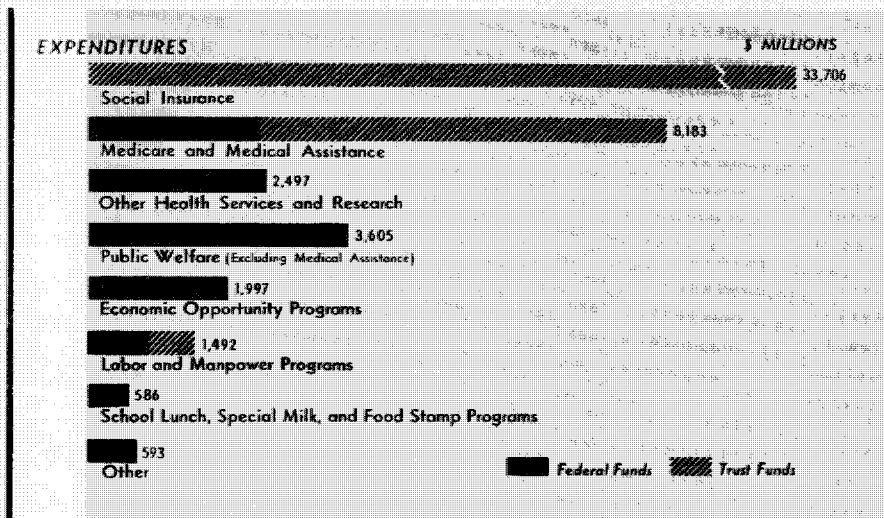
*National Capital region.*—The District of Columbia government provides both State and local government services for the residents and businesses of the National Capital city. As the major employer and landholder in the District, the Federal Government recognizes a special responsibility to bear its proper share of the costs of these services. Legislation is proposed to increase the Federal Government's contribution to the District by authorizing a payment equivalent to 25% of the District's revenues.

Housing and Community Development

| Fiscal year        | Total outlays (in millions) | Percent of total budget outlays |
|--------------------|-----------------------------|---------------------------------|
| 1969 estimate..... | \$2,784                     | 1.5%                            |
| 1968 estimate..... | 3,954                       | 2.3                             |
| 1967.....          | 2,285                       | 1.4                             |
| 1966.....          | 2,426                       | 1.8                             |
| 1965.....          | —31                         | .....                           |
| 1964.....          | —150                        | .....                           |
| 1963.....          | —819                        | .....                           |
| 1962.....          | 650                         | .6                              |
| 1961.....          | 221                         | .2                              |

## HEALTH, LABOR, AND WELFARE

1969 Outlays----- \$51,407 Million  
 Expenditures-- \$51,945 Million  
 Net Lending-- \$ -538 Million



Notes: The amounts shown above are not adjusted for \$711 million of interfund and intragovernmental transactions and \$3 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The Federal Government carries out a wide range of programs designed to improve the economic, social, and physical well-being of all Americans. The elderly receive retirement income, hospital insurance, and additional health benefits through the social security and other Federal programs. Families are protected against the possible loss of income from the unemployment, disability, or death of the wage earner. Other programs include health research, manpower training, vocational rehabilitation, and the Nation's attack on poverty. About 75% of the total outlays for health, labor, and welfare programs represent benefits paid through largely self-financed trust funds.

*Social insurance and public welfare.*—In 1969, more than \$33.8 billion in monthly cash benefits will be paid to unemployed, retired, and disabled workers, or their survivors. Social insurance programs now cover virtually all the Nation's workers and their families.

Social security, the largest insurance program, will pay out about \$27 billion in cash benefits in 1969; retired railroad and Federal employees will receive benefits of \$3.9 billion from special trust funds; and unemployment insurance benefits are estimated at \$2.6 billion.

Under the 1967 amendments to the social security program, payments to 24 million beneficiaries will be in-

creased an average of 13% and minimum benefits raised from \$44 to \$55 a month, effective February 1, 1968. The cost of these and other improvements will be financed by an increase in the taxable wage base from \$6,600 to \$7,800 beginning January 1, 1968, and by a series of increases in the combined employer-employee tax rate beginning with an increase from 8.8% to 9.6% effective January 1, 1969.

Public assistance grants help States and localities provide financial assistance and social services to families and individuals. On a monthly average basis, aid will be provided in 1969 for more than 8.8 million of our poorest citizens, including 4.6 million children. Legislation enacted in 1967 established a new work incentive and training program which will encourage welfare recipients to seek employment and reduce their dependency.

Despite periodic improvements, the welfare system is outmoded and in need of basic change. Accordingly, a newly appointed Presidential Commission on Income Maintenance Programs is examining all aspects of existing welfare and related programs for the purpose of designing a more effective and equitable system.

*Economic opportunity programs.*—The Office of Economic Opportunity will continue its concentrated effort to combat poverty in 1969. The budget proposes an increase in outlays of \$130 million over 1968, re-

flecting the continuing commitment of the Federal Government to this task.

*Community action agencies* in urban and rural communities will involve the disadvantaged in self-help activities while providing needed services to about 9 million people.

*Project Head Start* will provide intensive preschool education for 652,000 underprivileged children, giving them the special attention they need before beginning their regular schooling. In 1969, Head Start will place greater emphasis on developing new techniques for educating disadvantaged youngsters. *Follow Through* assistance to 79,000 former Head Start and other preschool children will help sustain gains made in preschool classes. About 50 health centers will be in operation in 1969 to provide comprehensive health care to residents of the neighborhoods served. *Other programs* include a number of work-training programs discussed under "Labor and manpower," aid to migrant farm workers, loans to rural families, and services to the poor by Volunteers in Service to America (VISTA).

Total Federal aid to the poor, including education, health, and cash payments, which helps to overcome poverty among nearly 29 million Americans, is provided by 10 agencies. In fiscal 1969, they will devote \$27.7 billion to help the poor, 13% more than in the current year and almost three times the level in 1960.

## FEDERAL AID TO THE POOR

[Fiscal years. In billions]

| Category  | 1960<br>actual | 1963<br>actual | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
|---|----------------|----------------|----------------|------------------|------------------|
| Education . . . . .                                     | \$0.1          | \$0.1          | \$2.0          | \$2.3            | \$2.5            |
| Work and training . . . . .                             | *              | *              | 1.0            | 1.2              | 1.6              |
| Health . . . . .  | .6             | .9             | 3.2            | 4.1              | 4.7              |
| Cash benefit payments . . . . .                         | 8.3            | 10.4           | 12.8           | 14.6             | 15.9             |
| Other social welfare and economic<br>services . . . . . | .5             | 1.0            | 2.0            | 2.4              | 2.9              |
| Total . . . . .   | 9.5            | 12.5           | 21.1           | 24.6             | 27.7             |

\* Less than \$50 million.

**Labor and manpower.**—The Federal Government plays an important role in our economy by providing workers with financial assistance when they are unemployed, and by helping those with out-moded or minimal skills to acquire new skills and find new jobs. The 1969 budget has given very high priority to programs for equipping the disadvantaged, unemployed, and underemployed with the skills required in an increasingly complex economy.

The major increase, in 1969, will be for on-the-job training programs directed to the most disadvantaged in both urban and rural areas. Provision is also made for improved evaluation, administration, coordination, and delivery of the varied manpower and employment services at the Federal, State, and local level. Including programs of the Office of Economic Opportunity and civilian Federal agencies, training and work experience will be provided for about 1.3 million individuals in 1969, an increase of 322,000 over 1968.

**Health services and research.**—Efforts will be made to assure that all Americans, regardless of age, geography, or economic status, have access

to the best health care. In pursuit of this goal the Federal Government has increased its outlays six-fold since 1963.

Funds will be increased in 1969 to expand the *supply of health resources* including direct support to: 21,200 medical students, 9,350 dental students, 45,900 nursing students, and 27,400 students in other health professions; biomedical research; and construction of medical school and hospital facilities. In addition, special emphasis will be given to programs designed to improve the organization and delivery of health services. There will also be experiments with new methods of reimbursing hospitals and physicians in order to provide high quality services in a more economical manner.

The *provision of health services* will be supported by an estimated outlay of \$8.4 billion in 1969. Medicare and Medicaid, which provide for the health needs of the aged and the medically indigent, will require an estimated \$7.9 billion in 1969. In addition, comprehensive health services will be offered to needy mothers and children, and health services will be provided to Indians, merchant seamen, and other groups who are eligible for direct

Federal care. Through the combined efforts of these programs, an estimated 17 million persons will receive financial assistance for their medical needs or have medical services provided to them directly. Funds sufficient to provide family planning services to about 3 million women, will be available through various Federal agencies. Legislation will be proposed to provide, during the next five years, needy mothers and their infants with comprehensive health care from the prenatal period through the first year of the child's life.

*Disease prevention and control*, environmental health, and consumer protection activities will receive \$640 million of Federal support. Increased efforts will be made to improve air quality by developing economically feasible control techniques for air pollution caused by auto exhausts, the burning of coal and oil, and other forms of pollutants.

*Other welfare services.*—In 1969, the Federal-State vocational rehabili-

tation program will restore an estimated 230,000 disabled people to employment. The school lunch program will reach 20 million children. One lunch out of 10 under this program will be provided free or at reduced price to needy children. The food stamp program will be expanded to reach a total of approximately 3 million low income people. Funds are also provided for a proposed new program to combat juvenile delinquency.

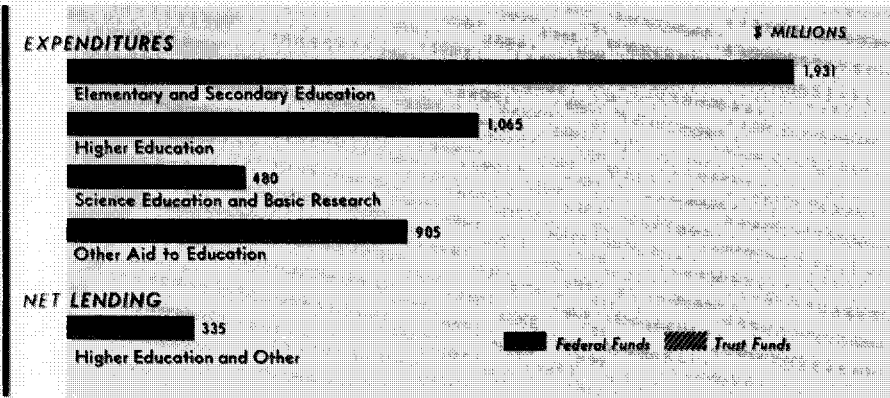
Health, Labor, and Welfare

| Fiscal year             | Total outlays (in millions) | Percent of total budget outlays |
|-------------------------|-----------------------------|---------------------------------|
| 1969 estimate . . . . . | \$51,407                    | 27.6%                           |
| 1968 estimate . . . . . | 46,417                      | 26.4                            |
| 1967 . . . . .          | 40,084                      | 25.3                            |
| 1966 . . . . .          | 33,226                      | 24.7                            |
| 1965 . . . . .          | 28,163                      | 23.9                            |
| 1964 . . . . .          | 27,203                      | 22.9                            |
| 1963 . . . . .          | 25,678                      | 23.1                            |
| 1962 . . . . .          | 23,964                      | 22.4                            |
| 1961 . . . . .          | 22,368                      | 22.8                            |



## EDUCATION

1969 Outlays ----- \$4,699 Million  
 Expenditures ... \$4,364 Million  
 Net Lending ... \$ 335 Million



Note: The amounts shown above are not adjusted for \$16 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The Federal role in education has expanded rapidly in recent years. Estimated outlays in 1969 represent an increase of 200% over 1965, the year in which landmark laws were enacted to assist elementary, secondary, and higher education, and to promote the arts and humanities. The central concern of the Federal Government in recent years has been to promote improved education for the disadvantaged.

The 1969 budget continues our commitment to overcoming barriers of race, ethnic origin, place of residence, income, or mental and physical handicaps. Increases are included for programs to improve the quality of education, expand the number of qualified teachers, educate the handicapped, and prevent dropouts. At the same time, the budget proposes reductions in grants for buildings and equipment.

*Elementary and secondary education.*—In 1969, \$1.9 billion will be spent primarily for education of the poor, the handicapped, and other disadvantaged students. Grants of \$1.2 billion will provide improved educational programs in schools serving 9.5 million children from low-income families. Spending for the Teacher Corps, the mentally and physically handicapped, and children whose native language is not English will total \$88 million, \$35 million more than the 1968 level.

One of the most serious difficulties experienced by local school officials in the use of Federal funds has been that the amount of Federal appropriations is often not determined until well into the academic year. The budget proposes that appropriations be made well in advance of the school year so that local districts can make their

financial, personnel, and other plans more effectively.

**Higher education.**—Outlays for higher education are primarily for financial aid to college students and construction of academic and housing facilities.

Through Federal programs, 2.1 million grants, loans, insured loans, and work-study opportunities, including GI bill benefits, will be provided for college students. Legislation will be proposed to provide more administrative flexibility in student aid and to assist the disadvantaged through special tutoring and counseling services.

Grants and loans for the construction of academic and housing facilities for colleges and universities will be \$543 million in 1969, a reduction of \$144 million from 1968. This reduction reflects the lower priority being given these programs, as compared with student assistance, in a period of budget stringency.

**Science education and basic research.**—Expenditures for the National Science Foundation's broad range of science education and research programs are expected to rise by \$24 million in 1969. Most of this increase will be used to improve the quality of science training and research in colleges and universities. The rest will be for basic research in fields of growing national concern, such as oceanography, and the environmental and social sciences.

**Other aids to education.**—The budget provides for activities under legislation enacted in 1967, which expanded and broadened Federal authority to improve teacher training. More than 95,000 elementary and secondary teachers, and nearly 27,500 college teachers will be trained in 1969 through Office of Education and National Science Foundation programs.

Expansion of educational research, development, and demonstration activities will permit several large-scale experiments in education of preschool and school-age urban ghetto children, and evaluations of current Federal education programs.

New legislation will be proposed to:

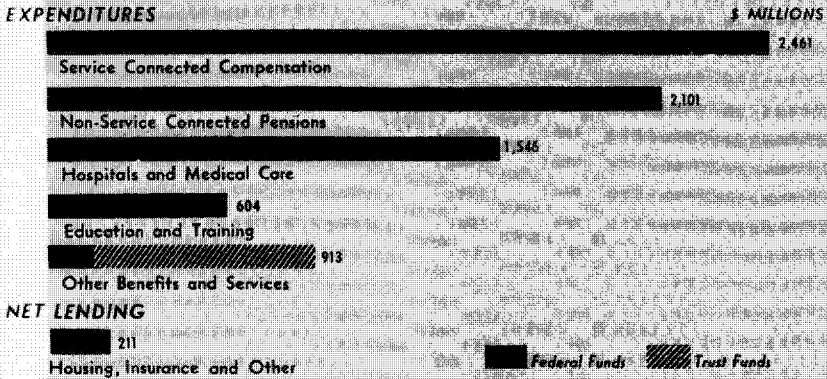
- experiment with different methods of providing vocational education, particularly for students not going on to college; and
- provide advance financing for the newly established Corporation for Public Broadcasting.

#### Education

| Fiscal year        | Total outlays<br>(in millions) | Percent of total budget outlays |
|--------------------|--------------------------------|---------------------------------|
| 1969 estimate..... | \$4,699                        | 2.5%                            |
| 1968 estimate..... | 4,541                          | 2.6                             |
| 1967.....          | 4,047                          | 2.6                             |
| 1966.....          | 2,825                          | 2.1                             |
| 1965.....          | 1,538                          | 1.3                             |
| 1964.....          | 1,334                          | 1.1                             |
| 1963.....          | 1,241                          | 1.1                             |
| 1962.....          | 1,073                          | 1.0                             |
| 1961.....          | 941                            | 1.0                             |

## VETERANS BENEFITS AND SERVICES

1969 Outlays ----- \$7,342 Million  
 Expenditures -- \$7,131 Million  
 Net Lending -- \$ 211 Million



Note: The amounts shown above are not adjusted for \$5 million of interfund and intragovernmental transactions and \$489 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

The Federal Government provides special benefits and services to veterans of the Nation's wars or their survivors. The 1969 budget reflects increasing attention to the needs of newly discharged servicemen, currently returning to civilian life at a rate of approximately 800,000 a year compared to 500,000 just before the buildup in Vietnam. More than half a billion dollars is allocated to a Government-wide effort to help these veterans find satisfactory employment or to improve their career opportunities through vocational or academic training programs. However, the largest portion of Federal outlays for veterans benefits continues to be devoted to the payment of compensation, pensions, and the cost of medical programs, primarily to veterans of earlier wars.

Legislation is being proposed to improve veterans programs, including:

- Closer correlation of pensions to need, as measured by the veteran's other sources of income.
- Elimination of certain clearly duplicative, inequitable, or outmoded benefits.

*Service-connected compensation.*—Veterans who incurred or aggravated a disease or an injury in military service are awarded monthly compensation payments which are graduated according to the degree of disability involved. Survivors of veterans whose death is directly attributable to military service are also awarded monthly payments in recognition of the economic hardship imposed on the family. In 1969, payments

of \$2.5 billion will be made to 2.3 million veterans or their survivors.

**Nonservice connected pensions.**—Disabled veterans and other veterans in financial need may qualify for special pension payments. Veterans' widows and children who can demonstrate need may also be eligible for pension payments. In 1969, \$2.1 billion in pension benefits will be paid to 2.2 million recipients.

**Hospitals and medical care.**—Federal expenditures for hospital and medical care of veterans are estimated at \$1.5 billion in 1969. This amount—which covers medical services, administration, medical research, and construction of new medical facilities—is \$89 million higher than in 1968. Improved patient turnover and outpatient treatment, increased use of new medical services, and better staffing—all contribute to the improved quality of medical care for more than 800,000 veterans treated in VA facilities.

**Education and training.**—In 1969, \$604 million will be spent to assist 403 thousand veterans, and 15 thousand war orphans and children of totally disabled veterans actively engaged in veterans' education and training programs. These figures reflect recently enacted legislation which increased payments to veterans, extended training opportunities for educationally disadvantaged veterans, authorized commercial flight training, and on-the-job training.

**Housing programs.**—The Veterans Administration assists eligible veterans to obtain homes by guaranteeing privately financed mortgages and by making direct loans in rural areas and small communities where credit is not generally available. In 1969, 14,000 direct loans will be made and 242,000 loans will be guaranteed. Net lending of \$305 million will be required to finance these activities.

**Other benefits and services.**—Special life insurance coverage is the other major benefit provided to veterans and servicemen. The Veterans Administration operates five insurance programs for veterans of prior wars.

In addition, the VA administers an insurance program funded under the Department of Defense providing \$10,000 coverage for men on active duty. Under this program, insurance is jointly underwritten by the Government and private companies. A proposal has been made to liberalize the coverage available.

Veteran Benefits and Services

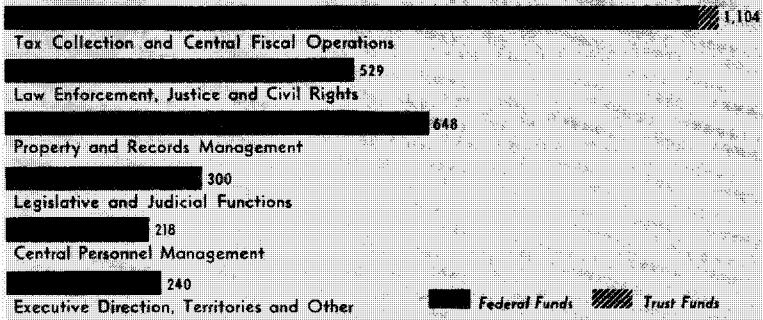
| Fiscal year             | Total outlays (in millions) | Percent of total budget outlays |
|-------------------------|-----------------------------|---------------------------------|
| 1969 estimate . . . . . | \$7,342                     | 3.9%                            |
| 1968 estimate . . . . . | 7,168                       | 4.1                             |
| 1967 . . . . .          | 6,898                       | 4.4                             |
| 1966 . . . . .          | 5,921                       | 4.4                             |
| 1965 . . . . .          | 5,722                       | 4.8                             |
| 1964 . . . . .          | 5,681                       | 4.8                             |
| 1963 . . . . .          | 5,520                       | 5.0                             |
| 1962 . . . . .          | 5,625                       | 5.3                             |
| 1961 . . . . .          | 5,688                       | 5.8                             |

## GENERAL GOVERNMENT

1969 Outlays ----- \$2,790 Million  
 Expenditures -- \$2,827 Million  
 Net Lending --- \$ -37 Million

### EXPENDITURES

\$ MILLIONS



Note: The amounts shown above are not adjusted for \$94 million of interfund and intragovernmental transactions and \$117 million of proprietary receipts; thus they add to more than the total budget outlays for the function.

Expenditures for general government provide for Government-wide service activities, for executive direction and financial management, for programs of law enforcement and criminal justice, and for the costs of the Congress and the Federal court system.

**Tax collection and central fiscal operations.**—Approximately one-third of the expenditures for general government is for central fiscal operations, of which the largest part is the Internal Revenue Service. Centralized filing of tax returns at automatic data processing centers will be further expanded in 1969 to improve tax administration. Primarily because of the need to process a growing number of taxpayer returns and maintain taxpayer compliance levels, the budget provides

an additional \$73 million for the Internal Revenue Service in 1969.

**General property and records management.**—The General Services Administration continues to reduce costs and increase efficiency in procurement of goods and services and in maintenance of equipment and records.

**Law enforcement and justice.**—Expenditures of the Department of Justice will increase with the anticipated enactment of legislation authorizing substantial Federal assistance for State and local law enforcement and the administration of justice. Increases are also provided for the FBI and other direct Federal anti-crime programs.

**Civil rights.**—The 1969 budget provides for enlarged efforts to secure

the civil rights of individuals and minority groups. Enactment of legislative proposals to further strengthen the guarantee of equal protection under the law to all citizens will be sought.

*Central personnel management.*—These expenditures consist primarily of the administrative expenses of the Civil Service Commission and provide for Federal assistance to improve State and local government personnel programs.

### General Government

| Fiscal year        | Total outlays<br>(in millions) | Percent of total budget outlays |
|--------------------|--------------------------------|---------------------------------|
| 1969 estimate..... | \$2,790                        | 1.5%                            |
| 1968 estimate..... | 2,578                          | 1.5                             |
| 1967.....          | 2,454                          | 1.5                             |
| 1966.....          | 2,321                          | 1.7                             |
| 1965.....          | 2,247                          | 1.9                             |
| 1964.....          | 2,071                          | 1.7                             |
| 1963.....          | 1,788                          | 1.6                             |
| 1962.....          | 1,645                          | 1.5                             |
| 1961.....          | 1,505                          | 1.5                             |

### INTEREST

1969 Outlays ----- \$14.4 Billion

Outlays for interest on the Federal debt will increase substantially in 1968 and again in 1969. These increases reflect both a higher level of the outstanding debt and higher interest rates. Of total interest outlays

\$3.0 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 ownership of the debt as of June 30, 1967.

### OWNERSHIP OF FEDERAL DEBT

| Description                                       | Amount in billions | Percentage of total |
|---|--------------------|---------------------|
| Individuals.....                                  | \$73.4             | 22.4%               |
| Federal trust funds and agencies.....             | 75.8               | 23.2                |
| Federal reserve banks.....                        | 46.7               | 14.3                |
| State and local governments.....                  | 22.3               | 6.8                 |
| Commercial banks.....                             | 55.1               | 16.9                |
| Insurance companies and mutual savings banks..... | 12.9               | 3.9                 |
| Other corporations.....                           | 11.3               | 3.5                 |
| Foreign and international.....                    | 14.7               | 4.5                 |
| Other.....  | 14.6               | 4.5                 |
| Total.....  | 326.7              | 100.0               |

## PART 3

# THE BUDGET PROCESS

The budget process serves as an important vehicle for determining and meeting national goals. Resources are allocated between the private and public sectors of the economy. Within the public sector, the overall level of

Federal budget outlays needed to achieve national goals is determined through the interaction of the President, the executive agencies, and the Congress.

### THE FEDERAL BUDGET CYCLE

Although budgeting is a continuous process, the "budget cycle" has four identifiable phases: (1) Executive formulation and submission, (2) congressional authorization and appropriation, (3) budget execution and control, and (4) audit.

*Executive formulation and submission.*—The President's submission of his budget proposals to the Congress each January culminates many months of planning and analysis throughout the executive branch. Formulation of the 1969 budget, which covers the fiscal year beginning July 1, 1968, and ending June 30, 1969, began in the spring of 1967. About 10 months later, in January 1968, the budget was formally transmitted to Congress.

During this period of executive formulation, there is a continuous exchange of information and policy decisions among the President, the Bureau of the Budget, and the various Government agencies. Beginning in

the spring, each agency evaluates its programs, identifies policy issues, and makes budgetary projections, giving attention both to important modifications and innovations in its programs and to alternative long-range program plans which are summarized in program memoranda submitted by each agency. After review by the agency and the Bureau of the Budget, these studies, evaluations, and projections form the basis for the budget policy guidelines established by the President for the preparation of next year's budget.

The guidelines are then given to the agencies in the form of tentative policy determinations and approximate planning figures for the revision of their program memoranda and the preparation of their budgets. Individual agency budgets are then formulated and reviewed in detail. At the same time, the Department of the Treasury, the Council of Economic Advisers, and the Bureau of the Budget jointly assess the economic out-

look and recommend to the President overall budgetary and fiscal policy measures. The budget submitted each year reflects Presidential proposals for individual programs as well as for the overall outlays and tax levels appropriate to the needs of the economy.

*Congressional authorization and appropriation.*—Congressional review starts when the budget is sent to Congress by the President. The budget requests are considered first in the House of Representatives. The Ways and Means Committee reviews all proposals for new revenue measures; the Appropriations Committee, through its 13 subcommittees, studies in detail the proposals for appropriations. Each committee then recommends the action 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 in the form of an appropriation or tax bill for his approval or veto.

Government agencies are permitted to enter into obligations, requiring either immediate or future payment of money, only when they have been granted authority to do so by law. Every Federal program has a legislative authorization that establishes it or says that it may be funded up to a certain amount. However, authority to

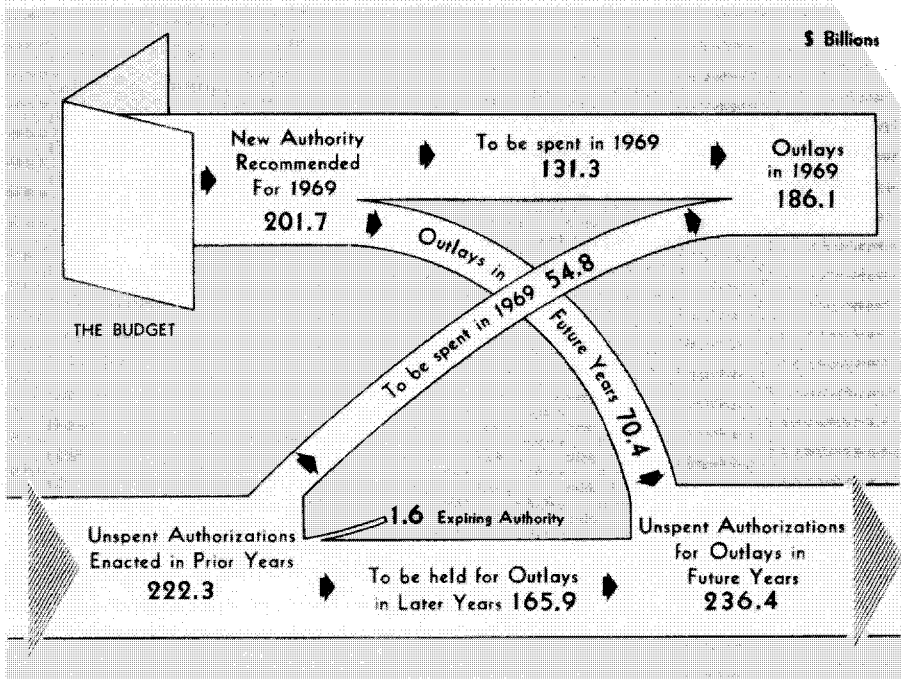
actually spend or lend is provided by appropriations or other authorizations which permit obligations to be incurred and outlays to be made. Appropriations may not exceed the amounts authorized.

Not all funds appropriated by the Congress in one year will be disbursed in that year, however. Since the funds authorized for some programs (such as the building of highways, ships, or other major construction items) will be spent over a period of several years, there is always a substantial carryover of unspent authority from previous years. Thus, the 1969 estimates reflect expenditures and loans expected to be made out of funds carried over from previous years *and* out of new budget authority requested in the 1969 budget. More specifically, nearly \$56 billion of total outlays in 1969 will be made from budget authority of earlier years. Therefore, when the Congress reduces or increases the amount of budget authority requested by the President for a given year, it does not necessarily alter payments made in that year by the same amount. Such a change may have only a limited effect on the current year's outlay, but it will have a full effect on outlays over a period of several years.

In summary, substantive legislation establishes a program in a particular Federal agency, Congress passes appropriations each year which permit the agency to enter into contracts or commitments to execute the program, and budget outlays occur—in some cases spread out over many future years—to carry out those contracts and commitments.



## 1969 Budget — Relation of Authorizations to Outlays



### *Budget execution and control.*—

Once approved, the budget becomes the basis for the program of each agency during the fiscal year. It is the responsibility of the President and agency officials to see that the laws are faithfully executed, that appropriation limits are observed, that costs are minimized, and that the Government gets the greatest possible value for each dollar it spends.

*Audit.*—This is the final step in the budget process. The individual

agencies are responsible for assuring—through their own audit and control systems—that the obligations they incur and the resulting expenditures and loans are in accordance with the provisions of the authorizing and appropriating legislation. In addition, the Congress receives reports of how the agencies applied the appropriated funds from the General Accounting Office, which conducts after-the-fact audits of executive agency operations.

## ECONOMIC ASPECTS OF THE BUDGET PROCESS

In providing public services, the Government must make the same kind of decisions as those made by private citizens and business firms. Whether public or private, all economic decisions depend on the answers to three basic questions: First, what goods and serv-

ices should be supplied; second, how much of these can be supplied; and finally, are they being supplied efficiently. Businessmen and consumers answer these questions in the market process; the Government answers them in the budget process.

## **Program Determination**

Each individual is involved in determining *what* and *how much* is to be produced. Consumers show their preferences in the marketplace by their decisions to purchase certain goods and not others. A businessman, seeing that the short-run supply of a favored product is inadequate, will expand production in that area in order to earn higher profits. In this way, a consumer's "dollar votes" determine what goods and services appear in the market and in what quantity they are supplied.

As voting citizens, we play a more indirect, but still effective, role in deciding what amount and type of goods and services the Government provides. Both the President and the Congress are elected by the people and both attempt to reflect the people's desires and the national interest in their official actions. By bringing their different perspectives together in the budget process, they produce a representative expression of individual and national objectives.

The Government provides those things that are vital to the national interest and which cannot or will not be effectively provided by private business. Some obvious examples are national defense, highways, administration of justice, and public health. The budget process helps to determine which mixture of these activities will likely contribute the most to the general welfare.

For instance, the Government faces the problem of determining how much of its resources should be devoted to a recreation program and how much should be concentrated on highways to provide an extensive net-

work of roads. Concentration on either program to the exclusion of the other would not provide the greatest benefit; for we want both beautiful camping grounds and wildlife preserves as well as a good means of getting to them. Logically, some *combination* of recreational facilities and highways is necessary.

While the conclusion is easily drawn from this example, the problem of choosing between alternatives and finding the proper "mix" of programs becomes quite complicated when dealing with the full list of goods and services provided by all units of Government. The Planning-Programming-Budgeting (PPB) system of the Federal Government figures importantly in this allocation of Government resources *and* in the efficient use of them.

## **Efficiency in Reaching Program Goals**

The third basic economic question—*how* to get the most product out of any given amount of resources—must also be answered in both the private and public sectors of the economy. Since a businessman knows generally how much it costs him to provide his product or service, he can compare these costs with the market price. The difference between his costs and his income is profit which, in the long run, is a measure of how well he is managing his business. The Government, on the other hand, has no such clear-cut test of how well it is achieving its goals. In an attempt to provide appropriate tests of Government programs, the Planning-Programming-Budgeting system is being developed.

PPB is designed (1) to analyze the

objectives of various Federal agencies; (2) to develop alternative means of reaching those objectives; and (3) to identify the most effective alternatives in terms of benefits and costs. The system requires that each agency develop and annually refine specific working plans which are based on an analysis of its programs. It is often difficult or improper to measure the benefits of the programs completely in dollar terms. For example, the social benefit of training a high school dropout cannot be completely expressed in dollars. Nevertheless, cost-effectiveness analysis can be used to compare alternative ways to train dropouts and to indicate which will do the job for the least cost.

PPB displays for high-level decision-makers a specific statement of objective (e.g., the number of people to be trained in the next five years through the Manpower Development Training Act); alternative plans to accomplish

the chosen objective (e.g., on-the-job training versus training in vocational schools); a comparison of the plans; an analysis of the full costs and probable effectiveness of the alternatives. In this way, the system provides both a basis for choices among competing program proposals and a standard for the later measurement of actual accomplishments.

PPB is not new in concept. It seeks hard and specific analyses of Federal programs on a more comprehensive and intensive basis than ever before. Its requirements for better data and more sophisticated techniques of analysis mean that its full effects will not be felt for several years. However, even at this early stage, several agencies have designed more effective methods of operation and have achieved significant reduction in costs while maintaining or improving the quality of their operations.

## THE BUDGET IN PERSPECTIVE

The Federal budget significantly influences the total economic activity of the country, and it changes in relation to the needs of the people it serves.

### **Growing Public Responsibilities**

As our society becomes more complex, its needs increase in scope and in depth. Not only do we demand more education but better education; not only do we want more cars and faster transportation, but unclogged roads and safer airways and airports. When we buy a car, we not only expect it to transport us effectively and be reasonably attractive, but also expect that it will be safe—and we hope that

its exhaust will not pollute the air so that breathing becomes uncomfortable or unsafe. We did not foresee all these complications of automobile travel 40 years ago. But as the Nation grows, so do its problems and the desires of its people.

When we become aware of the complexities created by the sheer size of the population (insufficient supply of doctors, overcrowded schools, pollution of air and water, and the like), we demand that the Government take action to help alleviate these strains.

Since 1958, the U.S. population has increased from 174 million to over 200 million persons. Thus, we must now provide services for a population

roughly equal to the combined populations of Canada, West Germany, France, and the United Kingdom. Changes in the age distribution and location of our people also have increased 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 20% over the past 10 years and now constitute 45% of our population. Second, the number of people of all ages living in urban areas has increased in this same decade more than 25%, and now makes up about 70% of the population.

In addition to these *quantitative* changes, our population has changed *qualitatively* as well. In the last decade, the real income of the average American family has risen 31%. The gain—measured in current dollars—amounts to \$3,675 for an average family of four.

Although our standard of living has increased, nearly 29 million Americans are still below the “poverty line” (\$3,335 for a nonfarm family of four). An important objective of public policy in recent years has been to provide the education, training, and other measures necessary to help these individuals become a productive part of society.

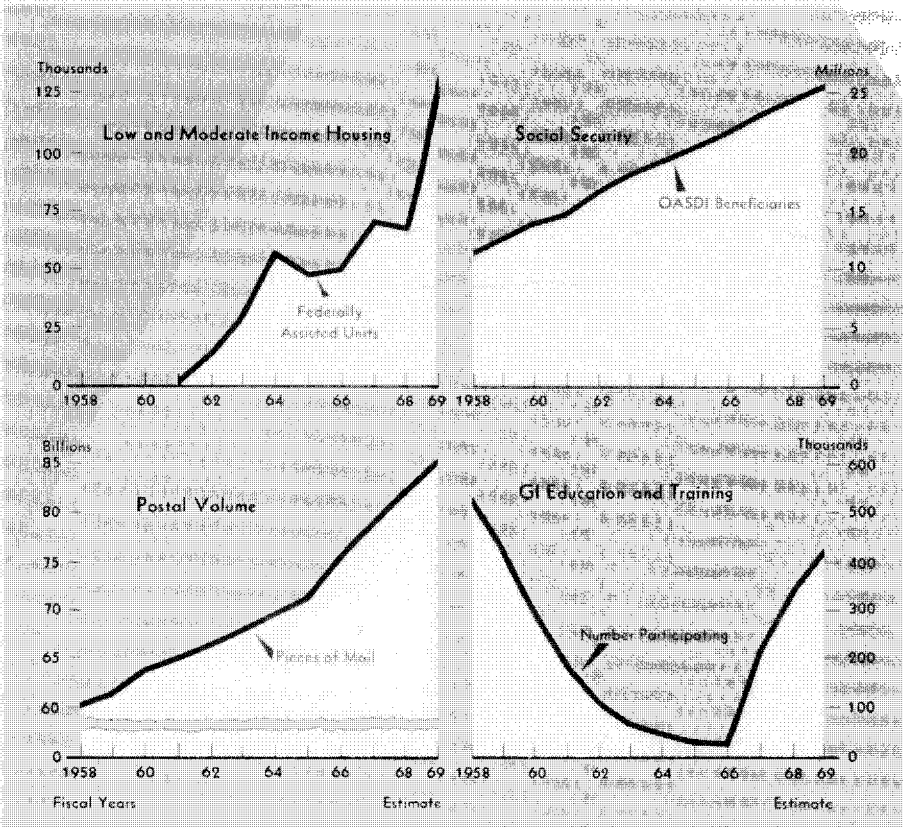
### **Growing Public Programs**

To help meet this demand for more and better public services a number of Federal programs have been ini-

tiated or expanded. These include elementary, secondary, and higher education aid programs, environmental health and transportation programs, the National Teacher Corps, the Office of Economic Opportunity, Medicare, and Medicaid. As a result of these activities:

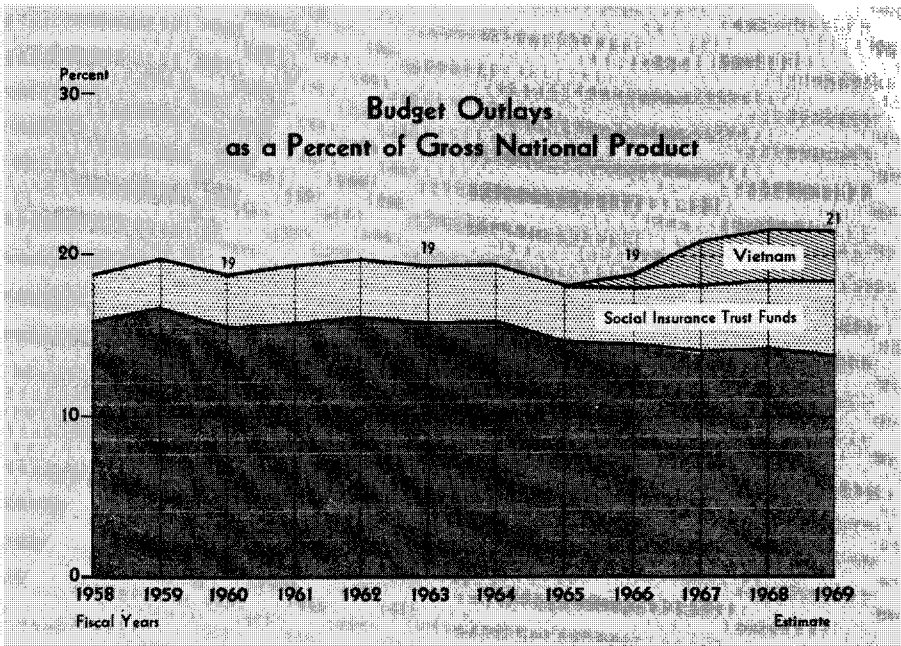
- The number of grants and loans aiding college students will exceed 2 million, compared to 800 thousand 3 years ago.
- Enrollees in vocational education programs will have increased 140% since 1958 and will total 8.6 million in 1969.
- Since 1964, 2,485 waste treatment plants have been built with Federal aid and research grants and contracts to develop better water pollution control methods have increased 598% to about \$51 million.
- Almost three-fifths of the 41,000-mile Interstate Highway System has been completed.
- Fellowships, scholarships, and loans will assist 60 thousand medical and nursing students.
- 24 million people are receiving monthly social security checks, amounting to total annual benefits of \$23 billion.
- Medicare will cover over 75% of the hospital and medical costs incurred by 19 million aged.
- Over 920 thousand homes will have been provided for families with low and moderate incomes by the end of 1969.
- In 1969, 1,632 urban renewal projects will be in process and 509 will have been completed.

## Selected Program Trends



*Budget outlays and GNP.*—Despite the increase in Federal activity, the size of the Federal Government in

relation to the size of the total economy has remained fairly stable as is shown in the following chart:



In fiscal 1969, Federal outlays excluding Vietnam will amount to about 18% of GNP—below the 19% of the late 1950's and 19.4% in fiscal 1964. Even if Vietnam expenditures are included, total Federal budget outlays in fiscal 1969 will amount to about 21% of GNP.

#### **Strengthening the Federal System**

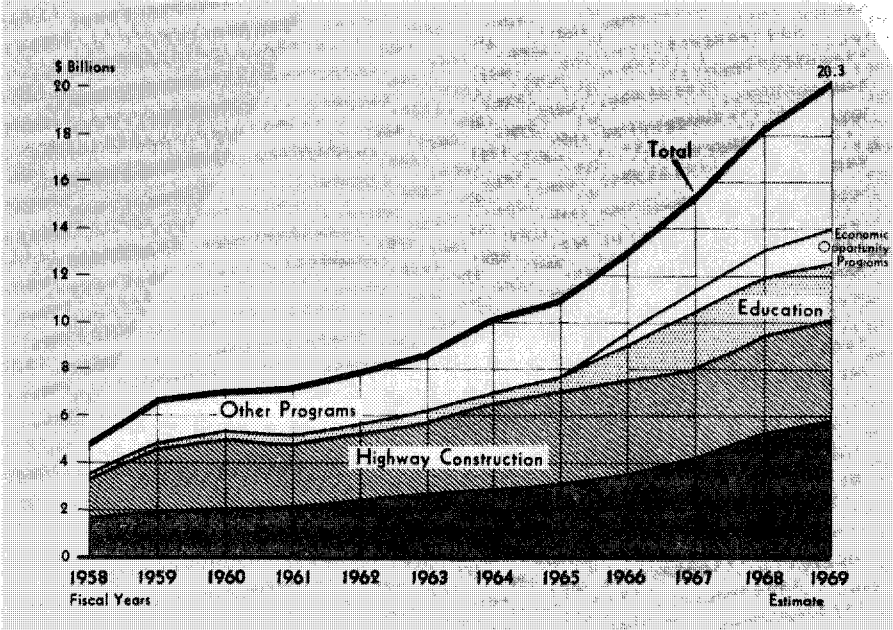
The Federal Government is providing a steadily rising stream of financial assistance to hard-pressed States and localities to ensure that important national needs for which they are primarily responsible continue to

be met. Federal aid, which was less than \$7 billion in 1959, is estimated at more than \$20 billion in 1969—more than a threefold increase. Aids to State and local governments account for roughly one-fifth of all Federal spending for domestic purposes. Federal aids are also important in the budgets of the recipients, making up nearly 17% of State and local revenues.

While highways and public assistance will account for nearly half of total Federal aid in 1969, the fastest growing programs recently have been education, training, and other investments in human resources—all designed to extend the range of man's opportunity and progress.

# Federal Aid to State and Local Governments

Federal Fund and Trust Fund Expenditures



Continuing efforts are being made to improve the overall effectiveness of our federal system of government. Among these are recent attempts to:

- *Increase training* by providing assistance for education for the public service, and facilitating the interchange of personnel among units of government; and
- *Streamline grants* by speeding up the time required to process applications, pooling related grants for unified projects, and actually consolidating several grants where possible.

As these improvements are implemented, the combined effectiveness of all levels of government in meeting national goals should be enhanced.

## Borrowing and the Federal Debt

Federal expenditures and net lending not financed by taxes and other revenues are met by borrowing. Al-

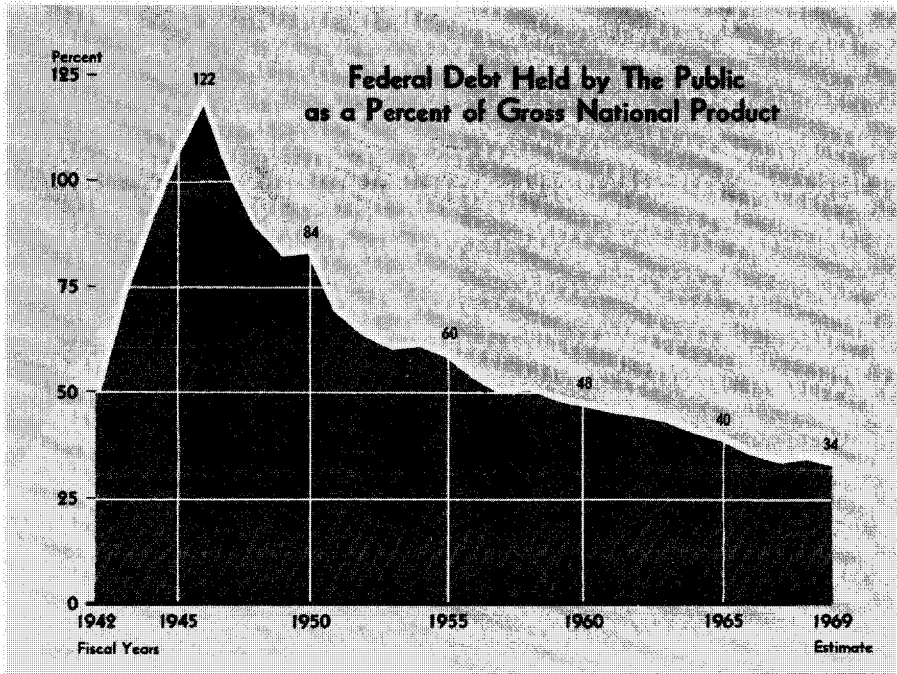
most two-thirds of the present Federal debt was incurred in the 8-year period from 1939 to 1947 in order to help finance World War II costs and postwar recovery.

The gross public debt—which includes both direct Treasury borrowing and the borrowing of Federal agencies through the issuance of their own securities—is expected to rise from \$370 billion at the end of fiscal 1968 to \$387 billion on June 30, 1969. Almost a quarter of this gross debt is held by Federal trust funds. For example, by the end of 1968, the Federal Old-Age and Survivors Trust Fund will have invested almost \$24 billion of its reserves in Federal securities.

The remaining Federal debt is owed to the public. This is estimated to be \$290 billion on June 30, 1968, and about \$298 billion on June 30, 1969. This total, while rising in ab-

solute terms, has been steadily declining in relation to the size of the economy. Debt held by the public

was 51% of GNP in 1958, while it is estimated to be less than 36% in 1968.



Moreover, net Federal debt has grown more slowly than other kinds

of debt and is less than 18% of total debt.



# Net Public and Private Debt

\$ Billions  
1800 —

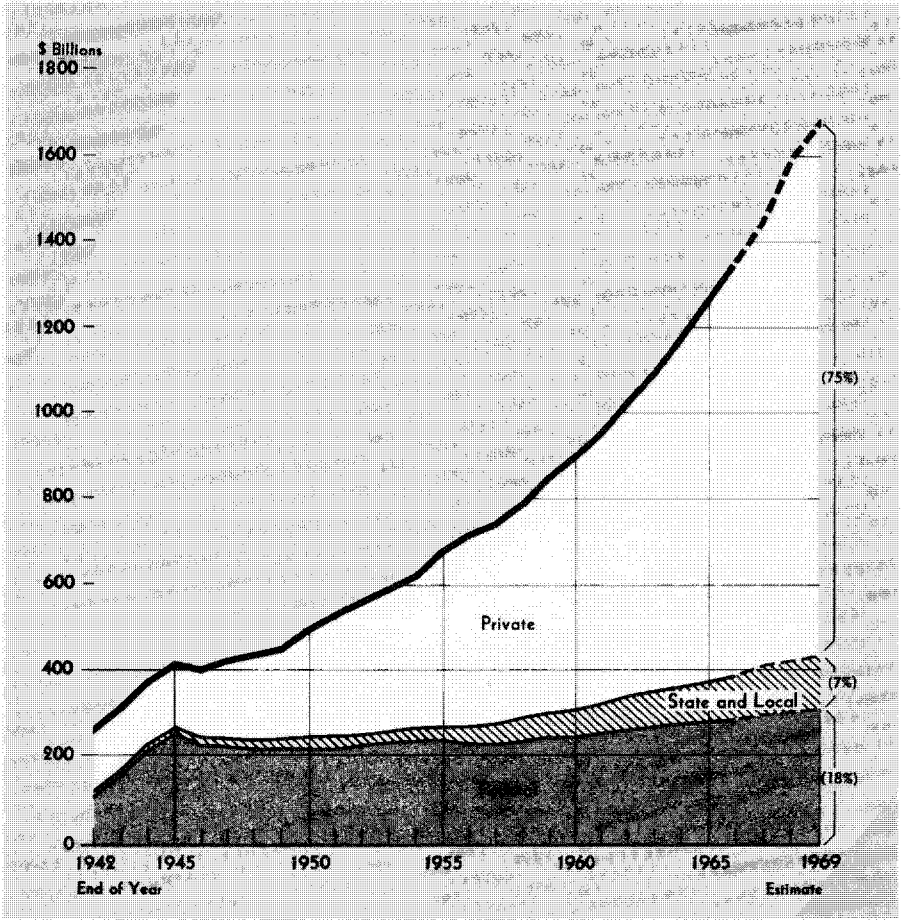
1600 —  
1400 —  
1200 —  
1000 —  
800 —  
600 —  
400 —  
200 —  
0

1942 1945 1950 1955 1960 1965 1969  
End of Year Estimate

Private

State and Local

(75%)  
(7%)  
(18%)



## PART 4

# THE NEW BUDGET CONCEPT

On March 3, 1967, the President asked 16 distinguished citizens from private industry, universities, and government (including bipartisan representation from congressional appropriations committees) to make a thorough study of the Federal budget and the manner in which it is presented to the Congress and the public. On October 10, the President's Commission on Budget Concepts presented its recommendations on what it believed to be a "truly modern and progressive budget presentation" for the Federal Government. All of the basic changes recommended which could be undertaken in time have been incorporated into the fiscal 1969 budget. A few other recommendations of the Commission will require additional work and planning before they can be applied.

*A unified budget.*—The Commission's most significant recommendation was that a unified budget concept be adopted. In the past, three sets of budget totals have been highlighted: the administrative budget, the consolidated cash budget, and the national income accounts budget. While each served a particular purpose, three different sets of figures were confusing to the public and the Congress. They are therefore being replaced by a single concept for summarizing the budget.

### *The coverage of the budget.*—

In line with the Commission's recommendation, the budget includes all programs of the Federal Government and its agencies. Therefore, trust funds—which had been omitted from the administrative budget—and general Federal funds are both included in the presentation of Government programs. Activities included in the cash budget, which were initially sponsored by the Government but now privately owned, are excluded.

### *Separation of spending and lending.*—

Within the budget there are two accounts, the expenditure account and the loan account. The Commission proposed this distinction in order to provide a better understanding of the direct effect of the budget on private incomes and employment.

The surplus or deficit of the expenditure account, which excludes loans, provides such a fiscal policy yardstick. Net lending (i.e., the difference between loan disbursements and repayments) is added to the expenditure account surplus or deficit to arrive at the *total* budget surplus or deficit.

Like Government expenditures, loans result in someone's acquiring cash and presumably spending the borrowed funds. However, the lender acquires a financial asset and the borrower assumes an obligation for

subsequent repayment of principal and interest. For this reason, gross loan disbursements and repayments in the loan account are presented separately within the budget totals.

Under earlier concepts, Government sales of participation certificates in loans which it continued to own were treated as sales of financial assets and deducted from expenditures. Such sales are now treated like Federal borrowing activities.

*Netting of proprietary receipts.*—Receipts from activities which are essentially governmental in the sense that they represent an exercise of sovereign power—like taxes, regulatory fees, and fines—continue to be reported as receipts in the budget. But receipts associated with activities which are business-type or market-oriented are now included as offsets to the expenditures of the agency and function to which they relate. For example, sales of timber from the national forests are netted against the expenditures for natural resources.

*Emphasis on requested congressional action.*—The budget this year gives more emphasis to the authorizations and appropriations being requested of the Congress. This is to provide better integration of outlay and appropriation information. In the past, the details of the budget, and especially the budget *Appendix*, had focused primarily on appropriations, obligations, and program costs, while the President's budget message and the *Budget in Brief* had focused on expenditures. Although expenditures and net lending best indicate the

current size of the budget, it is appropriations that are a prerequisite to spending and lending, and that show the choices being made between alternative programs.

Therefore, the summary budget presentation now shows the total amount of appropriations requiring current action by the Congress, as well as the total amount which will become available without further congressional action.

*Other major characteristics.*—The budget does not yet reflect two major recommendations of the Commission. These are accrual accounting and segregation of loan subsidies.

The Commission recommended that budget outlays and receipts be reported on an accrual basis instead of the present cash basis. This means that receipts and outlays would be recorded at the time a receipt is earned or a liability is incurred rather than when payment is made or received.

In addition, the Commission recommended that the subsidy element in Federal loan programs be calculated and revealed explicitly. This subsidy represents the current value of the difference between the market rate of interest and the lower Government rate. Since a subsidy is that part of a loan that does not have to be repaid, it is properly recorded as an expenditure.

These two recommendations will require extensive preparation in portions of the Government's accounting systems. Therefore, it will be at least 2 years before these changes can be reflected in the budget.

## HISTORICAL TABLES

In the previous sections of this booklet, an effort was made to limit the use of statistics. However, for a complete understanding of the budget it is important to know the amounts being spent for the various Government programs, and how they relate to other measures of economic activity. The following tables also show how these current amounts compare with the past levels of Government spending.

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, 1969*. Contains most of the facts, figures, and analyses that general users of the budget would normally desire or need. Price: \$1.75.

2. *The Budget of the United States Government, 1969.—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds. Price: \$6.00.

3. *Special Analyses, Budget of the United States, 1969*. Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program. Price: 70 cents.

## BUDGET OUTLAYS BY FUNCTION

[In millions of dollars]

| Description   | Expenditures   |                  |                  | Net lending    |                  |                  |
|---|----------------|------------------|------------------|----------------|------------------|------------------|
|   | 1967<br>actual | 1968<br>estimate | 1969<br>estimate | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
| <i>National defense:</i>                                  |                |                  |                  |                |                  |                  |
| Department of Defense—Military:                           |                |                  |                  |                |                  |                  |
| Military personnel.....                                   | 19,787         | 21,800           | 22,793           |                |                  |                  |
| Operation and maintenance.....                            | 19,000         | 19,800           | 22,260           |                |                  |                  |
| Procurement.....  | 19,012         | 21,470           | 23,445           |                |                  |                  |
| Research, development, test, and evaluation.....          | 7,160          | 7,200            | 7,800            |                |                  |                  |
| Military construction and other.....                      | 2,650          | 3,590            | 508              |                |                  |                  |
| Subtotal, military.....                                   | 67,608         | 73,860           | 76,806           | *              | *                | -1               |
| Military assistance.....                                  | 1,943          | 1,675            | 1,853            |                |                  |                  |
| Atomic energy.....  | 2,264          | 2,334            | 2,546            |                |                  |                  |
| Defense-related activities.....                           | -14            | 115              | 242              | -3             | -3               | -3               |
| Adjustments <sup>1</sup> .....                            | -1,706         | -1,491           | -1,654           |                |                  |                  |
| Total, national defense.....                              | 70,095         | 76,491           | 79,792           | -3             | -2               | -4               |
| <i>International affairs and finance:</i>                 |                |                  |                  |                |                  |                  |
| Conduct of foreign affairs.....                           | 366            | 559              | 438              |                |                  |                  |
| Economic and financial programs:                          |                |                  |                  |                |                  |                  |
| Development loans.....                                    | 662            | 625              | 670              |                |                  |                  |
| Supporting assistance.....                                | 587            | 602              | 621              |                |                  |                  |
| Alliance for Progress.....                                | 511            | 465              | 516              |                |                  |                  |
| Technical cooperation.....                                | 224            | 203              | 216              |                |                  |                  |
| Other.....  | 533            | 522              | 541              | 2 540          | 2 716            | 2 675            |
| Foreign information and exchange activities.....          | 245            | 256              | 255              |                |                  |                  |
| Food for Freedom.....                                     | 1,452          | 1,315            | 1,444            |                |                  |                  |
| Adjustments <sup>1</sup> .....                            | -469           | -217             | -224             |                |                  |                  |
| Total, international affairs and finance.....             | 4,110          | 4,330            | 4,478            | 540            | 716              | 675              |
| <i>Space research and technology:</i>                     |                |                  |                  |                |                  |                  |
| Manned space flight.....                                  | 3,649          | 3,166            | 2,993            |                |                  |                  |
| Space science and applications.....                       | 796            | 698              | 644              |                |                  |                  |
| Space technology.....                                     | 440            | 420              | 425              |                |                  |                  |
| Aircraft technology.....                                  | 89             | 113              | 120              |                |                  |                  |
| Supporting activities.....                                | 452            | 411              | 394              |                |                  |                  |
| Adjustments <sup>1</sup> .....                            | -2             | -4               | -3               |                |                  |                  |
| Total, space research and technology.....                 | 5,423          | 4,803            | 4,573            |                |                  |                  |
| <i>Agriculture and agricultural resources:</i>            |                |                  |                  |                |                  |                  |
| Farm income stabilization.....                            | 2,267          | 3,428            | 3,459            | 262            | -29              | 24               |
| Financing farming and rural housing.....                  | -10            | 26               | 32               | 728            | 649              | 751              |
| Financing rural electrification and rural telephones..... | 12             | 13               | 13               | 232            | 279              | 360              |
| Agricultural land and water resources.....                | 353            | 362              | 350              |                |                  |                  |
| Research and other agricultural services.....             | 570            | 623              | 662              |                |                  |                  |
| Adjustments <sup>1</sup> .....                            | -37            | -39              | -42              |                |                  |                  |
| Total, agriculture and agricultural resources.....        | 3,156          | 4,412            | 4,474            | 1,221          | 899              | 1,135            |
| <i>Natural resources:</i>                                 |                |                  |                  |                |                  |                  |
| Land and water resources.....                             | 2,335          | 2,465            | 2,536            | 18             | 15               | 6                |
| Forest resources.....                                     | 482            | 518              | 493              |                |                  |                  |
| Mineral resources.....                                    | 122            | 133              | 131              |                |                  |                  |
| Fish and wildlife resources.....                          | 136            | 153              | 158              | 1              | 1                | 1                |
| Recreational resources.....                               | 194            | 245              | 309              |                |                  |                  |
| General resource surveys and administration.....          | 275            | 250              | 239              | *              | *                | *                |
| Adjustments <sup>1</sup> .....                            | -1,432         | -1,348           | -1,382           |                |                  |                  |
| Total, natural resources.....                             | 2,113          | 2,416            | 2,483            | 19             | 16               | 7                |
| <i>Commerce and transportation:</i>                       |                |                  |                  |                |                  |                  |
| Air transportation.....                                   | 945            | 950              | 1,282            |                |                  |                  |
| Water transportation.....                                 | 792            | 855              | 1,000            | -9             | -8               | -7               |
| Ground transportation.....                                | 4,050          | 4,385            | 4,420            |                |                  |                  |
| Postal service.....                                       | 1,141          | 1,087            | 767              |                |                  |                  |
| Advancement of business.....                              | 189            | 160              | 153              | 101            | 114              | 67               |
| Area and regional development.....                        | 137            | 312              | 425              | 29             | 53               | 65               |
| Regulation of business.....                               | 101            | 100              | 107              | 17             | -*               | -*               |
| Adjustments <sup>1</sup> .....                            | -48            | -156             | -157             |                |                  |                  |
| Total, commerce and transportation.....                   | 7,308          | 7,695            | 7,996            | 138            | 158              | 125              |

## BUDGET OUTLAYS BY FUNCTION—Continued

[In millions of dollars]

| Description  | Expenditures   |                  |                  | Net lending    |                  |                  |
|--|----------------|------------------|------------------|----------------|------------------|------------------|
|  | 1967<br>actual | 1968<br>estimate | 1969<br>estimate | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
| <i><b>Housing and community development:</b></i>         |                |                  |                  |                |                  |                  |
| Aids to private housing.....                             | -225           | -539             | -457             | 1,561          | 3,177            | 1,245            |
| Public housing programs.....                             | 251            | 297              | 350              | 14             | 22               | -16              |
| Urban renewal and community facilities.....              | 504            | 865              | 1,432            | 114            | 42               | 61               |
| National Capital region.....                             | 66             | 90               | 104              | 19             | 16               | 65               |
| Proposed legislation.....                                |                |                  | 14               |                |                  |                  |
| Adjustments <sup>1</sup> .....                           | -19            | -15              | -14              |                |                  |                  |
| Total, housing and community development.....            | 577            | 697              | 1,429            | 1,708          | 3,257            | 1,355            |
| <i><b>Health, labor, and welfare:</b></i>                |                |                  |                  |                |                  |                  |
| Social insurance.....                                    | 27,117         | 29,946           | 33,706           | 530            |                  | -530             |
| Medicare and medical assistance.....                     | 4,762          | 7,061            | 8,183            |                |                  |                  |
| Other health services and research.....                  | 2,010          | 2,393            | 2,497            | 15             |                  | -15              |
| Public welfare (excluding medical assistance).....       | 3,041          | 3,484            | 3,605            | 3              | 4                | 4                |
| Economic opportunity programs.....                       | 1,485          | 1,853            | 1,997            |                |                  |                  |
| Labor and manpower programs.....                         | 1,069          | 1,326            | 1,492            | 24             | 17               | 3                |
| School lunch, special milk, and food stamp programs..... | 418            | 500              | 586              |                |                  |                  |
| Other.....   | 365            | 479              | 593              |                |                  |                  |
| Adjustments <sup>1</sup> .....                           | -755           | -646             | -714             |                |                  |                  |
| Total, health, labor and welfare.....                    | 39,512         | 46,396           | 51,945           | 572            | 21               | -538             |
| <i><b>Education:</b></i>                                 |                |                  |                  |                |                  |                  |
| Elementary and secondary education.....                  | 1,859          | 1,930            | 1,931            | -2             | *                | 1                |
| Higher education.....                                    | 711            | 1,057            | 1,065            | 447            | 383              | 334              |
| Science education and basic research.....                | 415            | 456              | 480              |                |                  |                  |
| Other aid to education.....                              | 628            | 730              | 905              |                |                  |                  |
| Adjustments <sup>1</sup> .....                           | -11            | -15              | -16              |                |                  |                  |
| Total, education.....                                    | 3,602          | 4,157            | 4,364            | 445            | 384              | 335              |
| <i><b>Veterans benefits and services:</b></i>            |                |                  |                  |                |                  |                  |
| Veterans service-connected compensation.....             | 2,310          | 2,435            | 2,461            |                |                  |                  |
| Veterans non-service-connected pensions.....             | 1,893          | 2,063            | 2,101            |                |                  |                  |
| Veterans hospitals and medical care.....                 | 1,391          | 1,458            | 1,546            |                |                  |                  |
| Veterans education.....                                  | 280            | 502              | 604              |                |                  |                  |
| Other veterans benefits and services.....                | 999            | 843              | 931              | 532            | 370              | 211              |
| Proposed legislation.....                                |                |                  | -18              |                |                  |                  |
| Adjustments <sup>1</sup> .....                           | -508           | -502             | -494             |                |                  |                  |
| Total, veterans benefits and services.....               | 6,366          | 6,798            | 7,131            | 532            | 370              | 211              |
| <i><b>General government:</b></i>                        |                |                  |                  |                |                  |                  |
| Legislative and judicial functions.....                  | 254            | 280              | 300              |                |                  |                  |
| Executive direction and management.....                  | 25             | 31               | 35               |                |                  |                  |
| Central fiscal operations.....                           | 968            | 1,007            | 1,104            | -*             | -*               | -*               |
| General property and records management.....             | 620            | 629              | 648              | -3             | -46              | -41              |
| Central personnel management.....                        | 191            | 212              | 218              |                |                  |                  |
| Law enforcement and justice.....                         | 426            | 462              | 529              |                |                  |                  |
| Other general government.....                            | 213            | 203              | 205              | 5              | 6                | 5                |
| Adjustments <sup>1</sup> .....                           | -246           | -207             | -211             |                |                  |                  |
| Total, general government.....                           | 2,452          | 2,618            | 2,827            | 2              | -40              | -37              |
| <i><b>Interest:</b></i>                                  |                |                  |                  |                |                  |                  |
| Allowances for:  |                |                  |                  |                |                  |                  |
| Civilian and military pay increase.....                  |                |                  | 1,600            |                |                  |                  |
| Contingencies.....                                       |                | 100              | 350              |                |                  |                  |
| Undistributed intragovernmental payments:                |                |                  |                  |                |                  |                  |
| Government contributions for employee retirement.....    | -1,735         | -1,913           | -2,007           |                |                  |                  |
| Interest received by trust funds.....                    | -2,287         | -2,678           | -3,042           |                |                  |                  |
| Total, expenditures and net lending.....                 | 153,238        | 169,856          | 182,797          | 5,176          | 5,779            | 3,265            |

\*Less than \$500 thousand.

<sup>1</sup> Adjustments are for interfund and intragovernmental transactions and proprietary receipts.

<sup>2</sup> Export-Import Bank.

## BUDGET RECEIPTS BY SOURCE, 1962-69

[In millions of dollars]

| Description  | Actual        |                |                |                |                |                | Estimate       |                |
|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 1962          | 1963           | 1964           | 1965           | 1966           | 1967           | 1968           | 1969           |
| Individual income taxes.....                         | 45,571        | 47,588         | 48,697         | 48,792         | 55,446         | 61,526         | 67,700         | 80,900         |
| Corporation income taxes.....                        | 20,523        | 21,579         | 23,492         | 25,461         | 30,073         | 33,971         | 31,300         | 34,300         |
| Employment taxes.....                                | 12,835        | 14,746         | 16,959         | 17,358         | 20,662         | 27,823         | 29,730         | 34,154         |
| Unemployment insurance.....                          | 3,337         | 4,112          | 4,045          | 3,819          | 3,777          | 3,652          | 3,660          | 3,594          |
| Premiums for other insurance<br>and retirement.....  | 873           | 944            | 1,006          | 1,079          | 1,126          | 1,853          | 2,049          | 2,275          |
| Excise taxes.....                                    | 12,534        | 13,194         | 13,731         | 14,570         | 13,061         | 13,719         | 13,848         | 14,671         |
| Estate and gift taxes.....                           | 2,016         | 2,167          | 2,394          | 2,716          | 3,066          | 2,978          | 3,100          | 3,400          |
| Customs.....   | 1,142         | 1,206          | 1,252          | 1,442          | 1,767          | 1,901          | 2,000          | 2,070          |
| Other receipts.....                                  | 825           | 1,042          | 1,126          | 1,617          | 1,923          | 2,168          | 2,443          | 2,744          |
| <b>Total, budget receipts.....</b>                   | <b>99,656</b> | <b>106,578</b> | <b>112,702</b> | <b>116,855</b> | <b>130,901</b> | <b>149,591</b> | <b>155,830</b> | <b>178,108</b> |
| <b>MEMORANDUM</b>                                    |               |                |                |                |                |                |                |                |
| (Excluded above, offset against expenditures)        |               |                |                |                |                |                |                |                |
| Interfund and intragovernmental<br>transactions..... | 5,654         | 7,099          | 6,655          | 6,761          | 7,592          | 6,588          | 7,415          | 8,241          |
| Proprietary receipts from the<br>public.....         |               |                |                |                |                |                |                |                |

## BUDGET OUTLAYS BY FUNCTION, 1962-69

[In millions of dollars]

| Description   | Actual         |                |                |                |                |                | Estimate       |                |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|   | 1962           | 1963           | 1964           | 1965           | 1966           | 1967           | 1968           | 1969           |
| <i>Expenditures:</i>  |                |                |                |                |                |                |                |                |
| National defense.....   | 51,179         | 52,275         | 53,682         | 49,586         | 56,771         | 70,095         | 76,491         | 79,792         |
| International affairs and fi-<br>nance.....                   | 4,034          | 4,279          | 4,434          | 4,196          | 4,343          | 4,110          | 4,330          | 4,478          |
| Space research and technology.....                            | 1,257          | 2,552          | 4,171          | 5,091          | 5,932          | 5,423          | 4,803          | 4,573          |
| Agriculture and agricultural<br>resources.....                | 3,491          | 4,398          | 4,545          | 4,032          | 2,764          | 3,156          | 4,412          | 4,474          |
| Natural resources.....  | 1,736          | 1,607          | 2,042          | 2,140          | 2,167          | 2,113          | 2,416          | 2,483          |
| Commerce and transportation.....                              | 5,193          | 5,516          | 6,283          | 7,043          | 6,789          | 7,308          | 7,695          | 7,996          |
| Housing and community de-<br>velopment.....                   | 160            | 193            | 151            | 116            | 442            | 577            | 697            | 1,429          |
| Health, labor, and welfare.....                               | 23,963         | 25,677         | 27,201         | 28,143         | 33,194         | 39,512         | 46,396         | 51,945         |
| Education.....  | 842            | 953            | 1,109          | 1,309          | 2,449          | 3,602          | 4,157          | 4,364          |
| Veterans benefits and services.....                           | 5,378          | 5,666          | 5,552          | 5,634          | 5,707          | 6,366          | 6,798          | 7,131          |
| Interest.....   | 8,321          | 9,215          | 9,810          | 10,358         | 11,285         | 12,548         | 13,535         | 14,400         |
| General government.....                                       | 1,653          | 1,799          | 2,072          | 2,231          | 2,316          | 2,452          | 2,618          | 2,827          |
| Special allowances.....                                       |                |                |                |                |                |                | 100            | 1,950          |
| Undistributed adjustments to<br>amounts above.....            | -2,547         | -2,666         | -2,931         | -3,164         | -3,421         | -4,022         | -4,591         | -5,049         |
| <b>Total, expenditures.....</b>                               | <b>104,660</b> | <b>111,465</b> | <b>118,122</b> | <b>116,715</b> | <b>130,740</b> | <b>153,238</b> | <b>169,856</b> | <b>182,797</b> |
| <i>Net lending:</i>   |                |                |                |                |                |                |                |                |
| National defense.....   | *              | -64            | -31            | -3             | -1             | -3             | -2             | -4             |
| International affairs and fi-<br>nance.....                   | 528            | -95            | -283           | -21            | 100            | 540            | 716            | 675            |
| Agriculture and agricultural<br>resources.....                | 648            | 731            | 642            | 777            | 911            | 1,221          | 899            | 1,135          |
| Natural resources.....  | 21             | 18             | 23             | 16             | 19             | 19             | 16             | 7              |
| Commerce and transportation.....                              | 193            | 145            | 139            | 275            | 193            | 138            | 158            | 125            |
| Housing and community de-<br>velopment.....                   | 490            | -1,012         | -301           | -147           | 1,984          | 1,708          | 3,257          | 1,355          |
| Health, labor, and welfare.....                               | 1              | 1              | 2              | 19             | 32             | 572            | 21             | -538           |
| Education.....  | 231            | 288            | 225            | 229            | 376            | 445            | 384            | 335            |
| Veterans benefits and services.....                           | 248            | -146           | 129            | 88             | 214            | 532            | 370            | 211            |
| General government.....                                       | -8             | -11            | -1             | 16             | 5              | 2              | -40            | -37            |
| <b>Total, net lending.....</b>                                | <b>2,351</b>   | <b>-145</b>    | <b>545</b>     | <b>1,249</b>   | <b>3,832</b>   | <b>5,176</b>   | <b>5,779</b>   | <b>3,265</b>   |
| <b>Total, outlays (expenditures<br/>and net lending).....</b> | <b>107,011</b> | <b>111,320</b> | <b>118,667</b> | <b>117,966</b> | <b>134,572</b> | <b>158,414</b> | <b>175,635</b> | <b>186,062</b> |

\*Less than \$500 thousand.

## BUDGET AUTHORITY AND OUTLAYS BY AGENCY

[In millions of dollars]

| Description  | Budget authority |                  |                  | Outlays        |                  |                  |
|--|------------------|------------------|------------------|----------------|------------------|------------------|
|  | 1967<br>actual   | 1968<br>estimate | 1969<br>estimate | 1967<br>actual | 1968<br>estimate | 1969<br>estimate |
| Legislative Branch.....                                    | 261              | 272              | 295              | 240            | 274              | 285              |
| The Judiciary.....   | 91               | 96               | 103              | 88             | 95               | 102              |
| Executive Office of the President.....                     | 29               | 31               | 33               | 28             | 32               | 33               |
| Funds appropriated to the President.....                   | 5,428            | 4,830            | 6,143            | 4,872          | 5,076            | 5,424            |
| Department of Agriculture.....                             | 7,928            | 7,800            | 7,530            | 5,828          | 6,705            | 7,167            |
| Department of Commerce.....                                | 1,041            | 961              | 1,027            | 738            | 782              | 853              |
| Department of Defense—Military.....                        | 72,287           | 72,755           | 79,116           | 67,466         | 73,695           | 76,657           |
| Department of Defense—Civil.....                           | 1,357            | 1,358            | 1,307            | 1,310          | 1,378            | 1,343            |
| Department of Health, Education, and Welfare.....          | 41,640           | 45,673           | 51,370           | 35,153         | 40,859           | 45,769           |
| Department of Housing and Urban Development.....           | 7,368            | 5,703            | 5,342            | 2,793          | 4,551            | 3,216            |
| Department of the Interior.....                            | 656              | 863              | 857              | 529            | 779              | 923              |
| Department of Justice.....                                 | 406              | 462              | 542              | 409            | 444              | 555              |
| Department of Labor.....                                   | 4,692            | 4,772            | 4,836            | 3,361          | 3,876            | 3,800            |
| Post Office Department.....                                | 1,215            | 1,174            | 920              | 1,141          | 1,087            | 767              |
| Department of State.....                                   | 402              | 399              | 428              | 419            | 428              | 439              |
| Department of Transportation.....                          | 6,262            | 6,696            | 6,525            | 5,428          | 5,753            | 6,282            |
| Treasury Department.....                                   | 13,083           | 14,456           | 15,410           | 13,098         | 14,461           | 15,425           |
| Atomic Energy Commission.....                              | 2,199            | 2,509            | 2,755            | 2,264          | 2,333            | 2,546            |
| General Services Administration.....                       | 113              | 316              | 330              | 131            | 389              | 493              |
| National Aeronautics and Space Administration.....         | 4,966            | 4,587            | 4,369            | 5,423          | 4,803            | 4,573            |
| Veterans Administration.....                               | 6,929            | 7,828            | 7,790            | 6,846          | 7,139            | 7,382            |
| Other independent agencies.....                            | 8,231            | 7,397            | 7,595            | 4,870          | 5,185            | 5,127            |
| Allowances for:  |                  |                  |                  |                |                  |                  |
| Civilian and military pay increase.....                    |                  |                  | 1,600            |                |                  | 1,600            |
| Contingencies.....   |                  | 150              | 550              |                | 100              | 350              |
| Undistributed adjustments to amounts above:                |                  |                  |                  |                |                  |                  |
| Government contributions, as employer, for retirement..... | -1,735           | -1,193           | -2,007           | -1,735         | -1,913           | -2,007           |
| Interest received by trust funds.....                      | -2,287           | -2,678           | -3,042           | -2,287         | -2,678           | -3,042           |
| <b>Total, budget authority and outlays.....</b>            | <b>182,562</b>   | <b>186,499</b>   | <b>201,723</b>   | <b>158,414</b> | <b>175,635</b>   | <b>186,062</b>   |



## BUDGET RECEIPTS, OUTLAYS, FINANCING, AND DEBT, 1962-69

[In millions of dollars]

| Description  | Actual  |         |         |         |         |         | Estimate |         |
|--|---------|---------|---------|---------|---------|---------|----------|---------|
|  | 1962    | 1963    | 1964    | 1965    | 1966    | 1967    | 1968     | 1969    |
| <i>Expenditures and net lending:</i>               |         |         |         |         |         |         |          |         |
| Expenditure account:                               |         |         |         |         |         |         |          |         |
| Receipts .....                                     | 99,656  | 106,578 | 112,702 | 116,855 | 130,901 | 149,591 | 155,830  | 178,108 |
| Expenditures (excludes net lending) .....          | 104,660 | 111,465 | 118,122 | 116,718 | 130,740 | 153,238 | 169,856  | 182,797 |
| Expenditure surplus or deficit (-) .....           | -5,004  | -4,887  | -5,420  | 137     | 161     | -3,647  | -14,026  | -4,689  |
| Loan account:                                      |         |         |         |         |         |         |          |         |
| Loan disbursements .....                           | 9,621   | 9,646   | 10,237  | 10,911  | 14,628  | 17,787  | 20,869   | 20,372  |
| Loan repayments .....                              | 7,271   | 9,791   | 9,693   | 9,662   | 10,796  | 12,611  | 15,091   | 17,106  |
| Net lending .....                                  | 2,351   | -145    | 545     | 1,249   | 3,832   | 5,176   | 5,778    | 3,266   |
| Total budget:                                      |         |         |         |         |         |         |          |         |
| Receipts .....                                     | 99,656  | 106,578 | 112,702 | 116,855 | 130,901 | 149,591 | 155,830  | 178,108 |
| Expenditures and net lending .....                 | 107,011 | 111,320 | 118,667 | 117,966 | 134,572 | 158,414 | 175,635  | 186,062 |
| Budget surplus or deficit (-) .....                | -7,355  | -4,742  | -5,965  | -1,111  | -3,671  | -8,823  | -19,805  | -7,954  |
| <i>Budget financing:</i> <sup>1</sup>              |         |         |         |         |         |         |          |         |
| Borrowing from the public .....                    | 9,453   | 5,971   | 2,978   | 3,953   | 6,031   | 3,551   | 20,840   | 8,000   |
| Reduction of cash balances, etc. ....              | -2,098  | -1,229  | 2,987   | -2,842  | 2,360   | 5,272   | -1,035   | -46     |
| Total, budget financing .....                      | 7,355   | 4,742   | 5,965   | 1,111   | 3,671   | 8,823   | 19,805   | 7,954   |
| <i>Outstanding debt, end of year:</i> <sup>1</sup> |         |         |         |         |         |         |          |         |
| Gross amount outstanding .....                     | 301,074 | 308,488 | 314,377 | 320,806 | 329,473 | 341,343 | 369,993  | 387,167 |
| Held by the public .....                           | 246,676 | 252,647 | 255,625 | 259,578 | 265,609 | 269,160 | 290,000  | 298,000 |

<sup>1</sup> Data represent results of preliminary adjustment to new budget concepts and may be revised later.

## OUTLAYS AND RECEIPTS OF TRUST FUNDS (in millions of dollars)

| Description  | Outlays        |                  |                  | Receipts         |                  |                  |
|--|----------------|------------------|------------------|------------------|------------------|------------------|
|  | 1967<br>actual | 1968<br>estimate | 1969<br>estimate | 1967<br>estimate | 1968<br>estimate | 1969<br>estimate |
| Federal old-age and survivors insurance trust fund ..... | 19,842         | 21,650           | 24,567           | 23,371           | 24,005           | 27,188           |
| Federal disability insurance trust fund .....            | 2,071          | 2,268            | 2,617            | 2,332            | 2,838            | 3,655            |
| Health insurance trust funds .....                       | 3,411          | 5,064            | 5,770            | 4,373            | 5,751            | 6,827            |
| Unemployment trust fund .....                            | 2,868          | 3,163            | 3,088            | 4,072            | 4,119            | 4,095            |
| Railroad retirement accounts .....                       | 1,429          | 1,415            | 1,376            | 1,611            | 1,629            | 1,791            |
| Federal employees retirement funds .....                 | 2,091          | 2,133            | 2,262            | 3,105            | 3,452            | 3,638            |
| Highway trust fund .....                                 | 3,973          | 4,219            | 4,203            | 4,455            | 4,379            | 4,805            |
| Advances, foreign military sales .....                   | 1,070          | 1,125            | 1,330            | 1,078            | 1,150            | 1,400            |
| Veterans life insurance funds .....                      | 970            | 638              | 559              | 736              | 752              | 744              |
| Other trust funds (nonrevolving) .....                   | 407            | 602              | 426              | 227              | 380              | 416              |
| Trust revolving funds .....                              | 1,143          | 2,310            | 990              | .....            | .....            | .....            |
| Subtotal .....   | 39,275         | 44,587           | 47,189           | 45,411           | 48,455           | 54,559           |
| Interfund transactions .....                             | -686           | -641             | -720             | -686             | -641             | -720             |
| Total .....  | 38,589         | 43,946           | 46,469           | 44,725           | 47,814           | 53,839           |

# FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1958-68

[Dollars in billions]

| Fiscal year     | Gross national product | Total outlays |                | Expenditures (excluding loans) |                | Federal debt at end of year <sup>1</sup> |                |                |                |
|-----------------|------------------------|---------------|----------------|--------------------------------|----------------|--|----------------|----------------|----------------|
|                 |                        |               |                |                                |                | Gross                                    |                | Held by public |                |
|                 |                        | Amount        | Percent of GNP | Amount                         | Percent of GNP | Amount                                   | Percent of GNP | Amount         | Percent of GNP |
| 1958            | \$440.3                | \$82.7        | 18.8           | \$81.2                         | 18.4           | \$279.1                                  | 63.4           | \$226.0        | 51.3           |
| 1959            | 469.1                  | 92.4          | 19.7           | 89.7                           | 19.1           | 286.7                                    | 61.1           | 234.3          | 49.9           |
| 1960            | 495.2                  | 92.3          | 18.6           | 90.4                           | 18.3           | 289.3                                    | 58.4           | 236.1          | 47.7           |
| 1961            | 506.5                  | 97.9          | 19.3           | 96.7                           | 19.1           | 291.0                                    | 57.5           | 237.2          | 46.8           |
| 1962            | 542.1                  | 107.0         | 19.7           | 104.7                          | 19.3           | 301.1                                    | 55.5           | 246.7          | 45.5           |
| 1963            | 573.4                  | 111.3         | 19.4           | 111.5                          | 19.4           | 308.5                                    | 53.8           | 252.6          | 44.1           |
| 1964            | 612.2                  | 118.7         | 19.4           | 118.1                          | 19.3           | 314.4                                    | 51.3           | 255.6          | 41.8           |
| 1965            | 653.5                  | 118.0         | 18.1           | 116.7                          | 17.9           | 320.8                                    | 49.1           | 259.6          | 39.7           |
| 1966            | 718.7                  | 134.6         | 18.7           | 130.7                          | 18.2           | 329.5                                    | 45.8           | 265.6          | 37.0           |
| 1967            | 763.1                  | 158.4         | 20.8           | 153.2                          | 20.1           | 341.3                                    | 44.7           | 269.2          | 35.3           |
| 1968 (estimate) | 817.0                  | 175.6         | 21.5           | 169.9                          | 20.8           | 370.0                                    | 45.3           | 290.0          | 35.5           |

<sup>1</sup> Data represent results of preliminary adjustment to new budget concepts and may be revised later.

## FEDERAL DEBT AT END OF YEAR

[In millions of dollars]

| Fiscal year | Public debt, old concept (Treasury issuances) | Fiscal year | Public debt, old concept (Treasury issuances) | Fiscal year   | Public debt, old concept (Treasury issuances) | Federal debt, new concept (Treasury and agency issuances) <sup>1</sup> |                    |
|-------------|---|-------------|---|---------------|---|--|--------------------|
|             |   |             |   |               |   | Gross  | Held by the public |
| 1789-1849   | 63  | 1922        | 22,963  | 1946          | 269,898                                       |  |                    |
| 1850-99     | 1,437   | 1923        | 22,350  | 1947          | 258,376                                       |  |                    |
| 1900        | 1,263   | 1924        | 21,251  | 1948          | 252,366                                       |  |                    |
| 1901        | 1,222   | 1925        | 20,516  | 1949          | 252,798                                       |  |                    |
| 1902        | 1,178   | 1926        | 19,643  | 1950          | 257,377                                       | 256,853  | 222,159            |
| 1903        | 1,159   | 1927        | 18,512  | 1951          | 255,251                                       | 255,288  | 217,151            |
| 1904        | 1,136   | 1928        | 17,604  | 1952          | 259,151                                       | 258,834  | 217,465            |
| 1905        | 1,132   | 1929        | 16,931  | 1953          | 266,123                                       | 265,712  | 221,118            |
| 1906        | 1,143   | 1930        | 16,185  | 1954          | 271,341                                       | 270,808  | 224,488            |
| 1907        | 1,147   | 1931        | 16,801  | 1955          | 274,418                                       | 274,339  | 226,575            |
| 1908        | 1,178   | 1932        | 19,487  | 1956          | 272,825                                       | 272,721  | 222,174            |
| 1909        | 1,148   | 1933        | 22,539  | 1957          | 270,634                                       | 272,289  | 219,365            |
| 1910        | 1,147   | 1934        | 27,734  | 1958          | 276,444                                       | 279,147  | 225,972            |
| 1911        | 1,154   | 1935        | 32,824  | 1959          | 284,817                                       | 286,666  | 234,303            |
| 1912        | 1,194   | 1936        | 38,497  | 1960          | 286,471                                       | 289,243  | 236,080            |
| 1913        | 1,193   | 1937        | 41,089  | 1961          | 289,211                                       | 290,991  | 237,223            |
| 1914        | 1,188   | 1938        | 42,018  | 1962          | 298,645                                       | 301,074  | 246,676            |
| 1915        | 1,191   | 1939        | 45,890  | 1963          | 306,466                                       | 308,488  | 252,647            |
| 1916        | 1,225   | 1940        | 48,497  | 1964          | 312,526                                       | 314,377  | 255,625            |
| 1917        | 2,976   | 1941        | 55,332  | 1965          | 317,864                                       | 320,806  | 259,578            |
| 1918        | 12,455  | 1942        | 76,991  | 1966          | 320,369                                       | 329,473  | 265,609            |
| 1919        | 25,485  | 1943        | 140,796                                       | 1967          | 326,733                                       | 341,343  | 269,160            |
| 1920        | 24,299  | 1944        | 202,626                                       | 1968 estimate | 351,599                                       | 369,993  | 290,000            |
| 1921        | 23,977  | 1945        | 259,115                                       | 1969 estimate | 363,540                                       | 387,167  | 298,000            |

<sup>1</sup> Data represent results of preliminary adjustment to new budget concepts and may be revised later.

# HISTORICAL COMPARISON OF FOUR CONCEPTS OF BUDGET TOTALS, 1961-69

[Fiscal years. In billions of dollars]

| Description   | Actual |       |       |       |       |       | Estimate |       |       |
|---|--------|-------|-------|-------|-------|-------|----------|-------|-------|
|   | 1961   | 1962  | 1963  | 1964  | 1965  | 1966  | 1967     | 1968  | 1969  |
| <i>Administrative budget:</i>   |        |       |       |       |       |       |          |       |       |
| Receipts.....   | 77.7   | 81.4  | 86.4  | 89.5  | 93.1  | 104.7 | 115.8    | 118.6 | 135.6 |
| Expenditures.....   | 81.5   | 87.8  | 92.6  | 97.7  | 96.5  | 107.0 | 125.7    | 137.2 | 147.4 |
| Surplus or deficit (-).....   | -3.9   | -6.4  | -6.3  | -8.2  | -3.4  | -2.3  | -9.9     | -18.6 | -11.8 |
| <i>Receipts from and payments to the public (consolidated cash budget):</i> |        |       |       |       |       |       |          |       |       |
| Receipts.....   | 97.2   | 101.9 | 109.7 | 115.5 | 119.7 | 134.5 | 153.6    | 158.8 | 181.2 |
| Payments.....   | 99.5   | 107.7 | 113.8 | 120.3 | 122.4 | 137.8 | 155.1    | 176.0 | 188.7 |
| Surplus or deficit (-).....   | -2.3   | -5.8  | -4.0  | -4.8  | -2.7  | -3.3  | -1.5     | -17.2 | -7.6  |
| <i>Federal sector of national income accounts (NIA budget):</i>             |        |       |       |       |       |       |          |       |       |
| Receipts.....   | 95.3   | 104.2 | 110.2 | 115.5 | 120.6 | 132.9 | 147.6    | 161.1 | 182.5 |
| Expenditures.....   | 98.0   | 106.4 | 111.4 | 116.9 | 118.3 | 131.9 | 155.1    | 171.1 | 185.0 |
| Surplus or deficit (-).....   | -2.7   | -2.1  | -1.2  | -1.4  | 2.3   | .9    | -7.5     | -10.0 | -2.5  |
| <i>The new budget:</i>  |        |       |       |       |       |       |          |       |       |
| Expenditure account:  |        |       |       |       |       |       |          |       |       |
| Receipts.....   | 94.4   | 99.7  | 106.6 | 112.7 | 116.9 | 130.9 | 149.4    | 155.8 | 178.1 |
| Expenditures.....   | 96.7   | 104.7 | 111.5 | 118.1 | 116.7 | 130.7 | 153.2    | 169.9 | 182.8 |
| Expenditure account surplus or deficit (-).....                             | -2.3   | -5.0  | -4.9  | -5.4  | .1    | .2    | -3.6     | -14.0 | -4.7  |
| Net lending.....  | 1.2    | 2.4   | -1    | .5    | 1.2   | 3.8   | 5.2      | 5.8   | 3.3   |
| Total budget:   |        |       |       |       |       |       |          |       |       |
| Receipts.....   | 94.4   | 99.7  | 106.6 | 112.7 | 116.9 | 130.9 | 149.6    | 155.8 | 178.1 |
| Expenditures and net lending.....   | 97.9   | 107.0 | 111.3 | 118.7 | 118.0 | 134.6 | 158.4    | 175.6 | 186.1 |
| Surplus or deficit (-).....   | -3.5   | -7.4  | -4.7  | -6.0  | -1.1  | -3.7  | -8.8     | -19.8 | -8.0  |

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## 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 12 executive departments, and various agencies, boards, and commissions. Temporary commissions, and interagency and public advisory committees are not included.

### Major Changes Since January 1967

- The three-member Board of Commissioners of the District of Columbia was replaced by a single Commissioner to carry out its executive-administrative functions and a nine-member Council to carry out its quasi-legislative functions.
- The National Capital Transportation Agency went out of existence, its functions being assumed by a non-Federal organization, the Washington Metropolitan Area Transit Authority.
- The Virgin Islands Corporation was dissolved.

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).

