

EXEC

THE BUDGET IN BRIEF

FISCAL YEAR 1970

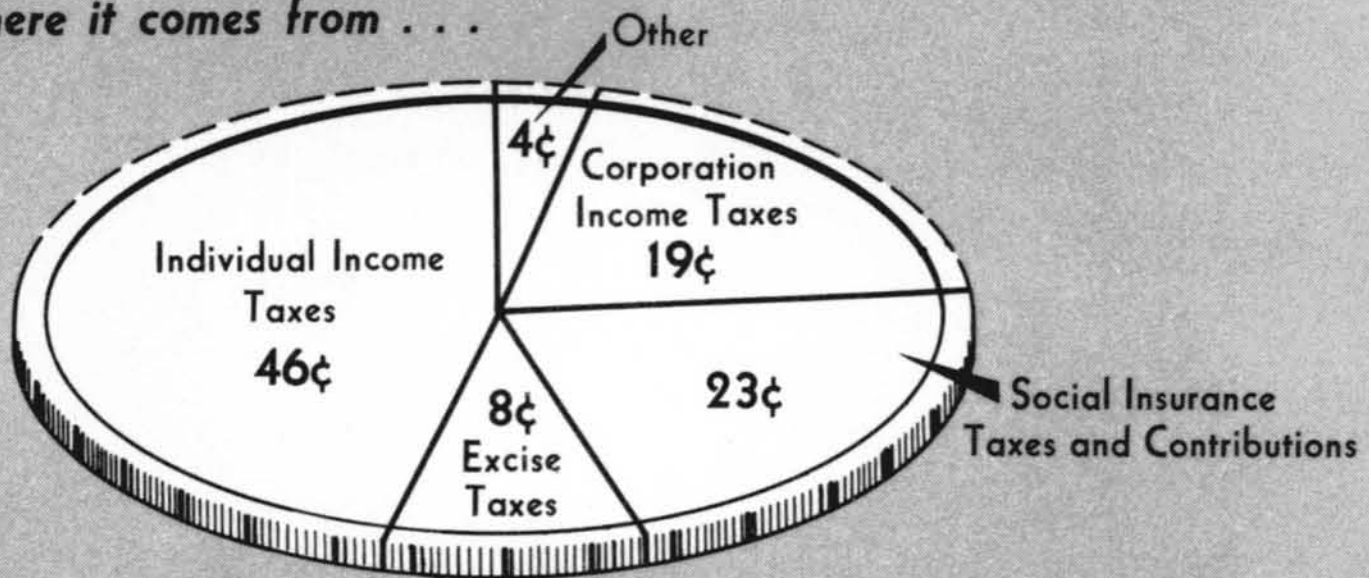


EXECUTIVE OFFICE OF THE PRESIDENT / BUREAU OF THE BUDGET

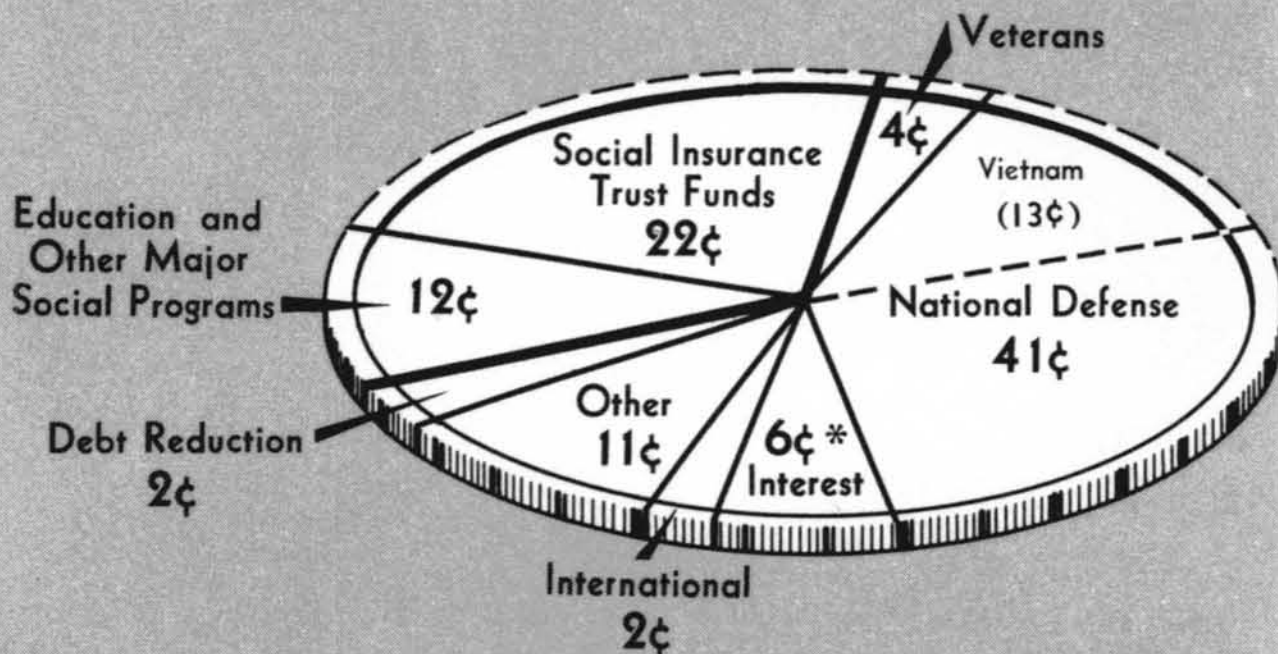
THE BUDGET DOLLAR

Fiscal Year 1970 Estimate

Where it comes from . . .



Where it goes . . .



* Excludes Interest Paid to Trust Funds

FROM THE PRESIDENT'S BUDGET MESSAGE

The record of achievements of the past 5 years is an impressive one. We have witnessed a period of unprecedented economic growth, with expanded production, rising standards of living, and the lowest rates of unemployment in a decade and a half. Our military forces today are the strongest in the world, capable of protecting the Nation against any foreseeable challenge or threat. Last month saw man's first successful flight to the moon. In domestic matters, the legislative and executive branches, cooperatively, have forged new tools to open wider the doors of opportunity for a better life for all Americans.

In my first budget message 5 years ago, I stated: "A government that is strong, a government that is solvent, a government that is compassionate is the kind of government that endures." I have sought to provide that kind of government as your President. With this budget, I leave that kind of government to my successor.



JANUARY 15, 1969.

INTRODUCTION

The Budget of the U.S. Government sets forth the President's proposals for Federal programs to help meet the Nation's domestic and international responsibilities. It contains estimates of what the programs will cost, and how the necessary money will be raised to pay for them.

Apart from the individual activities and services which touch our lives as beneficiaries or taxpayers—defense, social security, home loan guarantees, postal services, school lunches, highway construction, forest firefighting, and others—the budget reflects overall taxing and spending policies which have a major impact on the health of the Nation's economy.

The President presents the budget to the Congress each January, about 6 months before the start of the fiscal year. The budget is a *plan*, not a forecast. The Congress may—and usually does—modify the President's revenue proposals or budget requests, or may add proposals of its own. Moreover, conditions may vary from the economic assumptions used in making revenue estimates or the assumptions underlying various program estimates, such as the size of the crops requiring price supports. Therefore, by the time the fiscal year ends, nearly 18 months after the budget is presented, many figures inevitably will have changed.

Because of the varied purposes it serves, the budget is technical and complex. To promote greater understanding of the Government's activities, the *Budget in Brief* is published each year to highlight the budget for the public in a nontechnical way.

This year's *Budget in Brief* presents the major facts about the budget for 1970, which President Johnson sent to the Congress on January 15, 1969. In a year of presidential change, the law requires the outgoing President to transmit the budget. The new President undoubtedly will revise the original budget proposals or add new ones while the Congress is considering them.

Vital budget issues will be debated and decided in the next few months. We hope the information in this booklet will promote wider public understanding and participation in this process.

CHARLES J. ZWICK,
Director, Bureau of the Budget.

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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*.

EXPENDITURE ACCOUNT—The portion of the budget consisting of (1) budget receipts and (2) budget authority and outlays for all nonlending programs, lending programs not classified in the loan account, and the administrative and other net expenses of programs in the loan account.

LOAN ACCOUNT—The portion of the budget consisting of the principal amounts of disbursements and repayments for domestic loans subject to definite requirements for full repayment and for foreign loans made on commercial terms.

AUTHORIZATION—Basic substantive legislation which sets up a Federal program or agency. Such legislation sometimes sets limits on the amount that can subsequently be appropriated, but does not usually provide budget authority.

BUDGET AUTHORITY (BA)—Authority provided by the Congress—mainly in the form of appropriations—which allows Federal agencies to incur obligations to spend or lend money. While largely voted each year, some authority becomes available automatically under permanent laws—for example, interest on the public debt. Budget authority is composed of:

- **NEW OBLIGATIONAL AUTHORITY (NOA)**, which is authority to incur obligations for programs in the expenditure account, plus
- **LOAN AUTHORITY (LA)**, which is authority to incur obligations covering the principal of loan programs in the loan account.

OBLIGATIONS—Commitments made by Federal agencies to pay out money for products, services, loans, or other purposes—as distinct from the actual payments. Obligations incurred may not be larger than the budget authority.

OUTLAYS—Checks issued, interest accrued on the public debt, or other payments made, net of refunds and reimbursements. Budget outlays are composed of:

- **EXPENDITURES (Exp.)**—Outlays relating to the expenditure account, plus
- **NET LENDING (NL)**—Gross loan disbursements minus repayments in the loan account.

BUDGET RECEIPTS—Money collected because of the sovereign or other compulsory powers of the Government, net of refunds. (See also proprietary receipts.)

BUDGET SURPLUS OR DEFICIT—The difference between budget receipts and outlays, representing the expenditure account surplus or deficit plus net lending.

FEDERAL FUNDS—Funds collected and used by the Federal Government, as owner. The major federally owned fund is the general fund, which is derived from general taxes and borrowing and is used for the general purposes of the Government. Federal funds also include certain earmarked receipts, such as those generated by and used for the operations of Government-owned enterprises.

TRUST FUNDS—Funds collected and used by the Federal Government, as trustee, for specified purposes, such as social security and highway construction. Receipts held in trust are not available for the general purposes of the Government. Surplus trust fund receipts are invested in Government securities and earn interest.

INTERFUND AND INTRAGOVERNMENTAL TRANSACTIONS—Payments from one Government agency or fund to another. Interfund transactions are payments which occur *within* the Federal fund and trust fund groups. Intragovernmental transactions occur *between* the two fund groups. Both are treated as offsets to budget authority and outlays to avoid double counting.

PROPRIETARY RECEIPTS FROM THE PUBLIC—Receipts of Government activities of a business-type or market oriented nature. These receipts are offset against related budget authority and outlays.

UNDISTRIBUTED INTRAGOVERNMENTAL TRANSACTIONS—Payments from Federal funds to trust funds for (1) the Government's contribution, as employer, to Federal employees' retirement systems, and (2) interest paid to trust funds on their investments in Government securities. To avoid double counting, these transactions are deducted from the budget totals.

ALLOWANCE FOR CONTINGENCIES—A lump-sum amount included in total budget authority and outlays to provide for unforeseen events or for possible costs of programs for which detailed proposals and estimates of financial needs have not been completely formulated. This is not a request for appropriations, but an allowance for possible future requests not yet specifically identifiable.

PART I

BUDGET SUMMARY AND FISCAL PROGRAM

The budget for fiscal year 1970 recognizes our continuing responsibility to maintain a healthy economy, provide for essential defense requirements, and pursue urgent programs for meeting the Nation's highest priority domestic needs.

BUDGET PROGRAM FOR 1970

The 1970 budget program is designed to:

- Support our military commitments in Southeast Asia and provide for necessary improvements in our overall defense capability;
- Continue those domestic programs which help disadvantaged groups obtain a fairer share of this Nation's economic and cultural advancements; and
- Achieve a budget surplus in the year ahead, as well as in the current fiscal year, thereby relieving the inflationary pressure in the economy and reducing the strains that Federal borrowing would place on financial markets and interest rates.

In order to meet our most pressing needs at home and abroad, we must budget our resources prudently, so as to preserve our prosperity and stem the rise in prices which has taken place in the past few years. These objectives require:

- Holding down budget outlays through strict control of program commitments; and
- Extending for 1 year beyond the June 30, 1969 expiration date the 10% surcharge on individual and corporation income taxes, which was enacted last June in the Revenue and Expenditure Control Act of 1968.

Americans are united in this country's search for peace in Vietnam. While the fighting continues, however, the 1970 budget must provide for support of military operations in Southeast Asia. When peace efforts in Paris succeed, and military spending declines, consideration can be given to removal of the tax surcharge to ease the post-Vietnam transition and help assure continued economic growth and full employment.

Apart from the heavy defense requirements, the budget places greatest emphasis on overcoming urgent domestic problems—inadequate educational opportunities, slum housing, increased crime, urban congestion and decay, air and water pollution, lack of proper health care, and hunger and malnutrition.

Within the framework of a restrictive expenditure policy, reasonable provision has been made in the budget for the requirements of ongoing programs. Reductions are proposed wherever possible, and some selected improvements and expansions are recommended, notably increases in benefits under the social security system.

The tasks are many and strengthened efforts must be turned toward solving the problems confronting us. The 1970 budget program will help pave the way for meeting the challenges that lie ahead.

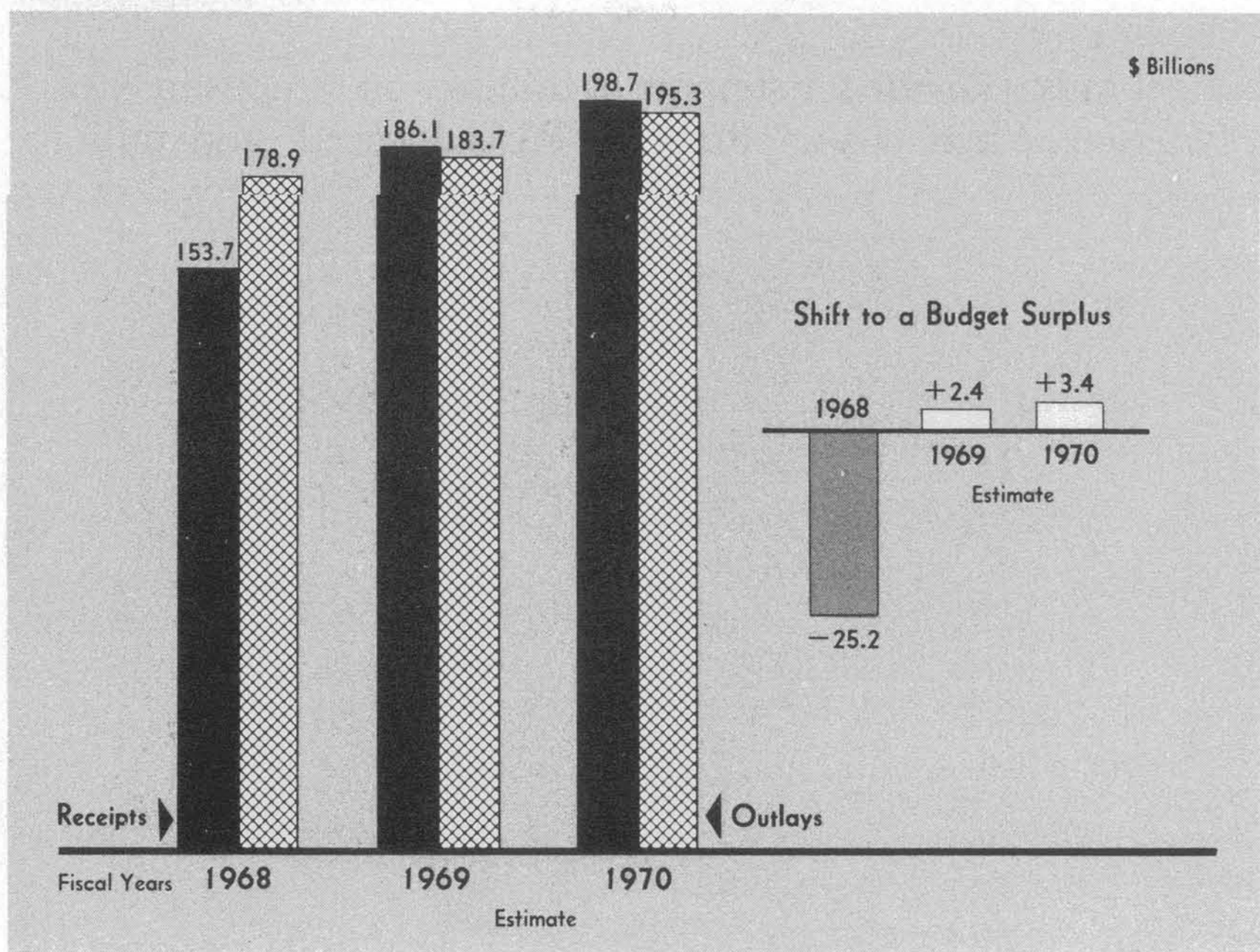
BUDGET SUMMARY

Assuming adoption of the proposals recommended in the budget, total outlays in 1970 are estimated at \$195.3 billion, with \$194.4 billion of expenditures and \$0.9 billion for net lending. Budget receipts are estimated at \$198.7 billion, including \$9.5 billion from the extension of present tax rates. Thus, the budget plans for a \$3.4 billion surplus for 1970, compared with a surplus of \$2.4 billion for 1969. This outlook represents a sharp turnaround from the budget deficit in 1968 when total outlays exceeded receipts by \$25.2 billion.

The 1970 budget is based on the unified budget concept recommended by the bipartisan Commission on Budget Concepts and explained in Part 4. Accordingly, the budget totals include the transactions of the social security and other Government trust funds, and separate expenditures from fully repayable loans.

Excluding net lending, the *expenditure account surplus* in 1970 is estimated at \$4.3 billion, compared with \$3.8 billion in 1969.

Budget Totals, 1968-1970



The expenditure account surplus offers a better indication of the direct impact of the Federal budget on the Nation's income and production.

To carry forward the budget recommendations, new budget authority of \$210.1 billion will be needed for 1970. Of this amount, \$143.9 billion depends on action during the current session of the Congress. The remainder (mainly for social insurance trust funds and interest) will become available under existing law, without current congressional action. The estimated 1970 outlays related to such action total \$93.8 billion.

On the basis of the estimates of receipts and outlays, the *Federal debt held by the public* will decrease from \$290.6 billion on June 30, 1968 to \$276.6 billion on June 30, 1969, and further to an estimated \$272.6 billion on June 30, 1970. This decrease reflects (1) the sharp reduction in net Federal borrowing requirements from the unusually high level in 1968, since outlays in both 1969 and 1970 will be financed entirely from current revenues, and (2) the conversion of certain mixed-ownership credit institutions to private ownership.

BUDGET SUMMARY

[Fiscal years. In billions]

Description	1968 actual	1969 estimate	1970 estimate
Budget authority (largely appropriations):			
Previously enacted.....	\$134.4	\$127.8
Proposed for current action by Congress.....		4.8	\$143.9
Becoming available without current action by Congress.....	67.8	75.3	80.2
Deductions for offsetting receipts.....	-11.6	-13.3	-13.9
Total budget authority.....	190.6	194.6	210.1
Receipts, expenditures, and net lending:			
Expenditure account:			
Receipts.....	153.7	186.1	198.7
Expenditures (excluding net lending).....	172.8	182.3	194.4
Expenditure account surplus or defi- cit (-).....	-19.2	3.8	4.3
Plus: Loan account:			
Loan disbursements.....	20.4	12.5	8.1
Loan repayments.....	14.4	11.1	7.2
Net lending.....	6.0	1.4	0.9
Equals: Total budget:			
Receipts.....	153.7	186.1	198.7
Outlays (expenditures and net lending)....	178.9	183.7	195.3
Budget surplus or deficit (-).....	-25.2	2.4	3.4

FISCAL PROGRAM FOR 1970

The overall fiscal program for 1970 is reflected in the budget proposals for the Government's income and outgo, and in the relationship of these proposals to the state of the national economy.

Economic Setting

Early in 1961, the American economy entered into a record-breaking period of unparalleled prosperity which has continued for 8 years. These years have produced substantial increases in employment, income, and production. Over the past 96 months more than 10 million new jobs have been created, and the Nation's output of goods and services—apart from price changes—grew by 45%. Per capita personal spendable income—again after adjusting for prices—rose by nearly a third. The acceleration in

economic activity since 1961 has helped to reduce the rate of unemployment to its lowest level in 15 years. Prosperity also has made it possible to reduce by over 17 million the number of people living in poverty.

Recent price developments, however, have not been satisfactory, even though our record compares favorably with other major nations of the world. Also, interest rates have increased sharply in recent months and our balance of payments position needs further strengthening. For these reasons, efforts to contain inflationary pressures in the coming months will require not only the fiscal restraints proposed for 1969 and 1970 in the budget, but also appropriate monetary policy and restraint in price and wage decisions by American business and labor. A concerted effort is needed to obtain a better price performance and a return to a sustainable rate of economic growth.

Attainment of reasonable price stability will help improve our balance of trade, relieve pressures on the money markets, and foster a reduction in interest rates. With the achievement of budget surpluses, the Federal Government no longer will have heavy borrowing requirements exerting an extreme upward push on interest rates, as was the case in fiscal year 1968.

The present uncertainty over when current negotiations can bring hostilities in Vietnam to a peaceful conclusion provides an excellent opportunity for developing procedures needed to achieve timely adjustments in fiscal policy. Accordingly, the budget recommends that consideration be given to establishing an element of flexibility in our tax system, with authority for the President to raise or lower personal and corporation income taxes within specified limits—such as up to 5% in either direction. Such discretion would be subject to congressional veto within a limited time period.

Budget Receipts in 1970

Budget receipts in 1970 are estimated to be \$198.7 billion, \$12.6 billion higher than in 1969, reflecting both increased yields from economic growth and from tax proposals.

In addition to the proposed extension of the temporary income tax surcharge, the budget recommends extension of the present excise tax rates of 7% on automobiles and 10% on telephone services beyond January 1, 1970—when these rates are scheduled to drop to 5%.

Budget receipts are estimated at \$186.1 billion in fiscal year 1969. If the surcharge and excise tax rates are not extended, the growth in revenues—mainly resulting from an expanding economy and rising incomes—would approximately offset the revenue loss from the scheduled decline in tax rates. Receipts in 1970 under existing law would be close to the estimated revenues in 1969, and would be inadequate to cover the unavoidable, built-in increases in budget outlays.

Economic assumptions for receipts estimates.—The basic economic assumptions underlying the estimates of receipts in fiscal years 1969 and 1970 are summarized in the following table:

ECONOMIC ASSUMPTIONS

[Calendar years. In billions]

Description	1967 actual	1968 preliminary	1969 estimate
Gross national product.....	\$789.7	\$860.7	\$921
Personal income.....	628.8	685.8	736
Corporate profits before tax.....	81.6	92.3	96

Receipts by source.—The Federal tax system relies predominantly on *income taxes*. In fiscal year 1970, receipts from individual and corporation income taxes, combined, will account for nearly two-thirds of total budget receipts. Extension of the surcharge is estimated to produce \$9.0 billion in income tax receipts in 1970.

Social insurance taxes and contributions represent 23% of total estimated budget receipts in 1970. This category includes payroll taxes to finance social security; unemployment insurance taxes; premiums for health and supplementary medical insurance; and civil service retirement contributions by employees. An increase of \$5.4 billion in 1970 is estimated for social insurance receipts, based both on normal growth in the number of people and the size of the payrolls covered and on recent and proposed tax changes, including:

- the full-year effect of the increase from 8.8% to 9.6% in the combined social security tax rate on employers and employees, which occurred on January 1, 1969. This increase will yield an additional \$1.8 billion in 1970, compared with 1969.
- a proposed increase in the social security taxable wage base from \$7,800 to \$9,000 and in the combined employer-em-

ployee tax rate from 9.6% to 10.4% to take effect on January 1, 1970, in order to finance proposed benefit increases.

- a proposed shift in the timing of collections of the Federal unemployment tax from a lump-sum annual basis to a current quarterly basis.

The latter two proposals are estimated to yield receipts of \$1.7 billion and \$0.3 billion, respectively, in 1970.

Excise taxes, levied on a variety of products, activities, and services, are expected to provide 8% of total budget receipts in 1970. An increase of \$0.9 billion is anticipated in receipts from this source in 1970, including \$0.5 billion from the proposed extension of current rates on automobiles and telephone services. An additional \$0.4 billion reflects proposed legislation for user charges in the field of transportation—highways, airways, and waterways—so that those who benefit directly from the Government services provided in this field will pay a fairer share of the costs.

All other receipts, including estate and gift taxes, customs duties, and miscellaneous receipts, will amount to 4% of the total in 1970.

BUDGET RECEIPTS

[Fiscal years. In billions]

Source	1968 actual	1969 estimate	1970 estimate
Individual income taxes.....	\$68.7	\$84.4	\$90.4
Corporation income taxes.....	28.7	38.1	37.9
Social insurance taxes and contributions.....	34.6	40.5	45.9
Excise taxes.....	14.1	14.8	15.7
All other receipts.....	7.6	8.3	8.8
Total budget receipts.....	153.7	186.1	198.7
Under existing law.....	153.7	185.6	186.8
Under proposed legislation:			
Income and excise tax rate extensions.....		0.5	9.5
Increases in social security wage base and tax rate.....			1.7
Accelerated unemployment tax payments.....			0.3
User charges.....			0.4

Budget Outlays in 1970

The estimate of \$195.3 billion in total outlays in 1970 is based on a detailed program review designed to hold down outlays as much as possible, consistent with essential national economic

and program objectives, and makes adequate provision for urgent national needs at home and abroad.

The estimates for 1970 have necessarily been influenced by the limitations on total 1969 budget authority and outlays enacted by the Congress in the Revenue and Expenditure Control Act of 1968. In providing these overall limits, the Congress departed from its traditional procedure of using individual appropriation actions as the primary means of exercising its control over the Federal budget.

An inflexible spending ceiling unrelated to the appropriations process forces inefficient or uneconomical practices in carrying out legislatively approved programs, and in some cases distorts national priorities. The ceiling on outlays for 1969 follows a percentage formula reduction in agency obligations which was enacted for 1968. It would be unwise to try to correct within fiscal year 1970 the distortions which have resulted from the statutory controls imposed for the two preceding years. In view of that fact, and the need to hold down Federal outlays in a period of inflation, the estimates of expenditures and net lending in 1970 must reflect the continuation of an executive policy of outlay management.

With such a policy, total budget outlays in 1970 are estimated to increase by \$11.6 billion over 1969. National defense outlays will rise by \$0.5 billion, largely for improvements in our strategic forces, modernization of our tactical air forces, and other increased research and development efforts needed to assure sufficient deterrent power in the future. These increases will be substantially offset by reduced outlays for Vietnam operations, based on projected changes in combat patterns and revised supply requirements.

Apart from national defense, three-fourths of the increase between 1969 and 1970 reflects relatively uncontrollable charges which must be met under present laws. The overall increase must, further, be judged in the light of the rising workloads and costs to which the Government—just as businesses, consumers, and other sectors of the economy—must adjust.

The \$8.6 billion increase in relatively uncontrollable outlays consists of:

- \$2.9 billion estimated under existing law for benefit payments and other outlays of the social insurance trust funds—

such as social security, Medicare, railroad retirement, and unemployment insurance;

- \$2.8 billion for the third step of the pay raise provided by legislation in 1967 for military and civilian employees;
- \$1.6 billion for other programs—such as interest on the public debt, veterans pensions, and public assistance grants to States—which are relatively fixed in the short run; and
- \$1.3 billion for outlays arising out of prior year contracts and other commitments now reaching the payment stage—mainly for highways, construction of education facilities, and health and community development programs.

BUDGET OUTLAYS

[Fiscal years. In billions]

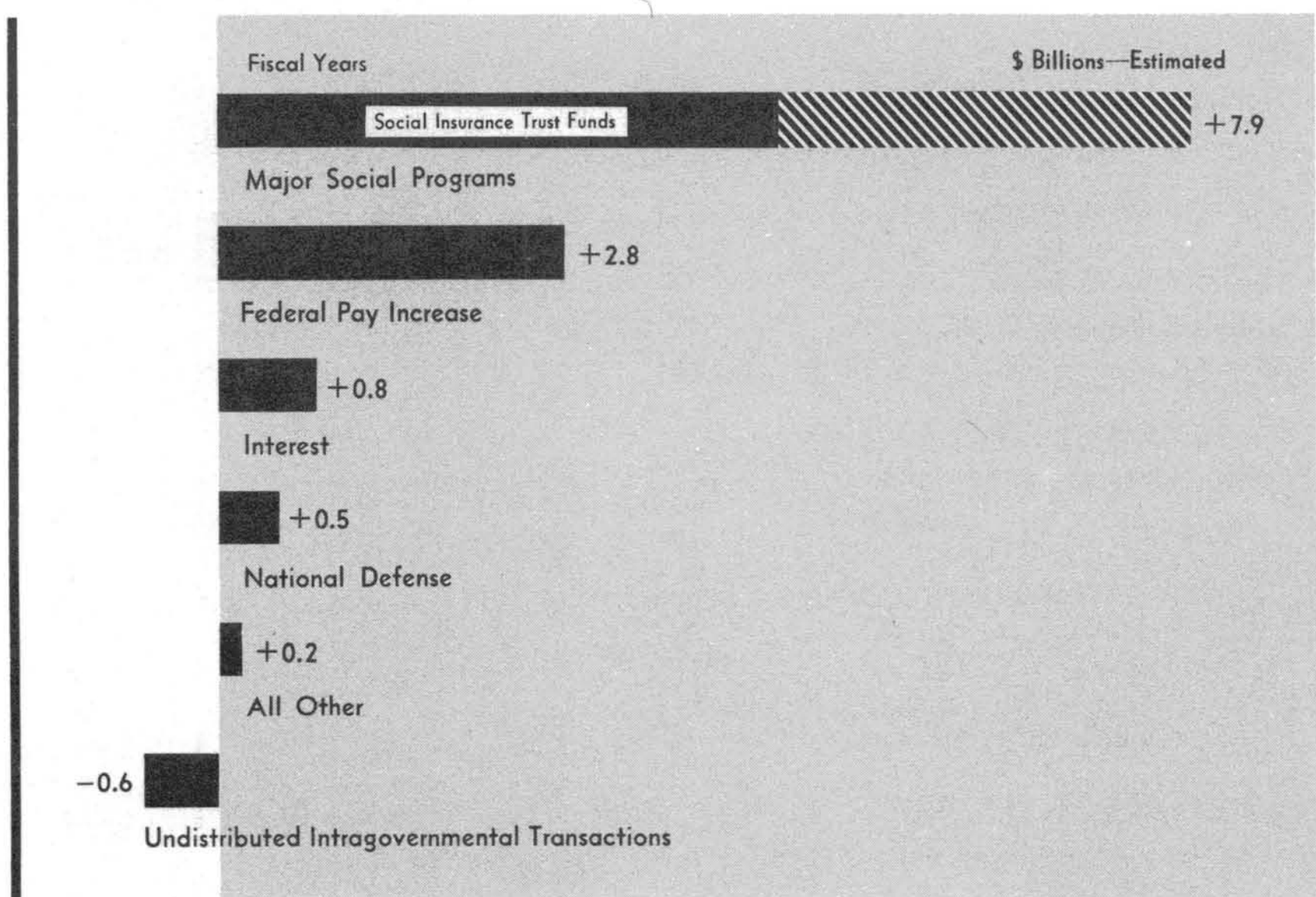
Controllability	1968 actual	1969 estimate	1970 estimate	Change, 1969 to 1970
National defense	\$80.5	\$81.0	\$81.5	+\$0.5
Relatively uncontrollable civilian outlays under existing law:				
Open-ended programs and fixed costs:				
Social security, Medicare, and other social insurance trust funds	35.5	39.6	42.4	+2.9
Interest	13.7	15.2	16.0	+0.8
Civilian and military pay increase			2.8	+2.8
Veterans pensions, compensation, and insurance	5.0	5.6	5.9	+0.2
Public assistance grants (including Medicaid)	5.3	6.3	7.4	+1.1
Farm price supports (Commodity Credit Corporation)	3.2	3.6	3.1	-0.5
Postal operations directly related to mail volume	0.7	0.5	0.5	+0.1
Legislative and judiciary	0.3	0.4	0.4	+*
Other	1.3	1.6	1.5	-0.1
Outlays from prior year contracts and obligations	17.3	17.6	18.9	+1.3
Subtotal, relatively uncontrollable civilian outlays	82.4	90.2	98.8	+8.6
Relatively controllable civilian outlays:				
Proposed social security benefit increases			1.6	+1.6
Other	20.5	17.6	19.0	+1.5
Undistributed intragovernmental transactions	-4.6	-5.1	-5.7	-0.6
Total budget outlays	178.9	183.7	195.3	+11.6

*Less than \$50 million.

In keeping with national priorities, major social programs account for the largest portion of the \$11.6 billion increase in outlays between 1969 and 1970. Of the \$7.9 billion increase for these programs, \$4.5 billion is for social insurance payments including proposed increases in social security benefits.

Aside from the increases for national defense and such relatively uncontrollable outlays as Federal pay and interest, outlays for all other Federal civilian programs are estimated to increase by only \$0.2 billion.

Change In Budget Outlays, 1969–1970



Outlays by major function.—Part 2 of this booklet describes the estimated outlays in 1970 in terms of 12 major functions or purposes they are designed to serve. These outlays are distributed as follows:

- *National defense* programs constitute roughly 42% of outlays, or \$81.5 billion. About one-third will be spent for the support of special Southeast Asia activities.
- *Veterans benefits and services* and *interest* together account for some \$23.7 billion, or nearly 12% of total outlays.
- *Health and welfare* programs will make up almost 28% of 1970 outlays, or \$55.0 billion. Outlays for this functional

group are estimated to increase by the greatest absolute amount from 1969, rising by \$6.1 billion and accounting for 53% of the increase in total outlays. The social insurance trust funds—mainly social security, unemployment insurance, and Medicare—constitute nearly four-fifths of total spending for this function.

- *Education and manpower, and community development and housing* are estimated to account for outlays of \$10.7 billion in 1970—about 5% of the total outlays in the budget.
- *All other programs* amount to \$24.4 billion, or 13% of total outlays.

BUDGET OUTLAYS BY FUNCTION

[Fiscal years. In billions]

Function	1968 actual	1969 estimate	1970 estimate
National defense.....	\$80.5	\$81.0	\$81.5
<i>Excluding special Southeast Asia</i>	(54.0)	(52.2)	(56.1)
International affairs and finance.....	4.6	3.9	3.8
<i>Excluding special Southeast Asia</i>	(4.3)	(3.6)	(3.4)
Space research and technology.....	4.7	4.2	3.9
Agriculture and agricultural resources.....	5.9	5.4	5.2
Natural resources.....	1.7	1.9	1.9
Commerce and transportation.....	8.1	8.0	9.0
Community development and housing.....	4.1	2.3	2.8
Education and manpower.....	7.0	7.2	7.9
Health and welfare.....	43.5	48.8	55.0
Veterans benefits and services.....	6.9	7.7	7.7
Interest.....	13.7	15.2	16.0
General government.....	2.6	2.9	3.3
Allowances:			
Civilian and military pay increase.....			2.8
Contingencies.....		0.1	0.4
Undistributed intragovernmental transactions:			
Government contributions for employee re- tirement.....	-1.9	-2.1	-2.2
Interest received by trust funds.....	-2.7	-3.0	-3.6
Total outlays.....	178.9	183.7	195.3
<i>Total outlays, excluding special Southeast Asia.....</i>	<i>(152.0)</i>	<i>(154.5)</i>	<i>(169.5)</i>

Budget Authority for 1970

Budget authority—mostly in the form of appropriations—must be provided by the Congress before Federal agencies can spend or lend funds. Most authority requires congressional action each year or at fairly regular intervals. However, other amounts

of authority become available under basic law, and require no specific additional action by the Congress.

For 1970, a total of \$210.1 billion of budget authority is recommended, including:

- New obligational authority of \$209.6 billion for programs in the expenditure account of the budget, and
- Loan authority of \$0.5 billion for loan account programs.

The \$15.5 billion increase in total budget authority estimated between 1969 and 1970 consists mainly of \$5.4 billion representing the increase in social insurance trust fund receipts, which constitute budget authority; \$3.6 billion for the Department of Defense and the military assistance program; and \$2.8 billion for the military and civilian pay increase to be put into effect in July 1969.

IMPACT OF REVENUE AND EXPENDITURE CONTROL ACT IN FISCAL YEAR 1969

In addition to various provisions affecting the tax system, the Revenue and Expenditure Control Act of 1968 (Public Law 90-364) provided for specific limitations on budget authority and outlays in 1969, representing—for the programs covered—reductions of \$10 billion and \$6 billion, respectively, below the levels in the 1969 budget sent to the Congress on January 29, 1968.

In setting these limitations, the Congress excepted certain programs from the required reductions and subsequently added other exceptions. In total, the exceptions amount to more than half of the currently estimated budget, including the largest uncontrollable programs in the budget—programs which have shown the sharpest growth in recent years.

The exceptions enacted thus far cover:

- Special support of Vietnam operations;
- Interest;
- Veterans benefits and services;
- Social Security Act trust funds;
- Tennessee Valley Authority activities financed from power proceeds and borrowing;
- Commodity Credit Corporation price support and related programs;
- Public assistance grants to States (including Medicaid); and
- Aid to schools in federally impacted areas (1968 supplemental payments made in 1969).

**BUDGET AUTHORITY AND OUTLAYS FOR 1969—RELATIONSHIP TO
PUBLIC LAW 90-364**

[In billions]

Description	January 1968 estimate	Current estimate	Change
BUDGET AUTHORITY			
Programs excepted from Public Law 90-364 limitation.....	\$98.4	\$104.6	+\$6.1
Remainder—covered by Public Law 90-364 limitation.....	103.3	90.1	-13.2
Total budget authority.....	201.7	194.6	-7.1
BUDGET OUTLAYS			
Programs excepted from Public Law 90-364 limitation.....	92.6	98.6	+6.0
Remainder—covered by Public Law 90-364 limitation.....	93.5	85.1	-8.3
Total budget outlays.....	186.1	183.7	-2.4

Total budget authority as currently estimated for 1969 is \$7.1 billion below the estimate in last year's budget. An increase of \$6.1 billion is now estimated for the programs excepted from the provisions of Public Law 90-364, largely for: (1) special Vietnam costs, which have increased \$2.6 billion; (2) the price support operations of the Commodity Credit Corporation, up \$1.6 billion because of larger crops than anticipated last January; (3) social security trust funds, in which the receipts are \$0.9 billion greater than originally estimated; (4) interests costs, up \$0.8 billion, reflecting both higher interest rates and a larger debt; and (5) public assistance grants, up \$0.7 billion, based on reports received from participating State governments.

For the programs affected by the limitation required under Public Law 90-364, budget authority is now estimated to be \$13.2 billion under last January's estimate. A portion of this reduction reflects the conversion to complete private ownership of the Federal National Mortgage Association's secondary market operations, the Federal intermediate credit banks, and the banks for cooperatives. However, the \$10 billion required reduction is being achieved over and above these factors, and without the need for the President to establish reserves which

would result in automatic rescission of enacted 1969 budget authority as authorized under the law.

Total budget outlays in 1969 are now estimated to be \$2.4 billion below the original estimate last January. Upward reestimates amounting to \$6.0 billion have been necessary in the programs excepted from the spending limitation, reflecting the same factors as those affecting budget authority.

For the portion of the budget covered by the limitation in Public Law 90-364, the current estimate of outlays represents a reduction of \$8.3 billion below the January 1968 estimate for 1969.

As in the case of budget authority, the required \$6 billion cutback in outlays for covered programs is being accomplished over and above reductions resulting from financing changes associated with the conversion of certain credit institutions to private ownership. The currently estimated reduction will allow leeway in carrying out the provisions of Public Law 90-364, should unforeseen increases occur in the affected programs in the months ahead.

SETTING PROGRAM PRIORITIES

The overall *size* of the Federal budget reflects the needs and demands for public services as a whole. The changing *composition* of the budget reveals much about the Nation's priorities.

Between 1964 and 1970, annual budget outlays will have increased by \$76.7 billion, from a total of \$118.6 billion to an estimated \$195.3 billion.

A significant portion of this increased spending has been to support our efforts in Vietnam. Defense spending in 1970 will be \$28.0 billion higher than in 1964, largely for special Vietnam costs.

As the population grows and the economy expands, outlays for such public services as improvements in our national parks and other Federal recreation areas, air safety, law enforcement, and the collection of taxes and customs duties inevitably increase.

In other areas—such as space exploration, veterans benefits, farm price supports, housing aids, and conservation of our natural resources—the Federal Government has undertaken long-range

commitments and programs. And, the Government is increasingly responding to urgent national social problems by launching programs to reduce unemployment of our workers, protect the incomes and health of our older citizens, attack the sources of poverty, revitalize our urban areas, and ensure equal treatment and justice for all Americans.

Thus, within the budget, there are significant shifts in emphasis between 1964 and 1970.

As our efforts have been enlarged to widen the opportunities for the disadvantaged, and improve the quality of life for all Americans, outlays for major social programs have risen by \$37.4 billion, more than doubling since 1964. This is twice the rate of increase of outlays for any other category of Government programs.

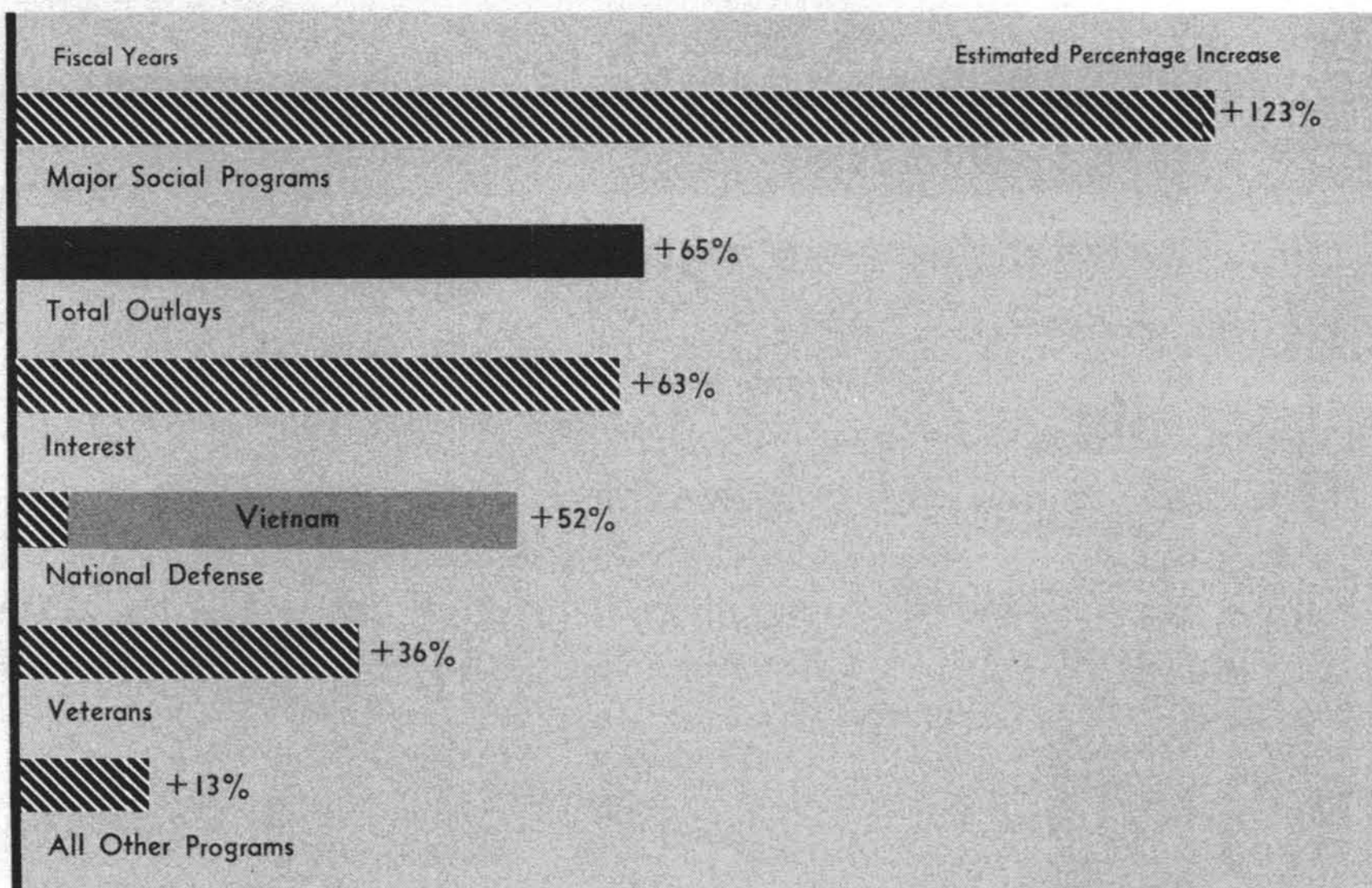
CHANGING STRUCTURE OF FEDERAL BUDGET OUTLAYS

[Fiscal years. In billions]

Program	1964 actual	1968 actual	1969 estimate	1970 estimate	Change, 1964-1970
National defense.....	\$53.6	\$80.5	\$81.0	\$81.5	+\$28.0
(Special Southeast Asia support).....		(26.5)	(28.8)	(25.4)	(+25.4)
Major social programs:					
Social insurance trust funds (excluding Medicare).....	22.7	30.2	33.3	37.2	+14.4
Welfare payments and services.....	3.4	4.6	5.3	6.1	+2.6
Education and manpower training.....	1.6	6.4	6.5	7.2	+5.6
Health (including Medicare).....	1.8	9.7	11.4	13.0	+11.2
Low and moderate income housing.....	*	0.9	0.9	1.1	+1.1
Community and regional de- velopment.....	0.8	1.8	2.4	3.3	+2.4
Subtotal, major social programs.....	30.4	53.7	59.8	67.8	+37.4
Interest.....	9.8	13.7	15.2	16.0	+6.1
Veterans benefits and services...	5.7	6.9	7.7	7.7	+2.0
All other programs.....	22.1	28.6	25.0	24.9	+2.8
Allowances for pay increases and contingencies.....			0.1	3.2	+3.2
Undistributed intragovernmen- tal transactions.....	-2.9	-4.6	-5.1	-5.7	-2.8
Total.....	118.6	178.9	183.7	195.3	+76.7

*Less than \$50 million.

Trends in Federal Budget Outlays, 1964-1970



Nearly two-fifths of the increase in social programs is for social security and other social insurance trust fund benefits to ease the burdens of income loss because of retirement or unemployment. But among the most rapidly growing Federal programs have been those which represent *investment in human resources*—through education, manpower training, improved health care, and aid to the needy.

More than one-tenth of total budget outlays are for unavoidable interest costs and for benefits and services to veterans. These show a combined increase of \$8.2 billion between 1964 and 1970, representing a growth of 53%.

Outlays for all the other programs of the Federal Government are estimated at \$24.9 billion in 1970, compared with \$22.1 billion in 1964. The rise of only one-eighth for these programs in 6 years reflects the general policy throughout the budget of providing increases strictly on a selective basis, giving highest priority to programs which strike at the most urgent problems, holding down those with less urgency, and reducing outlays wherever possible and appropriate to current priorities.

PART 2

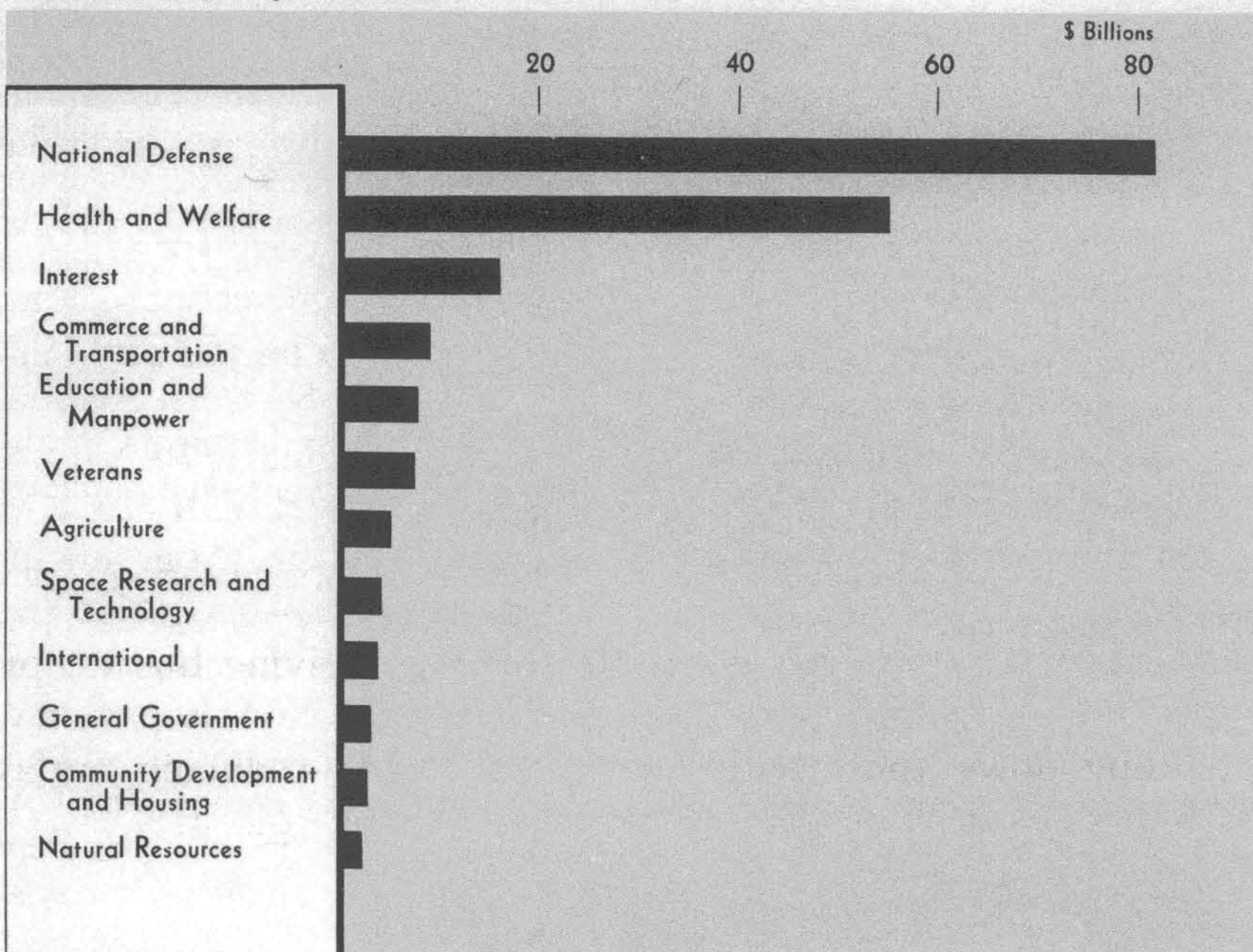
THE BUDGET PROGRAM BY FUNCTION

The outlays of the Federal Government are grouped into 12 functional categories according to the general purpose served, regardless of the agency administering the activity. This section describes the trends and developments anticipated in 1970 in the programs within each of these functions.

Apart from the outlays shown in the functional categories, the budget includes allowances and adjustments for the final stage of the pay

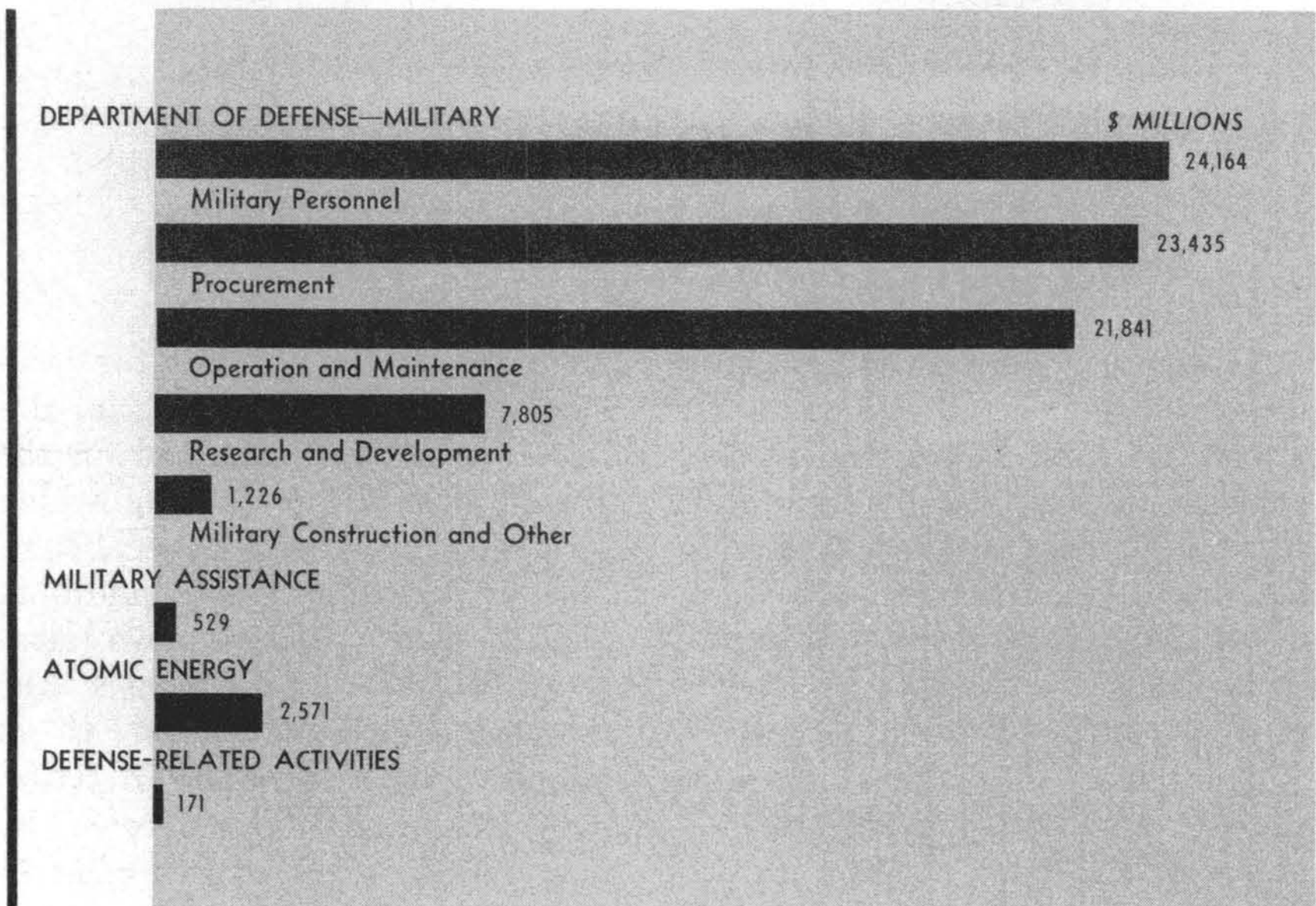
increase enacted in 1967 for military and civilian personnel, for unforeseen contingencies, and for the possible costs of programs on which proposals have not yet been completely formulated. In addition, deductions are made for two intra-governmental transactions: the Government's contribution as an employer to its employees' retirement funds and interest received by trust funds on their investment in Government securities.

1970 Outlays by Function



NATIONAL DEFENSE

1970 Outlays----- \$81,542 Million



Note: The amounts above do not reflect deductions of \$200 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

The security and freedom of this Nation and its allies require that we maintain defense forces capable of countering a wide range of potential military threats. While we continue to seek peace, we recognize that the most reliable deterrent to aggression remains military preparedness. The funds requested for 1970 will support operations in Vietnam and will assure that our regular defense forces maintain a position of substantial strength.

Outlays for national defense in 1970 are estimated to increase \$543 million over 1969, and \$1.0 billion over 1968. Most of this increase is for the military functions of the Department of Defense. Outlays for atomic energy activities will also be higher.

Department of Defense—Military

As shown in the accompanying table, outlays in support of Southeast Asia operations are estimated to drop in 1970, reflecting changing patterns of combat activity and the cessation of the bombardment of North Vietnam. The proposed increase in outlays for Defense—military, excluding Southeast Asia, reflects major improvements in the strength of the regular military forces.

Actions contemplated in the budget will support our share of efforts to improve the combat effectiveness of the NATO forces and, by streamlining overhead, will reduce the costs of maintaining U.S. forces in Europe. We also plan steps

ESTIMATED SPECIAL SUPPORT FOR SOUTHEAST ASIA OPERATIONS

Fiscal year	Outlays (in millions)			Military personnel ¹ (in thousands)		
	Defense— military, excluding Southeast Asia	Special Southeast Asia		Other than in Southeast Asia	In Southeast Asia	
		Defense— military	Economic assistance ²			Total
1965.....	\$46,070	\$103	\$103	2,552	103
1966.....	48,597	5,812	\$282	6,094	2,771	323
1967.....	47,333	20,133	424	20,557	2,848	529
1968.....	50,826	26,547	292	26,839	2,924	623
1969.....	48,978	28,812	380	29,192	2,853	634
1970.....	53,074	25,397	336	25,733	2,816	639

¹ Strengths as of end of fiscal year. On Dec. 31, 1968, there were 634,000 military personnel in Southeast Asia and 2,793,000 elsewhere.

² These outlays are part of the international affairs and finance function. For a discussion, see page 26.

to increase the proficiency of our NATO forces and to protect them more effectively against surprise attack.

It is necessary to choose from among the many alternative weapons and forces we could develop, the ones best suited to meet our national security needs. To aid in such choices, forces are grouped—regardless of the branch of military service—in terms of the major military missions or programs to be accomplished. The table on the following page summarizes the active forces proposed for the major programs at the end of 1970.

Strategic forces.—Our strategic forces continue to reflect our long-standing policy of deterrence. We must insure that the ability of our strategic forces to retaliate decisively will be clear to any nation that might be tempted to launch a nuclear attack against the United States or its allies.

The 1970 budget continues programs initiated in previous years to insure such capabilities. Funds are requested to: (1) convert more ballistic missile submarines from Polaris to Poseidon systems, and

replace our Minuteman I with Minuteman III missiles, both with significant improvement in capability, (2) equip Poseidon and Minuteman missiles with multiple warheads able to strike separate targets, and with penetration aids to overcome enemy defenses, (3) continue to deploy the Sentinel missile defense system, and (4) modernize our air defense system.

General purpose forces.—We must also be prepared to respond to challenges against which the use of strategic nuclear power would be inappropriate. Our general purpose forces serve this function, and are capable of meeting a wide range of contingencies from countersubversive activity to tactical nuclear warfare. They require by far the largest portion of the defense budget.

The budget for 1970 provides for the continued strengthening of our antisubmarine warfare forces and other naval forces. Discontinuation of the bombing of North Vietnam has resulted in lower than anticipated losses of aircraft, and should enable us to meet the requirements for new and improved aircraft at reduced levels of procurement. Pro-

SUMMARY OF ACTIVE FORCES

Description	End of fiscal year			
	1961 actual	1968 actual	1969 estimate	1970 estimate
SELECTED FORCES BY PROGRAM				
Strategic forces:				
Intercontinental ballistic missile squadrons.....	5	26	26	26
Polaris submarines/missiles (in commission).....	5/80	41/656	41/656	41/656
Strategic bomber squadrons.....	125	40	36	35
Manned fighter interceptor squadrons.....	42	24	19	19
General purpose forces:				
Army divisions.....	11	18	18	18
Warships (in commission).....	365	384	362	347
Carrier air wings/groups (attack and antisubmarine warfare).....	28	23	21	20
Marine Corps divisions/aircraft wings.....	3/3	4/3	4/3	4/3
Air Force tactical forces squadrons...	93	144	147	138
Airlift and sealift forces:				
Aircraft squadrons.....	51	61	56	50
Troopships, cargo ships, and tankers.	101	130	124	124
SELECTED DEPARTMENTWIDE TOTALS				
Active aircraft (all programs).....	31, 262	34, 283	35, 274	35, 463
Commissioned ships in fleet (all programs).....	819	932	906	895
Military personnel (in thousands):				
Army.....	859	1, 570	1, 534	1, 508
Navy.....	627	765	771	772
Marine Corps.....	177	307	313	315
Air Force.....	821	905	869	861
Total, Department of Defense...	2, 484	3, 547	3, 487	3, 455

curement in 1970 of the new armed Cheyenne helicopter should further improve the ability of our ground forces to make quick, powerful strikes with large forces utilizing superior firepower. These forces will also be aided by a range of improved air-defense systems, antitank missiles and ground support equipment.

Airlift and sealift.—The aircraft and ships included in this program enable us to move forces rapidly over great distances and to sustain them in combat. This ability contributes significantly to limiting the magnitude and reducing the destructiveness of conflict. The 1970 budget provides for the procurement of the fourth squadron of giant

C-5A aircraft and the first three of a projected fleet of 15 fast deployment logistic ships.

Research and development.—

This program is the Nation's investment in our future 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 development costs of the Poseidon missile, for example, are funded in the strategic forces program. Major emphasis in 1970 will be on an advanced manned strategic aircraft, improvements in our missile technology, a variety of new fighter and attack aircraft, antisubmarine warfare development, and ship missile systems.

Military Assistance

This Nation continues to assist allies who are unable to provide fully for their own defense. Outlays for military assistance grants and credit sales are estimated to be \$551 million in 1970. Receipts of the foreign military sales trust fund are expected to exceed outlays by \$22 million.

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, en-

riching 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.

Outlays of the Commission are estimated to rise by \$120 million in 1970. Increased emphasis will be given to developing improved nuclear propulsion reactors for submarines. Development and underground testing of a nuclear warhead for the Sentinel ballistic missile defense system will proceed, and construction of facilities to produce improved warheads will continue.

Outlays for nonmilitary purposes will also rise. These include construction of two large accelerators for basic research and a large test reactor for use in the development of an improved civilian power reactor.

Defense-Related Activities

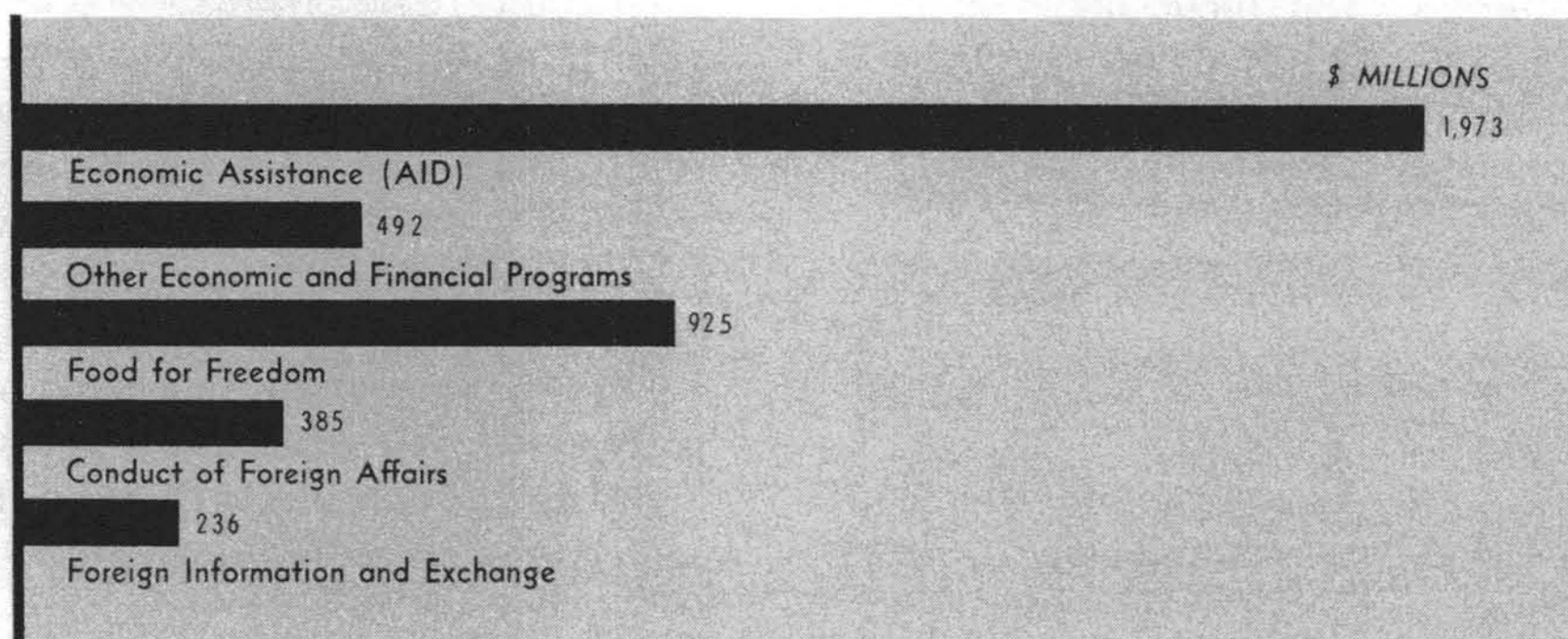
These activities include the Selective Service System, our strategic and critical materials stockpile, and readiness planning activities.

National Defense

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$81,542	41.8%
1969 estimate.....	80,999	44.1
1968.....	80,516	45.0
1967.....	70,081	44.3
1966... ..	56,785	42.2
1965.....	49,578	41.9
1964	53,591	45.2
1963.....	52,257	46.9
1962.....	51,097	47.8
1961.....	47,383	48.4

INTERNATIONAL AFFAIRS AND FINANCE

1970 Outlays----- \$3,755 Million



Note: The amounts above do not reflect deductions of \$256 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Through its international programs, the United States seeks to promote a more peaceful and prosperous world in which all nations can devote their energies to improving the lives of their citizens. In this task we work closely with other nations and with international organizations. Total outlays for international programs in 1970 will be \$183 million lower than in 1969, primarily because of decreases in economic assistance and in Food for Freedom shipments.

Economic assistance (AID).— Economic assistance programs foster greater world security and stability by supporting economic and social progress in developing nations. These programs reflect our recognition that the United States cannot enjoy security and economic well-being while hunger and poverty plague other areas of the world. Assistance is provided mainly to those developing nations which are willing to take the difficult self-help steps necessary for progress.

The Agency for International Development (AID) administers our

bilateral economic assistance. In recent years, the funds made available to AID have been drastically reduced. The 1970 budget calls for a substantial increase in appropriations to restore AID programs to a level necessary to accomplish their basic purpose.

AID outlays are estimated at \$1,973 million in 1970. More than 92% of these outlays will finance exports of U.S. goods and services. Special measures are taken to insure that these exports do not substitute for U.S. commercial exports.

Assistance to Latin America under the Alliance for Progress is mostly for education, agriculture, health, and regional integration programs, to promote more rapid social development as well as economic growth. Outlays for the Alliance will total \$462 million in 1970.

Economic aid to developing countries in areas other than Latin America is largely in the form of development loans and technical assistance. Loans are made to finance transportation facilities, fertilizer plants, imports of machinery and materials, and to provide other as-

sistance which will enable these countries to expand their agricultural and industrial production. Outlays for these loans are estimated at \$518 million in 1970.

Under the technical assistance program, essential advice is provided to help improve health and education, and expand skills needed for effective long-term growth. Outlays for this program will amount to \$194 million in 1970.

Loans and grants for supporting assistance provide commodities, equipment, and other assistance to countries which face an immediate threat to their stability or security. In 1970, Vietnam will receive two-thirds of this assistance, out of a total estimated at \$513 million.

Other AID outlays will total \$287 million in 1970, mainly for contributions to international organizations and general support.

Other economic and financial programs.—Several other programs support our efforts to improve conditions in developing countries:

- The Peace Corps will have 10,300 volunteers active in more than 60 countries in 1970, helping to improve education, agriculture, and health.
- U.S. contributions to international financial institutions, matched in large part by contributions from other donors, will help finance essential imports and development projects.
- The Export-Import Bank will continue to support the growth of U.S. exports through its direct loan, insurance, and guarantee programs.

Food for Freedom.—Under the authority of the Agricultural Trade Development and Assistance Act (Public Law 480), agricultural commodities will continue to be

sold or donated abroad. Food production in a number of developing countries is increasing, thus reducing the requirements for Food for Freedom shipments abroad. Accordingly, outlays for this program will decrease from \$1,037 million in 1969 to \$925 million in 1970. Slightly less than two-thirds of these outlays will be under sales agreements; the rest represents donations of food—largely for children and for workers on development projects.

Conduct of foreign affairs.—The State Department is responsible for conducting this Nation's foreign affairs. The Department maintains diplomatic posts in 120 countries, compared with 99 in 1961. It also makes the assessed U.S. contributions to the United Nations and other international organizations.

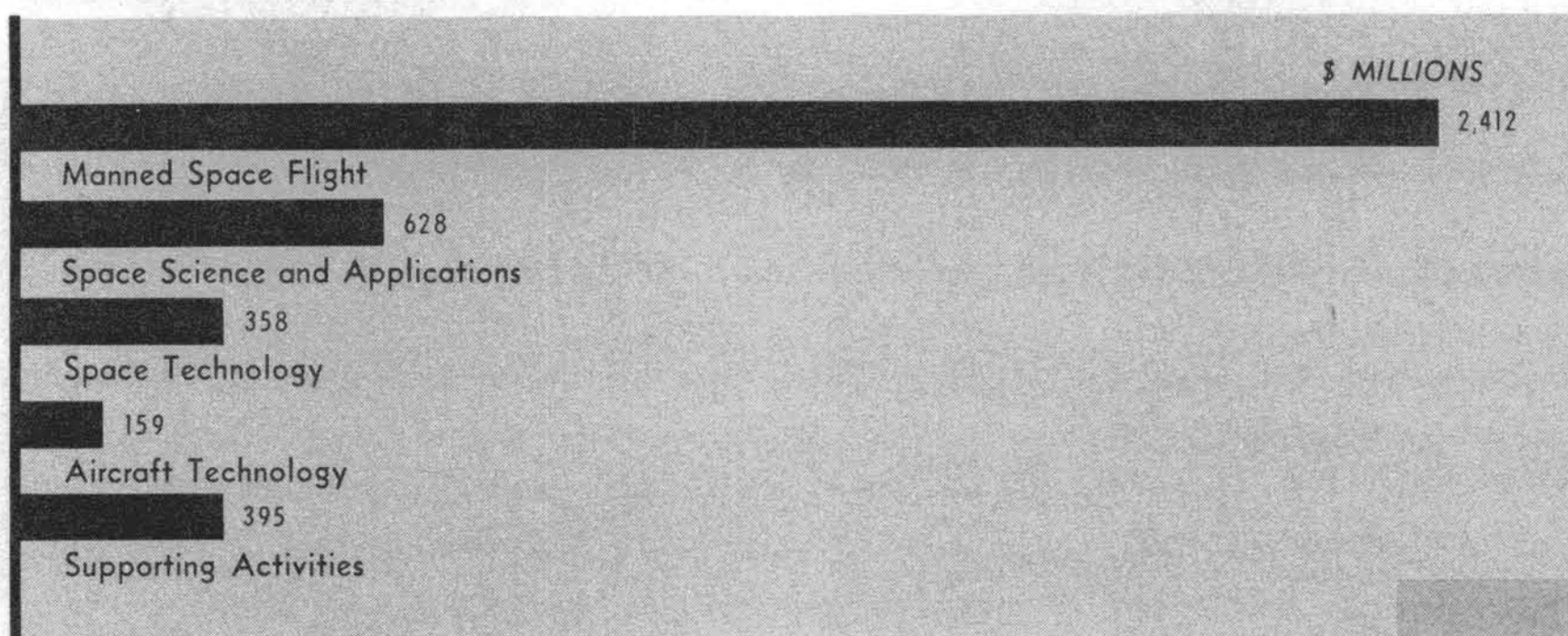
Foreign information and exchange activities.—The Department of State and the U.S. Information Agency conduct programs designed to improve mutual understanding between our people and the people of other lands. Cultural and educational exchange activities, radio and television broadcasts, motion pictures, and publications are used to accomplish this objective.

International Affairs and Finance

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.	\$3, 755	1.9%
1969 estimate.	3, 938	2.1
1968.	4, 619	2.6
1967	4, 547	2.9
1966.	4, 490	3.3
1965	4, 340	3.7
1964.	4, 117	3.5
1963.	4, 115	3.7
1962.	4, 492	4.2
1961.	3, 357	3.4

SPACE RESEARCH AND TECHNOLOGY

1970 Outlays----- \$3,947 Million



Note: The amounts above do not reflect deductions of \$5 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

The National Aeronautics and Space Administration (NASA) will continue its programs to extend man's ability to operate in space, advance man's knowledge of the universe, and use this knowledge and experience for man's benefit.

Total outlays in 1970 of \$3.9 billion are \$300 million less than in 1969, largely because of the completion of the most expensive developmental phase of the manned lunar landing program. This budget permits the United States to extend its manned space flight programs beyond the manned lunar landing. Major emphasis is given to conducting a variety of manned scientific experiments in earth orbit and to a significant continuing effort in unmanned space flight and ground based research.

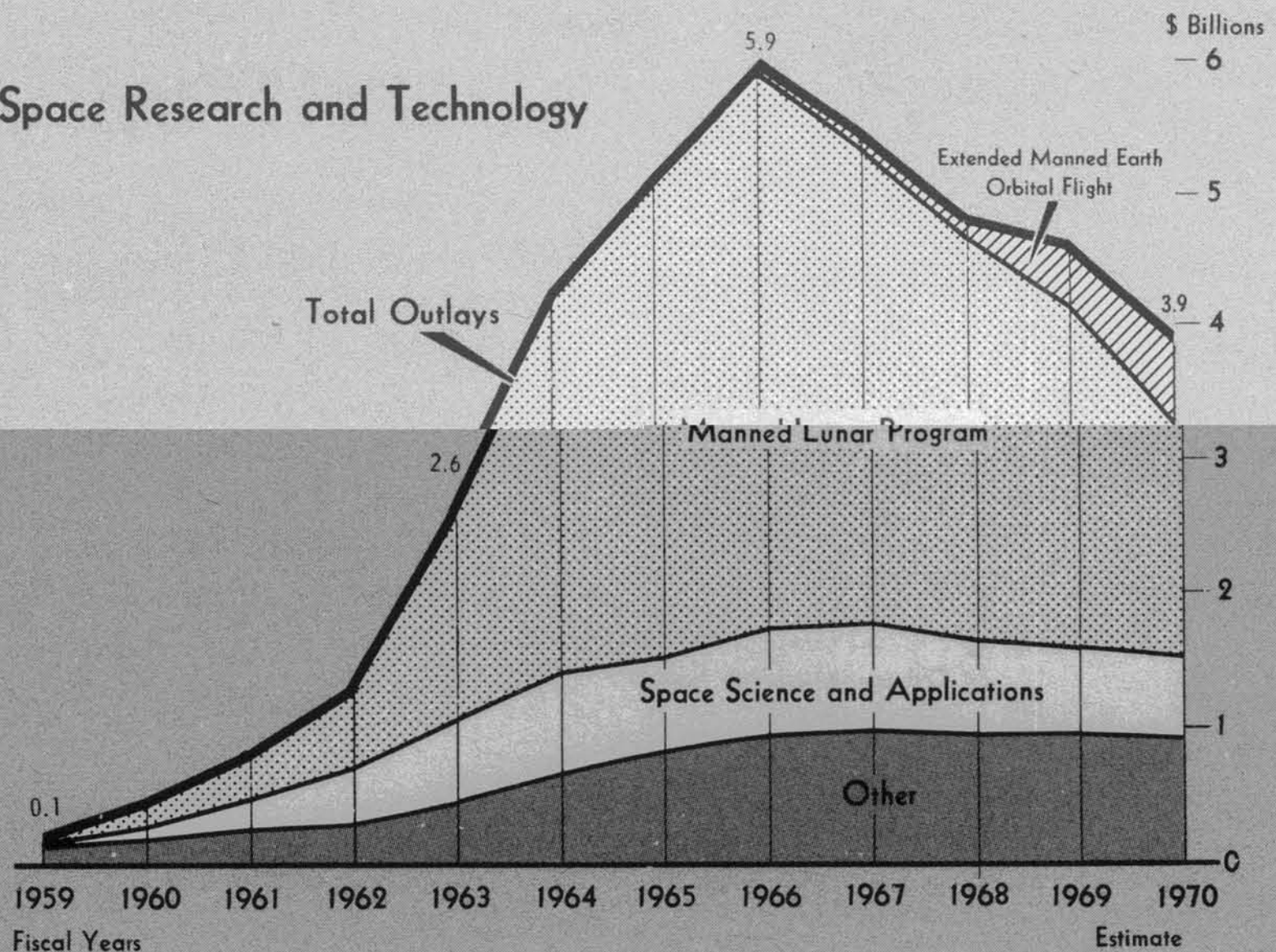
Manned space flight.—Plans call for the first American to set foot on the moon during the period covered by this budget, marking the attainment of the national goal established by President Kennedy in

1961. The readiness of the Saturn V launch vehicle and the Apollo command and service modules for lunar flights was demonstrated by the successful lunar orbit mission in December 1968.

Launch vehicles and spacecraft produced for the Apollo program will be used in lunar exploration for several years to come. In addition, developmental work will continue in 1970 on the Apollo Applications program leading to manned earth orbital missions of increasing duration. A manned orbiting workshop will be used to test man's ability to perform complex scientific, engineering, and technological tasks in space for periods of up to 56 days. Five flights will be conducted in calendar years 1971 and 1972, using an upper stage of the Saturn launch vehicle for a living compartment and laboratory.

Space science and applications.—Unmanned exploration of the solar system will be augmented in 1970 by a series of Planetary Explorer

Space Research and Technology



missions to the near planets, and a Mariner mission to Mercury in 1973. Several other satellites will be started in 1970 to provide a continuing flight program for research in physics, bioscience, and astronomy.

Development of an experimental satellite to obtain information on the earth's resources will begin in 1970. This experiment will test our ability to use photographs and other data collected by satellite to enlarge the economic benefits derived from our natural resources. Development of other satellite technology in support of communications, meteorology and geodesy will also continue in 1970.

Space technology and aircraft technology.—Development of a nuclear-powered rocket engine will begin in 1970, based on technology developed over the past 10 years in

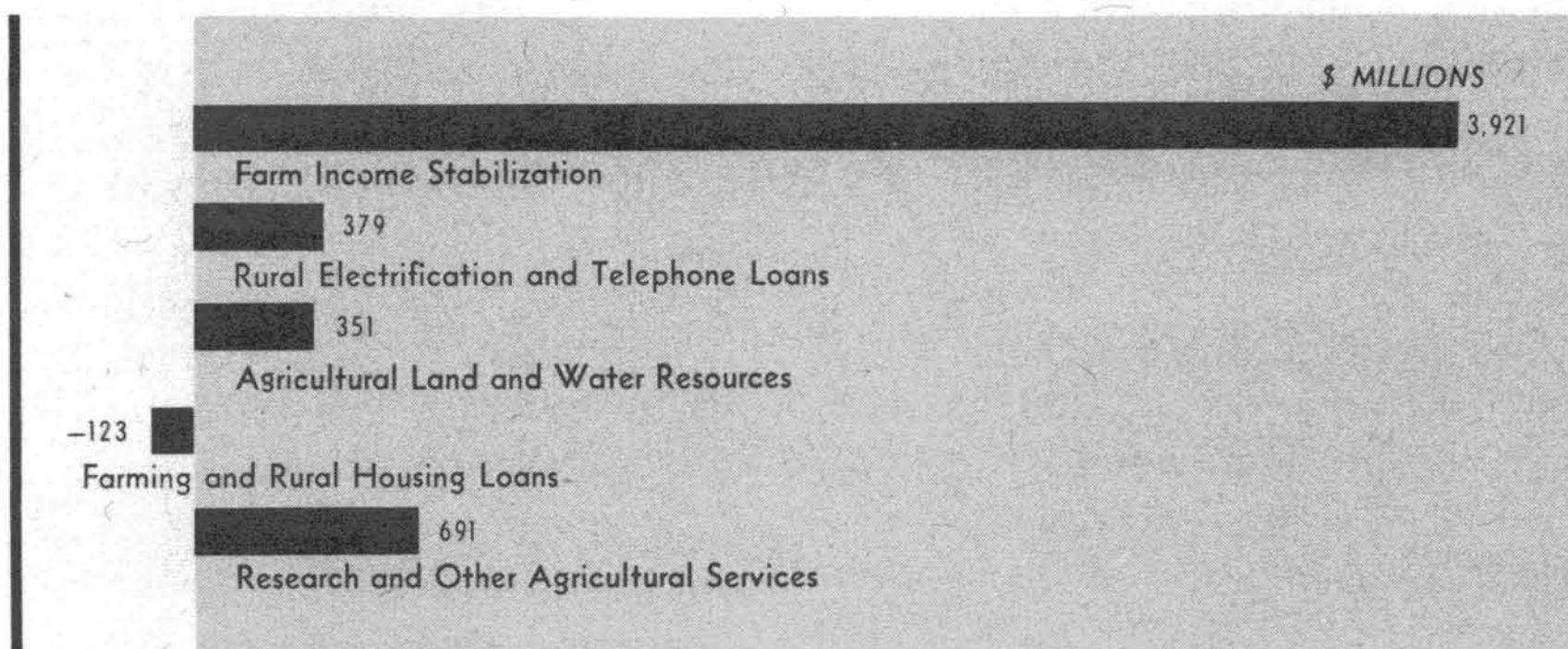
the joint NASA/AEC Rover program. In addition, other advanced research work will be conducted in preparation for future space flight projects. Research and technological work in all areas of aeronautics—ranging from aircraft design and operation to reduction of aircraft noise—will continue in 1970.

Space Research and Technology

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.	\$3, 947	2.0%
1969 estimate.	4, 247	2.3
1968.	4, 721	2.6
1967	5, 423	3.4
1966.	5, 933	4.4
1965.	5, 091	4.3
1964.	4, 170	3.5
1963.	2, 552	2.3
1962.	1, 257	1.2
1961.	744	0.8

AGRICULTURE AND AGRICULTURAL RESOURCES

1970 Outlays----- \$5,181 Million



Note: The amounts above do not reflect deductions of \$37 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Federal agricultural programs are designed both to improve and expand the contribution of the farm economy to the Nation's growth and to help solve the problems of rural people and declining rural communities.

Today, as a result of unprecedented technological progress, one farmworker provides farm products for 42 persons as compared with 28 in 1961 and only 15 in 1950. From 1950 to 1967, the number of farm operators and workers declined by over 5 million. For the better educated and trained, the movement out of farming has been a benefit. For others, it has meant migration to poverty and dependence on welfare in the urban ghettos.

Outlays for agricultural programs in 1970 will be \$267 million below 1969. A decrease in outlays for price support and other farm income stabilization programs more than offsets increases in other programs. Expanded credit programs, largely on an insured basis,

will help provide low-income rural housing, improved public facilities, and greater employment opportunities in rural areas.

Farm income stabilization.—Annual farm commodity price supports, acreage diversion, and other programs help adjust agricultural production to the demand for farm products and support farm income. In 1970, outlays are expected to decline by \$588 million to \$3.9 billion—of which \$3.1 billion will be spent on price support and related programs. Anticipated smaller crops and increased utilization account for most of the decrease. Other decreases stem from the expiration of land retirement contracts.

Outlays for the direct distribution of food to needy families will be increased. A wider variety and increased quantity of foods are now provided. In addition, supplementary food packages are being made available to poor families with infants or expectant mothers.

Rural electrification and telephone loans.—The Rural Electrification Administration provides financial assistance for the distribution of electric power and improved telephone service to rural areas. Anticipating that rural electric co-operatives will develop supplementary private financing, an estimated \$345 million of electric loan commitments will be provided in 1970. Loan commitments for telephone systems will be maintained at the 1969 level of \$125 million. Outlays of \$379 million will be required for these activities.

Agricultural land and water resources.—The Government provides technical and financial assistance to farmers to encourage sound conservation practices and prevent irreparable damage to the Nation's soil and water resources. In 1970, emphasis is being placed on technical assistance for low-income rural families, combatting critical pollution problems, and helping local groups and governmental units concerned with land management and community development. Work will continue on 51 authorized resource conservation and development projects, and planning will be started on 12 additional projects.

Farming and rural housing loans.—The Farmers Home Administration makes direct loans and insures private loans to enable farmers and other rural residents to improve their farm operations and housing. In addition, the agency provides assistance to small communities for planning and constructing water distribution and sewer facilities.

In 1970, as part of the new 10-year housing program, 120,000 housing units for low and moderate

income families will be started or acquired, more than double the number in 1969. Low-interest-rate loans will be used to help low-income families finance housing in rural areas.

Greater reliance will be placed on the use of private funds, with the Government insuring the loans. Legislation is proposed to establish an insured farm operating loan program and to make interest income on insured water and sewer loans subject to Federal income taxes. Although total loan commitments will increase substantially in 1970, receipts will exceed disbursements by \$123 million, largely because of the shift from direct to insured loans and the sale of prior loans.

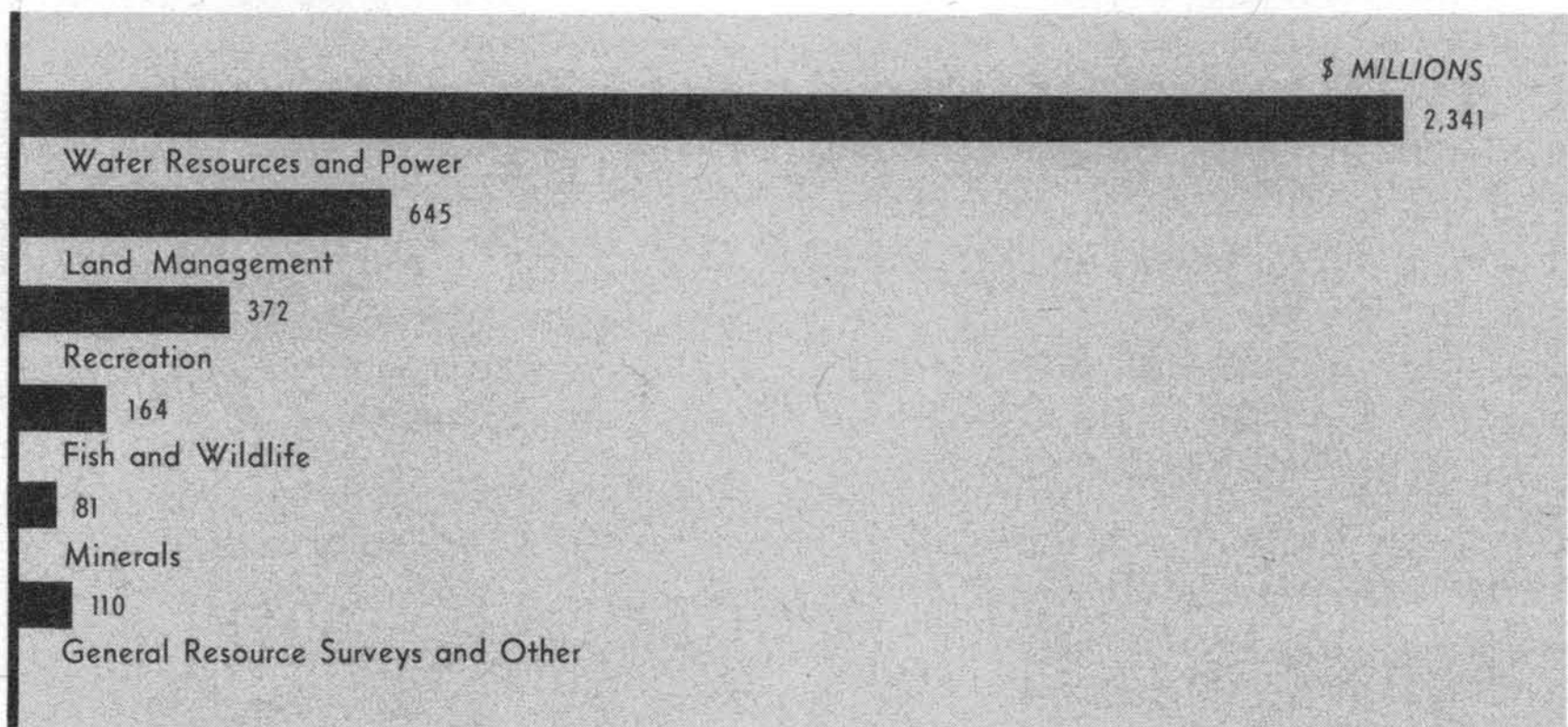
Research and other agricultural services.—The Department of Agriculture conducts research and provides grants to States for research and education to increase agricultural productivity, strengthen the marketing system, and improve rural and urban living conditions. Increased technical and financial assistance will be given to the States so that all meat and poultry slaughtered and processed in plants in the United States can be inspected under standards at least equal to Federal standards.

Agriculture and Agricultural Resources

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$5, 181	2.7%
1969 estimate.....	5, 448	3.0
1968.....	5, 944	3.3
1967.....	4, 376	2.8
1966.....	3, 679	2.7
1965.....	4, 807	4.1
1964.....	5, 186	4.4
1963.....	5, 139	4.6
1962.....	4, 131	3.9
1961.....	3, 340	3.4

NATURAL RESOURCES

1970 Outlays ----- \$1,891 Million



Note: The amounts above do not reflect deductions of \$1,823 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

The objective of the Government's natural resources programs is to promote the efficient development and utilization of the Nation's resources in a socially beneficial manner. In carrying out these programs, consideration is given to environmental problems—such as water pollution—sometimes associated with resource development, and to the needs of future generations.

The Government obtains income from the management of public lands through such activities as timber sales, grazing permits, and oil leases. Receipts from all natural resources programs in 1970 are estimated at \$1.8 billion. After deducting these receipts, net budget outlays in 1970 will be \$1.9 billion.

Water resources and power.—These programs provide for the construction of projects to:

- produce and distribute power,
- control floods,

- protect watersheds,
- develop water supplies for irrigation and other uses,
- improve harbors and inland navigation, and
- provide facilities for water-related outdoor recreation.

Outlays for water resources and power projects in 1970 will be held close to the 1969 level. Only a few, high-priority projects will be initiated.

Federal grants are made to assist municipalities in constructing waste treatment facilities for reducing water pollution. In order to produce a significant acceleration in the construction of waste treatment plants, legislation is proposed to allow the Government to meet its share of an expanded program over a number of years.

In 1970, research will be continued to improve water pollution control technology, reduce the costs of desalting water, and explore the possibility of increasing rainfall in

arid areas. In addition, a research program to reduce the costs of putting power transmission lines underground will be initiated.

Land management.—The Federal Government manages 640 million acres of national forests and lands in the public domain which produce timber, minerals, and grazing, as well as furnish outdoor recreational opportunities. The programs include the protection of these resources from fire and other hazards, and the construction of access roads.

Recreation.—New outdoor recreational areas—many of them near metropolitan centers—are being acquired both by Federal agencies and by State and local governments with assistance from the Land and Water Conservation Fund. National parks and other Federal recreation areas will serve an estimated 793 million visitors in 1970, 56 million more than in 1969.

Fish and wildlife.—In 1970, the Federal Government will operate 333 refuges to preserve wildlife habitat and populations. Research to improve the management and utilization of wildlife, sport fish, and commercial fish resources will continue. Research is also being conducted to improve the efficiency of the fisheries industry and to develop new technologies to produce low-cost fish protein concentrate for human consumption.

Minerals.—The Department of the Interior conducts research in minerals extraction and utilization. Environmental problems associated with mineral activities—notably waste disposal and pollution—are being emphasized, as is research which seeks to develop more efficient ways to reuse materials, and thereby avoid unnecessary loss of valuable minerals in mining and industrial processing.

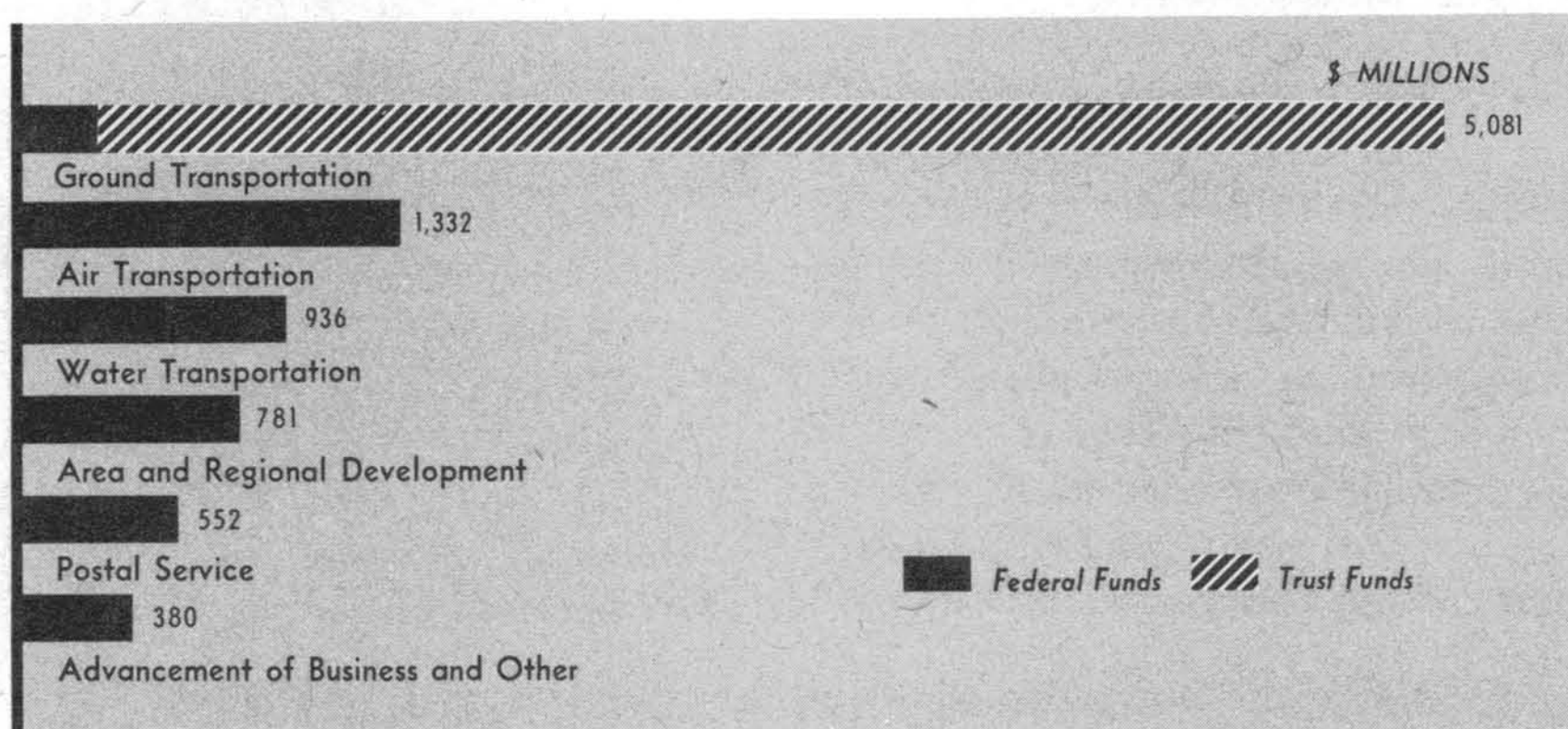
General resource surveys and other.—Geological Survey programs provide basic information needed for efficient resource development and use. Geological mapping and analysis aid the search for minerals and tell us about potential geological hazards such as earthquakes and landslides. Experimental systems will be developed in 1970 to process, analyze, and disseminate data on earth resources collected by a satellite to be launched in 1971.

Natural Resources

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$1, 891	1.0%
1969 estimate.....	1, 898	1.0
1968.....	1, 702	1.0
1967.....	1, 860	1.2
1966.....	2, 035	1.5
1965.....	2, 063	1.7
1964.....	1, 972	1.7
1963.....	1, 505	1.4
1962.....	1, 686	1.6
1961.....	1, 568	1.6

COMMERCE AND TRANSPORTATION

1970 Outlays ----- \$8,969 Million



Note: The amounts above do not reflect deductions of \$95 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Federal programs support and enhance the contributions of business and transportation to the Nation. Outlays in 1970 for these programs will be \$921 million more than in 1969, mainly for highway construction.

Despite continued improvement, our transportation system is exhibiting strains and shortcomings—most notably, heavy congestion at our major airports and on our urban highways, and high fatality rates on our highways. The budget provides for expanded efforts to improve transportation efficiency and safety, and to relieve congestion of airways and urban highways.

In 1970, the Government will improve its services to business, especially minority entrepreneurs and American firms entering overseas markets. Continuing efforts will be made to help maintain effective competition and fair business practices, and to foster economic growth in depressed areas.

Ground transportation.— The highway trust fund provides grants to States for construction of the 41,000-mile Interstate Highway System, now almost completed, and for construction of primary and secondary roads. Total outlays for highway programs, chiefly from the highway trust fund, will be \$4.9 billion in 1970, an increase of \$729 million over 1969.

Legislation is being proposed to increase taxes on diesel fuel and on truck size, to distribute highway costs more equitably among users.

In 1970, outlays for urban mass transportation and high-speed ground transportation programs will total \$212 million. New techniques for improving urban travel will be tested.

Air transportation.— To keep pace with the substantial growth in air traffic, the Federal Aviation Administration's outlays will increase by almost 12% over 1969. This in-

crease will permit an expansion of the air traffic control system and the addition of 4,450 personnel, mainly air traffic controllers. The budget includes additional funds for further expansion contingent upon enactment of user charges legislation to defray the costs. Legislation is also being proposed to assist communities in increasing airport capacity.

Subsidy costs in support of local service airlines are estimated at \$41.3 million, a decrease of \$6.3 million from the current year.

Water transportation.—Operating and construction subsidies to the U.S. merchant marine will increase by about 13% in 1970. Outlays for the Coast Guard will increase slightly as a result of expanding workload and developmental work on a test network of buoys which will provide data on oceanographic and atmospheric conditions.

Area and regional development.—In 1970, the Economic Development Administration will increase assistance in 90 development districts, mainly for facilities in centers whose economic growth is important to the entire district's development.

The Appalachian Regional Commission will continue, through joint Federal-State efforts, to provide the basic facilities essential to economic growth in that area. Special emphasis will be given to health programs, vocational education, and the development highway system.

Postal services.—Due to the rising volume of mail, postal service costs will rise from \$7.3 billion in 1969 to \$7.8 billion in 1970. With existing postal rates, the operating loss in 1970 is estimated to be \$982 million, of which \$664 million rep-

resents public service costs and \$318 million the postal deficit. A unified postal rate of 7 cents per ounce for airmail and first-class mail and an increase in the rate for single-piece third-class mail are being proposed to cover the postal deficit.

The President's Commission on Postal Organization recommended that a federally owned corporation be formed to operate the postal service. Legislation providing for a corporation along the lines recommended should be considered by the Congress.

Advancement of business.—The Department of Commerce will expand efforts to help American business sell goods abroad and to encourage increased travel to the United States by overseas visitors. Preparatory work and field enumeration for the 19th Decennial Census also will be done in 1970.

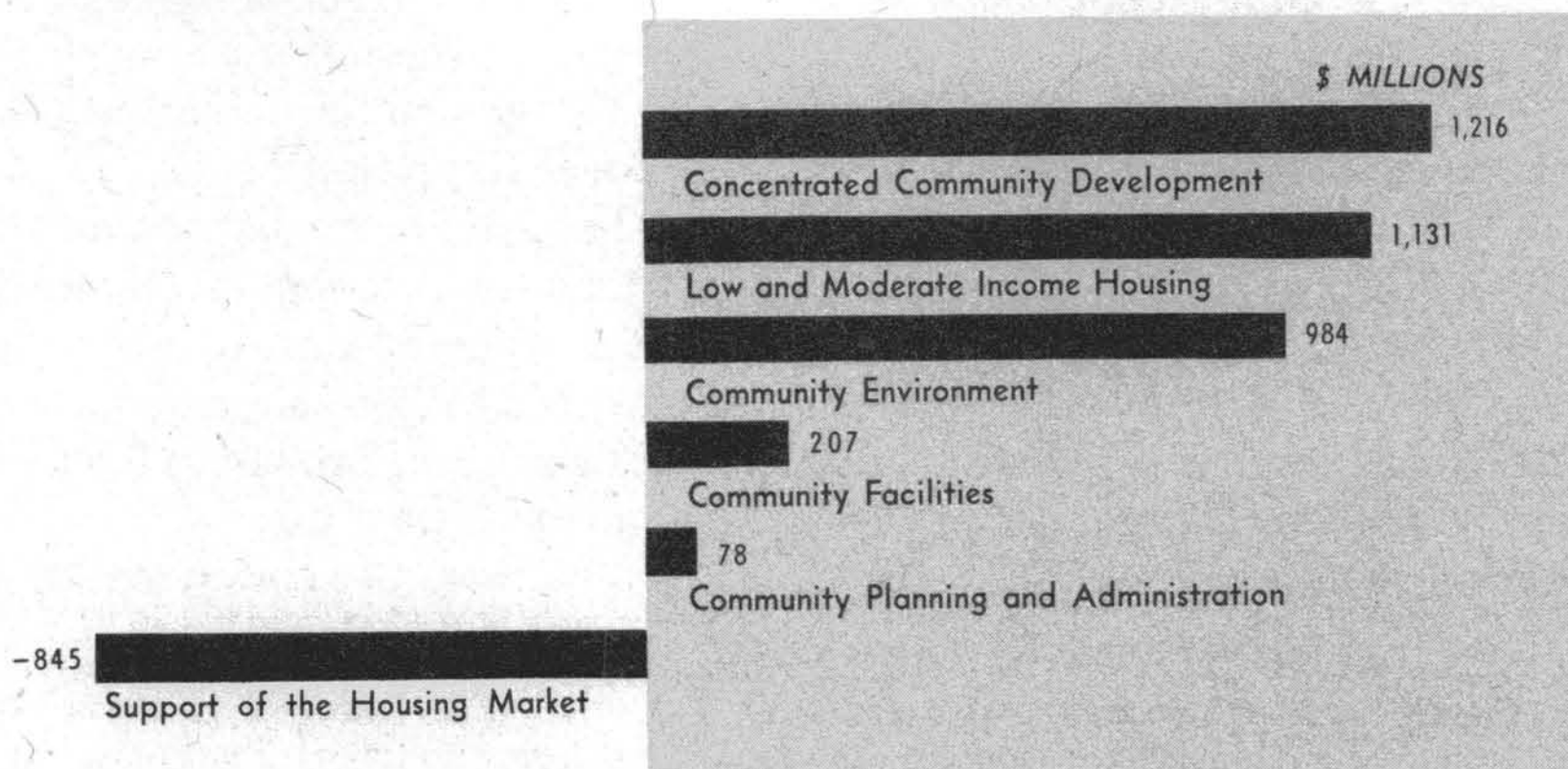
As in 1969, the Small Business Administration will emphasize assistance to minority entrepreneurs and to firms in economically deprived areas. The impact on Government spending of an estimated 28% increase in loan approvals and guarantees during 1970 will be minimized by increasing private bank participation in SBA's lending programs.

Commerce and Transportation

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.	\$8, 969	4.6%
1969 estimate.	8, 048	4.4
1968.	8, 076	4.5
1967.	7, 652	4.8
1966.	7, 135	5.3
1965.	7, 364	6.2
1964.	6, 482	5.5
1963.	5, 745	5.2
1962.	5, 410	5.1
1961.	5, 048	5.2

COMMUNITY DEVELOPMENT AND HOUSING

1970 Outlays----- \$2,772 Million



In 1970, community development and housing programs will focus on three major areas:

First, progressing toward the 10-year goal established in 1968 of constructing or rehabilitating 26 million homes and apartments in urban and rural areas. Six million of these will be federally aided units that families with low or moderate incomes can afford.

Second, assuring the success of concentrated community development activities by providing sufficient funds and technical assistance to communities participating in Model Cities and Community Action programs.

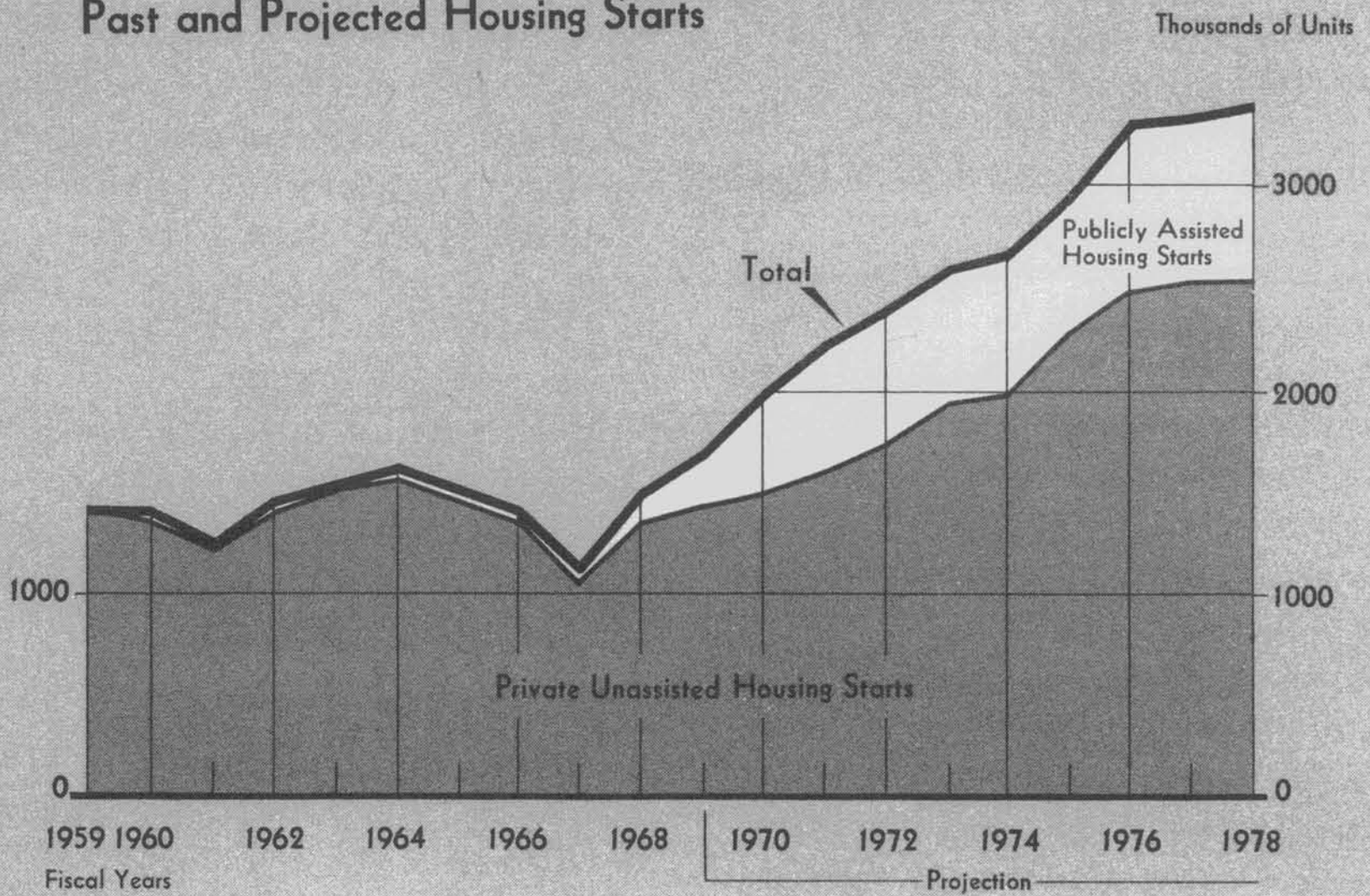
Third, proposing legislation to establish a new Urban Development Bank. Federal, State, and local governments will join private enterprise to provide technical and financial assistance for needed capital improvements in the urban areas of the Nation. The Bank will raise funds primarily by issuing federally guaranteed bonds to the public.

Concentrated community development.—The Federal Government helps local communities plan and implement locally designed programs for a comprehensive attack on the problems caused by poverty and blight.

The Office of Economic Opportunity has helped establish almost 1,000 Community Action Agencies (CAA) in rural and urban communities throughout the country. Directed by boards comprised equally of representatives of the poor, private organizations, and public officials, CAA's foster a sense of community, promote neighborhood centers, and sponsor and coordinate a variety of special education, manpower, and social services.

Under the Model Cities program, 150 communities have now been selected to participate in a new concept of concentrated neighborhood development. Some of the 75 cities selected in the fall of 1967 have already started to carry out their action programs; others are expected to reach this stage soon. Another 75 cities were selected re-

Past and Projected Housing Starts



cently and are now establishing machinery for joint government-resident planning.

Low and moderate income housing.—Under the 10-year housing program, a goal has been set to build or repair 700,000 new housing units for families with low and moderate incomes in 1969 and 1970. Approximately one-fifth of these will be provided under programs of the Farmers Home Administration and are discussed in the section on agriculture and agricultural resources. Low-rent public housing will provide some 205,000 units; rent supplement payments will permit an additional 41,000 units to be started; and the new homeownership and rental assistance programs will add nearly 193,000 to the units constructed for low-income families.

In 1970, Federal contributions to

local housing authorities totaling \$456 million will support 880,000 units of existing and newly acquired low-rent public housing. A record 100,000 new units will become available for occupancy in 1970, almost three times the number in 1967. A new program will be inaugurated to assure that residents of public housing receive such essential social services available in the community, as counseling, training, and day care for children of working mothers.

Rent supplements will enable 45,000 low-income families to afford privately-owned standard housing.

Interest reduction payments will enable 157,000 families to purchase their own homes or to rent standard housing in 1970. These newly authorized programs will gradually replace most programs of direct loans for housing. Outstanding commitments under the direct loan programs will produce another 38,000 units in 1970. In addition, 12,700

residential and business properties will be improved under the growing rehabilitation loan program.

Community environment.—Increasingly, urban renewal is being focused on revitalizing slum areas, with a particular emphasis on providing housing for families with low and moderate incomes, and creating new job opportunities for the unemployed. Newly authorized annual funding of development plans will accelerate renewal efforts. Federal outlays for renewal in 1970 will exceed \$900 million, covering 1,680 projects.

New legislation permits the Government to encourage new communities by guaranteeing securities issued by private developers and making grants for public facilities. It is expected that five new communities will be formed under the auspices of this program by 1970.

Grants will be made to encourage local governments to join in the effort to assist development of new communities and to coordinate construction of community facilities which have areawide importance—particularly in metropolitan areas.

In addition, Federal assistance will permit communities to acquire and develop 42,000 acres of open space land for recreation and other purposes.

Community facilities.—Loans for the construction of public facilities will be made to small communities which have difficulty in obtaining private financing at reasonable interest rates. An estimated 290 grants for water and sewer projects will be made. Construction of 144 new neighborhood service centers will be authorized, providing for “one-stop” delivery of social services.

Community planning and administration.—The Federal Government provides grants to State and local governments to assist them in planning and managing comprehensive programs of community development and sponsors research in the fields of housing and urban problems.

Maintenance of the housing market.—The Government strives to insure the smooth, effective operation of the private housing market by:

- Assisting private housing to compete for needed funds in the capital market through the insurance of housing mortgages, of private securities backed by mortgages, and of accounts in savings and loan associations—which invest primarily in housing mortgages;
- Assuring equal access to sales and rental housing by all citizens through enforcement of the new fair housing laws.
- Helping to provide property insurance in areas threatened by floods or civil disorders.

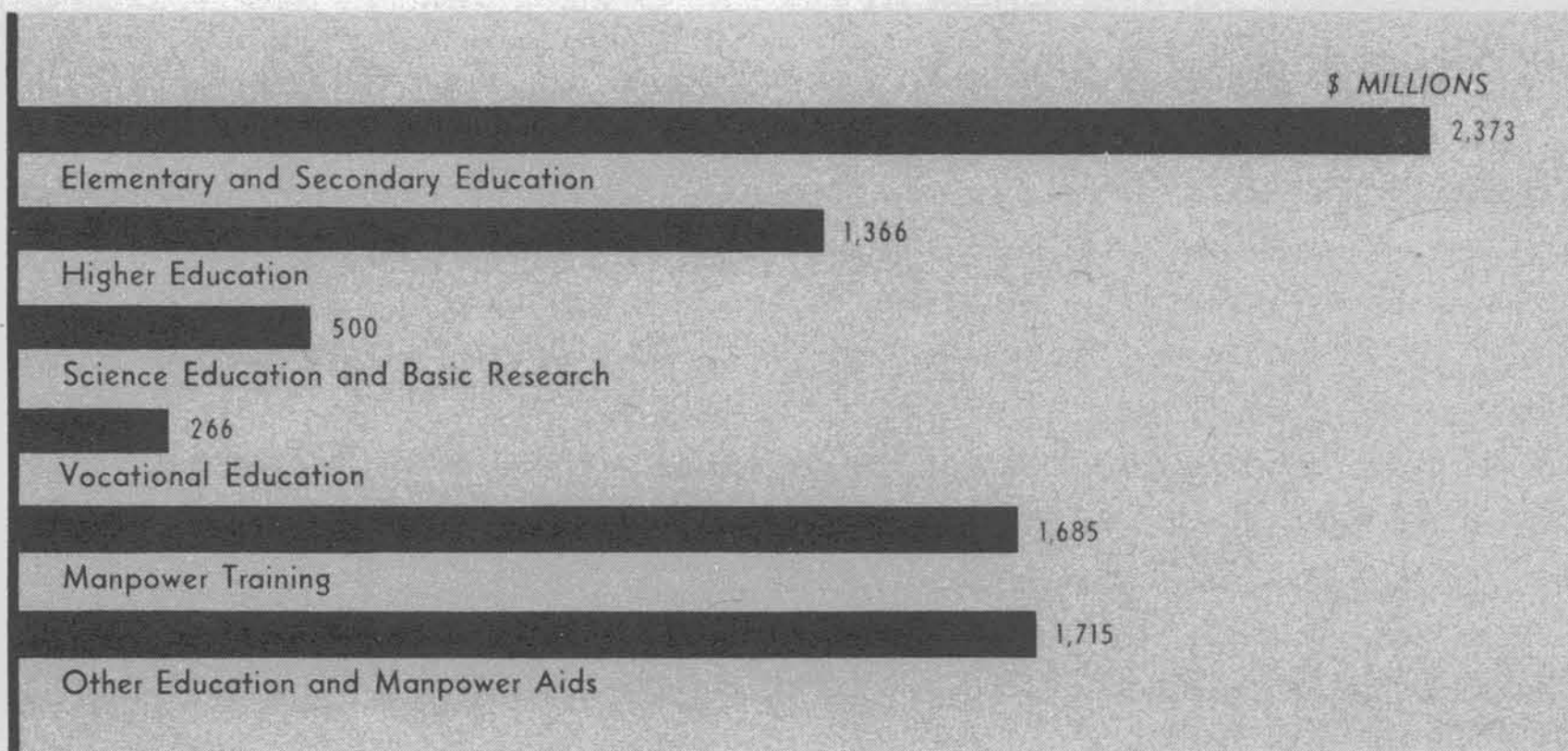
Net receipts of \$845 million will result primarily from mortgage sales and insurance premiums.

Community Development and Housing

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.	\$2, 772	1.4%
1969 estimate.	2, 313	1.3
1968.	4, 076	2.3
1967.	2, 616	1.7
1966.	2, 644	2.0
1965.	288	0.2
1964.	—185
1963.	—880
1962.	589	0.6
1961.	191	0.2

EDUCATION AND MANPOWER

1970 Outlays----- \$7,887 Million



Note: The amounts above do not reflect deductions of \$18 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Education and manpower programs develop the intellectual and occupational skills of our people, open opportunities for full participation in community life, and help promote the social and economic progress of the Nation.

The Government's education and manpower programs in 1970 emphasize:

- Improving education for students from low-income families and non-English-speaking homes, and for the handicapped;
- Enlisting the help of private business in training and hiring the hard-core unemployed; and
- Developing and demonstrating new ideas and approaches to improve the future effectiveness of education and manpower efforts.

Outlays for education and manpower programs in 1970 are estimated at \$7.9 billion, an increase of \$722 million over 1969. High

priority programs to provide greater educational and employment opportunities for the disadvantaged will be expanded, while programs of lesser priority will be reduced.

Elementary and secondary education.—Two-thirds of the outlays for elementary and secondary education will go for grants to improve the academic achievement of disadvantaged children. Under Title I of the Elementary and Secondary Education Act, projects are designed by local districts and cover a wide range of activities—including curriculum development, increased parental involvement, and remedial and health services. This aid will be concentrated on the 100 largest cities, where a disproportionate share of children with educational deficiencies live.

Head Start and Follow Through will expand to \$349 million in 1970 and serve 780,000 preschool and primary grade children from poor fam-

ilies. Bilingual programs for students from non-English speaking homes and grants to prevent school drop-outs will more than triple to \$17 million in 1970.

Outlays for aid to federally impacted areas—which provide for the operation and construction of schools in districts with concentrations of children of Federal employees—will be \$456 million. These funds will be sufficient to meet the requirements of proposed legislation which will adjust payments to the actual burden associated with Federal activity.

In addition to these programs, \$443 million is budgeted for other projects offering a wide variety of educational and supportive services to all children, including the handicapped.

Higher education.—Outlays for higher education provide aid to students, encourage construction of academic and housing facilities and meet certain other special needs.

In 1970, over 2 million grants and loans will be provided under four major student aid programs. Educational opportunity grants, work-study opportunities, and direct loans assist low-income students to obtain sufficient funds for a higher education. Insured loans are provided for students of all income levels.

In addition, Upward Bound, Talent Search, and a new program of college services will provide a variety of tutorial and remedial aids to low-income students, helping them to enter and remain in college.

In 1970, total construction activity will be about the same as in 1969, but the use of interest subsidy grants will allow private loans to replace a portion of direct Federal loans and

grants. Other budget recommendations will strengthen small colleges whose own resources are too meager to finance needed improvements, provide scholarships for prospective college teachers, and support institutes to train college and university personnel.

Science education and basic research.—Outlays for the National Science Foundation will increase from \$480 million in 1969 to \$500 million in 1970, reflecting an increase for university-based research activities. The Foundation will continue to support science curriculum improvement at the high school and college levels, as well as programs to provide supplementary training for science teachers.

Vocational education.—The Vocational Education Amendments of 1968 redirect and expand vocational education programs. New requirements earmark 40% of the basic grants to States for educating: (1) children from impoverished areas; (2) the physically and mentally handicapped; and (3) post-secondary vocational students. Increased outlays will also support new cooperative school-work programs and experimentation to upgrade vocational education programs.

Manpower training.—Federal manpower training programs are designed to equip the underemployed and the unemployed with skills necessary for productive and satisfying jobs.

Private businesses contribute to this effort through (1) the National Alliance of Businessmen, which was created in 1968 to develop 500,000 jobs for the hard-core unemployed in the 50 largest U.S.

cities by June 30, 1971, and the Job Opportunity in the Business Sector (JOBS) program which reimburses the employer for expenses incurred in hiring and training the disadvantaged; (2) the Special Impact program which provides monetary incentives to industry for locating new facilities in economically depressed areas and for hiring and training the disadvantaged; and (3) the on-the-job training program. In 1970, 300,000 individuals will gain new job opportunities through these private sector programs.

There are a number of Federal programs for providing jobs and training for youths and adults in the public sector. The New Careers program opens subprofessional jobs through on-the-job training in the fields of health, recreation, and community services. The Neighborhood Youth Corps in-school and summer programs provide part-time work opportunities for disadvantaged youths, thereby enabling them to continue their education. The public sector programs will serve 515,000 individuals in 1970.

The Concentrated Employment Program serves rural and urban "pockets" of high unemployment. The Work Incentive Program provides necessary job training to potential workers now dependent upon public assistance. These two programs will help 290,000 persons in 1970.

An additional 230,000 persons will receive occupational training in a classroom setting through pro-

grams established by the Job Corps and the Manpower Development and Training Act.

Other education and manpower aids.—The Federal Government will spend \$1.7 billion for other education and manpower aids as compared to \$1.4 billion in 1969. These activities cover a wide range of functions: the Federal-State Employment Service and Unemployment Insurance Service, assistance to public and college libraries, the Corporation for Public Broadcasting, adult basic education, educational research and development, and education and employment services for the American Indian.

New legislation is needed to:

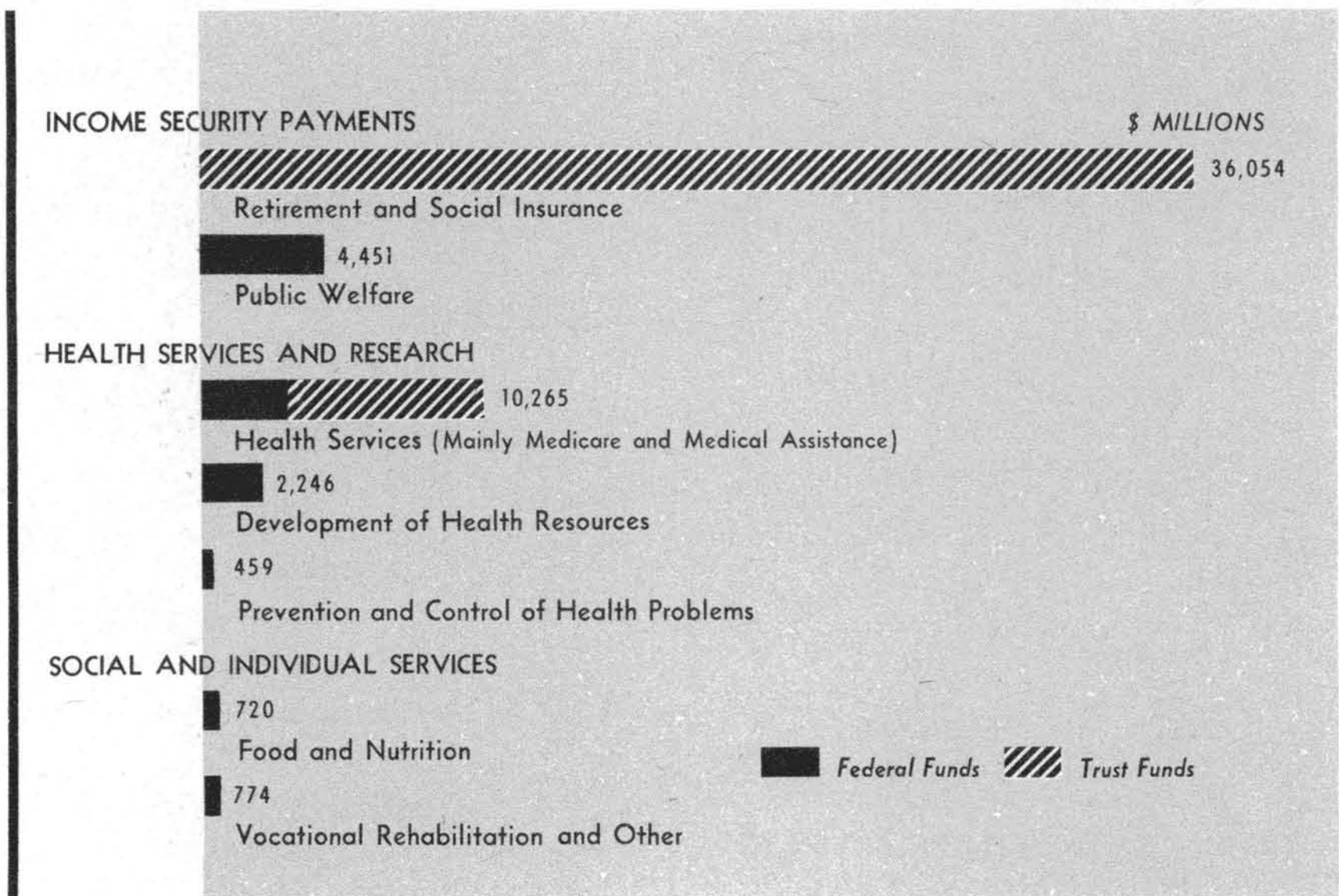
- Improve the unemployment insurance system by increasing benefits, extending coverage, and other changes;
- Extend greater protection to workers in coal mines; and
- Provide a comprehensive occupational safety and health program.

Education and Manpower

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.	\$7, 887	4.0%
1969 estimate.	7, 165	3.9
1968.	7, 012	3.9
1967.	6, 135	3.9
1966.	4, 496	3.3
1965.	2, 509	2.1
1964.	1, 998	1.7
1963.	1, 706	1.5
1962.	1, 703	1.6
1961.	1, 480	1.5

HEALTH AND WELFARE

1970 Outlays----- \$54,966 Million



Note: The amounts above do not reflect deductions of \$2 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Total outlays for health and welfare programs are estimated to rise by \$6.1 billion in 1970. Emphasis will be given to expanding health services for the aged and the needy, improving health care for mothers and children, and helping to increase the number of doctors, dentists, and other health professionals. Legislation is being proposed to liberalize social security benefits by 13%—including an increase in the minimum monthly benefit from \$55 to \$80.

Income Security Payments

In 1970, outlays of \$40.5 billion, an increase of \$4.2 billion over 1969, will be made for retirement and social insurance benefits, and to

help meet the subsistence needs of the poor.

Retirement and social insurance.—These programs help maintain the income of persons who retire or become disabled, dependent, or unemployed. Benefit payments are based on prior earnings, and are financed by taxes and contributions related to those earnings. Outlays for retirement and social insurance programs are estimated at \$36.1 billion in 1970, an increase of \$3.8 billion over 1969. Social security trust funds comprise \$29.5 billion, or 82% of the total.

Public welfare.—The Nation's largest welfare aids are the cash assistance and social services pro-

vided by the public assistance program. This federally aided program operates through State and local welfare agencies to help needy families and individuals. In 1970, assistance will be provided to a monthly average of 10 million individuals at a total cost of \$7.0 billion. The Federal share is \$3.7 billion, according to State estimates of need.

Recent changes in the law permit the Federal Government to help provide assistance in emergency situations involving eviction, loss of utility services, or lack of food; and to provide work training for welfare recipients, along with day care for children of trainees.

Health Services and Research

The Nation today faces increasing demands for health services, rising medical prices, exploding medical knowledge, and outdated practices for delivering health care. Federal efforts in 1970 will be directed toward improved organization and greater efficiency in the delivery of health services.

Outlays to promote national health activities will reach an estimated level of \$13.0 billion in 1970, \$1.6 billion above 1969.

Health services.—The provision of health services for the aged, the disadvantaged and others will be supported by estimated outlays of \$10.3 billion in 1970. Special efforts are being mounted to curb the rising costs of medical care.

Medicare, the largest Federal program financing health services, has helped ease the burden of medical bills for the aged and their families. Legislation is being proposed, to take effect in 1971, to provide Medicare protection to the almost 2 million disabled persons

who will then be receiving cash benefits under the Social Security and Railroad Retirement programs.

Medicaid is enabling more poor families to receive the medical services they need.

The maternal and child health program in 1970 will seek to accelerate the decline in the infant death rate and reduce the number of physical and mental birth defects. Emphasis will also be placed on increasing family planning services.

Legislation is being proposed to provide comprehensive care for needy, expectant mothers and infants and to eventually protect all families against the costs of catastrophic illnesses in children.

Development of health resources.—Efforts to expand health research, facilities, and skilled manpower will continue to be supported at a high level in 1970. Greater emphasis will be placed on research projects which promise prompt results in improving health.

The Nation's health facilities will be further improved in 1970 through outlays estimated at \$330 million for construction and modernization of 24,000 hospital and long-term care beds, and 113 new community mental health centers. Legislation will be proposed to provide guaranteed loans at low rates of interest to stimulate modernization and new construction of medical facilities.

Health manpower programs in 1970 will provide 47,500 loans and 31,000 scholarships to medical, dental, nursing and other health professional students. In addition, over 100 medical schools will receive \$85 million in Federal support to enlarge and improve facilities for health education.

Medical schools and hospitals are combining forces under the Regional Medical Program to insure that patients receive services consistent with the latest knowledge in the diagnosis and treatment of heart disease, cancer, and stroke. Assistance is being given to States and 100 regional agencies in developing their own comprehensive health plans under the Partnership for Health Program.

The recently established National Center for Health Services Research and Development is emphasizing research on better use of health manpower and on the identification of factors that generate cost and price increases.

Prevention and control of health problems.—Outlays for disease prevention and control, environmental health, and consumer protection activities will rise to \$459 million in 1970. A 5-year immunization program to eradicate German measles completely will be started through a supplemental appropriation of \$10 million in 1969 and outlays of \$19 million in 1970. New programs will be undertaken to assist in the rehabilitation of alcoholics and narcotic addicts. In 1970, States will be assisted in setting required air quality standards in 70 air pollution control regions covering 75% of the urban population. Finally, consumer protection programs will expand research into the therapeutic equivalency of chemically similar drugs, and the safety of oral contraceptives.

Social and Individual Services

The Federal Government provides many services to individuals and families to help reduce or avoid financial dependency. Outlays for

these services will total \$1.5 billion in 1970, an increase of \$270 million over 1969.

Food and nutrition.—The food stamp program increases the food purchasing power of poor families. Outlays for this program will increase to \$338 million in 1970, \$65 million over 1969. The increase will help expand and modify the program to serve 3.9 million persons by the end of 1970. Outlays for child nutrition programs will increase sharply to provide lunches and breakfasts, free or at reduced prices for needy children in schools and day care centers.

Vocational rehabilitation and other.—In 1970, more than 1 million disabled persons will receive rehabilitation services. About 265,000 will be restored to productive employment, an increase of about 15% over 1969. The total 1970 outlay for vocational rehabilitation will be \$570 million.

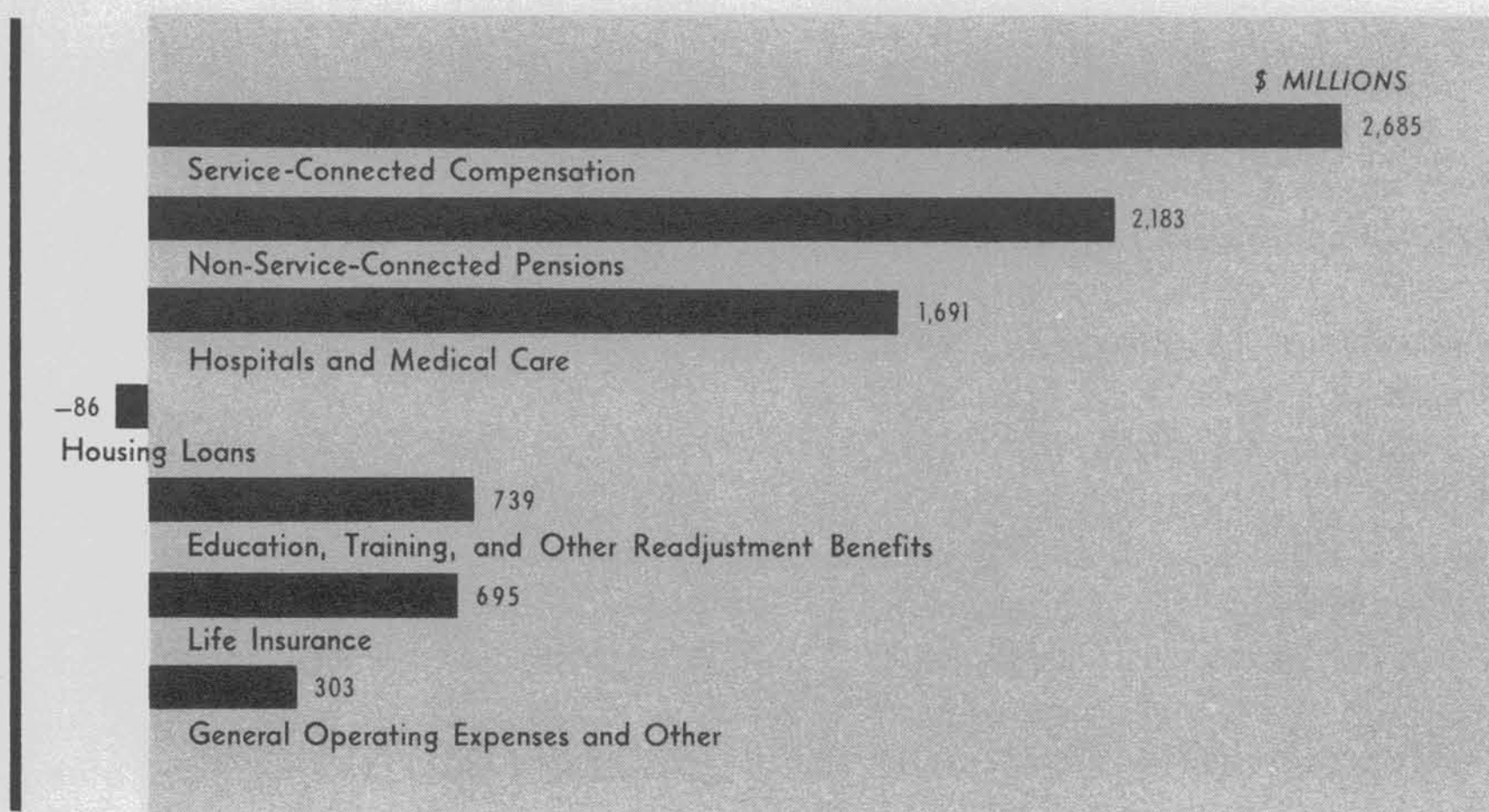
Other outlays for social services include \$22 million for mental retardation programs, and \$10 million for the recently enacted program to prevent and control juvenile delinquency.

Health and Welfare

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$54,966	28.1%
1969 estimate.....	48,839	26.6
1968.....	43,508	24.3
1967.....	37,605	23.7
1966.....	31,320	23.3
1965.....	27,209	23.0
1964.....	26,598	22.4
1963.....	25,274	22.7
1962.....	23,374	21.9
1961.....	21,847	22.3

VETERANS BENEFITS AND SERVICES

1970 Outlays----- \$7,724 Million



Note: The amounts above do not reflect deductions of \$486 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Veterans benefits and services help veterans or their families in times of need—through income assistance, medical care, home financing, and career training. In 1970, about one-third of the Nation's 88 million veterans and their dependents or survivors will receive some assistance through Federal veterans programs.

Outlays for veterans benefits and services will rise by \$32 million in 1970. Recent legislation liberalized compensation, pension, education, and medical benefits. The 1970 budget covers the first full year costs of these enlarged benefits. The special program to reach and serve about 800,000 newly discharged servicemen who return to civilian life each year will be improved. To help accommodate these increases, legislation is being proposed to eliminate certain duplicative or outmoded benefits.

Service-connected compensation.—Veterans with disabilities incurred or aggravated by military service receive monthly compensation payments based on the severity of the disability. Survivors of veterans whose death is directly attributable to military service are also paid monthly benefits. In 1970, payments of \$2.7 billion will be made to 2.4 million veterans or survivors.

Non-service-connected pensions.—Veterans may qualify for monthly pensions if they become disabled after their military service and are in financial need. Veterans' widows and surviving children are also paid pensions if their income is below levels set by law. Under recent legislation, the structure of pension benefits was changed to match pensions more closely to the recipient's income needs, thus increasing both the absolute amount

and the relative share of pensions paid to lower income recipients. In 1970, \$2.2 billion in pension benefits will be paid to 2.3 million recipients.

Hospital and medical care.—Outlays for hospital and medical care of veterans will be \$1.7 billion in 1970. The budget provides for improvements in patient care, new medical services, expanded medical education and research, and activation and construction of new hospitals. Aside from outpatient care, an estimated 865,000 veterans will receive medical treatment in 1970.

Housing loans.—The Veterans Administration helps eligible veterans to buy homes by guaranteeing privately financed mortgages and by making direct loans in rural areas and small communities where credit is not generally available. In 1970, 14,400 direct loans will be made and 273,000 loans will be guaranteed under these programs. Receipts will exceed outlays by \$86 million, reflecting the sale of VA mortgages to private investors and the obtaining of private financing for homes which VA acquires in paying claims on guaranteed loans.

Education, training, and other readjustment benefits.—In 1970, over \$700 million will be spent on educating and training an average of 490,000 post-Korean veterans. Educational benefits are also available to survivors and to dependents of those who died or were totally disabled as a result of military service. An estimated 18,000 war orphans and dependent children and 9,000 widows and wives will receive academic training in 1970.

Life insurance.—The Veterans Administration operates or supervises a number of insurance programs. Over 98% of those now serving in the Armed Forces are covered by the Servicemen's Group Life Insurance program, managed jointly by the VA and the Department of Defense. Typically the serviceman is issued a \$10,000 policy underwritten by a group of private insurance companies. In 1970 claims or dividends will be paid to 5.9 million beneficiaries and policyholders under all VA insurance programs.

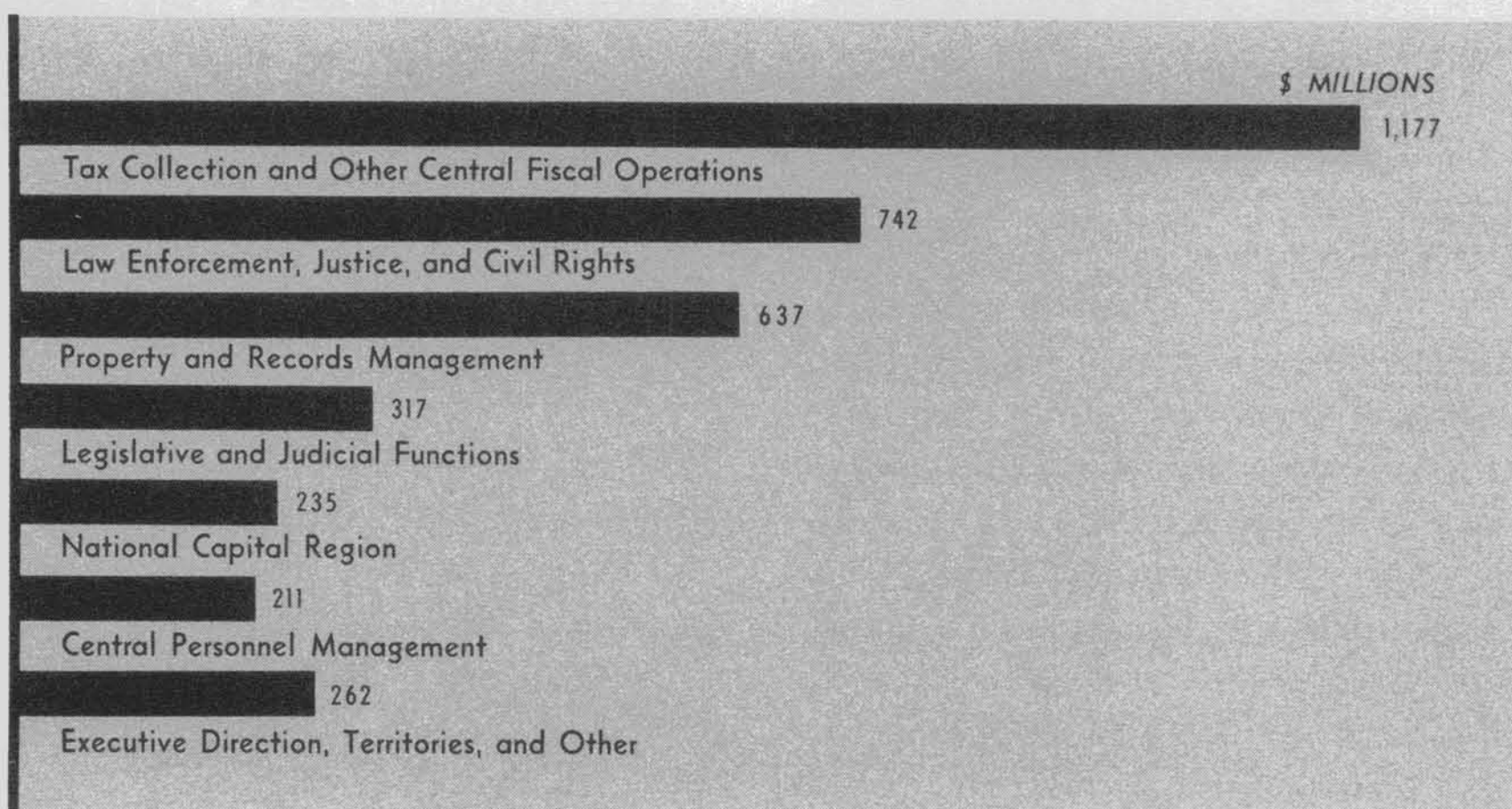
General operating expenses and other.—The 1970 budget provides for increased counseling and assistance to veterans, requiring some increase in administrative costs. One important element of these costs is the support of 71 veterans assistance centers, which are expected to interview and aid 440,000 of the veterans discharged between 1968 and 1970. Under this program, special efforts are being made to reach 84,000 veterans with educational handicaps to help them get off to a better start in civilian life.

Veterans Benefits and Services

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$7, 724	4.0%
1969 estimate.....	7, 692	4.2
1968.....	6, 882	3.8
1967.....	6, 897	4.4
1966.....	5, 920	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

1970 Outlays----- \$3,275 Million



Note: The amounts above do not reflect deductions of \$305 million for offsetting receipts; thus they add to more than the total budget outlays for the function.

Outlays for general government will rise by \$327 million in 1970 to provide for enlarged responsibilities in law enforcement, crime reduction, and civil rights; the central management of Federal finances, personnel, property, and records; various expenses of the National Capital region; and the costs of the Congress and the Federal judicial system.

Tax collection and other central fiscal operations.—The Internal Revenue Service accounts for over two-thirds of the outlays for central fiscal operations. It will process an estimated 112.8 million tax returns in 1970, which is 2.5 million more than in 1969. A larger percentage of returns will be audited as part of the effort to improve the integrity and effectiveness of our Federal tax system. Coin production will also rise, as will the customs inspection work-

load associated with the growth in trade and travel.

Law enforcement, justice, and civil rights.—In 1970, outlays for these programs will rise by 38% over 1969, reflecting dramatic new efforts in the vital areas of law enforcement and criminal justice. The Crime Control and Safe Streets Act, enacted in 1968, will permit enlarged and intensified Federal assistance to the States and localities to enable them to plan and operate more effective law enforcement and criminal justice systems. Increases are also provided for direct Federal crime reduction programs, including an increasingly vigorous drive against organized crime in this country.

Nationwide efforts to secure the rights of individuals and minority groups will be expanded in 1970. Besides continuing the emphasis on

voter registration, public education, and community relations, the budget provides for stepped-up enforcement of our equal employment opportunity laws and for a meaningful start in the enforcement of the fair housing provisions of the 1968 Civil Rights Act.

Property and records management.—A restrictive policy toward construction of new public buildings will be continued in 1970. In other areas, the General Services Administration will continue to seek economies in the procurement of goods and services and the operation and maintenance of buildings.

National capital region.—This activity covers the Federal payment to the District of Columbia as well as other programs dealing with the affairs of the Washington metropolitan area. To meet the area's overburdened traffic system, legislation is being proposed to authorize additional segments of a regional rapid transit system and to authorize Fed-

eral payments sufficient to cover two-thirds of the net project cost.

Central personnel management.—Programs to update methods and standards for recruitment, training, and pay of Federal employees will continue in 1970. Through training programs and grants, Federal agencies are assisting States and localities in improving the caliber of their personnel in selected program areas.

General Government

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1970 estimate.....	\$3,275	1.7%
1969 estimate.....	2,948	1.6
1968.....	2,632	1.5
1967.....	2,584	1.6
1966.....	2,360	1.8
1965.....	2,276	1.9
1964.....	2,103	1.8
1963.....	1,841	1.7
1962.....	1,703	1.6
1961.....	1,543	1.6

INTEREST

1970 Outlays----- \$15,958 Million

Interest payments, mainly on the public debt, will rise by \$1.4 billion in 1969, and by another \$0.8 billion in 1970.

The average level of the interest-bearing debt is up sharply in 1969 and will continue high in 1970 because of the large deficit in 1968. Interest rates payable on the debt have also increased substantially, and this adds to total costs as matur-

ing obligations are refinanced at the higher rates. Although the budget surpluses anticipated in 1969 and 1970 will reduce the Federal debt held by banks, businesses, and individuals, these surpluses result in large part from the excess receipts of Government trust funds. The Federal debt held by these trust funds will therefore rise, and this, too, explains part of the increase in 1969 and 1970 outlays for interest.

PART 3

THE BUDGET IN PERSPECTIVE

The U.S. budget significantly influences the economic activity of the country, and in turn is greatly influenced by the changing needs of the American people.

Each budget essentially represents a two-part plan:

- *First*, an overall *fiscal plan* for total outlays and revenues, designed to help maintain stable economic prosperity and growth.
- *Second*, a *program plan* for Government activities and services,

designed to promote national security, international cooperation, and domestic well-being.

Over time the Federal budget has grown from very small amounts to a multibillion-dollar level. An understanding of the size and trend in the Federal budget requires consideration both of the Government's fiscal policy objectives and of the national problems and goals the budget serves.

FISCAL POLICY

The Employment Act of 1946 specifically gives the Federal Government the responsibility of promoting maximum employment, production, and purchasing power. The overall spending and taxing policies recommended in the President's annual budget and Economic Report are a key means for carrying out this responsibility.

The exercise of fiscal policy requires the Government to reconcile many different economic objectives simultaneously—full employment of resources, an appropriate international balance of payments, reasonable price stability, and the creation or maintenance of conditions conducive to long-term growth.

In the early part of the 1960's the American economy was operating at

less than its potential output. 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 output, an expansionary fiscal policy was adopted, chiefly by substantial reductions in individual, corporate, and excise taxes. By increasing the purchasing power of consumers and business firms, these reductions in tax rates fostered a strong and continuing economic expansion with a striking reduction in unemployment and in idle plant capacity.

Beginning in mid-1965, with the growing requirements of the Vietnam War, the overall demand for goods and services became excessively strong. This resulted in an

upward pressure on prices and an accelerated increase in imports. In 1966, therefore, the Federal Government moved to slow down the overheated economy through a series of fiscal and monetary measures.

After a consequent brief pause in economic growth in the first half of 1967, the pace quickened later in the year and inflationary pressures gained renewed strength. In August of 1967, the President requested a temporary income tax surcharge on corporations and in-

dividuals. In June of 1968, the Congress approved a 10% surcharge in the Revenue and Expenditure Control Act of 1968, which also imposed limitations on certain Federal outlays.

This tax increase and the related expenditure restraint contributed heavily to a shift from a Federal deficit of \$25.2 billion in 1968 to an estimated surplus of \$2.4 billion in 1969. The further budget surplus proposed for 1970 should help move the economy back to more balanced growth.

GROWTH IN GOVERNMENT PROGRAMS

The growth in Federal programs—and the Federal budget—is in large part a reflection of fundamental changes in the size and character of the Nation. As the economy expands and population increases, outlays for vital Government services inevitably increase.

Protecting our national security is one of the foremost responsibilities of the Federal Government. Since World War II, outlays for national defense programs have constituted by far the largest single function of the Government. Between 1960 and 1970, national security requirements will account for fully one-third of the total increase in budget outlays.

The accelerating pace of growth and change has also led to expanding requirements for domestic services from the Federal Government and from State and local governments in meeting the needs of their citizens.

Growth in the Nation's population and income levels alone leads to demands for more and better quality public services.

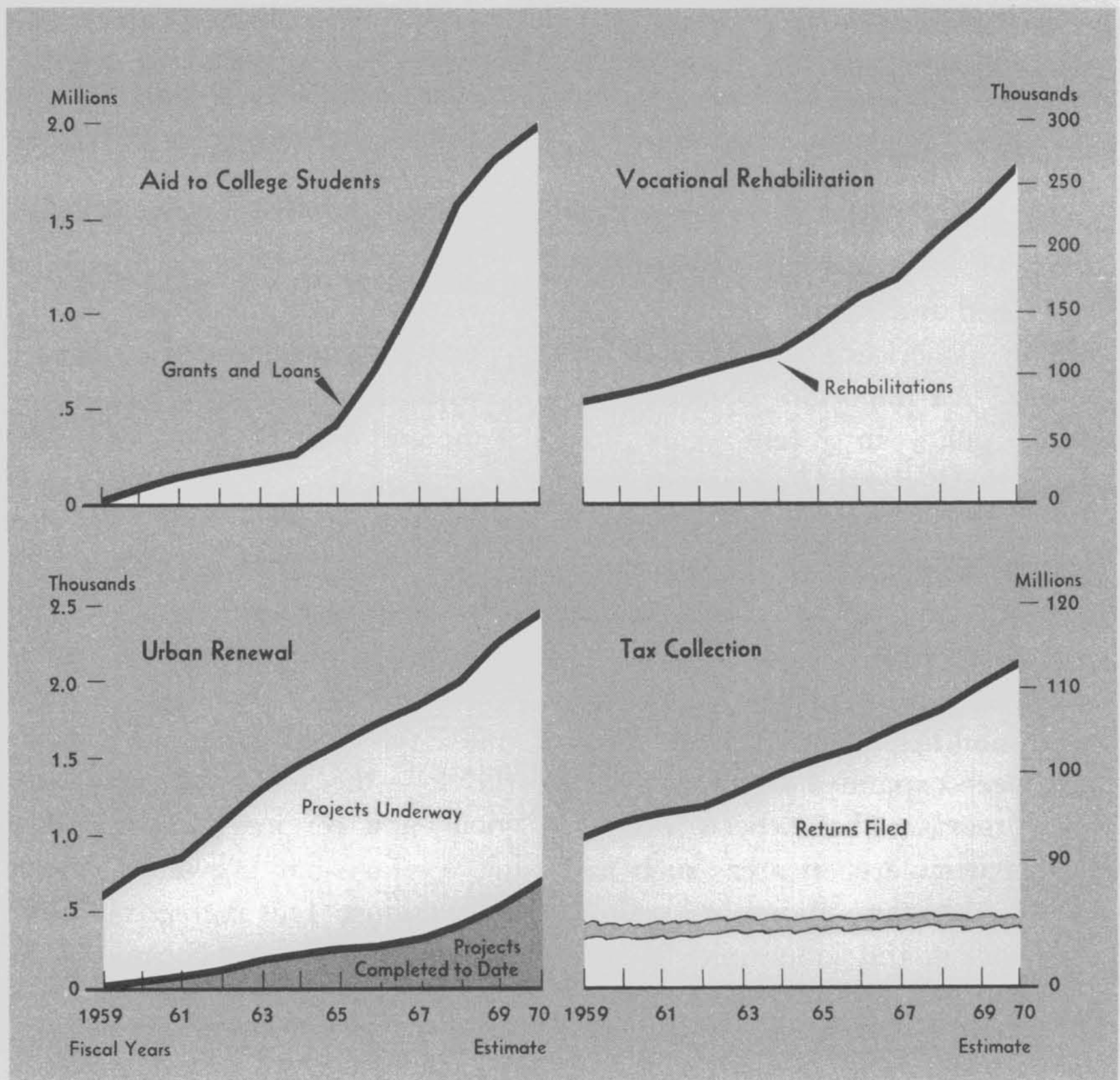
There are over 200 million people living in the United States today. In only the past 10 years, our population increased by over 26 million—more than the entire population of Canada.

Changes in the age distribution and location of our people have increased public service demands by more than this total growth alone would indicate. Since 1960:

- There has been an increase of 11% in the age groups under 18 or over 65, which have greater need for public services such as education or social security. These two age groups now constitute 45% of the total population.
- There has also been an increase of over 15% in the number of people living in our densely settled metropolitan areas, where spending for public services is more than one-third higher than elsewhere.

The economic growth which has occurred in recent years has led to a substantial rise in our standard of living. Per capita personal incomes—corrected for price

Selected Program Trends



changes—have risen by 31% since the beginning of the sixties. As our level of living increases, we not only desire better private goods and services, but we demand and can afford better public services as well.

This trend is reflected in rising workloads and costs for Federal agencies. For example, between 1960 and 1970:

- The number of social security beneficiaries will rise from 14 million to 26 million.
- Visitors to our national parks will more than double—from 72 million to 172 million.
- Aircraft landings and takeoffs at airports with federally-operated

control towers are increasing from 26 million to 64 million.

- The volume of mail handled by the Post Office will grow from 64 billion pieces to 85 billion pieces per year.
- The number of plants covered by the Federal meat inspection system will increase by 155%.

In addition to these quantitative changes, there have been *growing Federal responsibilities* as the Government has expanded its role in helping meet urgent problems. As our society becomes more complex, its needs increase in scope and in depth. Not only do we demand more education but better educa-

tion. Not only do we want health care, but more adequate health care. Not only do we want more cars and faster transportation, but unclogged roads and uncongested airways.

While our standard of living has risen, we have become increasingly concerned as a Nation about the 22 million Americans still living in poverty. An important objective of public policy in recent years—in which the Federal Government has exercised leadership—has been to provide the measures necessary to help these individuals become a productive part of society.

To help meet new or enlarged responsibilities, existing programs have been expanded and new Federal programs have been developed, particularly in areas such as health, education, manpower training, housing, and community development. For example:

- The Medicare program enacted in 1965 assures 20 million Americans over the age of 65 of financial assistance for their health care needs.
- The Medicaid program is helping to meet the medical costs of more than 10 million men, women, and children from low-income families.
- 780,000 disadvantaged children will be participating in the Head Start and Follow Through programs to give them a better chance to succeed in school.
- Title I of the Elementary and Secondary Education Act of 1965 is helping 9 million children

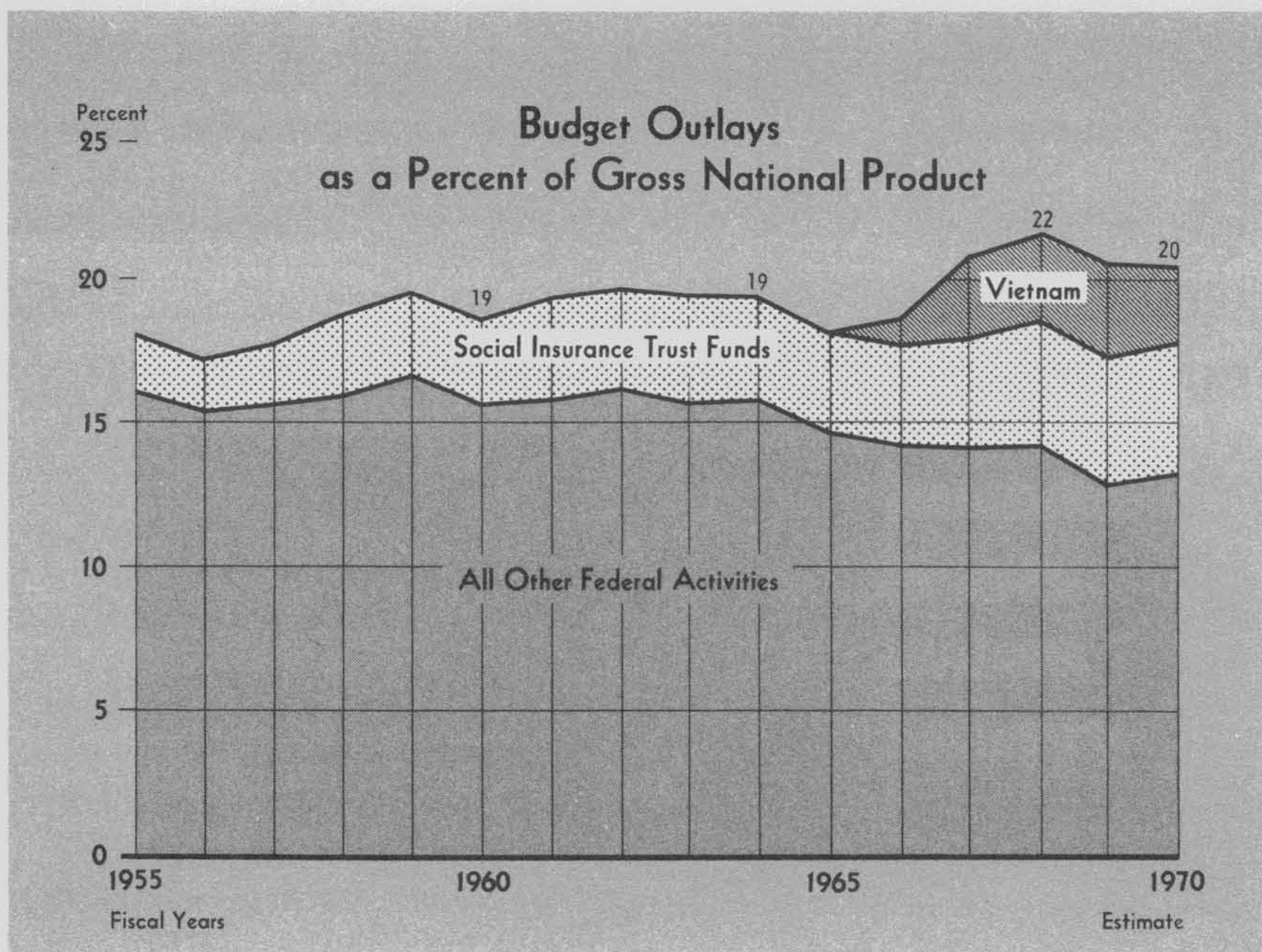
from low-income families receive a better education.

- In 1970, an estimated 1.3 million individuals will be helped to find suitable jobs through manpower training programs.
- Under the 10-year housing program initiated last year, the initial goal is to build or repair 700,000 new housing units for families with low or moderate incomes by the end of 1970.

Budget outlays and GNP.—

While the demand for public services has grown dramatically during this decade, so has the Nation's ability to pay for these services. Since 1960, the gross national product (GNP)—the money value of the goods and services provided during a year—has grown by almost \$400 billion. This *increase* in GNP is larger than the *total* output of the six countries of the European Economic Community — Germany, France, Italy, Holland, Belgium, and Luxembourg—or roughly comparable to the total GNP of the Soviet Union in 1968.

Despite the increase in outlays, the size of the Federal budget relative to the size of the national economy has remained at roughly one-fifth during the last 15 years. Estimated outlays for Vietnam in 1970 will amount to less than 3% of GNP. Excluding special Vietnam costs and the self-financed social insurance trust funds, Federal outlays will amount to 13% of GNP, compared to 15% in 1960, and 16% in 1955.



FEDERAL EMPLOYMENT

The growth and increased complexity of public services require well-trained public employees with a wide variety of skills. At the end of fiscal year 1970, there will be an estimated 2.7 million full-time Federal civilian jobs, an increase of 1.6% over the current year. If part-time and temporary workers are added, including disadvantaged youths in summer jobs, total Federal employment comes to approximately 3 million.

Nearly half of all Federal civilian personnel work in one agency—the Department of Defense—many of them in industrial-type jobs. The Post Office Department employs another one-fifth, and 6% work for the Veterans Administration. These three agencies, combined, employ

three out of every four permanent, full-time Federal civilian workers.

The two largest Federal employers—Defense and Post Office—account for over four-fifths of the increase in employment between 1965 and 1970, reflecting requirements of the war in Vietnam and swelling mail volume. The remaining increase has been needed largely to operate new programs—like Medicare, Model Cities, the 10-year housing program, and expanded law enforcement efforts—or to meet growing workloads such as for air traffic control, veterans medical care, and the social security system.

The diverse nature of Federal employment is mirrored in the geographic location of the employees. Only about one-tenth of all Federal employees are employed in the Na-

tional Capital area. Another 8% are located abroad. Thus, more than 81% work in various States and communities across the country.

At the end of 1968, total Federal civilian employment:

- Accounted for 4.4% of the Nation's nonagricultural employment;
- Comprised less than one-quarter of the 12½ million governmental employees at all levels.

Exclusive of the Department of Defense, Post Office, and Veterans Administration, the 790,000 workers employed as of June 30, 1968 in carrying out all of the other programs of the Federal Government were fewer in number than the employment in many industries in that year, including:

- The insurance industry at 955,000;

- The automobile industry at 879,000; and
- The aircraft industry at 854,000.

The Revenue and Expenditure Control Act of 1968 imposed certain hiring restrictions on Government employment in order to reduce the number of permanent, full-time employees. The Congress subsequently exempted about one-third of this employment, but the remaining restrictions have been enforced so that the total number of full-time Federal employees estimated for June 30, 1969 is 22,360 less than for June 30, 1968. Because arbitrary employment restrictions unrelated to budget decisions prevent effective management of programs, the 1970 budget estimates assume that the Congress will repeal these hiring limitations.

A STRENGTHENED FEDERAL SYSTEM

In keeping with our federal system, State and local governments have played a significant role in providing essential social programs. In recent years they have administered more than two-thirds of total governmental spending for domestic civilian purposes and financed more than half of these programs from their own resources. Recognizing the burdens involved, the Federal Government has provided large-scale financial aid to help the 50 States and more than 80,000 local governments meet the costs of rising demands for public services.

Federal aid to State and local governments is expected to triple in the course of the present decade—rising from \$7 billion in 1960 to \$25 billion in 1970.

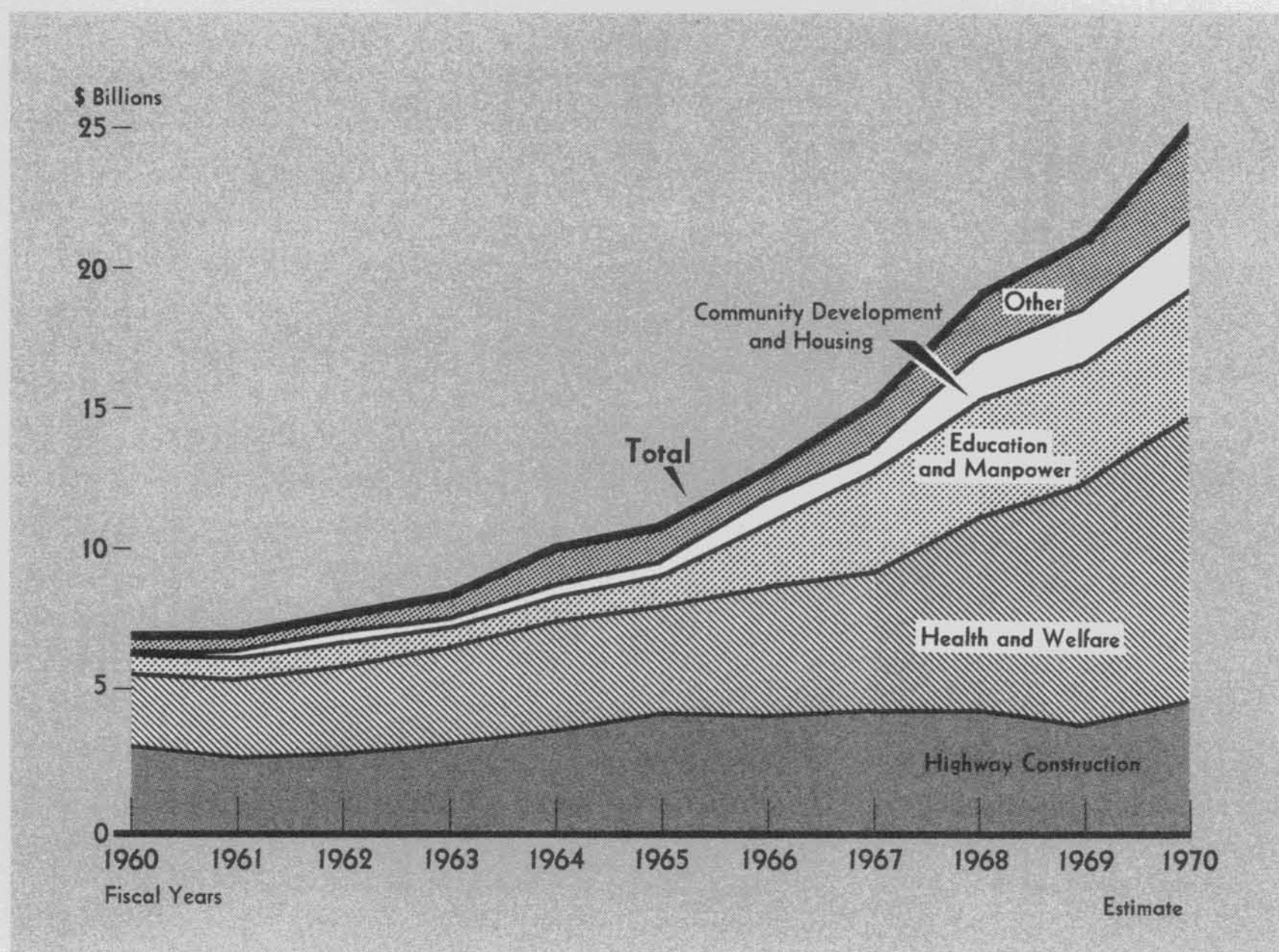
Today, Federal aid to other governmental units makes up more

than one-fifth of total Federal outlays for civilian domestic programs. Such aid is also providing an increasing share of revenues of State and local governments—18% now compared with 14% in 1960.

The trend between 1960 and 1970 in Federal outlays aiding State and local governments reflects the high priority being given to investments in human resources. For example, the largest increases are estimated to occur in the following important areas of domestic concern:

- *Health and welfare* grants will rise from \$2.6 billion to \$10.1 billion, or 287%, mainly for public assistance benefits and Medicaid;
- *Education and manpower* programs will increase by over 560%, from \$0.7 billion to nearly \$4.5 billion;

Federal Aid to State and Local Governments



- *Community development and housing* activities are expected to grow from \$0.2 billion to \$2.7 billion; and
- These three groups of programs, combined, account for 76% of the total increase in grants during the period.

The rapid increase in both the number and scale of Federal aid programs has created a greater need than ever before for close intergovernmental cooperation and coordination.

In the past few years, a number of steps have been taken to strengthen the operation of the federal system:

- More effective means of com-

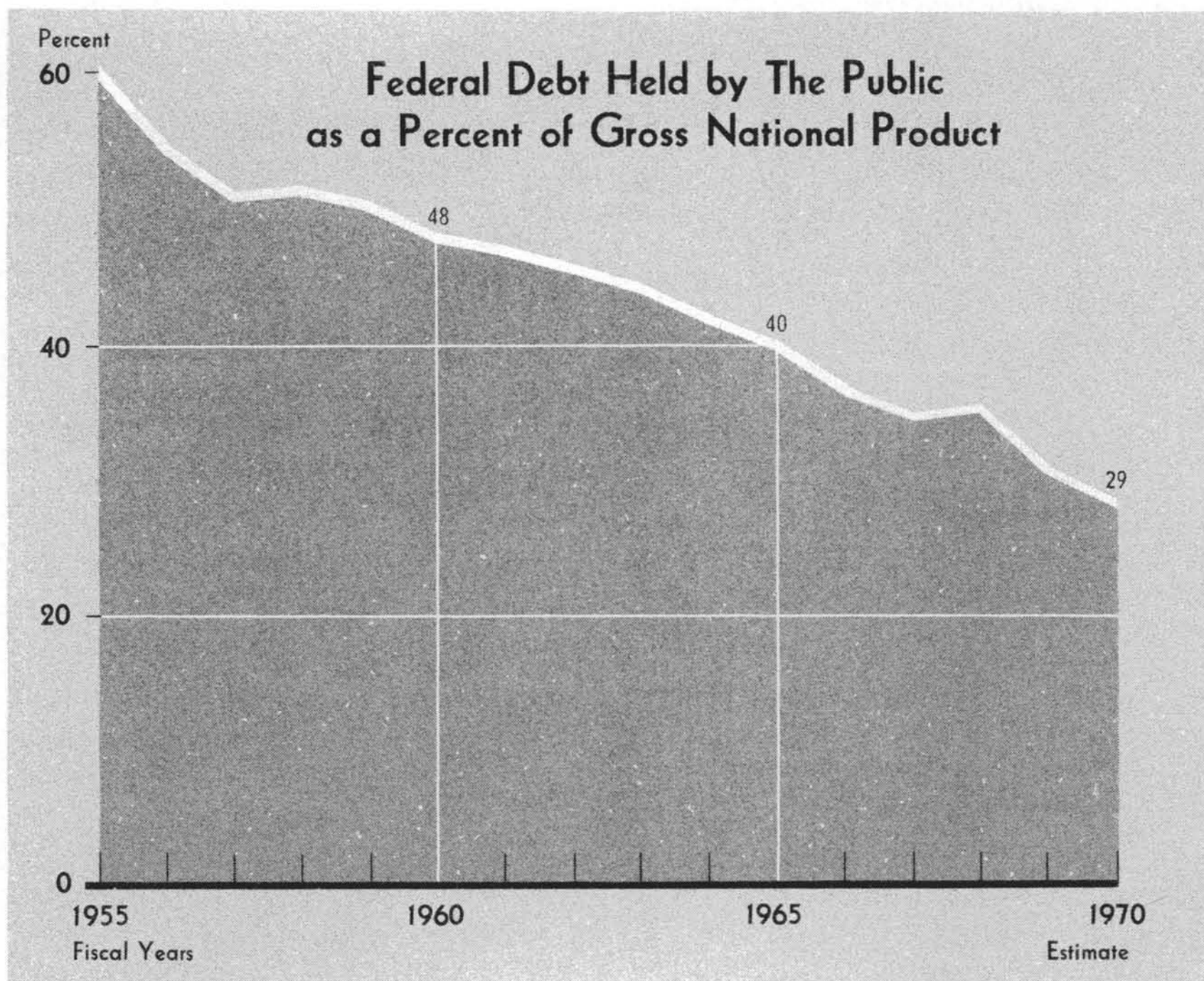
munication and consultation between Federal, State, and local officials have been established to facilitate mutual cooperation.

- Principles for determining costs have been standardized, improved audit policies have been developed, and joint funding simplification for all grant programs is being proposed to simplify administrative procedures.
- Certain categorical grants have been consolidated to relieve some of the administrative problem of State and local governments. This practice should also be extended.

BORROWING AND THE FEDERAL DEBT

As of June 30, 1968, the gross Federal debt—the sum of debt held by the public and debt held with-

in the Government—amounted to \$370 billion.



The growth of the debt to its present size is a 20th century development. Most of the increase has taken place during times of war or economic downturns, when revenues fall short of budget needs. During World War II, taxes were increased eightfold, but even that was not nearly enough to cover the heavy costs of the war. The debt increased by about \$230 billion between 1939 and 1946, an amount equal to almost two-thirds of our present debt.

Since World War II, the economy has grown much more rapidly than Federal debt. As a result, the debt as a percent of the gross national product has declined dramatically.

Another way of looking at the rise in the Federal debt is to compare it with the rise in other forms of debt. Since calendar year 1946:

- Federal debt held by the public has increased 27% ;

- State and local government debt has increased 845% ;
- Corporate debt has increased 527% ; and
- Individual and noncorporate debt has increased 764%.

In 1946, the Federal debt accounted for almost 60% of total public and private debt. In 1968 Federal debt accounted for only 19% of total debt.

The ownership of the Federal debt is widespread. Over 20% of the debt is held within the Government itself, primarily by trust funds. Private citizens own another 20%—largely in the form of savings bonds. The Federal Reserve banks own about 15% of the debt and commercial banks own a slightly larger share. The remainder of the debt is owned by State and local governments, corporations, insurance companies, mutual savings banks, and others.

PART 4

THE BUDGET SYSTEM

The budget serves as an important vehicle for determining and meeting national goals. In the budget process, 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, and the distribution of outlays among individual programs, are determined through the interaction of the President, the executive agencies, and the Congress.

THE FEDERAL BUDGET CYCLE

The "budget cycle" is a continuous process in which there are four identifiable phases: (1) executive formulation and submission; (2) congressional authorization and appropriation; (3) budget execution and control; and (4) audit. Each of these phases interrelates and overlaps with the others.

Executive formulation and submission.—The President's transmission of his budget proposals to the Congress each January culminates many months of planning and analysis throughout the executive branch. Formulation of the 1970 budget, which covers the fiscal year beginning July 1, 1969 and ending June 30, 1970, began in the spring of 1968. About 10 months later, in January 1969, the budget was formally transmitted to Congress.

During the period when a budget is being formulated in the executive branch, there is a continuous exchange of information, proposals,

evaluations, and policy determinations among the President, the Bureau of the Budget, and the various Government agencies.

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. After review in the agency and by the Bureau of the Budget, preliminary plans are presented to the President for his consideration. At about the same time, the President receives projections of the economic outlook and revenue estimates prepared jointly by the Treasury Department, the Council of Economic Advisers, and the Bureau of the Budget.

Following a review of both sets of projections, the President establishes general budget and fiscal policy guidelines for the fiscal year which will begin about 12 months

later. Tentative policy determinations and planning targets are then given to the agencies as guidelines for the preparation of their budgets.

Individual agency budgets are formulated and reviewed in detail by the Bureau of the Budget throughout the fall and early winter and are presented to the President for decision. Overall fiscal policy problems—relating to total budget receipts and outlays—are also reviewed again. Thus, the budget process involves the consideration simultaneously of individual program levels, and total budget outlays and receipts appropriate to the needs of the economy. The budget submitted each January reflects both of these considerations.

Congressional authorization and appropriation.—Congressional review starts when the President sends his budget to the Congress. The Congress can change programs, eliminate them, or add programs not requested by the President. It can increase or decrease the amounts recommended by the President to finance existing and proposed new programs. It also legislates the means of raising revenues.

Last year, the Congress enacted limitations on total budget authority and outlays in the Revenue and Expenditure Control Act. However, normally, the Congress does not vote on budget outlays directly. Under the traditional procedures, the Congress first enacts legislation which authorizes an agency to carry out a particular program and, in many cases, sets a limit on the amount that can subsequently be appropriated for the program. Many programs are authorized for a specified number of years, or even indefinitely; other programs, including foreign

aid, atomic energy, and space exploration, require annual authorizing legislation.

The granting of budget authority—which permits an agency to enter into obligations requiring either immediate or future payment of money—usually is a separate, subsequent action. Most budget authority is enacted in the form of appropriations, which may not exceed the limit established in the basic authorizing legislation for the program. (In addition to appropriations, smaller amounts of budget authority are granted in the form of contract authority and authority to spend debt receipts.)

In most cases, budget authority becomes available each year only as voted by the Congress. For example, this year \$143.9 billion of the recommended \$210.1 billion of new budget authority for 1970 is dependent on action by the Congress. However, in some cases, the Congress has voted “permanent” budget authority, under which funds become available annually without further congressional action. Most trust fund appropriations are “permanent,” as is the appropriation to pay interest on the public debt.

The consideration of requests for changes in revenue laws and for appropriations follows an established pattern in the Congress. They are considered first in the House of Representatives. The Ways and Means Committee reviews all proposed revenue measures; the Appropriations Committee, through its 13 subcommittees, studies the proposals for appropriations and examines in detail each agency’s performance. Each committee then recommends the action to be taken by the House of Representatives.

As parts of the budget are ap-

proved by the House, the bills 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 the measure is then transmitted to the President, in the form of an appropriation or tax bill, for his approval or veto.

Budget execution and control.—Once approved, the budget becomes the basis for the program operations of each agency during the fiscal year.

Central control over most of the budget authority made available to the executive branch is maintained through a system of "apportioning" the authority. Under the law, the Director of the Bureau of the Budget must distribute or apportion appropriations and other budget authority to each agency by time periods (usually quarterly), or by activities. Obligations may not be incurred in excess of the amounts apportioned. The objective of the apportionment system is to plan the effective and orderly use of available authority and—for annual appropriations—to prevent the need for requesting additional or supplemental authority.

It is, of course, necessary to insure flexibility if circumstances change. If developments indicate that an agency will not require all the authority made available, "reserves" are established by the Bureau of the Budget to withhold amounts not needed. Such reserves may be released subsequently, if necessary, but only for the purposes of the appropriation. On the other hand,

changes in laws or other factors may indicate the need for more authority, and supplemental requests may have to be made of the Congress.

Audit.—This is the "final" step in the budget process. The individual agencies are responsible for assuring—through their own review and control systems—that the obligations they incur and the resulting outlays are in accordance with the provisions of the authorizing and appropriating legislation. The Bureau of the Budget reviews substantive and financial reports and keeps abreast of agency progress in attainment of program objectives. In addition, the General Accounting Office conducts after-the-fact audits of the manner in which Government agencies are discharging their financial responsibilities, and reports its findings to the Congress.

The purpose of all these reviews is to assure that programs are carried out in an effective, efficient, and economical manner.

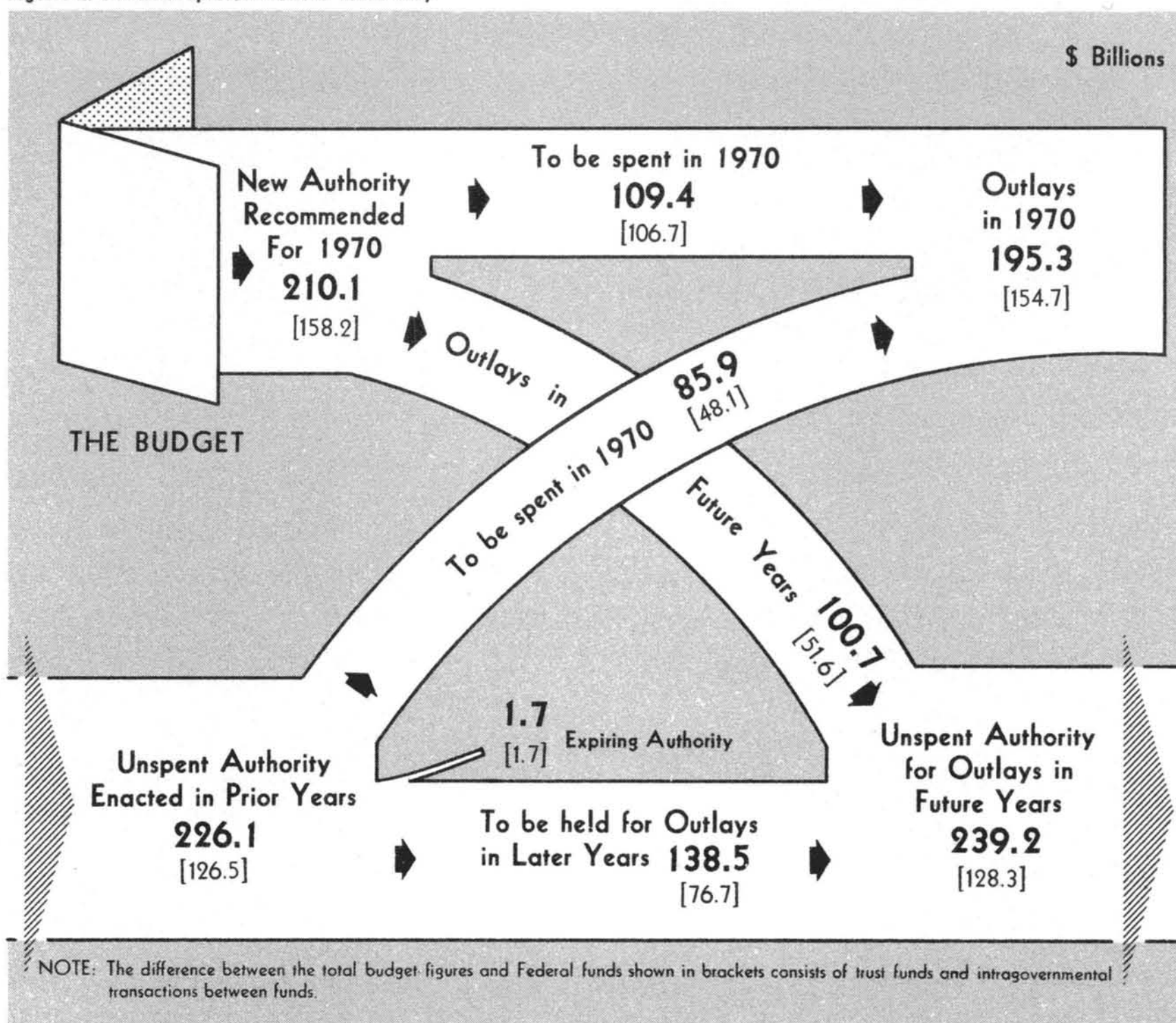
Relation of budget authority to outlays.—Not all the budget authority appropriated by the Congress for a particular fiscal year results in obligations or outlays within the same year.

- Budget authority for some major procurement and construction programs covers the estimated full cost of the programs at the time they are started, even though the outlays take place over a number of years as the programs move toward completion.
- Budget authority for many loan and guarantee or insurance programs also provides financing for a period of years or represents a contingency backup in the event of defaults or other claims.

1970 Budget - Relation of Budget Authority to Outlays

Figures in brackets represent Federal funds only

\$ Billions



- Budget authority for trust funds represents mainly receipts collected under special taxes, which are used as needed over a period of years for benefit payments and other outlays specified in the law.

As a result, there is always a substantial carryover of unspent budget authority from previous years, most of which is earmarked for specified purposes, and is not available for new program operations.

As shown in the chart above, \$85.9 billion of total outlays in 1970 (over 40%) will be made under

budget authority enacted for earlier years. Conversely, almost one-half of 1970 budget authority will not result in outlays until future years.

Therefore, when the Congress increases or decreases the amount of budget authority requested by the President for a given year, budget outlays in that year are not necessarily changed by the same amount. The change in budget authority may have only a limited effect on that year's outlays. But its full effect will influence outlays over a period of years.

THE BUDGET CONCEPT

The budget concept used in the 1970 budget carries forward basic

changes adopted in the 1969 budget in accordance with recommenda-

tions made by a bipartisan Presidential Commission on Budget Concepts established early in 1967 to study Federal budget concepts and presentation.

The Commission's proposals involve four major departures from previous practice:

- *A single unified budget concept* to replace the several budget concepts highlighted in the past.
- *Comprehensive coverage* in the budget of all programs of the Federal Government and its agencies, including transactions of the social security and other trust funds as well as Federal funds.
- *Division between an expenditure*

account and a loan account to distinguish between *expenditures*, which add directly to the income of the recipient, and *loans*, which the borrower must repay, and which gives the lender (the Government) a financial asset.

- *Offsetting of proprietary receipts from the public* against related outlays and budget authority. Proprietary receipts arise from business-type or market-oriented activities of the Government as distinct from budget receipts, which are based on the Government's sovereign power to tax and regulate.

EFFICIENCY IN REACHING PROGRAM GOALS

Good government involves more than good laws and intentions. To attain program goals effectively and provide Government services efficiently requires:

- Proper organizational arrangements;
- Efficient and economical procedures and practices;
- Sound decisionmaking processes; and
- Well qualified personnel.

As added functions are assumed or existing ones changed, constant efforts are required to see that the Government's organization and procedures stay in step with the new roles involved, that wasteful methods are uncovered and eliminated, and that the Government is responsive to the needs of the people.

Improved Government organization.—In the last 5 years many fundamental organizational reforms have been undertaken to adapt the

Federal Government's structure to changing program requirements.

In 1964, the Office of Economic Opportunity was established to spearhead the planning, coordination, and operation of the national attack on poverty. In 1965, the Department of Housing and Urban Development was created to provide overall coordination of programs to improve our urban areas. In 1966, the Department of Transportation was formed, bringing together a number of major transportation programs previously administered in separate agencies. Legislation is now needed to adopt a new corporate form of organization for the postal service, along the lines recently recommended by the Commission on Postal Organization.

Significant reorganizations have been made to improve the effectiveness of many other activities. Program responsibilities have been realigned so that they relate more closely to the major missions of the

agencies, and the internal coordination of programs has been strengthened.

As a further step, the Maritime Administration—the only major transportation agency still outside of the Department of Transportation—should be shifted into that Department.

Many of the improvements in Government organization were achieved under the provisions of the Reorganization Act of 1949, which authorizes the President to submit reorganization plans to the Congress. The latest extension of this authority terminated on December 31, 1968. Further extension is needed so that the new President will have the authority to make additional adjustments and improvements in governmental structure.

Better decisionmaking processes.—The Federal Government is continuing to develop the planning-programing-budgeting (PPB) system which was introduced on a Government-wide basis in 1965. The purpose of this system is to improve the process by which Federal programs are planned and the budget prepared.

The essential characteristics of the PPB system are: (1) development of more concrete and precise identification of program objectives; (2) systematic consideration of alternative means of reaching those objectives most efficiently; and (3) determination of future cost implications of present decisions. The system stresses modern analytical techniques to provide both a firmer basis for choice among

competing program proposals and a clearer standard for the later measurement of actual accomplishments.

While PPB is not new in concept, it does involve fundamental improvements in the traditional budgeting system which will take several years to accomplish.

Nevertheless, even at the current stage of development, the PPB system is helping agencies to design more effective programs and improve the quality of their operations.

Cost reduction.—In 1965, a systematic, formal cost reduction program was initiated throughout the Federal Government. Under this new effort, the head of each department and agency has been asked to:

- Assume direct supervision of a formal cost reduction program;
- Establish specific dollar cost reduction goals;
- Subject every major proposed expenditure to searching scrutiny in terms of costs and benefits;
- Employ independent means to verify savings; and
- Recommend high priority use of savings achieved.

Federal employees were urged to make cost reduction a personal goal, and to redouble their efforts to achieve savings and conduct their work as efficiently as possible.

An Advisory Council on Cost Reduction was established in 1967 to broaden and strengthen the Government's drive for economy and efficiency in all its operations. The Council is consulting with leaders in business and research to draw on their experience and ideas for reducing costs.

PART 5

BUDGET TABLES

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BUDGET RECEIPTS, OUTLAYS, FINANCING, AND DEBT, 1959-1970 (in millions of dollars)

Description	Actual										Estimate	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Receipts, expenditures, and net lending:												
Expenditure account:												
Receipts.....	79,179	92,470	94,378	99,657	106,572	112,669	116,813	130,864	149,562	153,676	186,092	198,686
Expenditures (excludes net lending).....	89,453	90,348	96,604	104,480	111,459	118,041	117,182	130,822	153,299	172,830	182,315	194,356
Expenditure account surplus or deficit (—).....	-10,274	2,122	-2,226	-4,823	-4,887	-5,372	-369	42	-3,736	-19,153	3,777	4,330
Loan account:												
Loan disbursements.....	7,859	8,310	7,869	9,621	9,646	10,237	10,911	14,628	17,676	20,422	12,478	8,113
Loan repayments.....	5,201	6,427	6,671	7,271	9,791	9,693	9,662	10,796	12,623	14,389	11,092	7,197
Net lending.....	2,659	1,882	1,198	2,351	-145	545	1,249	3,832	5,053	6,032	1,386	916
Total budget:												
Receipts.....	79,179	92,470	94,378	99,657	106,572	112,669	116,813	130,864	149,562	153,676	186,092	198,686
Outlays (expenditures and net lending).....	92,111	92,230	97,802	106,830	111,314	118,585	118,431	134,654	158,352	178,862	183,701	195,272
Budget surplus or deficit (—).....	-12,932	240	-3,424	-7,174	-4,742	-5,916	-1,618	-3,790	-8,790	-25,187	2,391	3,414
Budget financing:												
Net borrowing from the public or repayment of borrowing (—).....	8,665	2,142	1,465	9,734	6,120	3,089	4,037	3,080	2,854	23,095	-3,091	-4,000
Other means of financing.....	4,267	-2,382	1,959	-2,560	-1,378	2,827	-2,419	710	5,936	2,092	700	586
Total budget financing.....	12,932	-240	3,424	7,174	4,742	5,916	1,618	3,790	8,790	25,187	-2,391	3,414
Outstanding debt, end of year:												
Gross Federal debt.....	287,739	290,799	292,869	303,227	310,775	316,728	323,096	329,419	341,309	369,724	365,159	371,482
Held by the public.....	234,970	237,112	238,577	248,311	254,431	257,520	261,557	264,637	267,491	290,586	276,586	272,586

BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1959-1970 (in millions of dollars)

Description	Actual										Estimate	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
RECEIPTS BY SOURCE												
Individual income taxes.....	36,719	40,715	41,338	45,571	47,588	48,697	48,792	55,446	61,526	68,726	84,400	90,400
Corporation income taxes.....	17,309	21,494	20,954	20,523	21,579	23,493	25,461	30,073	33,971	28,665	38,100	37,900
Social insurance taxes and contributions (trust funds):												
Employment taxes and contributions.....	8,821	11,248	12,679	12,835	14,746	16,959	17,359	20,662	27,823	29,224	34,842	39,863
Unemployment insurance ¹	2,131	2,667	2,902	3,337	4,112	4,045	3,819	3,777	3,659	3,346	3,300	3,575
Contributions for other insurance and retirement.....	768	767	855	873	944	1,006	1,079	1,127	1,866	2,051	2,366	2,431
Excise taxes:												
Federal funds.....	8,504	9,137	9,063	9,585	9,915	10,211	10,911	9,145	9,278	9,700	10,325	10,737
Trust funds (highway).....	2,074	2,539	2,798	2,949	3,279	3,519	3,659	3,917	4,441	4,379	4,475	4,963
Estate and gift taxes.....	1,333	1,606	1,896	2,016	2,167	2,394	2,716	3,066	2,978	3,051	3,200	3,400
Customs duties.....	925	1,105	982	1,142	1,205	1,252	1,442	1,767	1,901	2,038	2,300	2,300
Miscellaneous receipts ²	594	1,193	910	826	1,036	1,093	1,576	1,885	2,120	2,498	2,784	3,117
Total receipts	79,179	92,470	94,378	99,657	106,572	112,669	116,813	130,864	149,562	153,676	186,092	198,686
Federal funds.....	65,679	75,563	75,118	79,635	83,463	87,111	90,863	101,344	111,732	114,627	141,050	147,795
Trust funds.....	13,500	16,907	19,260	20,022	23,109	25,558	25,950	29,520	37,829	39,049	45,042	50,891
OUTLAYS BY FUNCTION ²												
National defense.....	46,617	45,908	47,383	51,097	52,257	53,591	49,578	56,785	70,081	80,516	80,999	81,542
International affairs and finance.....	3,267	3,054	3,357	4,492	4,115	4,117	4,340	4,490	4,547	4,619	3,938	3,755
Space research and technology.....	145	401	744	1,257	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,947
Agriculture and agricultural resources.....	5,365	3,322	3,340	4,131	5,139	5,186	4,807	3,679	4,376	5,944	5,448	5,181
Natural resources.....	1,209	1,019	1,568	1,686	1,505	1,972	2,063	2,035	1,860	1,702	1,898	1,891
Commerce and transportation.....	4,451	4,774	5,048	5,410	5,745	6,482	7,364	7,135	7,652	8,076	8,048	8,969
Community development and housing.....	851	971	191	589	-880	-185	288	2,644	2,616	4,076	2,313	2,772
Education and manpower.....	1,081	1,282	1,480	1,703	1,706	1,998	2,509	4,496	6,135	7,012	7,165	7,887
Health and welfare.....	17,690	18,734	21,847	23,374	25,274	26,598	27,209	31,320	37,605	43,508	48,839	54,966
Veterans benefits and services.....	5,428	5,426	5,688	5,625	5,520	5,681	5,722	5,920	6,897	6,882	7,692	7,724
Interest.....	7,070	8,299	8,108	8,321	9,215	9,810	10,357	11,285	12,588	13,744	15,171	15,958
General government.....	1,173	1,334	1,543	1,703	1,841	2,103	2,276	2,360	2,584	2,632	2,948	3,275
Allowances for pay increase and contingencies.....											100	3,150
Undistributed intragovernmental transactions.....	-2,238	-2,296	-2,495	-2,558	-2,674	-2,939	-3,174	-3,431	-4,009	-4,570	-5,105	-5,745
Total outlays	92,111	92,230	97,802	106,830	111,314	118,585	118,431	134,654	158,352	178,862	183,701	195,272
Federal funds.....	77,111	74,869	79,339	86,599	90,135	95,761	94,807	106,513	126,780	143,105	148,160	154,722
Trust funds.....	17,323	19,986	21,774	23,394	23,898	25,941	27,081	31,809	36,932	41,529	43,037	48,431
Intragovernmental transactions.....	-2,322	-2,626	-3,311	-3,163	-2,719	-3,118	-3,457	-3,668	-5,360	-5,771	-7,496	-7,881

¹ Includes Federal funds of \$321 million in 1959 and \$339 million in 1960.

² Includes both Federal funds and trust funds.

BUDGET OUTLAYS BY SUBFUNCTION, 1959-1970 (in millions of dollars)

Function and subfunction	Actual										Estimate	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
National defense:												
Department of Defense—Military:												
Procurement.....	14,409	13,334	13,095	14,532	16,632	15,351	11,839	14,339	19,012	23,283	24,337	23,435
Military personnel.....	11,801	11,738	12,085	13,032	13,000	14,195	14,771	16,753	19,787	21,954	23,665	24,164
Operation and maintenance.....	10,378	10,223	10,611	11,594	11,874	11,932	12,349	14,710	19,000	20,578	22,106	21,841
Research and development.....	2,866	4,710	6,131	6,319	6,376	7,021	6,236	6,259	7,160	7,747	7,545	7,805
Military construction and other.....	2,311	1,750	1,608	1,602	513	1,236	928	2,279	2,636	3,975	277	1,378
Deductions for offsetting receipts.....	-298	-275	-236	-163	-251	-159	-150	-160	-138	-164	-140	-152
Subtotal, Department of Defense—Military ¹	41,467	41,479	43,294	46,916	48,143	49,577	45,973	54,179	67,457	77,373	77,790	78,471
Atomic energy ¹	2,541	2,623	2,713	2,806	2,758	2,764	2,625	2,403	2,264	2,466	2,451	2,571
Military assistance ¹	2,236	1,631	1,351	1,337	1,406	1,209	1,125	1,003	858	654	610	529
Defense-related activities.....	379	244	104	92	24	172	136	-62	-17	139	282	171
Deductions for offsetting receipts ²	-5	-69	-80	-53	-74	-130	-281	-738	-481	-116	-135	-200
Total national defense.....	46,617	45,908	47,383	51,097	52,257	53,591	49,578	56,785	70,081	80,516	80,999	81,542
International affairs and finance:												
Food for Freedom.....	1,299	1,458	1,823	1,947	2,040	2,049	1,852	1,784	1,452	1,204	1,037	925
Economic assistance (AID).....	1,524	1,613	1,805	1,836	2,043	1,997	2,041	2,141	2,319	1,936	2,093	1,973
Other economic and financial programs.....	418	-222	72	489	-75	-241	*	188	738	1,117	433	492
Conduct of foreign affairs.....	236	214	216	248	346	296	347	315	336	354	372	385
Foreign information and exchange.....	139	137	158	197	201	207	223	227	245	253	244	236
Deductions for offsetting receipts.....	-349	-146	-716	-226	-441	-191	-123	-165	-542	-245	-242	-256
Total international affairs and finance.....	3,267	3,054	3,357	4,492	4,115	4,117	4,340	4,490	4,547	4,619	3,938	3,755
Space research and technology:												
Manned space flight.....	11	113	279	565	1,516	2,768	3,538	4,210	3,649	3,096	2,756	2,412
Space science and applications.....	26	133	249	420	576	754	751	778	796	700	597	628
Space technology.....	21	52	87	159	303	432	484	435	440	410	381	358
Aircraft technology.....	87	72	51	31	36	40	58	75	89	128	152	159
Supporting activities.....	1	30	79	82	122	178	262	435	452	390	365	395
Deductions for offsetting receipts.....	-*	-*	-*	-*	-*	-1	-2	-1	-2	-3	-4	-5
Total space research and technology.....	145	401	744	1,257	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,947
Agriculture and agricultural resources:												
Farm income stabilization.....	4,057	2,222	2,172	2,870	3,710	3,803	3,234	1,932	2,536	3,934	4,509	3,921
Rural electrification and telephone loans.....	209	222	191	167	180	187	215	214	244	303	352	379
Agricultural land and water resources.....	346	324	347	368	324	325	342	347	353	351	353	351

Farming and rural housing loans.....	476	271	317	397	546	471	573	698	717	779	-335	-123
Research and other agricultural services.....	309	312	344	363	415	441	485	531	570	618	655	691
Deductions for offsetting receipts.....	-32	-29	-30	-34	-36	-41	-42	-43	-44	-42	-87	-37
Total agriculture and agricultural resources.....	5,365	3,322	3,340	4,131	5,139	5,186	4,807	3,679	4,376	5,944	5,448	5,181
Natural resources:												
Water resources and power.....	1,180	1,241	1,395	1,578	1,718	1,798	1,867	2,061	2,158	2,251	2,279	2,341
Land management.....	283	305	428	382	422	459	509	556	618	639	663	645
Recreation.....	85	75	93	96	114	132	135	153	194	229	321	372
Fish and wildlife.....	69	69	74	82	95	107	122	132	137	156	164	164
Minerals.....	39	30	28	30	25	46	59	62	73	85	87	81
General resource surveys and other.....	50	47	50	56	64	68	77	87	91	100	105	110
Deductions for offsetting receipts.....	-497	-748	-501	-539	-934	-637	-706	-1,016	-1,412	-1,758	-1,720	-1,823
Total natural resources.....	1,209	1,019	1,568	1,686	1,505	1,972	2,063	2,035	1,860	1,702	1,898	1,891
Commerce and transportation:												
Ground transportation.....	2,646	2,984	2,656	2,817	3,057	3,686	4,092	4,043	4,093	4,367	4,327	5,081
Air transportation.....	494	568	716	781	808	835	875	879	945	951	1,144	1,332
Water transportation.....	436	509	569	654	672	658	728	708	765	844	885	936
Area and regional development.....	111	120	188	132	242	538	557	315	416	501	706	781
Postal service.....	774	525	914	797	770	578	805	888	1,141	1,080	929	552
Advancement of business and other.....	166	193	194	352	296	309	463	409	407	493	183	380
Deductions for offsetting receipts.....	-176	-125	-189	-123	-99	-123	-156	-107	-115	-159	-126	-95
Total commerce and transportation.....	4,451	4,774	5,048	5,410	5,745	6,482	7,364	7,135	7,652	8,076	8,048	8,969
Community development and housing:												
Concentrated community development.....							51	302	452	648	732	1,216
Low and moderate income housing.....	122	145	155	170	198	37	81	391	478	948	935	1,131
Community environment.....	75	105	145	227	173	240	331	365	465	486	801	984
Community facilities.....	25	18	15	27	36	51	46	38	74	106	192	207
Community planning and administration.....	-35	-72	-79	11	24	29	32	16	33	37	60	78
Maintenance of the housing market.....	674	787	-36	169	-1,289	-511	-237	1,545	1,133	1,863	-349	-845
Deductions for offsetting receipts.....	-10	-11	-9	-16	-22	-31	-16	-13	-19	-12	-59	-*
Total community development and housing.....	851	971	191	589	-880	-185	288	2,644	2,616	4,076	2,313	2,772
Education and manpower:												
Elementary and secondary education.....	259	327	332	337	392	404	478	1,646	2,286	2,430	2,182	2,373
Manpower training.....	4	4	4	5	57	116	336	731	940	1,263	1,511	1,685
Higher education.....	225	261	286	350	428	383	413	701	1,159	1,392	1,368	1,366
Science education and basic research.....	106	120	143	183	206	310	309	368	415	449	480	500
Vocational education.....	38	39	40	40	42	41	132	136	250	265	252	266
Other education and manpower aids.....	451	535	679	792	585	750	850	925	1,097	1,227	1,386	1,715
Deductions for offsetting receipts.....	-3	-3	-4	-4	-5	-5	-9	-11	-11	-16	-14	-18
Total education and manpower.....	1,081	1,282	1,480	1,703	1,706	1,998	2,509	4,496	6,135	7,012	7,165	7,887

See footnotes at end of table.

BUDGET OUTLAYS BY SUBFUNCTION, 1959-1970 (in millions of dollars)—Continued

Function and subfunction	Actual										Estimate	
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Health and welfare:												
Income security payments:												
Retirement and social insurance ¹	14,773	15,596	18,458	19,491	21,262	21,969	22,282	25,309	26,602	29,267	32,293	36,054
Public welfare.....	1,971	2,063	2,149	2,333	2,633	2,788	2,829	2,799	3,045	3,568	3,979	4,451
Health services and research:												
Health services (mainly Medicare and medical assistance) ^{1 3}	191	233	277	411	476	548	624	929	4,718	7,487	9,015	10,265
Development of health resources and prevention and control of health problems.....	462	528	627	748	935	1,207	1,123	1,620	2,352	2,213	2,332	2,704
Social and individual services:												
Food and nutrition.....	218	234	241	261	284	308	299	363	418	505	623	720
Vocational rehabilitation and other ^{1 3}	78	83	100	140	165	188	248	412	531	488	601	774
Deductions for offsetting receipts ²	-2	-3	-4	-9	-482	-410	-197	-111	-61	-18	-2	-2
Total health and welfare	17,690	18,734	21,847	23,374	25,274	26,598	27,209	31,320	37,605	43,508	48,839	54,966
Veterans benefits and services:												
Service-connected compensation.....	2,071	2,049	2,034	2,017	2,116	2,158	2,176	2,221	2,310	2,466	2,600	2,685
Non-service-connected pensions.....	1,152	1,265	1,532	1,635	1,698	1,743	1,864	1,910	1,893	2,048	2,127	2,183
Hospitals and medical care.....	921	961	1,030	1,084	1,145	1,229	1,270	1,318	1,391	1,469	1,582	1,691
Housing loans.....	121	122	159	236	-109	44	*	169	304	210	252	-86
Education, training, and other readjustment benefits.....	743	603	400	152	96	69	49	42	292	462	630	739
Life insurance.....	678	698	826	778	840	668	609	523	924	407	652	695
General operating expenses and other.....	253	242	244	234	235	272	250	255	293	311	338	303
Deductions for offsetting receipts.....	-512	-514	-537	-511	-501	-502	-497	-518	-509	-492	-490	-486
Total veterans benefits and services	5,428	5,426	5,688	5,625	5,520	5,681	5,722	5,920	6,897	6,882	7,692	7,724
General government:												
Tax collection and other central fiscal operations.....	576	573	622	668	733	808	844	886	968	1,024	1,109	1,177
Law enforcement, justice, and civil rights.....	255	263	289	300	323	335	366	385	426	452	539	742
Property and records management.....	274	351	356	355	416	553	565	550	617	569	623	637
Legislative and judicial functions.....	149	158	170	192	194	192	218	238	254	273	304	317
National capital region.....	32	30	50	73	70	58	61	73	84	104	150	235
Central personnel management.....	93	82	138	151	140	172	172	174	189	211	209	211
Executive direction, territories, and other.....	107	108	131	158	160	211	213	216	243	270	308	262
Deductions for offsetting receipts.....	-313	-231	-214	-196	-195	-225	-164	-161	-199	-272	-296	-305
Total general government	1,173	1,334	1,543	1,703	1,841	2,103	2,276	2,360	2,584	2,632	2,948	3,275
Interest	7,070	8,299	8,108	8,321	9,215	9,810	10,357	11,285	12,588	13,744	15,171	15,958
Allowances for pay increase and contingencies.....											100	3,150
Undistributed intragovernmental transactions.....	-2,238	-2,296	-2,495	-2,558	-2,674	-2,939	-3,175	-3,431	-4,009	-4,570	-5,105	-5,745
Total outlays	92,111	92,230	97,802	106,830	111,314	118,585	118,431	134,654	158,352	178,862	183,701	195,272

¹ Entries net of offsetting receipts.

² Excludes offsetting receipts which have been distributed by subfunction above.

*Less than \$500 thousand.

³ Outlays for child welfare are included in health services 1959-1967 and in vocational rehabilitation and other 1968-1970.

BUDGET AUTHORITY AND OUTLAYS BY AGENCY (in millions of dollars)

Department or other unit	Budget authority			Outlays		
	1968 actual	1969 estimate	1970 estimate	1968 actual	1969 estimate	1970 estimate
Legislative Branch.....	272	302	322	255	298	303
The Judiciary.....	93	104	116	91	102	114
Executive Office of the President.....	31	32	34	28	33	34
Funds appropriated to the President.....	4,542	4,666	5,749	4,913	5,154	5,092
Agriculture.....	7,829	8,338	7,703	7,308	7,650	7,024
Commerce.....	970	978	1,061	807	872	1,134
Defense—Military.....	76,429	76,495	80,238	77,373	77,790	78,471
Defense—Civil.....	1,353	1,267	1,206	1,300	1,247	1,259
Health, Education, and Welfare.....	44,688	51,837	59,024	40,576	46,259	51,779
Housing and Urban Development.....	5,786	3,243	3,007	4,140	2,017	2,726
Interior.....	415	494	483	264	541	569
Justice.....	437	539	825	430	516	714
Labor.....	4,452	4,511	5,079	3,271	3,688	3,902
Post Office.....	1,192	1,036	750	1,080	929	552
State.....	394	422	431	424	434	434
Transportation.....	6,499	7,431	7,953	5,732	6,011	6,991
Treasury.....	14,658	16,257	16,974	14,655	16,272	16,971
Atomic Energy Commission.....	2,508	2,571	2,438	2,466	2,451	2,571
General Services Administration.....	381	319	287	413	453	402
National Aeronautics and Space Administration.....	4,587	3,992	3,757	4,721	4,247	3,947
Veterans Administration.....	7,801	7,489	7,911	6,858	7,719	7,699
Other independent agencies.....	9,900	7,253	7,215	6,328	4,018	5,178
Allowances for:						
Civilian and military pay increase.....			2,800			2,800
Contingencies.....		150	500		100	350
Undistributed intragovernmental transactions:						
Government contributions for employee retirement.....	-1,896	-2,105	-2,187	-1,896	-2,105	-2,187
Interest received by trust funds.....	-2,674	-3,000	-3,558	-2,674	-3,000	-3,558
Total budget authority and outlays.....	190,649	194,620	210,116	178,862	183,701	195,272
MEMORANDUM						
Portion available through current action by Congress.....	134,444	132,645	143,867	83,542	87,000	93,796
Portion available without current action by Congress.....	67,758	75,284	80,168	25,560	27,436	29,509
Outlays from obligated balances.....				49,071	50,624	50,543
Outlays from unobligated balances.....				32,243	31,949	35,344
Deductions for offsetting receipts:						
Interfund and intragovernmental transactions.....	-6,881	-8,719	-9,113	-6,881	-8,719	-9,113
Proprietary receipts from the public.....	-4,674	-4,590	-4,810	-4,674	-4,590	-4,810
Total budget authority and outlays.....	190,649	194,620	210,116	178,862	183,701	195,272

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

Trust fund	Outlays			Receipts		
	1968 actual	1969 estimate	1970 estimate	1968 actual	1969 estimate	1970 estimate
Federal old-age and survivors insurance.....	21,510	24,641	27,138	23,641	27,842	32,385
Federal disability insurance.....	2,163	2,605	2,902	2,800	3,759	4,358
Health insurance.....	5,332	6,222	6,851	5,256	7,278	7,331
Unemployment insurance.....	2,632	2,959	3,097	3,788	3,772	4,092
Railroad retirement accounts.....	1,338	1,492	1,587	1,476	1,567	1,637
Federal employees retirement funds.....	2,631	1,767	2,590	3,449	3,791	4,006
Highway trust fund.....	4,171	3,958	4,865	4,427	4,530	5,036
Advances, foreign military sales.....	1,015	1,040	930	961	978	952
Veterans life insurance.....	457	705	747	741	748	759
Other trust funds (nonrevolving).....	306	357	277	298	306	263
Trust revolving funds.....	2,085	-528	-426			
Interfund transactions.....	-459	-497	-519	-459	-497	-519
Proprietary receipts from the public.....	-1,653	-1,684	-1,608	-1,653	-1,684	-1,608
Total.....	41,529	43,037	48,431	44,724	52,390	58,693

SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT IN THE EXECUTIVE BRANCH

Agency	As of June			Increase, 1970 over 1969
	1968 actual	1969 estimate	1970 estimate	
Department of Defense, Military and military assistance ¹	1,256,068	1,235,648	1,235,000	-648
Post Office Department.....	549,623	564,501	575,700	11,199
Subtotal¹.....	1,805,691	1,800,149	1,810,700	10,551
Department of Agriculture.....	85,397	83,000	86,400	3,400
Department of Commerce.....	26,197	25,350	26,000	650
Department of Defense, Civil.....	32,062	31,310	31,364	54
Department of Health, Education, and Welfare.....	106,834	102,581	106,700	4,119
Department of Housing and Urban Development.....	14,983	14,772	16,800	2,028
Department of the Interior.....	61,186	59,580	60,900	1,320
Department of Justice.....	34,424	35,600	36,600	1,000
Department of Labor.....	9,786	9,564	9,700	136
Department of State.....	25,785	25,068	24,600	-468
Department of Transportation.....	58,027	60,405	65,400	4,995
Treasury Department.....	82,132	80,200	85,100	4,900
Atomic Energy Commission.....	7,169	7,037	7,300	263
General Services Administration.....	37,454	36,850	38,100	1,250
National Aeronautics and Space Administration.....	32,471	31,745	31,500	-245
Veterans Administration.....	151,023	147,634	152,300	4,666
Other agencies:				
Agency for International Development.....	17,569	16,600	15,900	-700
Tennessee Valley Authority.....	12,009	12,436	12,600	164
The Panama Canal.....	14,940	14,782	15,200	418
United States Information Agency.....	11,283	10,983	11,000	17
Miscellaneous Agencies ²	46,649	45,065	46,844	1,779
Subtotal.....	867,380	850,562	880,308	29,746
Allowance for contingencies.....			2,500	2,500
Total¹.....	2,673,071	2,650,711	2,693,508	42,797

¹ Each year's total includes 42,000 civilian technicians, formerly employed by the States to perform operations and maintenance support services for the Army and Air Force National Guard who converted to Federal employment status as of Jan. 1, 1969.

² Excludes member employees of the Soldiers' Home.

FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-1969 (dollar amounts in billions)

Fiscal year	Gross national product	Budget receipts		Budget outlays (expenditures and net lending)				Federal debt, end of year			
				Total		Budget expenditures (excludes net lending)		Total		Held by the public	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1954	\$362.1	\$69.9	19.3	\$71.1	19.6	(1)	(1)	\$270.8	74.8	\$224.5	62.0
1955	378.6	65.5	17.3	68.5	18.1	(1)	(1)	274.4	72.5	226.6	59.9
1956	409.4	74.6	18.2	70.5	17.2	(1)	(1)	272.7	66.6	222.2	54.3
1957	431.3	80.0	18.5	76.7	17.8	(1)	(1)	272.3	63.1	219.4	50.9
1958	440.3	79.6	18.1	82.6	18.8	\$81.0	18.4	279.6	63.5	226.3	51.4
1959	469.1	79.2	16.9	92.1	19.6	89.5	19.1	287.7	61.3	235.0	50.1
1960	495.2	92.5	18.7	92.2	18.6	90.3	18.2	290.8	58.7	237.1	47.9
1961	506.5	94.4	18.6	97.8	19.3	96.6	19.1	292.9	57.8	238.6	47.1
1962	542.1	99.7	18.4	106.8	19.7	104.5	19.3	303.2	55.9	248.3	45.8
1963	573.4	106.6	18.6	111.3	19.4	111.5	19.4	310.8	54.2	254.4	44.4
1964	612.2	112.7	18.4	118.6	19.4	118.0	19.3	316.7	51.7	257.5	42.1
1965	654.2	116.8	17.9	118.4	18.1	117.2	17.9	323.1	49.4	261.6	40.0
1966	720.7	130.9	18.2	134.7	18.7	130.8	18.2	329.4	45.7	264.6	36.7
1967	766.5	149.6	19.5	158.4	20.7	153.3	20.0	341.3	44.5	267.5	34.9
1968	822.6	153.7	18.7	178.9	21.7	172.8	21.0	369.7	44.9	290.6	35.3
1969 (estimate)	893.0	186.1	20.8	183.7	20.6	182.3	20.4	365.2	40.9	276.6	31.0

¹ Not yet available.

BUDGET RECEIPTS AND OUTLAYS, 1789-1970 (in millions of dollars)

Fiscal year	Receipts	Outlays	Surplus or deficit (-)	Fiscal year	Receipts	Outlays	Surplus or deficit (-)
ADMINISTRATIVE BUDGET							
1789-1849.....	1,160	1,090	+70	1937.....	4,956	7,733	-2,777
1850-1900.....	14,462	15,453	-991	1938.....	5,588	6,765	-1,177
1901.....	588	525	+63	1939.....	4,979	8,841	-3,862
1902.....	562	485	+77	CONSOLIDATED CASH STATEMENT			
1903.....	562	517	+45	1940.....	6,879	9,589	-2,710
1904.....	541	584	-43	1941.....	9,202	13,980	-4,778
1905.....	544	567	-23	1942.....	15,104	34,500	-19,396
1906.....	595	570	+25	1943.....	25,097	78,909	-53,812
1907.....	666	579	+87	1944.....	47,818	93,956	-46,138
1908.....	602	659	-57	1945.....	50,162	95,184	-45,022
1909.....	604	694	-89	1946.....	43,537	61,738	-18,201
1910.....	676	694	-18	1947.....	43,531	36,931	+6,600
1911.....	702	691	+11	1948.....	45,357	36,493	+8,864
1912.....	693	690	+3	1949.....	41,576	40,570	+1,006
1913.....	714	715	*	1950.....	40,940	43,147	-2,207
1914.....	725	725	*	1951.....	53,390	45,797	+7,593
1915.....	683	746	-63	1952.....	68,011	67,962	+49
1916.....	762	713	+48	1953.....	71,495	76,769	-5,274
1917.....	1,100	1,954	-853	UNIFIED BUDGET			
1918.....	3,630	12,662	-9,032	1954.....	69,920	71,138	-1,218
1919.....	5,085	18,448	-13,363	1955.....	65,462	68,503	-3,041
1920.....	6,649	6,357	+291	1956.....	74,581	70,461	+4,121
1921.....	5,567	5,058	+509	1957.....	79,958	76,748	+3,210
1922.....	4,021	3,285	+736	1958.....	79,621	82,575	-2,954
1923.....	3,849	3,137	+713	1959.....	79,179	92,111	-12,932
1924.....	3,853	2,890	+963	1960.....	92,470	92,230	+240
1925.....	3,598	2,881	+717	1961.....	94,378	97,802	-3,424
1926.....	3,753	2,888	+865	1962.....	99,657	106,830	-7,174
1927.....	3,992	2,837	+1,155	1963.....	106,572	111,314	-4,742
1928.....	3,872	2,933	+939	1964.....	112,669	118,585	-5,916
1929.....	3,861	3,127	+734	1965.....	116,813	118,431	-1,618
1930.....	4,058	3,320	+738	1966.....	130,864	134,654	-3,790
1931.....	3,116	3,577	-462	1967.....	149,562	158,352	-8,790
1932.....	1,924	4,659	-2,735	1968.....	153,676	178,862	-25,187
1933.....	1,997	4,598	-2,602	1969 estimate.....	186,092	183,701	+2,391
1934.....	3,015	6,645	-3,630	1970 estimate.....	198,686	195,272	+3,414
1935.....	3,706	6,497	-2,791				
1936.....	3,997	8,422	-4,425				

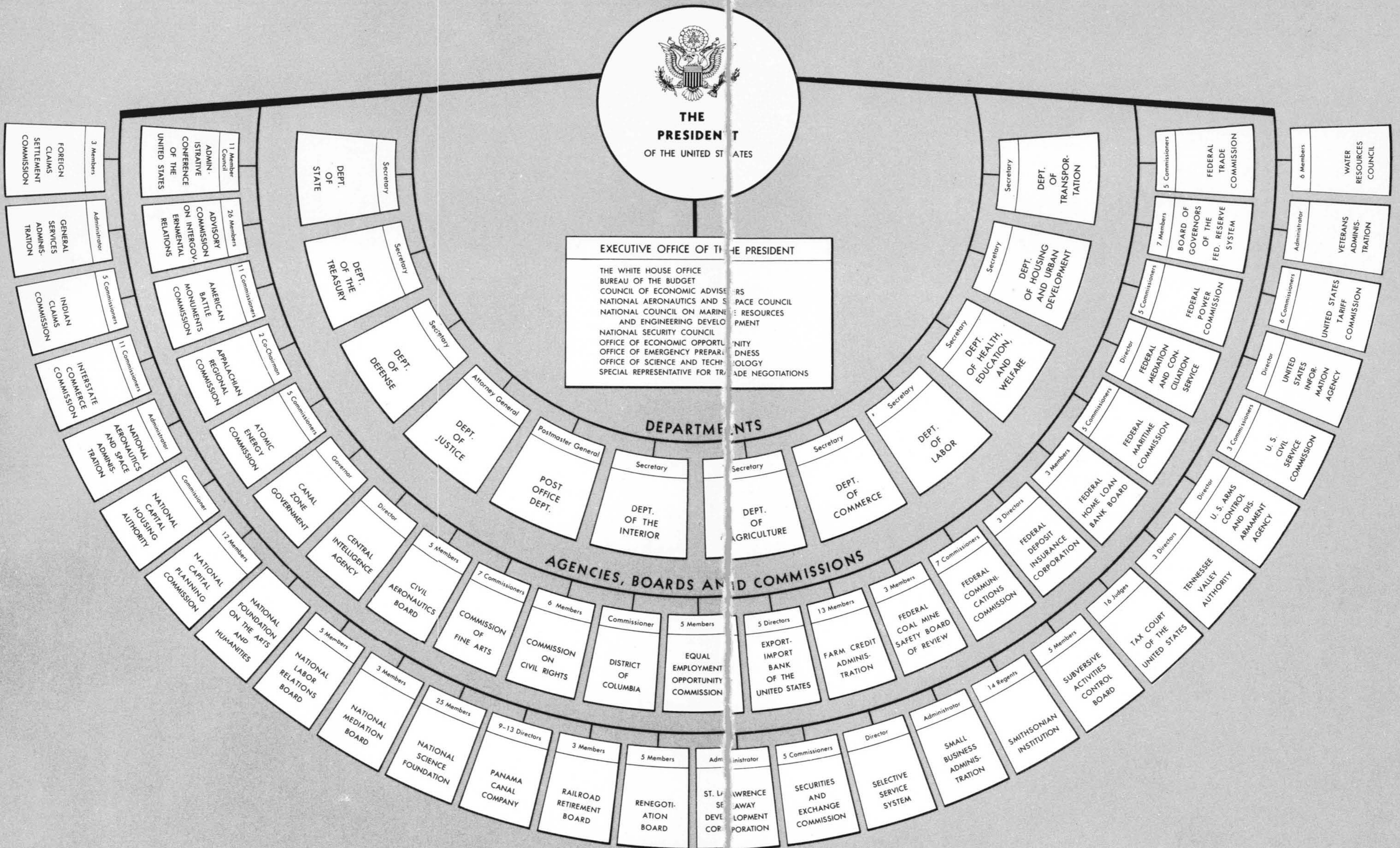
*Less than \$500 thousand.

Notes.—Certain interfund transactions are excluded from receipts and outlays starting in 1932. For years prior to 1932 the amounts of such transactions are not significant.

Refunds of receipts are excluded from receipts and outlays starting in 1913; comparable data are not available for prior years.

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EXECUTIVE BRANCH OF THE GOVERNMENT



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.

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).

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

1. *The Budget of the United States Government, 1970*. Contains most of the facts, figures, and analyses that general users of the budget would normally desire or need.

2. *The Budget of the United States Government, 1970.—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds.

3. *Special Analyses, Budget of the United States, 1970*. Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program.