

THE U.S. BUDGET IN BRIEF

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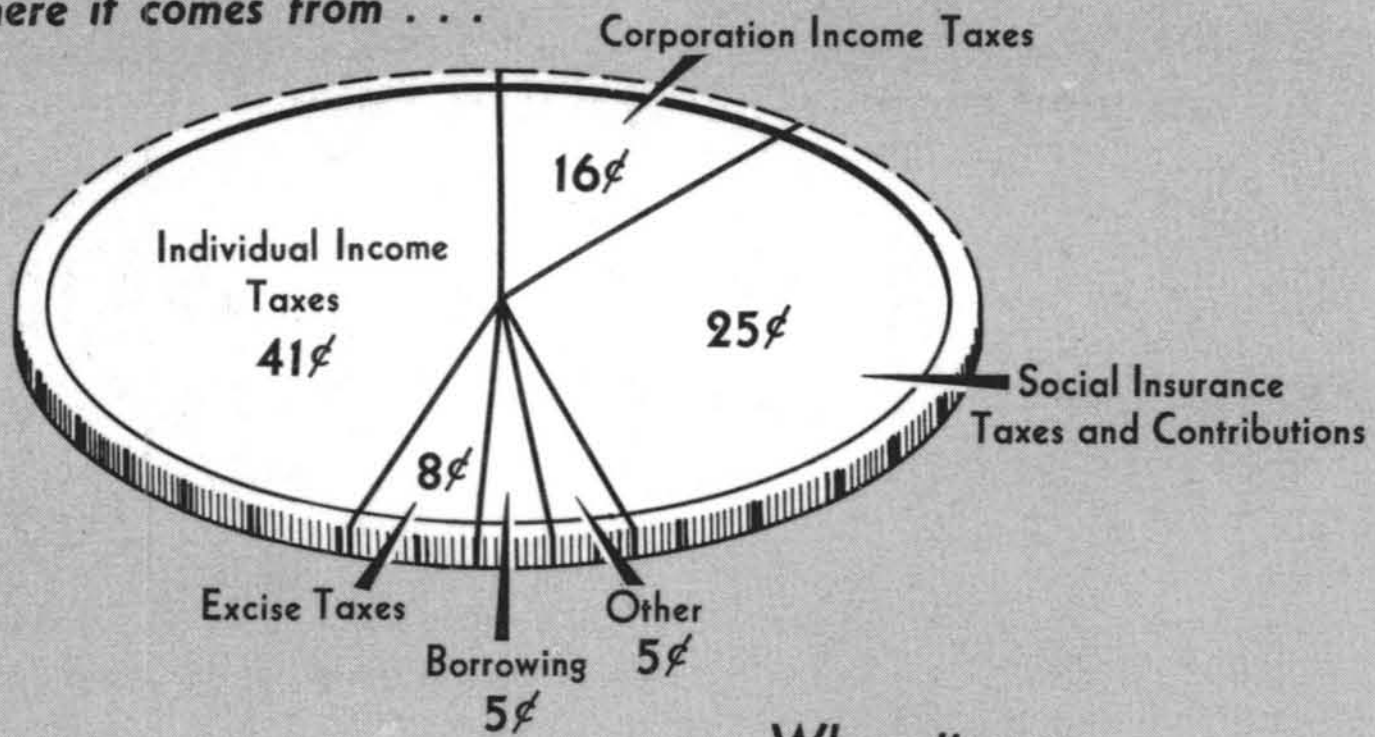
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

FISCAL YEAR 1972

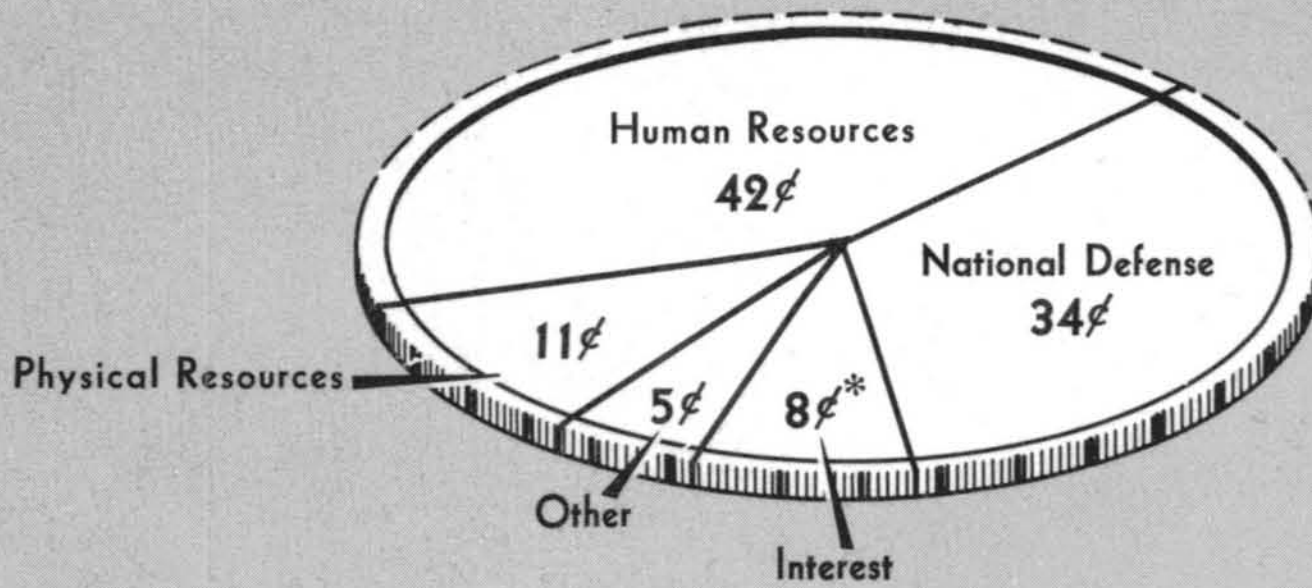
THE BUDGET DOLLAR

Fiscal Year 1972 Estimate

Where it comes from . . .



Where it goes . . .



* Excludes Interest Paid to Trust Funds

FROM THE PRESIDENT'S BUDGET MESSAGE

The 1972 budget befits a strong, free, compassionate, and enlightened Nation.

- It reverses the trend of the past decade toward Federal domination of the Nation's decisions, and begins to make government more responsive to the will of the people.
- It recognizes that a strong defense is vital to all our objectives, most of all to the attainment of peace.
- It provides the resources needed to meet the Nation's commitments at home, with a new standard of fairness to the poor and sick.
- It accepts the principle that budget policy, together with monetary policy and the active cooperation of the private sector, must be used to help achieve full employment in peacetime with relative price stability.

This budget expresses our fiscal program for the New American Revolution—a peaceful revolution in which power will be turned back to the people—in which government at all levels will be refreshed, renewed, and made truly responsive. This can be a revolution as profound, as far reaching, as exciting, as that first revolution almost 200 years ago.



JANUARY 29, 1971.

INTRODUCTION

The 1972 budget is given an historic identity by its dramatic proposal for sharing revenues with State and local governments. It also contains recommendations for reform of the welfare system, the executive branch of the Government, and the American federal system.

The budget reflects other proposals of the President which, individually and collectively, have an important influence on the Nation's economic and social environment. It presents his recommendations for *individual programs* such as water pollution control, transportation, and health. It also contains estimates of what the programs will cost and how necessary revenues will be raised. At the same time, the *budget totals* are adapted to economic conditions in order to foster noninflationary economic growth and help secure a high level of employment.

Because it serves so many purposes, the budget is a complex and technical document. The Budget in Brief is therefore published each year to present the highlights of the budget in a nontechnical way. This year's *U.S. Budget in Brief* gives the major facts about the budget for 1972.

We hope that this booklet will promote greater understanding of the budget and that it will stimulate interest in the issues to be discussed during the next several months.

GEORGE P. SHULTZ,
Director, Office of Management and 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 most authority is voted each year, some 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 for loans made under programs classified 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 offsetting 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.

OFFSETTING RECEIPTS—Composed of (1) proprietary receipts from the public derived from Government activities of a business-type or market-oriented nature which are offset against related budget authority and outlays; and (2) intrabudgetary transactions between one Government agency or fund and another which are offset to avoid double counting.

UNDISTRIBUTED INTRAGOVERNMENTAL TRANSACTIONS—Composed of (1) payments to trust funds by Government agencies, as employer, for their employees' retirement; 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.

PART 1

BUDGET POLICY AND THE ECONOMY

In the 1971 budget, America's priorities were quietly but dramatically reordered: For the first time in 20 years, the money spent for human resource programs was greater than the money spent on defense.

In 1972, we will increase our spending for defense to carry out the Nation's strategy for peace. However, even with this increase, defense spending will drop from 36% of total spending in 1971 to 34% in 1972. Outlays for human resources programs, continuing to rise as a share of the total, will be 42% of total spending in 1972.

The 1972 budget has an historic identity of its own:

- *It provides a new balance of responsibility and power in America* by proposing the sharing of Federal revenues with States and communities—in a way that will both alleviate the paralyzing fiscal crisis of State and local governments and enable citizens to have more of a say in the decisions that directly affect their lives.
- *It introduces a new fairness in American life*, with the development by the Federal Government of national strategies to improve health care and to assure, with work incentives and requirements, an income floor for every family in this Nation.
- *It adopts the idea of a "full employment budget"*, in which spending does not exceed the revenues the economy could generate under the existing tax system at a time of full employment. The full employment budget is in the nature of a self-fulfilling prophecy: By operating as if we were at full employment, we will help to bring about that full employment.

In the 1972 budget, the Federal Government accepts responsibility for creating the climate that will lead to steady economic growth with improving productivity and job stability. However,

the objective of prosperity without inflation cannot be achieved by budget policy alone. It also requires the monetary policy of the independent Federal Reserve System to provide fully for the growing needs of the economy and the wage and price decisions of labor and business to be characterized by increased restraint. Only through a combination of fiscal policy, monetary policy, and private commonsense can orderly economic growth be achieved.

TOWARD A GROWING NONINFLATIONARY ECONOMY

Economic setting

Two years ago, inflation was the Nation's principal economic problem. Federal outlays were allowed to exceed full employment revenues by \$6 billion in 1966, \$10 billion in 1967, and \$25 billion in 1968. Expansive monetary policy in the summer of 1968 helped upset the hoped-for stabilizing impact of an income tax surcharge. The effect of these actions was to turn up the thermostat in an economy that was already hot enough.

In order to cool an overheated economy, Federal spending was controlled in 1969 and a budget surplus was achieved. Spending was restrained again in 1970. The Federal Reserve System maintained a restrictive monetary policy; the restraint increased in severity throughout calendar year 1969 and into early 1970.

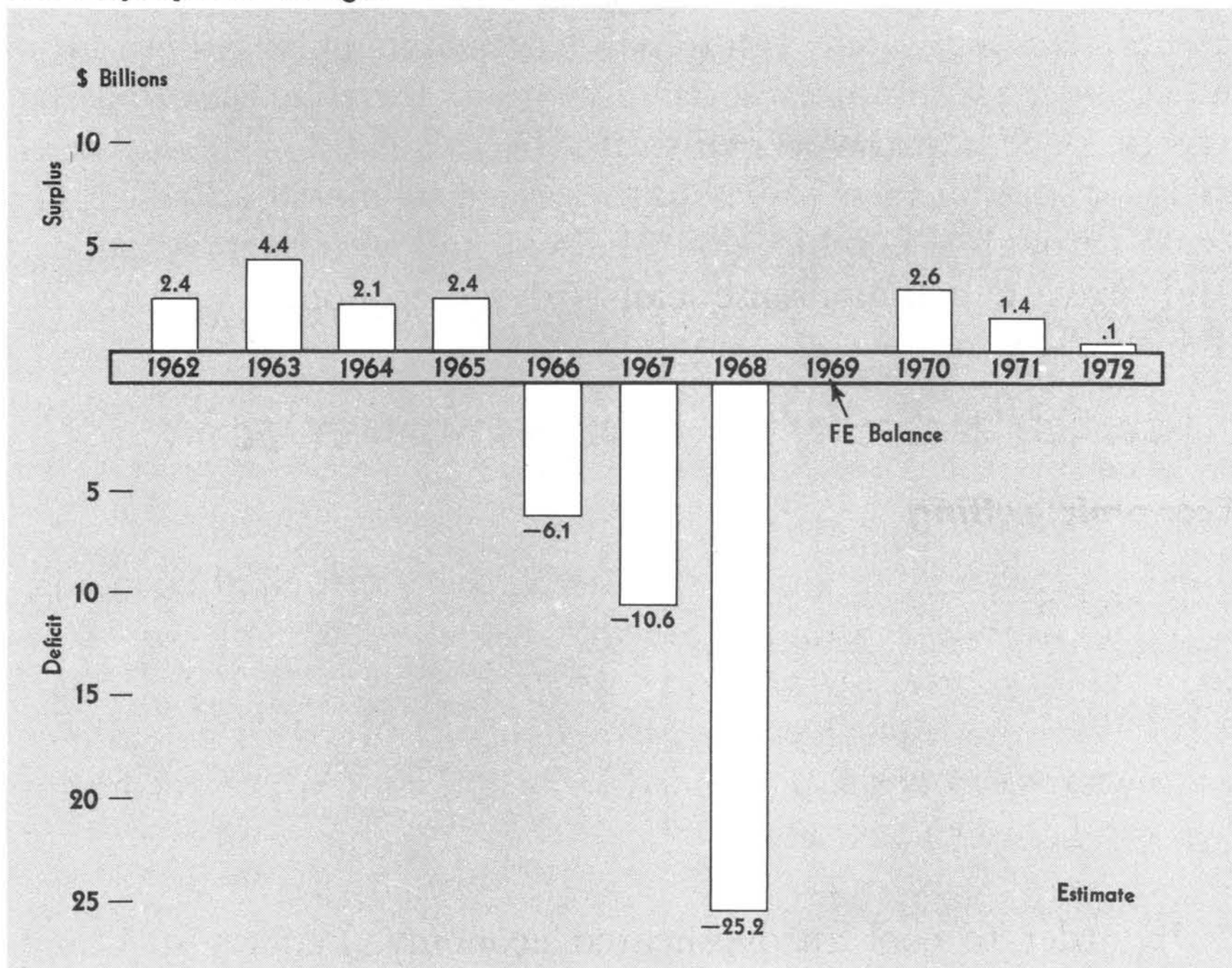
The forces of inflation have been durable and persistent—and they remain strong. But their momentum has been slowed. Excessive demand was eliminated as a source of inflationary pressure during calendar year 1969 and early 1970. The turnaround of this inflationary trend permits more expansive economic policies without losing ground in the battle against inflation.

Budget policy

In July 1970, the President set forth the budget policy of his administration:

“At times the economic situation permits—even calls for—a budget deficit. There is one basic guideline for the budget, however, which we should never violate: except in emergency conditions, expenditures must never be allowed to outrun the revenues that the tax system would produce at reasonably full employment. When the Federal Government's spending actions over an extended period push outlays sharply higher, increased tax rates or inflation inevitably follow.”

Full Employment Budget — Surplus or Deficit



The principle of holding outlays to revenues at full employment serves three necessary purposes:

- It imposes the discipline of an upper limit on outlays, a discipline that is essential because the upward pressures on outlays are relentless;
- It permits Federal tax and spending programs to be planned and conducted in an orderly manner consistent with steady growth in the economy's productive capacity; and
- It helps achieve economic stability by automatically imposing restraint during periods of boom and providing stimulus during periods of slack.

The budget policy of the administration is to keep firm control over Federal spending. The outlay total of \$229 billion in 1972 is the sum of spending for programs that were scrutinized carefully to make certain that they would be managed effectively and efficiently and that they would be essential to carry out present laws or to achieve desirable changes in our national priorities. If this careful scrutiny were not exercised, we would risk permitting outlays to build a momentum that would carry them beyond full employment receipts in the longer run and make

it very difficult to restrain spending in times when a deficit is undesirable.

SUMMARY OF THE 1972 BUDGET

The 1972 budget is consistent with the fiscal policy announced by the President 6 months ago. It is expansionary, but not inflationary.

THE BUDGET AT A GLANCE

[Fiscal years. In billions]

Description	1970 actual	1971 estimate	1972 estimate	
Budget receipts	\$193.7	\$194.2	\$217.6	
Budget outlays	196.6	212.8	229.2	
Actual deficit (—).....	—2.8	—18.6	—11.6	
Full employment surplus	2.6	1.4	0.1	
Budget authority	213.0	236.3	249.0	
Budget financing:				
Net borrowing from (or repayment of borrowing to) the public.....	3.8	17.6	10.6	
Other means of financing.....	—1.0	1.0	1.0	
Total budget financing	2.8	18.6	11.6	
	1969 actual			
Outstanding debt, end of year:				
Gross Federal debt.....	\$367.1	\$382.6	\$407.0	\$429.4
Debt held by the public.....	279.5	284.9	302.5	313.1

Budget receipts in 1972 are estimated to be \$217.6 billion, \$23.4 billion more than in 1971, but still below the \$229.3 billion of revenue that would be produced if the economy were operating at full employment throughout the year.

The 1972 estimate reflects a reduction in revenues of \$2.7 billion due to the new tax depreciation rules announced on January 11. These rules are part of our plan to expand the economy and help the Nation achieve full employment without inflation.

Budget outlays in 1972 are expected to be \$229 billion, an increase of \$16 billion over the previous year.

The increase in outlays will help move the economy toward higher employment and production. At the same time, outlays are being held to full employment receipts.

Budget authority—the right to make commitments to spend—of \$249 billion is being requested in 1972. Over \$170 billion of this total will require new action on the part of the Congress.

BUDGET RECEIPTS

The basic economic assumptions underlying the estimates of receipts in fiscal years 1971 and 1972 are summarized in the following table:

ECONOMIC ASSUMPTIONS

[Calendar years. In billions]

Description	1969 actual	1970 preliminary	1971 estimate
Gross national product.....	\$931	\$977	\$1,065
Personal income.....	749	801	868
Corporate profits before tax.....	91	92	98

The Federal tax system relies predominantly on *income* taxes. Individual income tax receipts in 1972 are estimated to rise by \$5.4 billion, while corporate income tax receipts are up by \$6.6 billion. Individual income taxes are less than they would otherwise be because of the forthcoming increase (Jan. 1, 1972) in the personal exemption and in the minimum and standard deductions. Corporate receipts, on the other hand, are reduced by the recent administrative action allowing accelerated writeoff of business depreciation costs, an action designed to stimulate business activity to increase employment.

Social insurance taxes and contributions represent 26% of total estimated budget receipts in 1972. This category includes payroll taxes to finance social security and hospital insurance; unemployment insurance taxes; premiums for supplementary medical insurance; contributions to the railroad retirement system; and civil service retirement contributions by Federal employees. An increase of \$8.6 billion is estimated for social insurance receipts in 1972. This increase reflects proposed legislation to increase the present taxable earnings base from \$7,800 to \$9,000, effective January 1, 1971.

Excise taxes, levied on a variety of manufactured products, activities and services, are expected to provide 8% of total budget receipts in 1972. The recently enacted extension of current excise tax rates on automobiles and on telephone services to December 31, 1973 will provide \$1.9 billion in excise tax

collections in 1972 that would not have been forthcoming had scheduled rate reductions taken place. Additional receipts in 1971 and 1972 result from legislation enacted in the last session of Congress covering part of the costs of the planned major expansion of the national airways system and the airport development program.

All other receipts, including estate and gift taxes, customs duties, and miscellaneous receipts, will amount to 5% of the total receipts in 1972.

BUDGET RECEIPTS

[Fiscal years. In billions]

Source	1970 actual	1971 estimate	1972 estimate
Individual income taxes.....	\$90.4	\$88.3	\$93.7
Corporation income taxes.....	32.8	30.1	36.7
Social insurance taxes and contributions.....	45.3	49.0	57.6
Excise taxes.....	15.7	16.8	17.5
All other receipts.....	9.5	10.0	12.1
Total budget receipts.....	193.7	194.2	217.6
Under existing law.....	193.7	194.1	214.8
Under proposed legislation.....	.....	0.1	2.8

*Less than \$50 million.

REVENUE SHARING: RETURNING POWER TO PEOPLE

During the 1960's, more governmental initiative and power shifted to Washington and away from elected officials in State and local governments. Toward the end of the decade it became apparent that, despite new programs and massive Federal expenditures, government at all levels was not working well.

When this administration took office, the President directed that an intensive review of our governmental system be made. It was found that State and local governments were breaking down under an incredible fiscal burden.

The financial squeeze on State and local governments shows no sign of becoming less painful. These governments rely mainly on receipts from consumer and property taxes which have not grown nearly as fast as the demand for State and local government services. As a result, combined State and local debt has increased by over 600% since 1948.

The Federal Government helped meet some of this demand by increasing its financial aid, largely through grant programs, which now account for 18% of State and local revenues.

The results of grant programs have occasionally been impressive. But the grant structure has become a haphazard collection of hundreds of separate programs, each with its own policies, its own requirements and procedures, and its own funding.

Such a complicated method of providing Federal assistance is not only inefficient, but it:

- *restricts the freedom* of State and local governments to spend funds in accordance with their priorities;
- *is unresponsive* to the needs of specific local situations because the funds are distributed and regulated by guidelines that do not—perhaps cannot—sufficiently take account of differences among local communities but do cause major delays in decisions; and
- *separates resources and responsibility*, because State and local governments have the responsibility for providing services, but all too often lack the necessary funds or sufficient discretion in their use.

More of the power—and the responsibility—for using federally collected funds must be given to elected officials in these governments.

Local freedom of action.—The President is proposing a revenue sharing plan to give State and local governments the money they need to deliver those services that can best be performed by government closest to the people.

In the first full year of the plan, \$16 billion will be directed to the States, with a passthrough to localities. Of this amount, \$5 billion will be in the form of *general revenue sharing*, without restrictions. This will all be “new” money, without matching requirements, and with the decision on how it is to be used exclusively a State and local matter. The new funds will grow in years to come because they will be tied to the Federal personal income tax base. As that tax base expands more unrestricted money will flow to States and localities.

The remaining \$11 billion will be in the form of *special revenue sharing* for six broad subject areas: urban community development, rural community development, education, manpower training, law enforcement, and transportation. The change from categorical grants to the six broad areas will be accompanied by an *increase* of \$709 million in the amounts budgeted for 1972 for Federal aid to States and localities.

The hobbling restrictions now on much of this Federal aid would be removed, along with the matching requirements that presently force localities to spend their own money on low-priority projects for fear of "losing" available Federal aid. States and localities would have far greater freedom of action in deciding how money is to be spent within each of the six areas. For example, although the Federal Government would designate the total amount of special revenue sharing for education, the State or local area would decide how much is to be spent on new textbooks, new schools, equipment, or other educational matters.

Of course, revenue sharing will not be the vehicle for any weakening in governmental responsibilities to insure equal treatment and opportunities for all. The President's revenue sharing plan includes the safeguards against discrimination which now accompany all other Federal funds allocated to the States.

Provision must be made at the outset of this freedom of action plan both for growing State and local needs, and growing State and local capacity to manage their affairs.

To help State and local governments build greater capacity to plan and manage their own affairs, the President is proposing a \$100 million planning-management assistance plan which will help State and local units make their own long-range plans and enhance their capability for the efficient use of their growing revenues.

In essence, this is what revenue sharing will do:

- for the *individual taxpayer*, it will provide a stronger voice in how his tax money is spent locally, new confidence in government that comes from more "citizen control," and the hope that, in some States and localities, taxes may be reduced, or that the rising cost of government can be met without raising taxes;
- for *State and local governments*, it will not only meet the current financial crisis, but will also wipe out rigidities and delays in Federal aid and build their capacity to respond to local needs;
- for *the federal system*, it will provide new strength by assigning services to the level of government best equipped to perform them; and
- for *all people*, it will provide a means of encouraging local diversity and experimentation within the framework of our great national purposes.

This giant step of revenue sharing is central to the President's philosophy of giving people the opportunity to become more involved in the decisions that affect their lives. The magnitude of the problem calls for this kind of bold move; by acting decisively and without delay, we will strengthen our federal system and respond better to the needs of our people.

Welfare reform.—One of the first steps in the review of the federal system was to sort out those activities that are appropriate for the Federal Government from those that are best performed at the State and local level or in the private sector. It was decided early that one primary Federal responsibility was to provide an income floor for every American family.

Last year, with the knowledge that the existing welfare system was archaic and demeaning and imposed a growing financial burden on States, the President proposed a major overhaul. A landmark plan that would have accomplished this was approved by the House but did not come to a vote in the Senate.

Since the urgency of welfare reform continues to grow, the President has again proposed early enactment of the Welfare Reform Act of 1971 by the 92d Congress.

This plan would remove the principal evils of the existing system by:

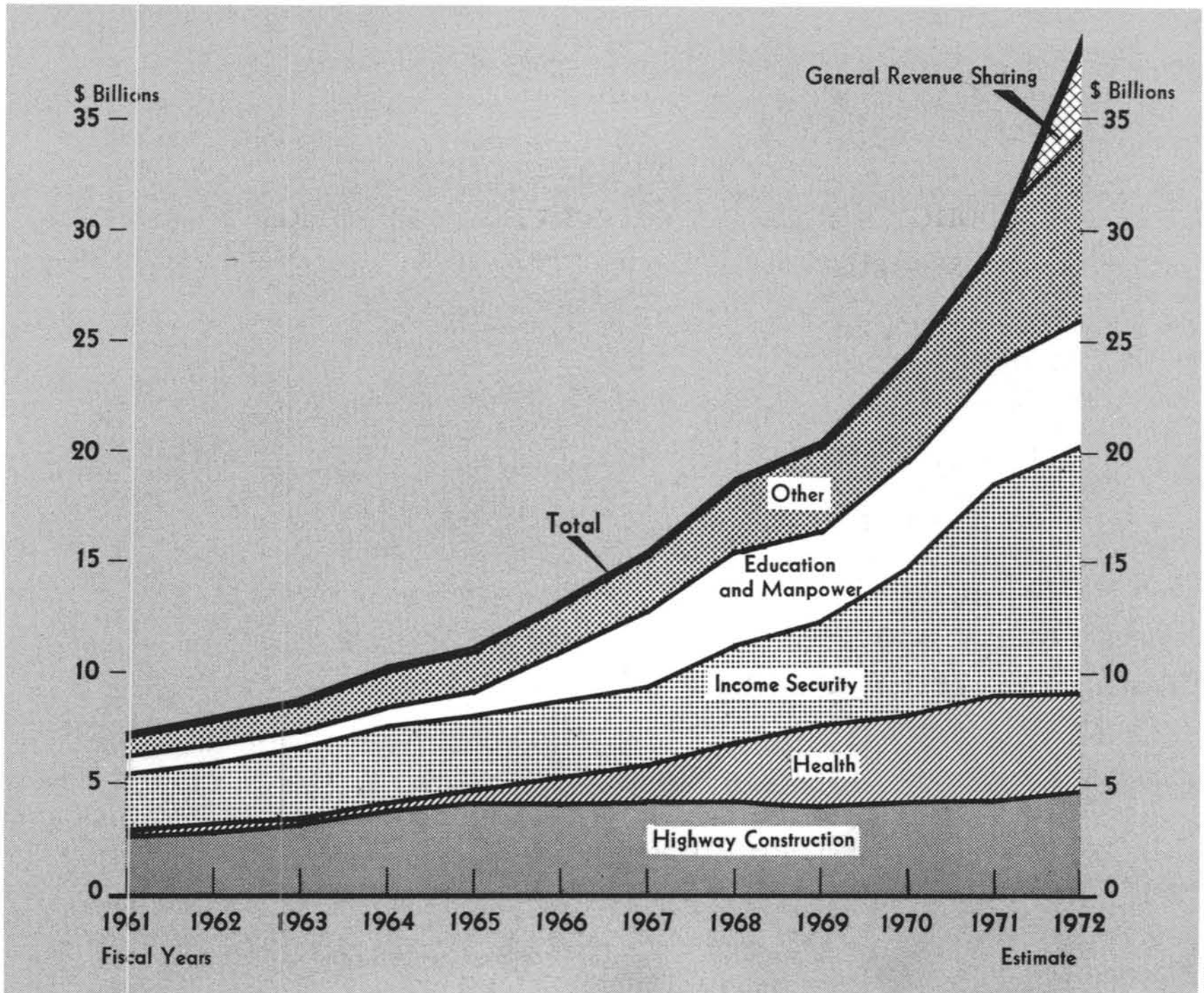
- setting national eligibility standards;
- balancing strong training and work requirements with equally strong training and work incentives;
- giving financial relief to the States; and
- establishing a Federal floor under benefit payments for *all* families with children, including for the first time, those with working fathers.

By building a floor under the income of every family in America with Federal funds, we provide each dependent family a new dignity; we help State and local governments finance what is now their fastest growing expenditure; and we remove one magnet that has already drawn too many persons to our congested cities.

In government operations, form should follow function. Just as revenue sharing decentralizes power to meet one need, welfare reform sets a basic national standard to meet a different need. The decision to centralize or decentralize should be based on which method best serves the well-being of 206 million Americans.

Revenue sharing and welfare reform are of a piece: The level of government best equipped to respond should respond in a way that raises standards and contributes to the sum of personal freedom and human dignity.

Federal Aid to State and Local Governments



RESTORING CONFIDENCE IN GOVERNMENT

In seeking ways to reform the federal system, particular attention has been paid to the ability of the executive branch of the Federal Government to produce the results intended by the Congress and the President.

In 1972, the Federal Government will employ almost 2,900,000 civilians, operate thousands of separate programs, and spend \$229 billion. Through its tax laws, credit activities, and grant programs and in other ways, the Government affects millions of people and influences the disposition of many more billions of dollars than it controls directly.

Toward the end of the sixties, there was mounting evidence that our Government was so complex, clumsy, and unresponsive,

that it was becoming unable to meet the needs and priorities of the people or to use efficiently the funds entrusted to it.

Actions have already been taken to improve the organization and management of the Federal Government, and thereby, make it more efficient and responsive.

But more must be done. The Federal Government is not organized properly to deal with the Nation's most significant problems in the domestic area. Programs that should be joined together to achieve common goals are fragmented among different departments and agencies, impairing the capacity of Government to respond effectively to urgent national needs. Modernization of that structure will restore vigor to our federal system, permitting a constructive partnership among Federal, State, and local governments.

In the next few months, the President will propose sweeping legislation to help achieve these goals by merging seven existing departments and several independent agencies into four departments:

- a Department of Natural Resources,
- a Department of Human Resources,
- a Department of Community Development, and
- a Department of Economic Development.

These new departments will match the domestic programs of the Federal Government with the objectives each is intended to fulfill:

- the balanced and constructive use and conservation of the land and other natural resources of the Nation;
- the development and well-being of individuals and families;
- the quality of urban and rural communities as places for people to work and live;
- the maintenance and strengthening of the American economy.

To continue the modernization of the Federal Government, the President will also seek an extension of his reorganization authority and expand current efforts to shift operating responsibility for Federal programs out of Washington and closer to the people these programs are designed to serve.

To fulfill its responsibilities, the Federal Government must attract, develop, and retain capable career executives. We must have a more effective manpower planning and utilization sys-

tem. The President will propose legislation to establish a Federal Executive Service which will permit:

- more effective career executive search;
- flexibility in the allocation and assignment of available talent; and
- strengthened executive development programs and policies.

By improving the organization and management of Government, we will make it more responsive to the needs of the people and the new priorities of the Nation.

PART 2

THE REVENUE SHARING PLAN

The revenue sharing plan being proposed by the President is the cornerstone of his belief that we must restructure the American federal system. It is the most far-reaching plan for that purpose proposed in the last 30 years. It will assign both revenues and management discretion to those levels of government closest to the problems. It will alleviate the fiscal problems of State and local governments by providing additional unrestricted revenues through *general* revenue sharing and by eliminating the present matching requirements of the categorical grants being absorbed into *special* revenue sharing. In short, it will make State and local elected officials responsible for and capable of dealing with the problems which are of peculiar concern to those who elect them.

For some time, State and local expenditures have increased faster than their tax revenues. From 1948 to 1969, for example, total State and local expenditures increased from \$21 billion to \$119 billion. Total tax revenues rose from \$20 billion to \$98 billion. The property and consumer taxes on which these governments primarily rely generate revenues that do not grow as fast as the economy. Substantial increases in tax rates have therefore been necessary to raise needed revenues. Despite these increases, State and local government debt has also risen rapidly during this period—from \$19 billion to \$135 billion, an increase of over 600%. In 1970, States and localities face a revenue gap of \$10 billion, despite more than 450 tax increases which have been adopted in the past dozen years.

The Federal Government has responded to the fiscal problems of the State and local governments with a massive increase in Federal aid from \$2 billion in 1948 to over \$24 billion in 1970, mainly in the form of specifically targeted grants. However, it is now evident that assistance in the form of categorical grants, even of great magnitude, has not removed State and local fiscal problems.

This form of assistance has had other profound effects on the nature of government at all levels. One unfortunate result is the proliferation of narrow, overlapping programs. Other results are program delay and uncertainty, restrictions on the authority and responsibility of Governors and mayors, and the creation of nearly autonomous functional bureaucracies at each level of government. Some Federal grant programs, although addressed to problems of national interest, have had the effect of undermining the ability of State and local governments to deal with problems of local concern by distorting their allocation of funds through matching requirements.

Reform through revenue sharing.—Revenue sharing is being proposed both as a fiscal aid to the States and as a means of making State and local governments responsive to State and local needs. It indicates in a clear way the administration's commitment to unwinding the tangle of Federal program regulations and specifications. This commitment carries with it the acceptance of certain fundamental approaches to governmental responsibilities in the United States:

1. *Revenue sharing reflects a search for the responsible allocation of governmental functions.* There is no immutable law that the distribution of governmental responsibilities in our federal system will or should always remain as they are today. The administration seeks to sort out those responsibilities that are best handled at the national level and those where State and local governments must bear the major share of responsibility.

2. *Revenue sharing will help build the capacity for better program performance.* Increased Federal aid, with sharply diminished federally imposed restrictions and categories, should enable responsible State and local officials to do a far better job.

3. *Revenue sharing gives meaning to the idea of "fiscal responsibility" by relieving mounting fiscal pressure on State and local governments.* The reasons these pressures have become so severe are well known and have been referred to above. They must be removed if the federal system is to operate effectively.

4. *Revenue sharing will enhance the quality of life, now and in the future.* Ultimately, reform in government comes down to a basic issue—the quality of American life. Nothing less than the ability of government to meet essential needs is at stake.

The President's proposal.—In recognition of the problems and in acceptance of the fundamental responsibilities enumerated above, the President's proposal would provide for:

- sharing a portion of Federal revenues with State and local governments without any restrictions, and this portion would grow each year as the Federal personal income tax base grows;
- sharing additional Federal revenues for use by State and local governments in special broadly defined areas of national concern, without any requirement of matching funds; and
- maintaining only those existing grant programs for which there is a clear, continuing national requirement.

At the same time, in order to increase the capacity of State and local governments to manage their own affairs and put the flexible funds provided under revenue sharing to effective use, the President is proposing a substantial reorientation and enlargement of the existing comprehensive planning program. The budget provides for a \$100 million planning-management program, making the funds available to State and local government units to upgrade and expand their administrative abilities as they think most necessary.

It is contemplated that the general, unrestricted, revenue sharing portion of the new plan would become effective on October 1, 1971; the remainder would go into effect by January 1, 1972. On a *first full-year basis*, appropriations and other budget authority totaling \$16 billion would be devoted to the new revenue sharing system:

- Five billion dollars for general revenue sharing, which would be paid in equal quarterly installments to State and local governments starting in the third quarter of this calendar year; and
- Eleven billion dollars for special revenue sharing grants for State and local governments in these functional areas: transportation, education, community development, manpower training, and law enforcement.

The general revenue sharing funds would be distributed mainly on the basis of the population of each State, with an equitable "pass-through" to local jurisdictions.

The resources for the new revenue sharing plan would come from revenues generated from the Federal personal income tax

base and from the conversion of a set of narrower categorical grants into the new program. For 1972, the budget includes specific proposals totaling \$10.4 billion of budget authority (and corresponding outlays of \$9.5 billion) for the grants to be converted to special revenue sharing. Thus, an additional \$0.7 billion is being proposed for the first full-year's budget authority of the special revenue sharing grants. The outlay effect of this addition is estimated at \$0.5 billion.

Since the entire plan is proposed to be in effect by January 1, 1972, its impact on the 1972 budget totals can be summarized as follows:

[In millions]

	Budget authority	Outlays
General revenue sharing:		
First full year.....	5,000	5,000
Fiscal year 1972.....	3,750	3,750
Special revenue sharing:		
First full year.....	11,086	10,152
Specific amounts in 1972 budget for grants to be converted...	10,377	9,611
Additional amounts to be proposed, full-year basis.....	709	541
Fiscal year 1972 requirement (approximately 50% of preceding line).....	356	269
Allowance in 1972 budget for additional revenue sharing from above:		
General.....	3,750	3,750
Special.....	356	269
Total.....	4,106	4,019

These total amounts are the additional entries included in the various summary tables of the budget to conform the budget details to the total revenue sharing plan.

The table below summarizes the special revenue sharing categories. Characteristically, the programs recommended for conversion to special revenue sharing programs are those which deal with State or local problems and generate State or local benefits. Eliminating Federal administration of these programs will relieve State and local governments of the burden of preparing detailed grant proposals required under present law, and it should ultimately result in significant reductions in costs at all levels of government. Decisions concerning these programs should be made at the State or local level.

It should be remembered that in addition to all of the following special revenue sharing programs, the President's proposal calls for \$5 billion to be distributed to the States in the first full year as general revenue sharing without restrictions.

THE REVENUE SHARING PROGRAM, FULL YEAR BASIS

[In millions]

Description	Budget authority	Outlays
General revenue sharing.....	\$5, 000	\$5, 000
Special revenue sharing:		
Urban community development.....	2, 020	2, 106
Rural community development.....	1, 000	975
Elementary and secondary education.....	3, 000	3, 000
Manpower training.....	2, 000	1, 750
Law enforcement.....	500	409
Transportation.....	2, 566	1, 912
Total.....	16, 086	15, 152

PART 3

PERSPECTIVES ON THE BUDGET

This section discusses some special aspects of the budget that are not elaborated in Part 1: the long-range budget outlook, selected reforms and economies in the budget, and Federal employment.

THE LONGER VIEW

Decisions concerning the Federal budget must be made with an awareness of their influence on the economy and on resource allocation in the present and in the future.

Too often in the past, consideration focused only on Federal spending and on immediate issues, rather than on national spending and long-term goals.

A simple fact was often ignored: When the priority of a program is increased, the relative priority assigned to others must be reduced. In short, the sum of the resources allocated to various functions—such as health, education, defense—cannot exceed the total resources that we command.

Resources available to the Nation in the future are likely to grow more rapidly than expenditures required by existing commitments. Thus, a resource margin is created. But the freedom to use this resource margin shrinks with each passing year as additional financial or program commitments are made. As budgetary choices are made this year, the use of future available resources will be determined.

The questions that the Nation must answer—either explicitly or by default—are:

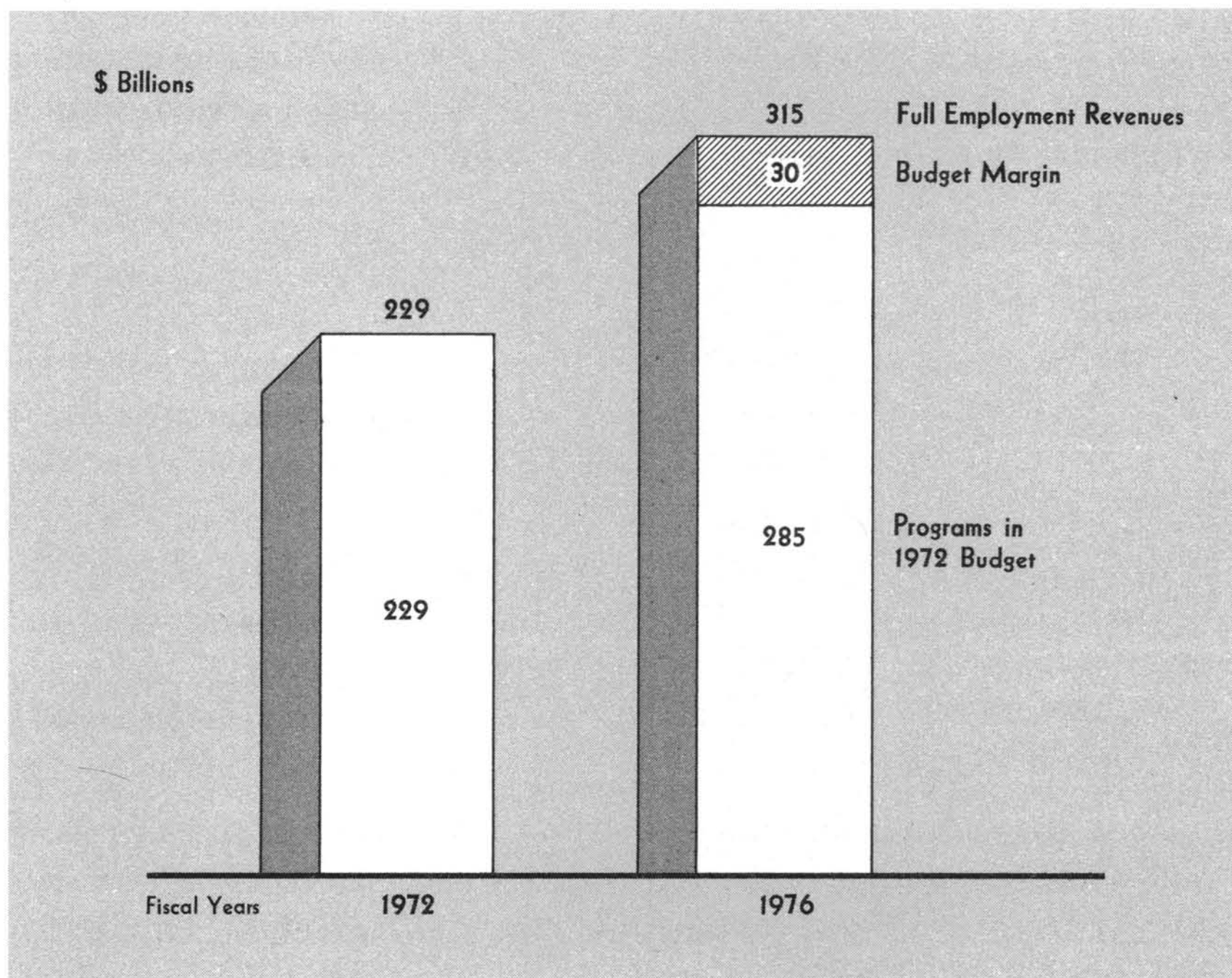
- Shall the available margin of uncommitted resources be increased by ending some existing commitments?
- Who shall receive the margin—the Federal Government, State and local governments, or private citizens?
- How shall this margin be used?

The answers to these questions will be the concrete response to another question: What are our national priorities? The President's preferences are clear:

“One great objective of my administration is to increase the role of private citizens and State and local governments in allocating our national resources in accordance with individual and local needs. Another great objective is to set minimum standards to make certain that every American family in every locality is treated with a fairness that reflects the national conscience.”

The fiscal outlook.—The chart below shows projected full employment revenues, outlays, and the budget margin. The budget margin refers to those funds available for new programs, tax reduction, or debt reduction between 1972 and 1976. The 1976 budget is \$56 billion above the 1972 level of \$229 billion. Full employment receipts are expected to grow by \$86 billion over \$229 billion for 1972.

Projected Resources



The budget margin is the potential Federal surplus, assuming current and proposed tax legislation and no new Federal initiatives beyond those contained in this budget.

In the 1971 budget, the margin remaining for 1975 was projected at \$22 billion. During the ensuing year, many things have taken place to alter that projection. Additional inflation in-

creased both projected revenues and outlays. Congress has passed some legislation that the President did not request and has not acted on some that he did propose. Additional initiatives are proposed in this budget. All the changes, taken together, reduce the \$22 billion margin to \$12 billion. The margin projected for 1976 is \$30 billion.

Between 1972 and 1976, gross national product is expected to rise by some \$400 billion, to \$1.5 trillion. As a result, estimated full employment Federal receipts will increase by \$86 billion between 1972 and 1976.

Budget outlays are expected to rise as a result of population growth and increases in costs, such as pay raises for Government workers. Outlays for programs such as social security and veterans compensation and pensions will rise with the growing numbers of eligible beneficiaries and changes in the cost of living.

Resource allocation.—In order to examine the allocation of this possible \$30 billion budget margin, GNP has been divided into eight functional categories. The allocation for calendar years 1955 and 1969 and projection for 1975 are shown in the table below.

ACTUAL AND PROJECTED PUBLIC AND DIRECT FEDERAL EXPENDITURES AS A SHARE OF GNP BY FUNCTION

[Calendar years]

Function	Total economy ¹			Public as percent of GNP ²			Federal as percent of GNP ³		
	1955	1969	1975*	1955	1969	1975*	1955	1969	1975*
Health	4.1	6.4	7.4	1.1	2.6	3.0	0.3	1.5	1.8
General government.	2.0	3.1	3.7	2.0	3.1	3.7	0.5	0.7	0.9
Housing investment.	5.9	3.7	4.6	0.0	0.2	0.3	0.0	0.2	0.3
Business investment..	11.6	11.8	12.1	0.0	0.0	0.0	0.0	0.0	0.0
Education	3.7	6.3	6.5	3.3	5.5	5.5	0.4	0.7	0.7
Basic necessities	45.7	41.6	40.7	4.5	6.6	7.9	3.6	5.5	6.7
Transportation	10.6	10.0	9.5	1.7	2.0	1.9	0.3	0.6	0.6
All other	16.4	17.1	13.9	10.6	9.6	6.0	10.5	9.4	5.8
Unallocated margin.									
GNP (resource margin)			1.2						
General revenue sharing			0.4			0.4			0.4
Government subsidies and interest payments				1.3	1.5	1.1	1.6	1.9	1.4
Total	100.0	100.0	100.0	24.5	31.1	29.8	17.1	20.5	18.6

*Projected.

¹ Total final expenditures for each function as percent of GNP.

² Federal, State and local purchases and transfers for each function as percent of GNP.

³ Federal purchases, transfers, and grants, as percent of GNP.

The projections suggest that the Federal Government is likely to be exercising less direct influence on the economy in calendar 1975 than it does today. By then, the Federal Government will be transferring a larger share of its budget to individuals or granting it to State and local governments than it does today (53% in 1976 versus 48% in 1972). Resource allocation among functional categories will also change. The projections indicate that the percent of resources allocated to general government, housing investment, health, and basic necessities will increase.

Conclusions.—Two conclusions emerge from these long-range projections. First, the “built ins” in the budget and in the economy severely limit the initiatives that can be made, even over a period as long as 5 years. Less than 10% of the receipts that our current tax system is expected to produce in 1976 will be available for all the new programs to be introduced between now and then. Similarly, little more than 1% of calendar 1975’s economic resources will be available for new priorities. The budget margin is indeed a slender reserve. If Federal programs of only \$3 billion were to be initiated each year between 1973 and 1976, there will be no margin in 1976. This is why it is so important to reform and revitalize our current systems and make more efficient use of resources already dedicated to specified ends.

The second conclusion that emerges is: our economy is so large and growing so rapidly that these relatively small percentages will represent rather large absolute amounts in 1976.

Ours is not a planned economy and we do not wish it to be. Yet we cannot ignore the influence of the budget on the allocation of resources. To do so is to take the chance that Federal Government spending will preempt resources that could be better used by private citizens or State and local governments.

SELECTED ECONOMIES IN THE 1972 BUDGET

The changing pattern of national needs sometimes renders Government programs obsolete. Some Federal programs should never have been started in the first place. All too often, however, *all* Federal activities continue unless vigorous efforts are made to curtail them.

There are other programs which, while not obsolete, have declined in importance relative to the conditions and priorities of today’s world. These must be carefully scrutinized and adjusted each year to obtain the most efficient and effective use of Federal resources. Operations designed to attack the problems

of the 1950's or 1960's can be expected to lose relevance as we move into the 1970's.

The 1972 budget incorporates the results of a diligent search to uncover inefficient, obsolete, or lower priority programs. Termination, reduction, or reform of such programs are being proposed, with estimated savings in outlays in 1972 of \$2.9 billion. On a full-year basis, and taking into account savings of a nonrecurring nature, these proposals would yield \$3.7 billion.

One major group of these proposals requires the enactment or amendment of substantive legislation. If the necessary legislation is enacted, the total 1972 outlay savings would be \$1.9 billion. The largest item in this group is the sale of additional stockpile materials. Reforms in the Medicare and Medicaid programs would also provide significant savings, as would the conversion of farm operating loans into an insured loan program.

Another group of proposals does not require substantive legislation, but could be accomplished through a combination of administrative and appropriation action. Implementation of these proposals would result in 1972 outlay savings of \$1 billion. Included are the termination and reduction of certain projects in both the Atomic Energy Commission and the National Aeronautics and Space Administration; and elimination of the special milk program of the Department of Agriculture, which is not focused on the needy.

The savings from a number of other proposals have not been reflected in the 1972 budget totals. Nonetheless, the administration urges their approval with the same vigor as its other recommendations. Examples include the payment of duplicate burial benefits for deceased veterans and the sale of the Alaska Railroad. Some of these actions have been repeatedly recommended to the Congress, but without success. An additional \$400 million saving in 1972 outlays could be realized from enactment of these proposals.

There are additional programs not reflected in the above figures that are being recommended for restructuring into the new revenue sharing proposals. Further details are given in Part 2.

FEDERAL CIVILIAN EMPLOYMENT

By the end of 1972, the Federal Government will employ an estimated 2.6 million persons in full-time, permanent positions;

if part-time and temporary workers are added, total Federal civilian employment will be just under 2.9 million.

Employment is expected to increase to support growing workloads in selected areas, for example: environmental protection, air safety and traffic control (including "sky marshals") veterans medical services, postal service, reduction of crime, tax audits, and narcotics control. Decreases in Defense Department employment plus cuts in the space program and reform of the international aid program enable the Federal Government to add employees in high priority domestic areas with only a modest net increase in the total number of employees. (See table on page 66.)

About 41% of all Federal civilian personnel work is in one agency, the Department of Defense—many of them in industrial-type jobs. The Postal Service employs 23% of the total, and 6% work for the Veterans Administration. Together, these three agencies employ 70% of all full-time, permanent Federal civilian workers.

Geographically, Federal employees are distributed throughout the country; some 82% work in various States. About 11% work in the National Capital area, and the remaining 7% are employed overseas in foreign countries or in U.S. territories and possessions.

Federal civilian employment at the end of 1970 accounted for 22.5% of the 12.8 million Federal, State, and local governmental employees—a proportion which has been steadily decreasing for 18 years.

PART 4

THE BUDGET PROGRAM BY FUNCTION

The outlays of the Federal Government are grouped into 13 functional categories according to the general purpose served, regardless of the administering agency. This section describes the trends and anticipated developments in the major programs under each of these functions.

In addition to the outlays estimated in the functional categories, the budget includes several lump-sum allowances.

- \$4.0 billion for the proposed general and special revenue sharing programs (this is over and above the \$9.5 billion included in the functional totals for grant programs to be converted to special revenue sharing) ;
- \$1.0 billion for pay raises for civilian agencies (the national defense total includes a comparable allowance of \$2.4 billion for mili-

tary and civilian pay raises in the Defense Department) ; and

- \$1.0 billion for unforeseen contingencies and for programs on which detailed proposals have not yet been completely formulated.

Budget *totals* do not include the contributions the Government makes, as an employer, to retirement trust funds for Federal employees and interest received by trust funds on their investments in Federal debt securities. These amounts are included in each function and then deducted as lump sums to avoid double counting. The transactions occur solely within the Government accounts, and do not result in any flow of funds to or from the public. Since the same adjustments are made on the receipts side of the budget, the budget surplus or deficit is not affected.

CHANGING COMPOSITION OF THE BUDGET

[Dollars in billions]

Function	Percent of total budget							Outlays 1972
	1945	1950	1955	1960	1965	1970	1972	
National defense.....	85.7	30.4	58.7	49.8	41.9	40.8	33.8	\$77.5
International affairs and finance.....	3.5	11.1	3.0	3.3	3.7	1.8	1.8	4.0
Space research and technology.....	*	.1	.1	.4	4.3	1.9	1.4	3.2
Agriculture and rural development.....	1.7	6.5	5.9	3.6	4.1	3.2	2.5	5.8
Natural resources.....	.3	2.9	.7	1.1	1.7	1.3	1.9	4.2
Commerce and transportation.....	4.4	3.9	1.6	5.2	6.2	4.7	4.8	10.9
Community development and housing.....	-.2	.6	*	1.1	.2	1.6	2.0	4.5
Education and manpower.....	.2	.5	.8	1.1	1.9	3.7	3.8	8.8
Health.....	.2	.6	.4	.8	1.5	6.6	7.0	16.0
Income security.....	1.2	10.9	13.3	19.7	21.7	22.3	26.5	60.7
Veterans benefits and services.....	1.2	20.5	6.6	5.9	4.8	4.4	4.6	10.6
General government.....	.8	2.7	1.7	1.4	1.9	1.7	2.2	5.0
Interest.....	3.7	13.3	8.8	9.0	8.7	9.3	8.6	19.7
Allowances.....							2.6	6.0
Undistributed deductions.....	-2.8	-3.9	-1.8	-2.5	-2.6	-3.2	-3.4	-7.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	229.2

*Less than 0.05%.

NATIONAL DEFENSE

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Department of Defense—Military:			
Military personnel.....	\$23,031	\$21,698	\$20,105
Retired military personnel.....	2,849	3,394	3,744
Operation and maintenance.....	21,609	20,380	20,234
Procurement.....	21,584	18,448	17,936
Research, development, test, and evaluation.....	7,166	7,281	7,504
Military construction and other.....	1,059	1,407	2,019
Allowances.....	.....	945	3,580
Deductions for offsetting receipts.....	-148	-183	-147
Subtotal, military ¹	77,150	73,370	74,975
Military assistance ²	731	1,130	1,025
Atomic energy ¹	2,453	2,275	2,318
Defense-related activities.....	79	-54	92
Deductions for offsetting receipts ³	-118	-278	-898
Total	80,295	76,443	77,512

¹ Entries net of offsetting receipts.

² Excludes support to other nations funded directly by the Department of Defense.

³ Excludes offsetting receipts deducted by subfunction above: 1970, \$979 million; 1971, \$1,193 million; 1972, \$1,113 million.

The defense programs recommended in this budget are necessary to provide the strength needed for our security. From our position of strength we seek meaningful negotiations for peace and a reduction or limitation of military forces. It is essential to our policies and to the effectiveness and readiness of our military forces that budget authority and outlays for national defense programs increase.

Our strategic forces are the cornerstone of the free world's deterrent against nuclear attack and must always be sufficient for this crucial role. We seek a negotiated limit or reduction of strategic nuclear forces in the SALT talks. In the absence of such an agreement, and in the face of a formidable Soviet threat, we must proceed with planned improvements.

Our general purpose forces, together with those of our allies, must be adequate to counter a ma-

yor Warsaw pact attack in Europe or a Chinese attack in Asia, to assist our allies against lesser threats in Asia and simultaneously to contend with a minor contingency anywhere.

Funds in this budget will assist our allies and friends assume a greater share of their own defense. The general purpose forces will be kept modern, fully ready and trained to meet a range of contingencies.

This strategy is already meeting its first tests. By May 1971, authorized troop ceilings in Vietnam will be approximately half the strength approved when this administration took office. Reductions in approved force levels have also been possible in Thailand, Korea, Japan, Okinawa, and the Philippines.

National defense outlays will increase by \$1.1 billion over 1971, to \$77.5 billion. This increase primarily reflects a rise in outlays for

military functions and the military assistance program to provide for:

- a high level of readiness and increased modernization for the general purpose forces;
- a high level of military assistance;
- a more effective research and development effort; and
- progress toward an all-volunteer armed force.

Atomic Energy Commission outlays are estimated to increase \$43 million, to \$2.3 billion in 1972. These increases will be partially offset by sales of \$920 million from the stockpile of strategic materials.

Department of Defense—Military

This Nation's ability to pay the full cost of an adequate military program has never been questioned. Outlays for the military and military assistance programs will rise. Despite this increase the resources required for our military programs will continue to decline as a percent of Gross National Product (GNP).

Strategic forces.—The function of the strategic forces is to deter nuclear attack or to retaliate decisively should this fail. This capability is assured by three major strategic systems—intercontinental ballistic missiles (ICBM's), submarine-launched ballistic missiles (SLBM's), and bombers—each able to survive a first strike and inflict unacceptable damage upon any aggressor. This budget provides funds to: (1) Continue converting our intercontinental and submarine-launched missile forces to more effective systems; (2) a phased minimum deployment of the Safeguard ABM system; (3) proceed with orderly development of a new manned strategic aircraft; and (4)

continue development of an advanced ballistic missile submarine system.

General purpose forces.—Our general purpose forces, and those of our allies, must be adequate to meet a variety of nuclear and conventional war situations below the level of strategic nuclear exchange. We expect our allies to do more in their own behalf, as many are planning to do; but we must also do our share. We have a vital interest in peace and stability abroad and plan to maintain the capabilities to protect these interests. Withdrawals from Vietnam and the change in our force planning and strategy permit a smaller force structure than in the past. At the same time, Vietnam has limited our ability to meet some military needs elsewhere, particularly in NATO. Military forces must be combat ready and properly equipped to fulfill their role in our strategy for peace.

Land forces will be increasingly tailored to meet a range of contingencies. Armored and mechanized infantry forces will be kept ready with our NATO commitments in mind. Marine Corps divisions and Army airmobile and airborne units will emphasize rapid response.

Ship construction will be budgeted at the highest levels since 1963 to continue the improvement of the fleet. Five high-speed nuclear attack submarines, one nuclear guided-missile frigate, and seven antisubmarine destroyers will be added. It is also necessary to explore new ways to develop better *naval forces* for the late 1970's and 1980's. In this connection, the budget will support: (1) Experimentation with dual use of our aircraft carriers in both attack and antisubmarine war-

fare roles; (2) initial procurement for a force of high-speed patrol boats with surface-to-surface missile capability; and (3) exploration of concepts for a new class of smaller, faster escort ships.

Tactical air forces contribute to general purpose operations by providing air support for ground actions. To provide for future modernization, development of F-15 and AX air systems for the Air Force will proceed and procurement of the swing-wing F-14 fighters for fleet air defense and Harrier vertical-takeoff-and-landing aircraft for the Marine Corps will be increased.

Research and development.—In order to improve the effectiveness and readiness of our general purpose and strategic forces, increased emphasis will be placed on the development of new weapons, vehicles, and communications systems, and on strengthening the technological base that is essential to our national security.

Military Assistance

Military assistance and sales programs supplement the efforts of other countries to provide for their own defense, and ease the transition of our allies and friends to a position of greater self-reliance—a fundamental requirement for success of the Nixon doctrine.

Atomic Energy

The Atomic Energy Commission is responsible for developing and manufacturing nuclear weapons, improving nuclear power reactors for propulsion of naval vessels and generation of electric power, and providing services to enrich nuclear fuels for atomic powerplants. It also pursues the various peaceful applications of atomic energy, and conducts basic research in the physical and biomedical sciences.

Funds are included for continued development and production of nuclear weapons and development of higher performance naval reactors.

Research on the NERVA nuclear rocket will be reduced in scale. Two plutonium production reactors will be shut down due to a reduction in military requirements. The program to develop a “fast breeder” nuclear power reactor designed to meet future energy needs will be accelerated.

National Defense

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate. . . .	\$77, 512	33. 8%
1971 estimate. . . .	76, 443	35. 9
1970.	80, 295	40. 8
1969.	81, 232	44. 0
1968.	80, 517	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, 381	48. 4

INTERNATIONAL AFFAIRS AND FINANCE

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Economic and financial assistance:			
International security assistance:			
Military assistance ^{1 2}	(\$593)	(\$1, 175)	(\$1, 025)
Supporting assistance	485	504	658
Multilateral development assistance	337	415	495
Bilateral development assistance	1, 050	1, 011	1, 056
Other economic and financial assistance	359	260	427
Food for Peace	937	1, 014	962
Foreign information and exchange activities	235	240	243
Conduct of foreign affairs	398	421	453
Deductions for offsetting receipts	-232	-279	-261
Total	3, 570	3, 586	4, 032

¹ Outlays for military assistance are included in the national defense function. They are not included in the totals shown for international affairs and finance.

² Excludes trust funds.

Our foreign assistance programs will be reformed and reorganized in 1972. Legislation will be proposed to give new policy directions to these programs and adapt them to changed world conditions. Recognizing that other nations now have a greater ability and responsibility to deal with their own needs, U.S. assistance will supplement the defense and development efforts of lower income countries. The proposed new foreign assistance structure will clearly distinguish security assistance, which is intended to help less-developed countries defend themselves, and development assistance, which promotes long-term economic growth. Increasing reliance will be placed on multilateral institutions in order to minimize our direct involvement in the affairs of other countries.

Economic and Financial Assistance

International security assistance.—The proposed security assistance program encompasses both military and economic supporting assistance. By actively encouraging others to mobilize men and resources for their own defense, this

program reduces the need to maintain U.S. military forces abroad.

Military assistance, included in the national defense function, is an integral part of international security assistance. Military assistance grants supplement the defense efforts of countries least able to meet the financial costs of equipping their military forces. As their economies improve, these countries will be able to shift from grant assistance to foreign military credit sales.

Supporting assistance provides financial and technical aid to friendly countries whose defense expenditures are an especially heavy drain on their resources. Outlays for supporting assistance will increase, primarily to help Vietnam and Cambodia.

Multilateral development assistance.—An increasing share of economic assistance will be channeled through multilateral institutions. This reflects the growing capacity of the World Bank group, regional development banks, and the United Nations to manage large capital and technical assistance programs. Additional subscriptions to these institu-

tions are proposed so that the United States may fulfill its international obligations. Outlays for U.S. contributions to these institutions will rise by \$80 million in 1972.

Bilateral development assistance.—Two new U.S. agencies to provide bilateral development assistance are proposed. The International Development Corporation will make loans to selected countries for long-term development. The Corporation will operate in a business-like manner, encouraging borrower initiative and project quality. The International Development Institute will mobilize U.S. scientific expertise and technology to help solve developmental problems of lower income countries.

Other economic and financial assistance.—The Overseas Private Investment Corporation supplies a broad range of services to U.S. investors in less-developed countries in order to strengthen the role of private institutions in the development process. The Export-Import Bank will continue to contribute toward the expansion of exports and achievement of a more favorable balance of payments.

The President's Foreign Assistance Contingency Fund will be used to meet unforeseen circumstances requiring economic, military, or humanitarian assistance.

Food for Peace

The United States donates and sells agricultural commodities on favorable terms to friendly nations. This program combats hunger and malnutrition, promotes economic growth in developing nations, and expands export markets for U.S. commodities. More than half of the

shipments go to Korea, India, Indonesia, and Vietnam.

Foreign Information and Exchange Activities

Important mutual benefits flow from widened social, educational, and cultural contacts among the people of the world. Cultural and educational exchange activities of the State Department will be expanded. Radio, television broadcasts, motion pictures, libraries, publications, and other activities of the U.S. Information Agency will continue at current levels.

Conduct of Foreign Affairs

The Department of State has overall responsibility for assisting the President in foreign affairs and represents the United States throughout the world. Increases in assessed contributions to international organizations and a special contribution for the expansion of United Nations headquarters will account for most of the \$32 million increase in the Department's outlays for foreign affairs. The Arms Control and Disarmament Agency will concentrate on strategic arms limitation and other negotiations and supporting research.

International Affairs and Finance

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$4,032	1.8%
1971 estimate....	3,586	1.7
1970.....	3,570	1.8
1969.....	3,785	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

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Manned space flight.....	\$2, 209	\$1, 887	\$1, 662
Space science and applications.....	656	631	727
Space and aircraft technology.....	516	470	429
Supporting space activities.....	374	393	347
Deductions for offsetting receipts.....	-6	-13	-13
Total.....	3, 749	3, 368	3, 151

The 1972 budget will allow steady progress in exploiting the scientific return from continued exploration of the moon, extending man's capability to live and work in space, continuing unmanned exploration of the planets and the universe, and developing the practical applications of space technology.

Manned space flight.—Man's epic journeys under the Apollo program have provided important scientific data on the origins of the moon and the solar system. The next step in the manned exploration of space is Skylab, an experimental space station which will test man's ability to live and work in space for up to 56 days and perform experiments related to astronomy and to earth resources. To reduce substantially the cost of future space operations in earth orbit, development will begin on the engine of a space shuttle.

Space science and applications.—Work will start on the Grand Tour unmanned missions to explore the outer planets. Funds are also provided for the 1975 Viking unmanned exploration of Mars, for

development of a High Energy Astronomy Observatory to obtain space physics data, and for the launch of an Earth Resources Technology Satellite to demonstrate applications of space technology including crop surveys and geological measurements.

Space and aircraft technology.—Work will continue on a variety of advanced research and technology programs to support future space and aeronautics projects. One such program is an experimental short takeoff aircraft for improved short-haul transportation.

Space Research and Technology

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$3, 151	1.4%
1971 estimate....	3, 368	1.6
1970.....	3, 749	1.9
1969.....	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 RURAL DEVELOPMENT

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Farm income stabilization.....	\$4, 589	\$4, 075	\$4, 227
Rural housing and public facilities.....	579	60	432
Agricultural land and water resources.....	344	353	334
Research and other agricultural services.....	730	816	855
Deductions for offsetting receipts.....	-41	-42	-43
Total.....	6, 201	5, 262	5, 804

Federal agriculture and rural development programs enhance farm income by improving agricultural marketing and production and expanding exports; aid in the elimination of hunger and malnutrition; protect consumers by assuring the wholesomeness of meat, poultry and eggs; and contribute to the development of rural areas.

The 1972 budget proposes a special revenue-sharing program to make funds available to enhance rural community development. The budget provides for strengthened efforts to achieve an equitable distribution of Government services between urban and rural communities in areas such as housing, sewer and water facilities, and economic development. These new efforts, involving direct services and loans, as well as the special revenue sharing funds, will further the goal of balanced national growth through revitalization of rural communities. In addition, the provisions of recently enacted farm legislation and the recommendations in the 1972 budget will help maintain the ability of American agriculture to feed and clothe over 200 million people and provide reasonable incomes for our farmers.

Outlays for agriculture and rural development will be \$542 million above the 1971 level. Lower net as-

set sales under various agricultural credit programs account for most of the increase. Other outlay increases are for farm income support, food inspection programs, and distribution of surplus agricultural commodities for school lunch and family feeding programs. These increases will be partially offset by a \$275 million reduction from proposed substitution of insured farm operating loans for direct loans. This shift will not decrease the amount of credit available to farmers.

Farm income stabilization.—The Agricultural Act of 1970 provides the framework for satisfying three basic agricultural goals of the administration: (1) to protect and improve farm income; (2) to provide more flexibility for farmers to make their own farm operating decisions; and (3) to develop greater reliance on the market place, making producers less dependent on Government programs.

In 1972, outlays for farm income stabilization programs will be \$4.2 billion. The major portions of these outlays are for farm commodity price support and supply adjustment programs. Due to the corn blight and increased demand for wheat and soybeans, 1971 outlays are below initial estimates. Lower receipts resulting from more normal market-

ing conditions account for most of the increase in net outlays in 1972. Outlays for both 1971 and 1972, however, will be below the 1970 level.

Provision of surplus agricultural commodities to families and school children is an important part of the administration's overall program to assure adequate nutrition for all our citizens. Although the number of families benefiting from direct distribution of commodities will decline in 1972 as the food stamp program expands, the value of commodities received by each family, and by each school child, will increase.

Rural housing and public facilities.—The budget will continue to emphasize loan programs to help low-income rural residents acquire adequate housing. These loans will assist about 132,000 rural families to acquire homes, compared with about 87,000 in 1971.

The Government assists rural communities in developing sewer and water systems through grants and loans. Both loan levels and outlays for grants will increase in 1972.

Rural electric cooperatives have successfully established a private electric bank, and loans from the new bank will supplement the Government's direct loans. Legislation is again proposed to establish a rural telephone bank of mixed and eventually private ownership. The budget provides initial capitalization of the proposed telephone bank, which will extend credit to rural telephone systems at rates more competitive with commercial lending rates.

Agricultural land and water resources.—The Government pro-

vides technical and financial assistance to farmers to encourage sound conservation practices. Technical conservation services will continue at the 1971 level. The administration has redirected the agricultural conservation cost-sharing program to emphasize practices which provide more environmental benefits at reduced Federal cost. Outlays for this program, which has been renamed the rural environmental assistance program, will be \$150 million in 1972.

Research and other agricultural services.—Outlays for research and extension programs will increase in 1972. Research on ways to avoid the use of pesticides will receive emphasis. In cooperation with the States, a trial program to manage the use of pesticides will be expanded.

Increases in meat and poultry consumption, implementation of the Wholesome Meat and Poultry Acts, and the new egg products inspection program will require increased Federal inspection and assistance to States. These regulatory programs will increase by about \$13 million.

A griculture and Rural Development

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate...	\$5,804	2.5%
1971 estimate...	5,262	2.5
1970	6,201	3.2
1969.....	6,221	3.4
1968.....	5,943	3.3
1967.....	4,376	2.8
1966.....	3,679	2.7
1965.....	4,807	4.1
1964.....	5,185	4.4
1963.....	5,139	4.6
1962.....	4,123	3.9
1961.....	3,340	3.4

NATURAL RESOURCES

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Water resources and power.....	\$2, 245	\$3, 025	\$3, 864
Land management.....	754	864	830
Mineral resources.....	94	173	68
Recreational resources.....	370	536	615
Other natural resources programs.....	122	133	143
Deductions for offsetting receipts.....	-1, 105	-2, 094	-1, 276
Total.....	2, 480	2, 636	4, 243

The Federal Government's natural resources programs are designed to maintain a careful balance among several objectives. Many unique resources, such as park lands and wilderness areas, must be preserved for the enjoyment and use of present and future generations. The Nation's resources must be developed and utilized prudently in order to provide the fuels and raw materials required by our modern industrial economy. At the same time, the environment must be protected from the undesirable side-effects which often accompany resource development and use.

Although the ultimate responsibility for protecting and enhancing the environment rests mainly with State and local government, industry, and the public, the Federal Government is providing vigorous leadership. The high priority that the administration assigns to improving the quality of the environment is reflected by:

- The creation of the Environmental Protection Agency to consolidate and intensify pollution control and abatement activities;
- Increases totaling \$1.1 billion in appropriations and \$676 million in outlays for water pollution abatement and recreation programs; and
- Additional increases for abating pollution at Federal facilities.

High priority is also assigned to reforming existing programs, as indicated by:

- Proposed legislation which, in addition to doubling the program level, will allow more flexibility in allocating grants for waste treatment facilities in order to increase the program's effectiveness in reducing pollution, and strengthen enforcement authority; and
- Termination of Federal purchases of helium for stockpiling purposes.

Water resources and power.—Water resources programs develop projects to control water pollution, produce hydroelectric power, control floods, prevent erosion, improve navigation, and provide recreation facilities.

Outlays for these programs will be above 1971 levels due to significant increases in water quality programs and some increases for water resources development. Proposed legislation will authorize appropriations of \$2 billion for waste treatment plant construction grants in 1972. Outlays of \$2 million in 1971 and \$4 million in 1972 are provided to implement a program authorized under the Refuse Act of 1899 to require permits for discharge of effluents into navigable streams.

Funds are provided for operation and maintenance of power projects being completed in 1971 and 1972, for additional underground electric power transmission research, and for construction of transmission facilities that will integrate Corps of Engineers and Bureau of Reclamation power projects into existing transmission systems and increase system reliability.

Land management.—Public land and national forest programs preserve wildlife, scenic resources, and wilderness areas. At the same time, these programs yield forest products, livestock forage, water and minerals, and afford broad opportunities for recreation. Under land management programs, access roads and trails are constructed and the resources of the lands are protected from damage by fire, insects, disease, erosion, and improper use. Outlays for land management programs will be somewhat below 1971 levels due to unusually high fire-fighting outlays in 1971.

Mineral resources.—Mineral resources programs include research on the conservation and development of minerals and fuels, research in metallurgy and mining, economic and statistical analysis, and coordination of oil and gas activities.

To further antipollution efforts, increased outlays are provided for pilot plant programs to develop low-pollution fuels by coal gasification; for laboratory research in high-efficiency, low-pollution generation of electricity by magnetohydrodynamic processes; and for research in underground waste disposal and urban waste recycling.

Recreational resources.—Recreation programs include management

and protection of the national park system, construction and maintenance of park facilities, operation of national wildlife refuges, sport fishery and wildlife research and technical assistance, construction of Federal fish hatcheries, and preservation of historical properties.

The Land and Water Conservation Fund is used to acquire Federal park lands and to assist in the acquisition and development of State and local parks and recreation facilities. The budget recommends that the Land and Water Conservation Fund be fully funded, and that all remaining prior year authorizations for the fund be utilized, except for \$20 million to be retained in order to make further payments, if necessary, for Redwood National Park lands. As a result, outlays for recreation programs will rise by \$79 million in 1972.

Other natural resources programs.—Other natural resources programs include such activities as water resources investigations, geological and mineral resource surveys, and topographic surveys and mapping. Outlays for these programs will increase by \$10 million in 1972.

Natural Resources

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$4, 243	1.9%
1971 estimate....	2, 636	1.2
1970.....	2, 480	1.3
1969.....	2, 081	1.1
1968.....	1, 655	0.9
1967.....	1, 821	1.2
1966.....	1, 999	1.5
1965.....	2, 028	1.7
1964.....	1, 944	1.7
1963.....	1, 483	1.3
1962.....	1, 665	1.6
1961.....	1, 554	1.6

COMMERCE AND TRANSPORTATION

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Ground transportation	\$4, 632	\$5, 145	\$5, 310
Air transportation	1, 223	1, 620	1, 835
Water transportation.....	902	1, 066	1, 123
Area and regional development	590	747	801
Postal service.....	1, 510	2, 353	1, 333
Advancement and regulation of business.....	607	711	677
Deductions for offsetting receipts.....	-154	-200	-142
Total	9, 310	11, 442	10, 937

During the past year, legislation was enacted affecting airway and airport development, merchant marine, urban mass transit, railroads, and highway programs.

The recent creation of the Postal Service will permit more extensive use of modern technology and business methods to improve the quality and efficiency of the postal services.

The newly established National Oceanic and Atmospheric Administration will intensify research and promote improved utilization and protection of the atmosphere and oceans.

Ground transportation.—Major adjustments will be made in 1972 to effect the transition to revenue sharing. Starting January 1, 1972, four major grant programs—urban mass transportation, all Federal-aid highways other than interstate highways, State and community highway safety, and highway beautification—will become part of the special revenue sharing program for transportation. Interstate highway construction and highway and urban transportation research, development and demonstrations will continue as Federal programs.

The Interstate Highway System, now 72% complete, is scheduled to

be completed within 7 to 8 years. In the highway safety program, efforts to alleviate the problem of drunk drivers will be greatly expanded.

Under a new program to revitalize the Nation's railroad passenger service, the National Railroad Passenger Corporation is being established with responsibility for operating most of the Nation's intercity rail passenger service. The Government will also step up efforts to correct deficiencies in railway safety.

Air transportation.—The scope of Federal aviation programs has been significantly broadened by the Airport and Airway Development and Revenue Act of 1970. This act authorizes increased aviation taxes and charges which will partially defray the costs of operating, expanding and modernizing the national airways system. Beginning January 1, 1972, the airport grant program will become part of the special revenue sharing program for transportation.

In 1972, the Federal Aviation Administration will spend \$1.5 billion on the airways system and on airport grants. In order to serve increased aircraft traffic, about 1,500 air controllers and maintenance technicians will be hired by FAA.

Modernization and expansion of our airways system will be accelerated. Continued assistance for SST prototype development will help the American aviation industry to maintain world leadership in aircraft production. Outlays for this program will be \$281 million in 1972.

Water transportation.—Outlays for the administration's new maritime program will increase by \$26 million in 1972. This 10-year program is designed to develop a modern, efficient merchant fleet capable of carrying a larger share of our foreign trade and to eventually reduce the dependence of the shipping industry upon Federal support.

The Coast Guard will devote greater resources to prevention and control of oil spills. It will administer the Oil Pollution Fund, which will be used to defray the costs of oil spill cleanup until damages can be collected from the responsible party.

Area and regional development.—During the past decade these programs have provided many useful services and developed plans for many areas which will be useful in furthering their economic development. Experience has also proved, however, that State and local governments are in a better position than the Federal Government to determine how their areas can best be developed. Therefore, urban and rural community development revenue sharing programs will be proposed to Congress to replace the present programs.

Postal service.—Legislation enacted in 1970 will convert the Post Office Department into an inde-

pendent executive agency to be known as the Postal Service.

Increased mail volume and capital investment for modernization of postal facilities will raise postal costs from \$9.2 billion in 1971 to \$9.9 billion in 1972. Postal revenue is expected to rise from \$6.9 billion to \$8.6 billion, primarily as a result of an expected rate increase.

Advancement and regulation of business.—The Department of Commerce will increase assistance to firms suffering economic hardship as a result of competition from imports. The Small Business Administration will provide lending assistance to 7,800 new businesses.

A number of consumer protection committees will be set up by the Federal Trade Commission to coordinate Federal, State, and local programs that help protect the public from fraudulent, deceptive, or unfair advertising and sales practices. The General Services Administration is creating a Consumer Information Center to disseminate information about products.

Commerce and Transportation

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate	\$10,937	4.8%
1971 estimate	11,442	5.4
1970	9,310	4.7
1969	7,921	4.3
1968	8,094	4.5
1967	7,594	4.8
1966	7,171	5.3
1965	7,399	6.2
1964	6,511	5.5
1963	5,765	5.2
1962	5,430	5.1
1961	5,062	5.2

COMMUNITY DEVELOPMENT AND HOUSING

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Low- and moderate-income housing aids	\$1, 280	\$1, 633	\$1, 948
Community planning, management, and develop- ment	2, 172	2, 701	3, 198
Maintenance of the housing mortgage market	-487	-423	-651
Deductions for offsetting receipts . . . . .	. . . . .	-53	. . . . .
Total	2, 965	3, 858	4, 495

The emphasis in community development and housing programs in 1972 will be on major program reform. In the past, narrowly defined grant, loan, and loan insurance programs have tended to fragment government at the local level. This has weakened just those institutions of government that must respond to local needs. Similarly, housing programs have become overly specialized, sometimes preventing the construction of badly needed housing simply because certain projects do not fit into one of the precise categories eligible for assistance. Therefore, in 1972, legislation will be proposed to:

- Create a special revenue sharing program for Community Development;
- Provide a new planning and management support program to strengthen State and local decisionmaking capabilities; and
- Simplify and consolidate the multitude of housing programs.

These new and revised programs will gradually eliminate the problems created by the existence of many narrowly defined categorical programs.

Low- and moderate-income housing aids.—These programs help

provide decent, safe, and sanitary housing to families who could not otherwise afford it. About 518,000 units of assisted housing will be made available under 1972 commitments. Long-term subsidy contracts will be the principal means of reducing the cost of renting or buying a home.

Community planning, management, and development.—Major legislation will be proposed to reform the community planning, management, and development assistance programs of the Department of Housing and Urban Development (HUD) and the Office of Economic Opportunity (OEO). This two-part reform will be implemented during 1972 and become fully effective in 1973.

The present comprehensive planning program will take on a different emphasis, strengthening the executive and managerial capabilities of State and local governments. In recognition of this, commitments under the present program will double in 1972. To complete this portion of the reform, a new program of community development planning and management grants will become operative in 1973. Special revenue sharing for community

development will be proposed. Initial funding of \$1 billion is requested for 1972, which would be equivalent to a rate of \$2 billion in the first full year of operation. These funds will be used in accordance with local needs so that a community need not distort its priorities in order to qualify for aid through narrowly defined categorical programs.

To provide for an orderly transition to the new program, four existing programs, Model Cities, urban renewal, rehabilitation loans, and water and sewer facility grants will be funded for the first 6 months of the year. This will allow ample time for the new program to be enacted and funded after which the older programs will be terminated.

Effective January 1, 1973, community action agencies, now funded through OEO, will be funded through special revenue sharing. The extended transition period is necessary due to the widely varying status of community action within local government structures.

In 1972, HUD's research and technology program will focus on improving housing management and preventing the deterioration and abandonment of housing. Operation Breakthrough will enter the final phases of testing new methods of producing large volumes of housing. A relaxation of the legal and market constraints on the use of such new methods will be sought. OEO will continue to emphasize development of innovative ap-

proaches for solving the problems of the poor.

Maintenance of the housing mortgage market.—The production and sale of housing depends upon the existence of a smoothly functioning mortgage market. The Government helps maintain such a market by:

- Assisting private housing to compete for needed funds in the capital market by insuring housing mortgages, private securities backed by mortgages, and accounts in savings and loan associations—which invest most of their assets in home mortgages;
- Assuring that all citizens have equal access to sale and rental housing through enforcement of the fair housing laws; and
- Helping to provide property insurance in areas where insurance is not otherwise available through the private market.

Community Development and Housing

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$4,495	2.0%
1971 estimate....	3,858	1.8
1970.....	2,965	1.5
1969.....	1,961	1.1
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

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Elementary, secondary, and vocational education...	\$3, 257	\$3, 668	\$4, 063
Higher education.....	1, 381	1, 458	1, 302
Other education aids.....	429	419	463
General science.....	464	502	546
Manpower training and employment services.....	1, 602	2, 017	2, 156
Other manpower aids.....	169	248	308
Deductions for offsetting receipts.....	-14	-12	-29
Total.....	7, 289	8, 300	8, 808

Education and general science programs develop the intellectual skills of our people and further the expansion of basic scientific knowledge. Manpower programs develop occupational skills and provide employment opportunities for our workers.

The administration's education, science, and manpower programs reflect reforms which will:

- Improve the allocation of Federal funds by concentrating on areas of greatest need;
- Emphasize carefully planned and evaluated experiments to increase the effectiveness of education and manpower programs;
- Increase support for basic research and research on major social and environmental problems; and
- Decentralize the responsibility for planning and operating comprehensive manpower programs in order to achieve a better match of training resources and local needs.

Elementary, secondary, and vocational education.—An important element of the administration's reform of Federal grant programs will be a proposal to adopt a \$3 billion special revenue sharing program for elementary and secondary educa-

tion. This proposal will draw together a large number of present grants into four general areas and give States greater latitude to meet local problems.

Reduction of racial isolation is essential if the Nation's schools are to provide equal educational opportunity. Under the proposed Emergency School Assistance Act, project grants totaling \$1.5 billion will be made in 1971 and 1972 to local school districts desegregating under court order or attempting to overcome the disadvantages of racial isolation on their own initiative.

Higher education.—A basic revision of existing student aid programs will be proposed to insure that no qualified student who wants to go to college is barred by lack of funds. Grants, work-study payments, and subsidized loans will be extended to lower income students, and a proposed National Student Loan Association will provide capital to banks and colleges for loans to students of all income levels.

The National Foundation for Higher Education will be created to support reform and innovation at colleges and universities.

Loans from the private sector will continue to be the major source

of funds for the construction of college facilities in 1972. Federal interest subsidies will reduce the cost of such loans.

Other education aids.—Funds are provided for the creation of a National Institute of Education in HEW to serve as the focal point for educational experimentation.

Funds for the National Foundation on the Arts and the Humanities will almost double in 1972 for the second consecutive year, reflecting a growing commitment to foster the cultural life of the Nation.

General science.—To meet the need for research on urgent national problems and to advance our technology and economic productivity, the budget of the National Science Foundation will be increased by more than 22% in 1972, from \$506 to \$622 million. This will permit the Nation's scientific and engineering talent to undertake research relating to pollution, health, transportation, and other social and environmental problems.

Manpower training and employment services.—Reform legislation will again be proposed to give State and local officials the primary responsibility for providing comprehensive services closely related to local conditions and individual needs. Total budget authority of \$2 billion would be provided during the first full year under this special revenue sharing measure.

The proposed welfare reform also will have an important impact on manpower programs by providing increased job training and child

care services to help low-income families become self-supporting. Pending the enactment of welfare reform, the Work Incentive program (WIN) will provide job training for 187,000 public assistance recipients, a 50% increase over 1971. An estimated 200,000 children will receive child care services in 1972 under the WIN program.

Computerized job banks will operate in all States by 1972, and efforts will be directed toward further development of the programs necessary to support a nationwide computerized job placement system.

Other manpower aids.—The Occupational Safety and Health Act of 1970, achieved after decades of effort, will be funded at over \$25 million to reduce the incidence of diseases, injuries, and deaths in the workplace. Disabled coal miners will receive additional benefits with the promulgation of State standards for workmen's compensation for "black lung" disease. Federal workers will benefit from a strengthened labor-management relations program.

Education and Manpower

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate...	\$8,808	3.8%
1971 estimate...	8,300	3.9
1970.....	7,289	3.7
1969.....	6,525	3.5
1968.....	6,739	3.8
1967.....	5,853	3.7
1966.....	4,258	3.2
1965.....	2,284	1.9
1964.....	1,751	1.5
1963.....	1,502	1.3
1962.....	1,406	1.3
1961.....	1,227	1.3

HEALTH

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Development of health resources:			
Biomedical research (including new initiative in cancer).....	\$1, 200	\$1, 287	\$1, 355
Training health manpower (including new support).....	449	488	577
Constructing health facilities.....	315	290	280
Improving the organization and delivery of health services.....	133	163	168
Providing or financing medical services: ¹			
Medicare.....	7, 149	8, 278	9, 033
Medicaid.....	2, 727	3, 250	3, 383
Other.....	468	509	529
Prevention and control of health problems.....			
Deductions for offsetting receipts ²	-6	-2	-18
Total.....	12, 995	14, 928	16, 010

¹ Entry net of offsetting receipts.

² Excludes offsetting receipts which have been distributed by subfunction above: 1970, \$1,556 million; 1971, \$2,119 million; 1972, \$1,928 million.

In 1972, the Federal Government will implement a new comprehensive health strategy for the 1970's. Its design will be based on three principles:

- *Prevention.*—Wherever possible, the need for medical care must be eliminated by the avoidance of illness and injury through effective preventive measures.
- *Equity.*—No American family should be prevented from obtaining a reasonable and basic standard of medical care by inability to pay.
- *Efficiency.*—The productivity of the health system should be raised; shortages and maldistributions of health care resources must be overcome, so that improved health purchasing power leads to the delivery of needed services and brings medical cost inflation under reasonable control.

Part of the strategy will be a new health protection program for all

poor families with children. Legislative proposals will be presented to Congress in calendar 1971.

Development of health resources.—In 1972, the administration will give high priority to development of the Nation's health resources to prevent health problems and increase capacity to assure each citizen access to needed health care.

Research to eliminate or control cancer will be greatly intensified through a special \$100 million initiative in the 1972 budget. Another special emphasis will be on sickle cell anemia. Research on heart and lung disease, investigating the health hazards of narcotic addiction, alcoholism, and environmental pollutants; preventing the disabilities and disease of infancy and early childhood; and improving our knowledge of human reproduction will also be part of the expanded 1972 research effort.

Outlays to expand the Nation's supply of health personnel and for a new initiative in the support of our health professions schools will rise by \$89 million to a level of \$577 million. More direct support will be provided for the training of physicians, and a major effort will be undertaken to develop new types of paramedical personnel.

Federal programs to increase the supply of health facilities will emphasize grants to support the construction of outpatient and rehabilitation facilities, and will use interest subsidies and loan guarantees to support hospital construction.

The administration will encourage experiments with organizations that deliver prepaid comprehensive medical services. This effort will include research and technical assistance for private enterprise interested in pursuing this approach to improving the efficiency of the Nation's health care system. Demonstrations of new roles for auxiliary health personnel will also be supported.

Providing or financing medical services.—In 1972, Medicare, the largest Federal health program, will ease the burden of medical care costs for virtually all the 20 million aged in the Nation, while Medicaid will help an estimated 19 million poor persons receive necessary medical care. Legislation will be introduced to provide improved cost controls and other modifications in Medicare and Medicaid that will encourage greater efficiency through use of alternatives to costly hospitalization.

In 1972, Federal efforts to provide family planning services will be

expanded to support projects capable of serving 3 million women, an increase of 800,000 over 1971. Health services for American Indians and Alaska natives will be expanded. In addition, comprehensive medical services will be provided to approximately 500,000 crippled and mentally retarded children.

Prevention and control of health problems.—Disease prevention and control, environmental health problems, and consumer protection are integral parts of this administration's health strategy. Outlays for these activities will rise by \$39 million in 1972 to \$703 million. Research, treatment, and rehabilitation efforts to combat drug abuse and alcoholism will be intensified.

Federal action to reduce the health dangers of air and water pollution, solid wastes, radiation, and occupational hazards are essential to the administration's efforts to improve and protect the quality of the environment. These activities will receive high priority in 1972, as will efforts to assure drug and food safety.

Health		
Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate...	\$16,010	7.0%
1971 estimate...	14,928	7.0
1970.....	12,995	6.6
1969.....	11,696	6.3
1968.....	9,672	5.4
1967.....	6,721	4.2
1966.....	2,543	1.9
1965.....	1,730	1.5
1964.....	1,737	1.5
1963.....	1,393	1.3
1962.....	1,139	1.1
1961.....	873	0.9

INCOME SECURITY

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Retirement and social insurance:			
Social security ¹	\$29, 695	\$35, 160	\$38, 615
Unemployment insurance.....	3, 369	5, 888	5, 058
Other retirement programs ¹	4, 210	4, 956	5, 357
Public assistance:			
Cash payments.....	4, 142	5, 593	6, 604
Food stamps.....	577	1, 535	1, 971
Other.....	466	731	713
Social and individual services.....	1, 331	1, 684	1, 937
Deductions for offsetting receipts ²	-1	-1	-18
Total.....	43, 790	55, 546	60, 739

¹ Entries net of offsetting receipts.

² Excludes offsetting receipts which have been distributed by subfunction above: 1970, \$1,074 million; 1971, \$1,110 million; 1972, \$1,330 million.

Progress and reform are the distinguishing traits of the Nation's income security programs. Significant advances were made in calendar year 1970:

- Unemployment insurance was extended to 4.8 million additional workers, and special extended benefits will be automatically triggered when warranted by economic conditions.
- The food stamp program was reformed, providing sufficient benefits to purchase a nutritionally adequate diet, free stamps for the poorest families, and adjustments for increases in the cost of living.

The year ahead promises even more dramatic advances. Legislation has been proposed to reform the Nation's basic income security programs:

- *Welfare reform* will fundamentally recast welfare policy in the United States, and cover 11 million people in families of the "working poor" for the first time in our history.
- *Social security* benefits will be adjusted automatically with the

cost of living, with the first step being a 6% increase on January 1, 1971.

Income security programs account for one-quarter of the total Federal budget and influence the lives of millions. Social security benefits will reach 27 million people in 1972, food stamps will aid 11 million poor, and welfare assistance will be provided to more than 14 million.

Recently, the annual increase in income security programs has approached half or more of the normal growth in Federal revenues.

Retirement and social insurance.—These programs are designed to cushion the income loss suffered when earnings are interrupted or terminated by old age, disability, death, or temporary unemployment. The benefits are related to prior earnings and are financed principally by payroll taxes on employees and employers.

Proposed improvements in social security include increases in widow's benefits and liberalization of the retirement test (earnings allowed without benefit reduction).

Under proposed amendments, earnings subject to tax will increase from \$7,800 to \$9,000 beginning January 1, 1971. In the future, the level of taxable earnings would be increased automatically.

Public assistance.—The Federal Government provides cash assistance to those who have little or no other means of support—one-parent families with dependent children, the aged, blind or the disabled. In 1972, the Federal Government will pay 57% of total program costs—an estimated 6.6 billion—with the States bearing the remainder.

The proposed *welfare reform* is the most important domestic legislation to be advanced in a generation. It would emphasize greater incentives for work, training, and self-sufficiency. The program will provide national eligibility standards and a Federal income floor; States will supplement these basic payments. A minimum monthly payment will be required for aged, blind, and disabled recipients.

Beginning in 1973, payments will also be made to the working poor for the first time in our history, providing income supplementation to those who are employed full time but simply do not earn enough to support their families.

Extension and reform of the *food stamp program* were early efforts of this administration to eliminate hunger and malnutrition. An estimated 11 million people will be served in the year ahead. The food stamp program will be integrated with the proposed welfare reform.

Social and individual services.—During the 1960's Congress author-

ized a series of services to public assistance recipients with 75% Federal matching of any State spending designed to combat rising dependency.

Sharply rising costs—uncontrollable under current laws—and the undetermined value of the services provided make this program a prime candidate for reform. A 10% growth limit will be sought on outlays and legislation will be proposed to fundamentally restructure the program to encourage better results and greater accountability in the use of funds. An additional \$151 million will be spent to upgrade foster care for dependent children and provide special incentives for the adoption of handicapped children.

Vocational rehabilitation will place special emphasis on serving 45,000 additional disabled public assistance recipients in 1972.

An expanded program for Retired Senior Volunteers will provide older Americans 29,200 opportunities for meaningful community service.

Income Security

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate	\$60, 739	26. 5%
1971 estimate	55, 546	26. 1
1970	43, 790	22. 3
1969	37, 399	20. 4
1968	34, 108	19. 1
1967	31, 164	19. 7
1966	29, 016	21. 5
1965	25, 702	21. 7
1964	25, 110	21. 2
1963	24, 084	21. 6
1962	22, 530	21. 1
1961	21, 227	21. 7

VETERANS BENEFITS AND SERVICES

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Income security for veterans.....	\$6,021	\$6,551	\$6,973
Veterans education, training, and rehabilitation....	1,015	1,715	1,981
Veterans housing.....	54	-147	-334
Hospital and medical care for veterans.....	1,802	2,056	2,230
Other veterans benefits and services.....	260	288	301
Deductions for offsetting receipts.....	-477	-493	-508
Total.....	8,677	9,969	10,644

Veterans programs assist millions of men and women who have provided military service to their country. In 1972, additional education benefits will encourage returning Vietnam veterans to take advantage of education and training opportunities. Special emphasis will also be placed on improving medical care for veterans disabled in military service by:

- Raising average employment in veterans medical facilities by 4,547; and
- Providing more hospital beds for intensive care and 154 new medical units for specialized treatment.

Income security for veterans.—Financial help is provided to veterans and their families when the disability or death of a breadwinner reduces their income. Outlays for these benefits will rise by \$422 million in 1972 and account for over 65% of total outlays for veterans programs.

Monthly *compensation* is paid to veterans or their survivors for disability incurred or aggravated by military service. The amount is based on the severity of disability and impairment of earning power. An estimated 94,000 Vietnam vet-

erans or their survivors are expected to be added to the compensation rolls in 1972, bringing the total from all wars to 2.6 million.

Veterans may qualify for monthly *pensions* on the basis of total disability and financial need. Widows and surviving children may also qualify if their income is below levels set by law. The pension rates were increased substantially in 1970 and 1971. In 1972, \$2.5 billion in pensions will be paid to 2.3 million recipients.

A variety of veterans *life insurance* programs protect the families of servicemen and veterans. These programs will cover 8.7 million veterans, and will pay claims or dividends of \$1.2 billion.

Veterans education, training, and rehabilitation.—To help the returning veteran realize his full potential in civilian life, assistance is provided under the GI bill for education, training, and vocational rehabilitation. Educational benefits are also available to survivors of those who died or dependents of those totally disabled as a result of military service. Outlays for these programs will increase by \$267 million, benefiting over 54,000 war orphans or dependent children, 9,000

widows and wives, and 1.8 million veterans.

Veterans housing.—To assist veterans in purchasing homes, the Veterans Administration guarantees private mortgages. This program has been supplemented by direct loans. Special efforts will be made to arrange suitable private financing for veterans living in credit-short areas, thus making possible a termination of the direct loan program in calendar year 1971.

Hospital and medical care for veterans.—Medical care is available to veterans in over 200 veterans hospitals and clinics across the country. All veterans with service-connected disabilities are assured of care. When space is available, hospital care is also provided for veterans with disabilities unrelated to service who are unable to pay for care in other hospitals. Patients with non-service-connected ailments occupy about 75% of total VA hospital beds.

A record 806,000 veterans will be treated in VA hospitals. On an average day, 79,000 veterans receive such care.

Improvements will continue to be made in the quality of medical care. The 1972 program includes: (1) An average staff increase of 4,547; (2) construction or modernization

of five hospitals and activation of three new ones; (3) training for 53,000 medical personnel; (4) addition of specialized medical facilities—primarily for intensive care and treatment of spinal cord injury, heart and kidney diseases, alcoholism, and drug addiction.

Other veterans benefits and services.—The 1972 budget provides for continuing improvements in counseling and assistance while servicemen are still in the war zone, in military hospitals, and in separation centers. Special efforts will be made through 71 veterans assistance centers and other VA-supported contact activities to supplement the job counseling and employment activities of the Departments of Defense and Labor.

Veterans Benefits and Services

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$10,644	4.6%
1971 estimate....	9,969	4.7
1970.....	8,677	4.4
1969.....	7,640	4.1
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

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Law enforcement and justice.....	\$666	\$1, 116	\$1, 478
General property and records management.....	595	643	692
Central fiscal operations.....	1, 271	1, 417	1, 570
Central personnel management.....	166	202	254
National Capital region.....	226	363	414
Legislative and judicial functions.....	362	411	450
Executive direction and other.....	309	484	617
Deductions for offsetting receipts.....	-259	-254	-506
Total.....	3, 336	4, 381	4, 970

Effective law enforcement, an orderly and fair judicial system, and efficient administration of Government personnel, property, and fiscal management activities are major objectives of general government programs. Federal law enforcement efforts will be upgraded and current programs to achieve a greater degree of intergovernmental law enforcement cooperation will be strengthened. Federal efforts to secure the civil rights of all our citizens will be stepped up significantly. Fiscal and tax operations will be made more efficient.

Law enforcement and justice.—Major initiatives to provide better law enforcement, more prompt and efficient administration of justice, and more comprehensive rehabilitation of criminal offenders will be undertaken directly by the Federal Government and by State and local governments with Federal financial and technical assistance.

Direct Federal enforcement activities will be intensified. Under recently expanded authority, Federal strike force teams of attorneys and investigators will coordinate efforts to rid our society of organized crime. The FBI will mount

a concentrated assault on large-scale gambling operations which are a major source of funds supporting organized crime. Intensified international cooperation and increased inspection at key ports of entry will be employed to destroy major criminal systems that import and distribute narcotics and dangerous drugs.

The Law Enforcement Assistance Administration (LEAA) will have outlays of \$603 million in 1972, an increase of \$217 million over 1971, to assist State and local governments in improving a wide range of law enforcement functions. LEAA will support comprehensive planning in all 50 States and in many of the Nation's largest cities, and provide funds for major improvements in the operation of State and local police, court, and correctional systems.

To secure equal opportunities for all citizens, the Federal Government will nearly double its efforts against discrimination in Federal and private employment, Federal assistance programs, public education, and housing.

The mechanisms available to the Federal Government for insuring equal employment opportunity will be strengthened. The Office of

Federal Contract Compliance in the Department of Labor is responsible for administering the Executive order which prohibits employment discrimination by Federal contractors. It plans to double the number of industrial on-site compliance reviews in 1972.

General property and records management.—Economic analysis indicates that Federal leasing of buildings is, in most cases, less costly than Federal ownership and will reflect more accurate annual costs for Federal property. In order to take better advantage of the lease alternative, legislation is being prepared to provide the General Services Administration greater flexibility with respect to planning and contracting for the acquisition of building space. Based on this legislation, a substantial increase in contracts for the acquisition of buildings to house Federal activities is projected for 1972.

To carry out the President's directive that Federal property be used more effectively, more than 115,000 acres of Federal property may be made available during the current year for other Federal use, donations to State and local governments, or sale to the public. Another 3 million acres are to be reviewed by the General Services Administration to determine their availability for other uses. Funds are also provided for screening excess military equipment and supplies in the United States, Southeast Asia, and other overseas locations.

Central fiscal operations.—The Internal Revenue Service (IRS) accounts for two-thirds of the outlays for central fiscal operations. It

will process over 111 million tax returns in 1972, improve the audit of those returns to encourage fuller taxpayer compliance with tax laws, and assume responsibility for the control of explosives through licensing and inspection procedures. Three new IRS service centers will be staffed to process the growing number of tax returns forecast for 1972 and future years.

The Bureau of Customs will expand its operations to accommodate the clearance of increasing arrivals of people and cargo from abroad. It will also intensify its antismuggling and narcotics enforcement efforts.

National Capital region.—The 1972 budget proposes that public works of the District of Columbia be financed by the sale of local bonds rather than by direct Treasury borrowing. This is consistent with the objective of greater local autonomy for the District Government. The budget also includes the Federal payment to the District, and funds for continued construction of the long-awaited rapid rail transit system for the Washington metropolitan region.

General Government

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate...	\$4, 970	2.2%
1971 estimate...	4, 381	2.1
1970.....	3, 336	1.7
1969.....	2, 866	1.6
1968.....	2, 561	1.4
1967.....	2, 510	1.6
1966.....	2, 292	1.7
1965.....	2, 210	1.9
1964.....	2, 040	1.7
1963.....	1, 810	1.6
1962.....	1, 650	1.5
1961.....	1, 491	1.5

INTEREST

Program	Outlays in millions		
	1970 actual	1971 estimate	1972 estimate
Interest on the public debt.....	\$19,304	\$20,800	\$21,150
Interest on refunds of receipts.....	113	117	117
Interest on uninvested funds.....	6	7	6
Deductions for offsetting receipts.....	-1,110	-1,491	-1,586
Total.....	18,312	19,433	19,687

Interest costs, predominantly interest on the public debt, are expected to rise by \$1.1 billion in 1971, and by another \$0.2 billion in 1972.

Interest payments for both 1971 and 1972 reflect the recent reduction in interest rates on short-term securities, the sector of the market where the great bulk of Treasury refinancing operations necessarily occurs. Assuming continuance of relatively low market rates of interest, the refinancing of maturing obligations bearing higher rates will provide savings that offset much of the increase that would otherwise occur in 1972 as a result of a larger debt level.

About \$1.6 billion of the estimated outlays for interest in 1972 will be offset by collections of interest by the Treasury Department. The interest is on Treasury loans to other Federal agencies to finance their lending and other business-type operations, and to a lesser extent, on loans to foreign governments.

Of the estimated 1972 interest

outlays, about 27% will be paid to trust funds and other Government investment accounts on the Government securities they hold. More than \$3.6 billion of the interest paid on obligations held by the Federal Reserve banks will be returned to the Treasury as miscellaneous receipts through the deposit of excess earnings by such banks. Hence, the net impact on the budget of the interest paid on the Federal debt will be less than \$10.8 billion in 1972.

Interest		
Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1972 estimate....	\$19,687	8.6%
1971 estimate....	19,433	9.1
1970.....	18,312	9.3
1969.....	15,791	8.6
1968.....	13,744	7.7
1967.....	12,588	8.0
1966.....	11,285	8.4
1965.....	10,357	8.7
1964.....	9,810	8.3
1963.....	9,215	8.3
1962.....	8,321	7.8
1961.....	8,108	8.3

PART 5

THE BUDGET SYSTEM

The budget serves as an important vehicle for determining national priorities. In the raising of tax revenues and the making of various payments, the Federal Government allocates resources between the private and public sectors of the

economy. Within the public sector, the distribution of outlays among individual programs reflects the priorities that 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 year climaxes many months of planning and analysis throughout the executive branch. Formulation of the 1972 budget, which covers the fiscal year beginning July 1, 1971 and ending June 30, 1972, began in the spring of 1970. About 10 months later, in January 1971, 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 determina-

tions among the President, the Office of Management and 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, reforms and innovations in its programs, and to alternative long-range program plans. After review in the agency and by the Office of Management and 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 Office of Management and Budget.

Following a review of both sets of projections, the President establishes general budget and fiscal policy guidelines for the fiscal year that will begin about 12 months later. Tentative policy determinations and plan-

ning targets are then given to the agencies as guidelines for the preparation of their budgets.

Individual budgets are formulated by each agency, reviewed in detail by the Office of Management and Budget throughout the fall and early winter and then presented to the President. 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 to Congress 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.

For the past 3 years, the Congress has enacted limitations on total budget outlays. Generally, however, the Congress does not vote on budget outlays directly. Rather it provides the authority to commit the Government to do certain things that usually require the future spending of money.

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 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 \$170 billion of the recommended \$249 billion of new budget authority for 1972 is dependent upon 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 approved 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 Office of Management and 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 where possible.

It is, of course, necessary to insure flexibility in case circumstances

change. If developments indicate that an agency will not require all the authority made available, “reserves” are established by the Office of Management and 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 Office of Management and Budget reviews substantive and financial reports and keeps abreast of agency progress in attainment of program objectives. In addition, the General Accounting Office conducts a continuing program of examination and evaluation of Government activities and their administration, with particular attention to aspects which appear to be in need of improvement. Its findings and recommendations for corrective action are made to the Congress and to the agencies concerned.

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 fiscal year results in obligations or outlays within that year.

- Budget authority for some major procurement and construction covers estimated full cost at the time programs are started, even though 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.
- Budget authority for trust funds represents mainly receipts from special taxes, which are used as needed over a period of years for purposes specified in the law.

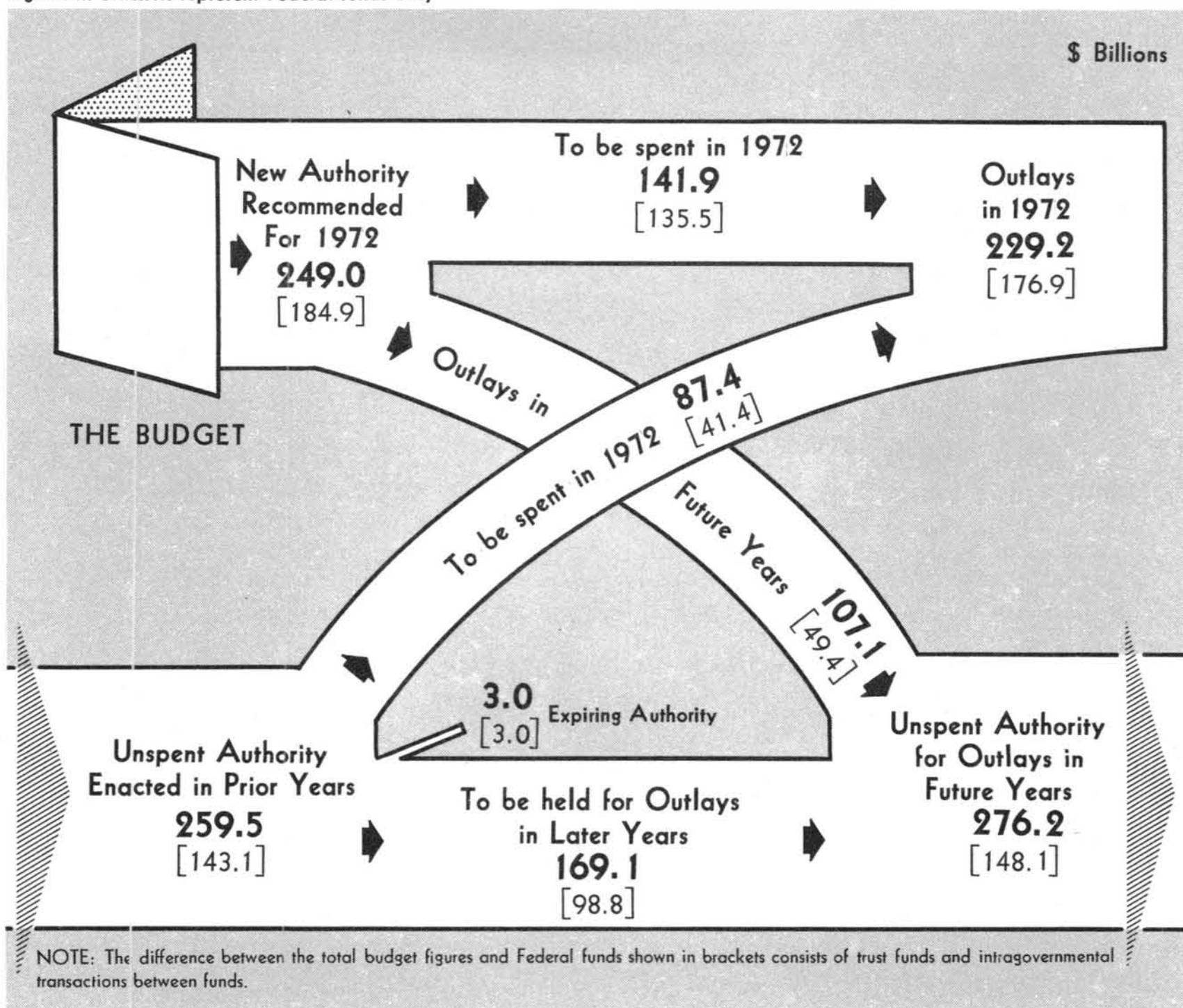
As a result, substantial unspent budget authority is always carried over from prior years. Most of it is earmarked for specified purposes, and is not available for new programs.

As shown in the chart below, \$87.4 billion—more than one-third—of 1972 outlays will be made under budget authority enacted in earlier years. Conversely, almost one-half of 1972 budget authority will be used in future years.

Therefore, when the Congress increases or decreases the budget authority requested by the President for a given year, budget outlays in that year are not necessarily changed by the same amount. The full effect of the change in budget authority on outlays will be felt over a period of years.

1972 Budget - Relation of Budget Authority to Outlays

Figures in brackets represent Federal funds only



PART 6
BUDGET TABLES

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BUDGET RECEIPTS, OUTLAYS, FINANCING, AND DEBT, 1961-1972 (in millions of dollars)

Description	Actual										Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Receipts, expenditures, and net lending:												
Expenditure account:												
Receipts.....	94,389	99,676	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	194,193	217,593
Expenditures (excludes net lending).....	96,597	104,462	111,456	118,039	117,181	130,820	153,201	172,802	183,072	194,456	211,143	228,286
Expenditure account surplus or deficit (—).....	<u>-2,208</u>	<u>-4,786</u>	<u>-4,896</u>	<u>-5,377</u>	<u>-347</u>	<u>36</u>	<u>-3,649</u>	<u>-19,131</u>	<u>4,712</u>	<u>-714</u>	<u>-16,951</u>	<u>-10,693</u>
Loan account:												
Loan disbursements.....	7,869	9,621	9,646	10,237	10,911	14,628	17,676	20,327	13,117	8,313	8,807	9,440
Loan repayments.....	6,671	7,271	9,791	9,693	9,662	10,796	12,623	14,297	11,640	6,182	7,196	8,494
Net lending.....	<u>1,198</u>	<u>2,351</u>	<u>-145</u>	<u>545</u>	<u>1,249</u>	<u>3,832</u>	<u>5,053</u>	<u>6,030</u>	<u>1,476</u>	<u>2,131</u>	<u>1,611</u>	<u>946</u>
Total budget:												
Receipts.....	94,389	99,676	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	194,193	217,593
Outlays (expenditures and net lending).....	<u>97,795</u>	<u>106,813</u>	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	212,755	229,232
Budget surplus or deficit (—).....	<u>-3,406</u>	<u>-7,137</u>	<u>-4,751</u>	<u>-5,922</u>	<u>-1,596</u>	<u>-3,796</u>	<u>-8,702</u>	<u>-25,161</u>	<u>3,236</u>	<u>-2,845</u>	<u>-18,562</u>	<u>-11,639</u>
Budget financing:												
Net borrowing from the public or repayment of borrowing (—).....	1,427	9,769	6,088	3,092	4,061	3,076	2,838	23,100	-1,044	3,814	17,600	10,600
Other means of financing.....	1,979	-2,632	-1,337	2,830	-2,465	720	5,863	2,061	-2,192	-969	962	1,039
Total means of financing.....	<u>3,406</u>	<u>7,137</u>	<u>4,751</u>	<u>5,922</u>	<u>1,596</u>	<u>3,796</u>	<u>8,702</u>	<u>25,161</u> ¹	<u>-3,236</u>	<u>2,845</u>	<u>18,562</u>	<u>11,639</u>
Outstanding debt, end of year:												
Gross Federal debt.....	292,895	303,291	310,807	316,763	323,154	329,474	341,348	369,769	367,144	382,603	407,033	429,400
Held by the public.....	238,604	248,373	254,461	257,553	261,614	264,690	267,529	290,629	279,483	284,880	302,480	313,080

¹ Excludes changes due to reclassification and to conversion of mixed-ownership enterprises to private ownership.

BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1961-1972 (in millions of dollars)

Description	Actual										Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
RECEIPTS BY SOURCE												
Individual income taxes.....	41,338	45,571	47,588	48,697	48,792	55,446	61,526	68,726	87,249	90,412	88,300	93,700
Corporation income taxes.....	20,954	20,523	21,579	23,493	25,461	30,073	33,971	28,665	36,678	32,829	30,100	36,700
Social insurance taxes and contributions (trust funds):												
Employment taxes and contributions.....	12,679	12,835	14,746	16,959	17,359	20,662	27,823	29,224	34,236	39,133	42,297	50,225
Unemployment insurance.....	2,902	3,337	4,112	4,045	3,819	3,777	3,659	3,346	3,328	3,464	3,604	4,183
Contributions for other insurance and retirement.....	857	875	946	1,008	1,081	1,129	1,867	2,052	2,353	2,701	3,072	3,151
Excise taxes:												
Federal funds.....	9,063	9,585	9,915	10,211	10,911	9,145	9,278	9,700	10,585	10,352	10,650	11,115
Trust funds.....	2,798	2,949	3,279	3,519	3,659	3,917	4,441	4,379	4,637	5,354	6,150	6,385
Estate and gift taxes.....	1,896	2,016	2,167	2,394	2,716	3,066	2,978	3,051	3,491	3,644	3,730	5,300
Customs duties.....	982	1,142	1,205	1,252	1,442	1,767	1,901	2,038	2,319	2,430	2,490	2,700
Miscellaneous receipts ¹	919	843	1,023	1,084	1,594	1,875	2,108	2,491	2,908	3,424	3,800	4,134
Total receipts.....	94,389	99,676	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	194,193	217,593
Federal funds.....	75,179	79,703	83,550	87,205	90,943	101,427	111,835	114,726	143,321	143,158	139,137	153,720
Trust funds.....	21,800	22,652	25,799	28,518	29,230	32,997	42,935	44,716	52,009	59,362	66,165	75,490
Intragovernmental transactions.....	-2,589	-2,680	-2,788	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,109	-11,617
OUTLAYS BY FUNCTION¹												
National defense.....	47,381	51,097	52,257	53,591	49,578	56,785	70,081	80,517	81,232	80,295	76,443	77,512
International affairs and finance.....	3,357	4,492	4,115	4,117	4,340	4,490	4,547	4,619	3,785	3,570	3,586	4,032
Space research and technology.....	744	1,257	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,749	3,368	3,151
Agriculture and rural development.....	3,340	4,123	5,139	5,185	4,807	3,679	4,376	5,943	6,221	6,201	5,262	5,804
Natural resources.....	1,554	1,665	1,483	1,944	2,028	1,999	1,821	1,655	2,081	2,480	2,636	4,243
Commerce and transportation.....	5,062	5,430	5,765	6,511	7,399	7,171	7,594	8,094	7,921	9,310	11,442	10,937
Community development and housing.....	191	589	-880	-185	288	2,644	2,616	4,076	1,961	2,965	3,858	4,495
Education and manpower.....	1,227	1,406	1,502	1,751	2,284	4,258	5,853	6,739	6,525	7,289	8,300	8,808
Health.....	873	1,139	1,393	1,737	1,730	2,543	6,721	9,672	11,696	12,995	14,928	16,010
Income security.....	21,227	22,530	24,085	25,110	25,702	29,016	31,164	34,108	37,699	43,790	55,546	60,739
Veterans benefits and services.....	5,688	5,625	5,520	5,681	5,722	5,920	6,897	6,882	7,640	8,677	9,969	10,644
Interest.....	8,108	8,321	9,215	9,810	10,357	11,285	12,588	13,744	15,791	18,312	19,433	19,687
General government.....	1,491	1,650	1,810	2,040	2,210	2,292	2,510	2,561	2,866	3,336	4,381	4,970
Allowances.....											800	5,969
Undistributed intragovernmental transactions.....	-2,449	-2,513	-2,644	-2,877	-3,109	-3,364	-3,936	-4,499	-5,117	-6,380	-7,197	-7,771
Total outlays.....	97,795	106,813	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	212,755	229,232
Federal funds.....	79,336	86,594	90,141	95,761	94,807	106,512	126,779	143,105	148,811	156,301	164,665	175,857
Trust funds.....	21,048	22,898	23,958	25,884	26,962	31,708	36,693	41,499	43,284	49,065	59,200	63,992
Intragovernmental transactions.....	-2,589	-2,680	-2,788	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,109	-11,617

¹ Includes both Federal funds and trust funds.

BUDGET OUTLAYS BY SUBFUNCTION, 1961-1972 (in millions of dollars)

Function and subfunction	Actual										Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
National defense:												
Department of Defense—Military:												
Military personnel (including retired personnel).....	12,085	13,032	13,000	14,195	14,771	16,753	19,787	21,954	23,818	25,880	25,092	23,849
Operation and maintenance.....	10,611	11,594	11,874	11,932	12,349	14,710	19,000	20,578	22,227	21,609	20,380	20,234
Procurement.....	13,095	14,532	16,632	15,351	11,839	14,339	19,012	23,283	23,988	21,584	18,448	17,936
Research and development.....	6,131	6,319	6,376	7,021	6,236	6,259	7,160	7,747	7,457	7,166	7,281	7,504
Military construction and other.....	1,606	1,602	513	1,236	928	2,279	2,636	3,975	525	1,059	1,407	2,019
Allowances for pay increase and all-volunteer force.....											945	3,580
Deductions for offsetting receipts.....	-236	-163	-251	-159	-150	-160	-138	-164	-143	-148	-183	-147
Subtotal Department of Defense—Military ¹	43,292	46,916	48,143	49,577	45,973	54,178	67,457	77,373	77,872	77,150	73,370	74,975
Atomic energy ¹	2,713	2,806	2,758	2,764	2,625	2,403	2,264	2,466	2,450	2,453	2,275	2,318
Military assistance ¹	1,351	1,337	1,406	1,209	1,125	1,003	858	654	789	731	1,130	1,025
Defense-related activities.....	104	92	24	172	136	-62	-17	139	260	79	-54	92
Deductions for offsetting receipts ²	-80	-53	-74	-130	-281	-738	-481	-116	-138	-118	-278	-898
Total national defense.....	47,381	51,097	52,257	53,591	49,578	56,785	70,081	80,517	81,232	80,295	76,443	77,512
International affairs and finance:												
Economic and financial assistance.....	1,877	2,325	1,968	1,756	2,041	2,329	3,057	3,053	2,420	2,231	2,190	2,636
Food for Peace.....	1,823	1,947	2,040	2,049	1,852	1,784	1,452	1,204	975	937	1,014	962
Conduct of foreign affairs.....	216	248	346	296	347	315	336	354	371	398	421	453
Foreign information and exchange activities.....	158	197	201	207	223	227	245	253	237	235	240	243
Deductions for offsetting receipts.....	-716	-226	-441	-191	-123	-165	-542	-245	-217	-232	-279	-261
Total international affairs and finance.....	3,357	4,492	4,115	4,117	4,340	4,490	4,547	4,619	3,785	3,570	3,586	4,032
Space research and technology:												
Manned space flight.....	279	565	1,516	2,768	3,538	4,210	3,649	3,096	2,781	2,209	1,887	1,662
Space science and application.....	249	420	576	754	751	778	796	700	569	656	631	727
Space technology.....	87	159	303	432	484	435	440	410	344	328	286	234
Aircraft technology.....	51	31	36	40	58	75	89	128	168	188	184	195
Supporting space activities.....	79	82	122	178	262	435	452	390	390	374	393	347
Deductions for offsetting receipts.....	-*	-*	-*	-1	-2	-1	-2	-3	-6	-6	-13	-13
Total space research and technology.....	744	1,257	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,749	3,368	3,151
Agriculture and rural development:												
Farm income stabilization.....	2,343	3,143	4,060	4,134	3,667	2,536	3,167	4,542	5,000	4,589	4,075	4,227
Agricultural land and water resources.....	347	368	324	325	342	347	353	351	343	344	353	334
Rural housing and public facilities.....	335	291	375	326	354	309	330	474	318	579	60	432
Research and other agricultural services.....	344	363	415	441	485	531	570	618	645	730	816	855
Deductions for offsetting receipts.....	-30	-42	-36	-42	-42	-44	-44	-42	-85	-41	-42	-43
Total agriculture and rural development.....	3,340	4,123	5,139	5,185	4,807	3,679	4,376	5,943	6,221	6,201	5,262	5,804

Natural resources:												
Water resources and power.....	1,395	1,578	1,718	1,798	1,867	2,061	2,158	2,251	2,256	2,245	3,025	3,864
Land management.....	428	382	422	459	509	556	618	639	643	754	864	830
Recreational resources.....	146	151	180	202	215	241	285	331	372	370	536	615
Mineral resources.....	28	30	25	46	59	62	73	85	71	94	173	68
Other natural resources programs.....	52	58	67	70	79	90	93	102	107	122	133	143
Deductions for offsetting receipts.....	-497	-535	-929	-632	-701	-1,011	-1,408	-1,753	-1,368	-1,105	-2,094	-1,276
Total natural resources.....	1,554	1,665	1,483	1,944	2,028	1,999	1,821	1,655	2,081	2,480	2,636	4,243
Commerce and transportation:												
Ground transportation.....	2,656	2,817	3,057	3,686	4,092	4,043	4,093	4,367	4,413	4,632	5,145	5,310
Air transportation.....	716	781	808	835	875	879	945	951	1,042	1,223	1,620	1,835
Water transportation.....	569	654	672	658	728	708	765	844	864	902	1,066	1,123
Area and regional development.....	188	132	242	538	557	315	318	472	584	590	747	802
Postal service.....	914	797	770	578	805	888	1,141	1,080	920	1,510	2,353	1,333
Advancement and regulation of business.....	212	376	321	343	503	450	450	545	259	607	711	677
Deductions for offsetting receipts.....	-193	-126	-104	-128	-160	-112	-119	-165	-162	-154	-200	-142
Total commerce and transportation.....	5,062	5,430	5,765	6,511	7,399	7,171	7,594	8,094	7,921	9,310	11,442	10,937
Community development and housing:												
Low- and moderate-income housing aids.....	155	170	198	37	81	391	478	948	871	1,280	1,633	1,948
Community environment.....	145	227	173	240	331	365	465	486	632	1,105	1,173	1,397
Community facilities.....	15	27	36	51	46	38	74	106	146	181	229	416
Concentrated community development.....					51	302	452	648	684	816	1,168	1,235
Community planning and administration.....	-79	11	24	29	32	16	33	37	47	69	131	151
Maintenance of the housing mortgage market.....	-36	169	-1,289	-511	-237	1,545	1,133	1,863	-406	-487	-423	-651
Deductions for offsetting receipts.....	-9	-16	-22	-31	-16	-13	-19	-12	-13	*	-53	*
Total community development and housing.....	191	589	-880	-185	288	2,644	2,616	4,076	1,961	2,965	3,858	4,495
Education and manpower:												
Elementary and secondary education.....	417	429	527	566	645	1,804	2,439	2,595	2,480	2,968	3,245	3,562
Higher education.....	291	357	419	383	414	705	1,159	1,393	1,230	1,381	1,458	1,302
Science education and basic research.....	143	183	206	310	309	368	415	449	490	464	502	546
Vocational education.....	40	40	41	41	132	136	250	265	262	289	423	501
Other education aids.....	76	98	98	110	158	155	264	334	373	429	419	463
Manpower training and employment services.....	134	194	209	299	534	989	1,236	1,587	1,560	1,602	2,017	2,156
Other manpower aids.....	129	110	7	49	100	112	100	132	142	169	248	308
Deductions for offsetting receipts.....	-4	-4	-5	-5	-9	-11	-11	-16	-13	-14	-12	-29
Total education and manpower.....	1,227	1,406	1,502	1,751	2,284	4,258	5,853	6,739	6,525	7,289	8,300	8,808
Health:												
Providing or financing medical services ¹	157	264	318	386	476	1,094	4,866	7,455	9,315	10,344	12,037	12,945
Development of health resources.....	642	786	949	1,170	1,039	1,212	1,556	1,826	1,918	2,097	2,228	2,380
Prevention and control of health problems.....	77	91	128	182	215	238	301	394	465	561	664	703
Deductions for offsetting receipts ²	-2	-3	-3	-1	-1	-1	-2	-3	-2	-6	-2	-18
Total health.....	873	1,139	1,393	1,737	1,730	2,543	6,721	9,672	11,696	12,995	14,928	16,010

Function and subfunction	Actual										Estimate	
	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Income security:												
Retirement and social insurance ¹	18,739	19,800	21,478	22,234	22,530	25,563	27,351	29,566	32,540	37,275	46,003	49,030
Public assistance.....	2,385	2,604	2,909	3,085	3,119	3,151	3,180	3,726	4,272	5,186	7,860	9,790
Social and individual services.....	104	133	176	199	249	410	692	831	888	1,331	1,684	1,937
Deductions for offsetting receipts ²	-2	-7	-479	-409	-196	-109	-59	-16	-1	-1	-1	-18
Total income security	21,227	22,530	24,084	25,110	25,702	29,016	31,164	34,108	37,699	43,790	55,546	60,739
Veterans benefits and services:												
Income security for veterans.....	4,439	4,476	4,706	4,646	4,710	4,700	5,209	4,997	5,528	6,021	6,551	6,973
Hospital and medical care for veterans.....	1,032	1,085	1,147	1,231	1,271	1,320	1,393	1,472	1,566	1,802	2,056	2,230
Veterans education, training, and rehabilitation.....	415	159	101	77	58	54	305	478	701	1,015	1,715	1,981
Veterans housing.....	152	236	-109	44	*	169	304	210	102	54	-147	-334
Other veterans benefits and services.....	187	180	176	185	179	196	195	218	237	260	288	301
Deductions for offsetting receipts.....	-537	-511	-501	-502	-497	-518	-509	-492	-493	-477	-493	-508
Total veterans benefits and services	5,688	5,625	5,520	5,681	5,722	5,920	6,897	6,882	7,640	8,677	9,969	10,644
General government:												
Central fiscal operations.....	622	668	733	808	844	886	968	1,024	1,094	1,271	1,416	1,570
Law enforcement and justice.....	289	300	323	335	366	385	426	452	534	666	1,116	1,477
General property and records management.....	356	355	416	553	565	550	617	569	567	595	644	692
Legislative and judicial functions.....	170	192	194	192	218	238	254	274	302	362	411	450
National Capital region.....	50	73	70	58	61	73	84	104	162	226	363	414
Central personnel management.....	92	106	110	110	107	107	116	140	146	166	202	255
Executive direction and other general government.....	131	158	160	211	213	216	243	270	299	310	483	617
Deductions for offsetting receipts.....	-220	-204	-196	-226	-165	-162	-199	-272	-238	-259	-254	-506
Total general government	1,491	1,650	1,810	2,040	2,210	2,292	2,510	2,561	2,866	3,336	4,381	4,970
Interest	8,108	8,321	9,215	9,810	10,357	11,285	12,588	13,744	15,791	18,312	19,433	19,687
Allowances											800	5,969
Undistributed intragovernmental transactions.....	-2,449	-2,513	-2,644	-2,877	-3,109	-3,364	-3,936	-4,499	-5,117	-6,380	-7,197	-7,771
Total outlays	97,795	106,813	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	212,755	229,232

*Less than \$500 thousand. ¹ Entries net of offsetting receipts. ² Excludes offsetting receipts which have been distributed by subfunction above.

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

Department or other unit	Budget authority			Outlays		
	1970 actual	1971 estimate	1972 estimate	1970 actual	1971 estimate	1972 estimate
Legislative Branch.....	359	430	519	343	396	430
The Judiciary.....	126	148	169	128	143	167
Executive Office of the President.....	38	49	56	36	50	55
Funds appropriated to the President.....	4,980	5,680	5,248	4,774	4,924	4,676
Agriculture.....	8,929	8,357	10,493	8,307	8,702	9,510
Commerce.....	1,056	1,235	1,428	1,079	1,203	1,281
Defense—Military (including pay raises).....	74,153	71,408	77,663	77,150	73,370	74,975
Defense—Civil.....	1,202	1,338	1,452	1,210	1,426	1,508
Health, Education, and Welfare.....	58,313	66,660	78,790	52,249	61,940	68,719
Housing and Urban Development.....	5,384	3,432	3,629	2,603	3,333	3,888
Interior.....	1,119	509	1,532	823	357	1,434
Justice.....	861	1,238	1,540	640	1,071	1,412
Labor.....	5,167	6,418	7,115	4,356	7,521	7,224
State.....	456	517	530	448	482	525
Transportation.....	8,685	11,169	8,448	6,417	7,367	7,805
Treasury.....	19,546	20,909	21,205	19,509	20,893	21,180
Atomic Energy Commission.....	2,220	2,308	2,251	2,453	2,275	2,318
Environmental Protection Agency.....	1,004	1,286	2,451	350	679	1,364
General Services Administration.....	394	441	-188	446	335	-275
National Aeronautics and Space Administration.....	3,746	3,297	3,270	3,749	3,368	3,151
Postal Service.....	1,758	12,735	1,472	1,510	2,353	1,333
Veterans Administration.....	8,750	10,171	10,954	8,653	9,948	10,622
Other independent agencies.....	11,106	12,698	10,303	5,733	7,015	7,734
Allowances for:						
Revenue sharing.....			4,106			4,019
Pay increases (excluding Department of Defense).....		525	1,050		500	1,000
Contingencies.....		500	1,250		300	950
Undistributed intergovernmental transactions:						
Employer share, employee retirement.....	-2,444	-2,486	-2,461	-2,444	-2,486	-2,461
Interest received by trust funds.....	-3,936	-4,711	-5,310	-3,936	-4,711	-5,310
Total budget authority and outlays.....	212,973	236,263	248,965	196,588	212,755	229,232

MEMORANDUM

Portion available through current action by Congress.....	141,592	165,971	170,162	120,241	132,352	147,872
Portion available without current action by Congress.....	85,373	88,524	97,796	10,896	10,548	12,996
Outlays from obligated balances.....				46,220	48,483	48,217
Outlays from unobligated balances.....				33,223	39,604	39,143
Deductions for offsetting receipts:						
Intrabudgetary transactions.....	-10,178	-12,959	-13,688	-10,178	-12,959	-13,688
Proprietary receipts from the public.....	-3,814	-5,273	-5,306	-3,814	-5,273	-5,306
Total budget authority and outlays.....	212,973	236,263	248,965	196,588	212,755	229,232

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

Trust fund	Outlays			Receipts		
	1970 actual	1971 estimate	1972 estimate	1970 actual	1971 estimate	1972 estimate
Federal old-age and survivors insurance.....	27,320	32,000	35,105	31,746	33,190	38,204
Federal disability insurance.....	2,954	3,536	3,880	4,380	4,570	4,735
Health insurance.....	7,149	8,262	9,033	7,489	10,201	13,189
Unemployment insurance.....	3,555	5,964	5,195	4,074	4,299	4,963
Railroad retirement.....	1,608	1,914	1,944	1,744	1,895	2,080
Federal employees retirement.....	2,770	3,202	3,575	4,705	5,257	5,542
Airport and airway.....		371	1,409		1,201	1,248
Highway.....	4,382	4,718	4,772	5,473	5,759	5,908
Foreign military sales.....	950	935	900	813	980	900
Veterans life insurance.....	769	803	824	753	799	833
Other (nonrevolving).....	234	294	317	287	353	285
Revolving.....	-524	-461	-566			
Interfund transactions.....	-597	-626	-760	-597	-626	-760
Proprietary receipts from the public.....	-1,505	-1,713	-1,636	-1,505	-1,713	-1,636
Total.....	49,065	59,200	63,992	59,362	66,165	75,490

SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Agency	End of year			Change 1971-72
	1970 actual	1971 estimate	1972 estimate	
Department of Agriculture.....	¹ 82,553	85,600	87,300	1,700
Department of Commerce.....	25,427	28,400	29,600	1,200
Department of Defense, military functions.....	1,129,642	1,079,500	1,061,600	-17,900
Department of Defense, civil functions.....	30,293	30,900	31,300	400
Department of Health, Education, and Welfare.....	¹ 99,667	105,300	102,100	-3,200
Department of Housing and Urban Development.....	14,661	16,000	16,700	700
Department of the Interior.....	¹ 56,570	58,000	59,100	1,100
Department of Justice.....	38,013	43,600	46,800	3,200
Department of Labor.....	10,217	11,600	12,100	500
Department of State.....	23,618	23,600	23,700	100
Department of Transportation.....	63,879	69,600	71,900	2,300
Department of the Treasury.....	86,020	93,500	100,400	6,900
Atomic Energy Commission.....	7,033	7,000	7,000	
Environmental Protection Agency.....	¹ 5,778	6,700	8,900	2,200
General Services Administration.....	36,400	39,900	41,600	1,700
National Aeronautics and Space Administration.....	31,223	29,900	28,400	-1,500
Postal Service.....	565,618	585,200	590,500	5,300
Veterans Administration.....	148,497	154,400	160,800	6,400
Other agencies:				
Agency for International Development.....	14,486	14,000	11,100	-2,900
Civil Service Commission.....	5,214	5,500	5,900	400
Office of Economic Opportunity.....	2,387	2,500	2,500	
Selective Service System.....	6,665	6,500	6,500	
Small Business Administration.....	4,015	4,100	4,200	100
Tennessee Valley Authority.....	12,657	13,300	13,300	
The Panama Canal.....	14,635	14,800	14,900	100
United States Information Agency.....	9,989	9,900	9,900	
Miscellaneous Agencies.....	¹ 27,414	29,700	31,200	1,500
Subtotal.....	2,552,571	2,569,000	2,579,300	10,300
Allowance for contingencies.....		5,000	10,000	5,000
Total.....	2,552,571	2,574,000	2,589,300	15,300

¹ Reflects reallocations of positions to the Environmental Protection Agency.

FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-1971 (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	\$69.7	19.3	\$70.9	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	74.5	18.2	70.5	17.2	(1)	(1)	272.8	66.6	222.2	54.3
1957	431.3	80.0	18.5	76.7	17.8	(1)	(1)	272.4	63.1	219.4	50.9
1958	440.3	79.6	18.1	82.6	18.8	\$81.0	18.4	279.7	63.5	226.4	51.4
1959	469.1	79.2	16.9	92.1	19.6	89.4	19.1	287.8	61.3	235.0	50.1
1960	495.2	92.5	18.7	92.2	18.6	90.3	18.2	290.9	58.7	237.2	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	303.3	55.9	248.4	45.8
1963	573.4	106.6	18.6	111.3	19.4	111.5	19.4	310.8	54.2	254.5	44.4
1964	612.2	112.7	18.4	118.6	19.4	118.0	19.3	316.8	51.7	257.6	42.1
1965	654.2	116.8	17.9	118.4	18.1	117.2	17.9	323.2	49.4	261.6	40.0
1966	721.2	130.9	18.1	134.7	18.7	130.8	18.1	329.5	45.7	264.7	36.7
1967	769.8	149.6	19.4	158.3	20.6	153.2	19.9	341.3	44.3	267.5	34.8
1968	827.3	153.7	18.6	178.8	21.6	172.8	20.9	369.8	44.7	290.6	35.1
1969	897.7	187.8	20.9	184.5	20.6	183.1	20.4	367.1	40.9	279.5	31.1
1970	956.0	193.7	20.3	196.6	20.6	194.5	20.3	382.6	40.0	284.9	29.8
1971 estimate	1,012.0	194.2	19.2	212.8	21.0	211.1	20.9	407.0	40.2	302.5	29.9

¹ Not available.

BUDGET RECEIPTS AND OUTLAYS, 1789-1972 (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	1921.....	5,571	5,062	+509
1850-1900.....	14,462	15,453	-991	1922.....	4,026	3,289	+736
1901.....	588	525	+63	1923.....	3,853	3,140	+713
1902.....	562	485	+77	1924.....	3,871	2,908	+963
1903.....	562	517	+45	1925.....	3,641	2,924	+717
1904.....	541	584	-43	1926.....	3,795	2,930	+865
1905.....	544	567	-23	1927.....	4,013	2,857	+1,155
1906.....	595	570	+25	1928.....	3,900	2,961	+939
1907.....	666	579	+87	1929.....	3,862	3,127	+734
1908.....	602	659	-57	1930.....	4,058	3,320	+738
1909.....	604	694	-89	1931.....	3,116	3,577	-462
1910.....	676	694	-18	1932.....	1,924	4,659	-2,735
1911.....	702	691	+11	1933.....	1,997	4,598	-2,602
1912.....	693	690	+3	1934.....	3,015	6,645	-3,630
1913.....	714	715	*	1935.....	3,706	6,497	-2,791
1914.....	725	726	*	1936.....	3,997	8,422	-4,425
1915.....	683	746	-63	1937.....	4,956	7,733	-2,777
1916.....	761	713	+48	1938.....	5,588	6,765	-1,177
1917.....	1,101	1,954	-853	1939.....	4,979	8,841	-3,862
1918.....	3,645	12,677	-9,032				
1919.....	5,130	18,493	-13,363				
1920.....	6,649	6,358	+291				

CONSOLIDATED CASH STATEMENT

1940.....	6,879	9,589	-2,710	1948.....	45,357	36,493	+8,864
1941.....	9,202	13,980	-4,778	1949.....	41,576	40,570	+1,006
1942.....	15,104	34,500	-19,396	1950.....	40,940	43,147	-2,207
1943.....	25,097	78,909	-53,812	1951.....	53,390	45,797	+7,593
1944.....	47,818	93,956	-46,138	1952.....	68,011	67,962	+49
1945.....	50,162	95,184	-45,022	1953.....	71,495	76,769	-5,274
1946.....	43,537	61,738	-18,201				
1947.....	43,531	36,931	+6,600				

UNIFIED BUDGET

1954.....	69,719	70,890	-1,170	1964.....	112,662	118,584	-5,922
1955.....	65,469	68,509	-3,041	1965.....	116,833	118,430	-1,596
1956.....	74,547	70,460	+4,087	1966.....	130,856	134,652	-3,796
1957.....	79,990	76,741	+3,249	1967.....	149,552	158,254	-8,702
1958.....	79,636	82,575	-2,939	1968.....	153,671	178,833	-25,161
1959.....	79,249	92,104	-12,855	1969.....	187,784	184,548	+3,236
1960.....	92,492	92,223	+269	1970.....	193,743	196,588	-2,845
1961.....	94,389	97,795	-3,406	1971 estimate.....	194,193	212,755	-18,562
1962.....	99,676	106,813	-7,137	1972 estimate.....	217,593	229,232	-11,639
1963.....	106,560	111,311	-4,751				

*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.

EXECUTIVE BRANCH OF THE GOVERNMENT

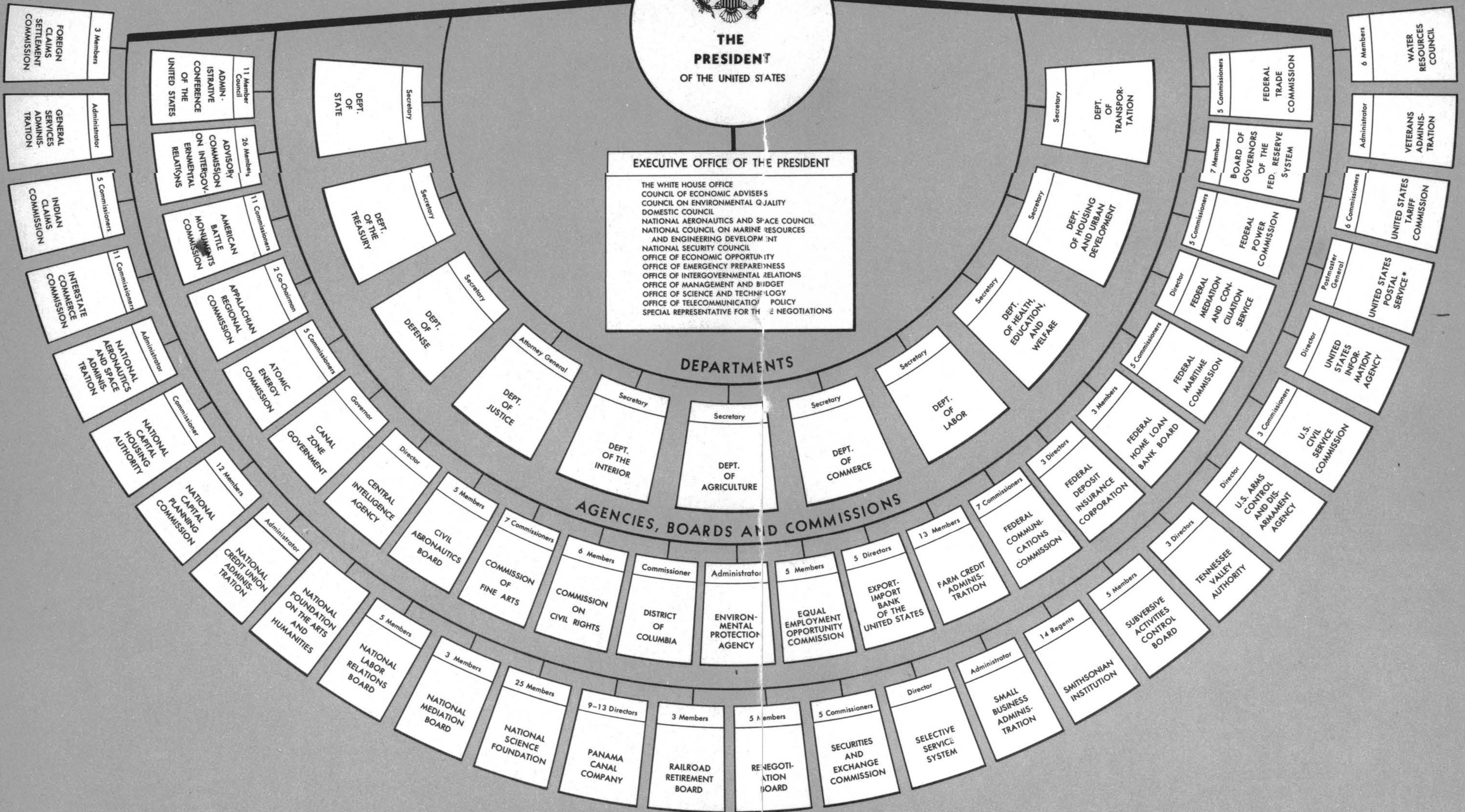


EXECUTIVE OFFICE OF THE PRESIDENT

THE WHITE HOUSE OFFICE
 COUNCIL OF ECONOMIC ADVISERS
 COUNCIL ON ENVIRONMENTAL QUALITY
 DOMESTIC COUNCIL
 NATIONAL AERONAUTICS AND SPACE COUNCIL
 NATIONAL COUNCIL ON MARINE RESOURCES AND ENGINEERING DEVELOPMENT
 NATIONAL SECURITY COUNCIL
 OFFICE OF ECONOMIC OPPORTUNITY
 OFFICE OF EMERGENCY PREPAREDNESS
 OFFICE OF INTERGOVERNMENTAL RELATIONS
 OFFICE OF MANAGEMENT AND BUDGET
 OFFICE OF SCIENCE AND TECHNOLOGY
 OFFICE OF TELECOMMUNICATIONS POLICY
 SPECIAL REPRESENTATIVE FOR THE NEGOTIATIONS

DEPARTMENTS

AGENCIES, BOARDS AND COMMISSIONS



*Effective no later than August 12, 1971

ORGANIZATION CHART OF THE EXECUTIVE BRANCH

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

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, 1972*. 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, 1972.—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds.

3. *Special Analyses, Budget of the United States, 1972*.—Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program.