

THE U.S. BUDGET IN BRIEF

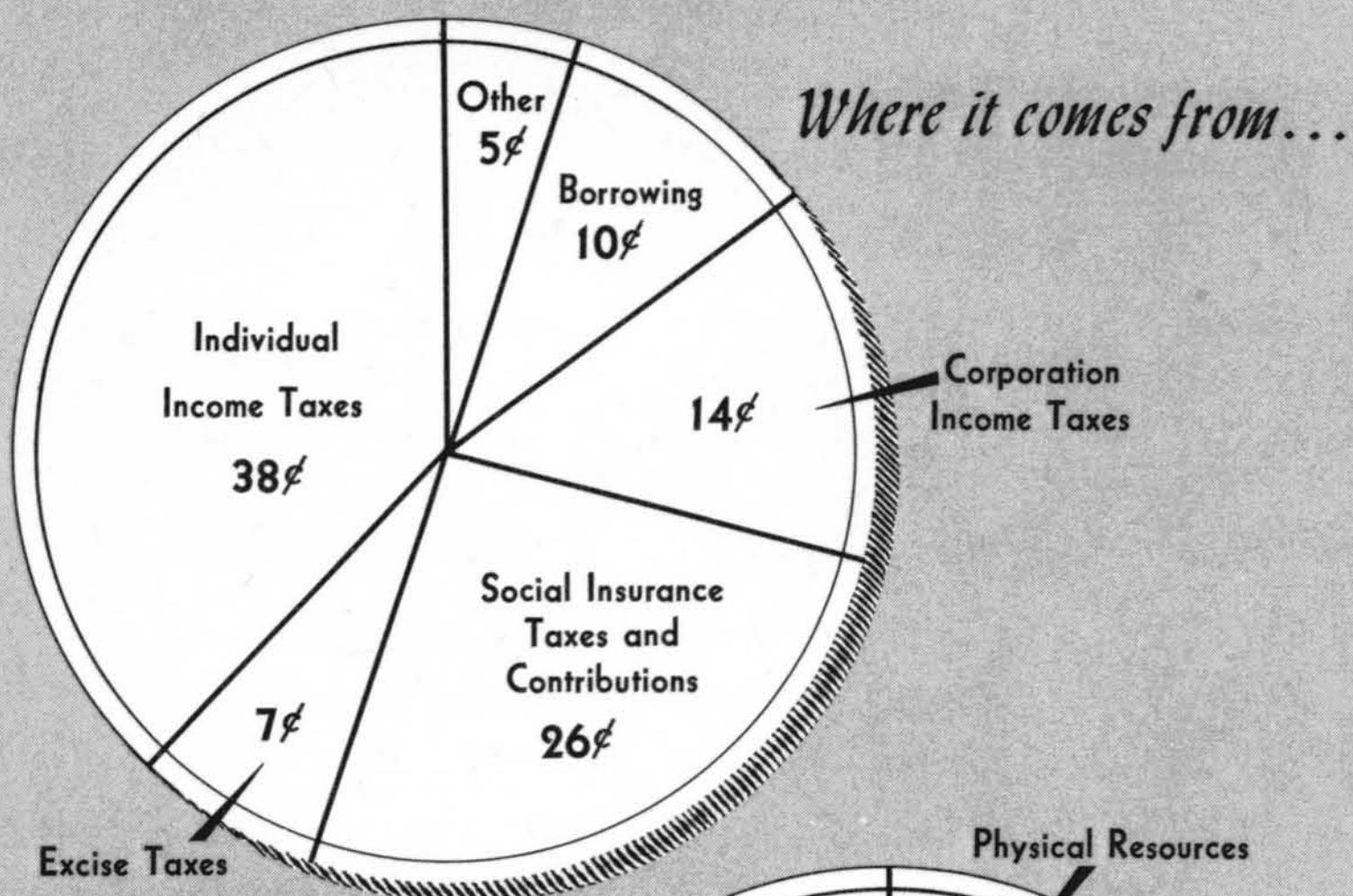


**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

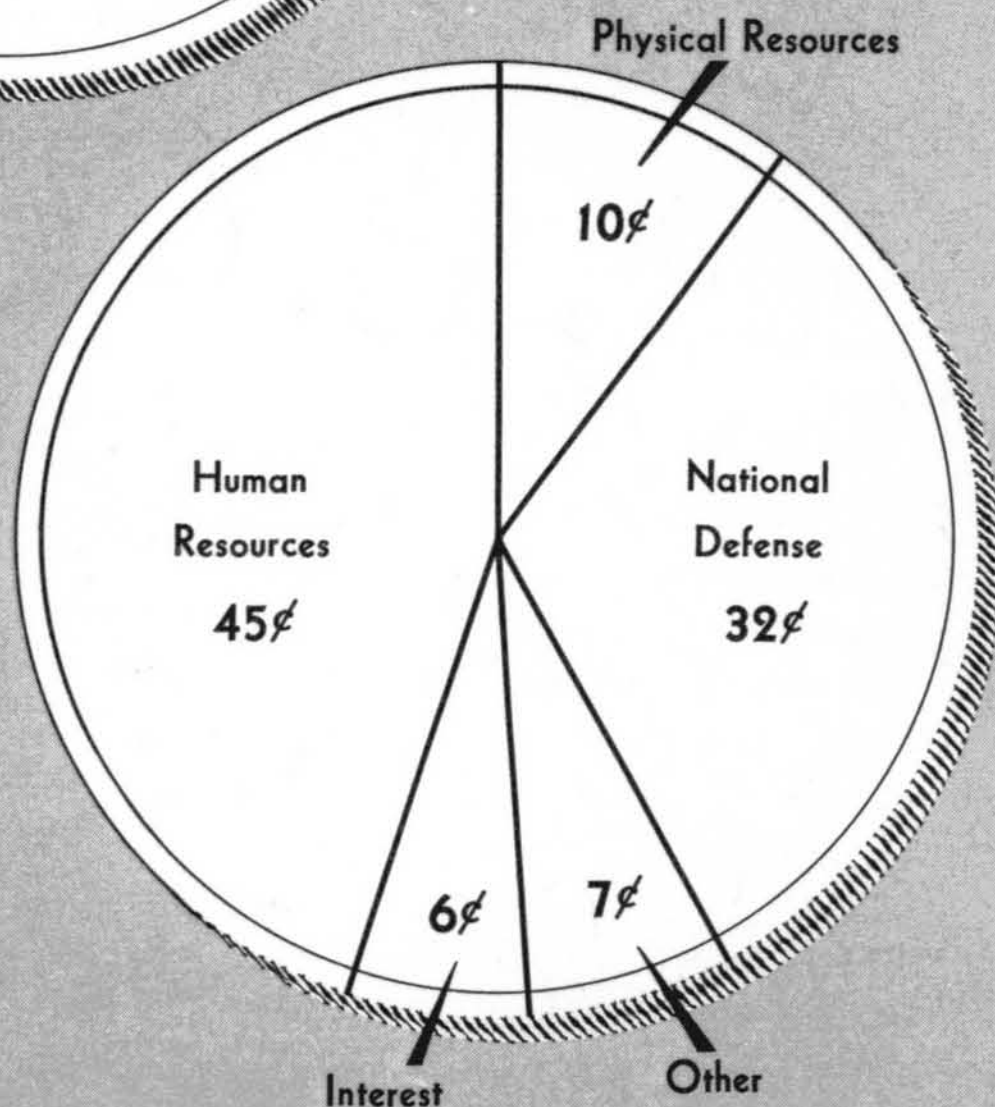
FISCAL YEAR 1973

THE BUDGET DOLLAR

Fiscal Year 1973 Estimate



Where it goes...



Human Resources include: Education & Manpower, Health, Income Security, and Veterans Benefits and Services.

Physical Resources include: Agriculture and Rural Development, Natural Resources and Environment, Commerce and Transportation, and Community Development & Housing.

Other includes: General Government, International Affairs and Finance, Space Research & Technology, the Federal Government share of Federal Employees Retirement & Allowances.

Interest is net of: Interest paid to the Trust Funds.

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INTRODUCTION

The budget is designed to serve many purposes:

- It *reflects the fiscal policies of the Government* for promoting economic growth, high employment, relative price stability, and strengthening of the Nation's balance of payments position;
- It sets forth the *President's requests to Congress* for appropriation action on existing and new programs;
- It *reports to the Congress and the people* on how the Government has spent its funds, making readily available data on expenditure, and revenues of the Federal Government; and
- It *projects the future fiscal position of the Government* and thereby serves a clear warning that in considering new proposals we make the hard choices necessary to assure that they can be financed within a full-employment budget policy.

Since the budget serves so many purposes, it is a complex, technical document. Therefore, the *Budget in Brief* is published each year to present the highlights of the budget in a nontechnical style.

We hope that the *Budget in Brief* will promote greater understanding of the budget and will stimulate interest in and understanding of the major economic and social issues before our Government.

GEORGE P. SHULTZ,
Director, Office of Management and Budget.

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.

PART 1

FROM THE PRESIDENT'S BUDGET MESSAGE

"The Budget of the United States for the fiscal year 1973 has as a central purpose a new prosperity for all Americans without the stimulus of war and without the drain of inflation.

"To provide for the needs of our people by creating new peacetime jobs and revitalizing the economy, we are spending \$38.8 billion more in the current (1972) fiscal year than our receipts.

"I make that estimate fully aware that it is a large deficit, but one that is necessary in a year of reduced receipts, as we increase jobs and bring the economy back toward capacity.

"I am able to project a 1973 budget, with rising revenues, that cuts this year's actual deficit by \$13½ billion and brings us strongly forward toward our goal of a balanced budget in a time of full employment.

"If we were to spend less, we would be 'too little and too late' to stimulate greater business activity and create more jobs; if we were to spend more, we would be spending 'too much, too soon' and thereby invite a renewal of inflation. Instead, we must spend 'enough and on time' to keep the economy on a steadily upward peacetime course while providing jobs for all who want them and meeting the urgent needs of the American people.

"The budget for fiscal 1972 reflects this Government's confidence in the American economy's ability and capacity to respond to sensible stimulation. The budget for 1973, held to full-employment balance, diminishes stimulation as the new prosperity takes hold and, by so doing, acts as a barrier against the renewal of inflationary pressure.

"I strongly urge the Congress to respect the full-employment spending guideline this year, just as business and labor are expected to respect wage and price guidelines set forth to protect the earning and buying power of the American worker and consumer. In the long run, only the intelligent application of responsible fiscal and monetary policies, coupled with the breaking of inflationary expectations, will bring about peacetime prosperity without rising prices in a free market economy.

“Deficit spending at this time, like temporary wage and price controls, is strong but necessary medicine. We take that medicine because we need it, not because we like it; as our economy successfully combats unemployment, we will stop taking the medicine well before we become addicted to it.

“Preparing the Federal budget forces us to face up to the choices and challenges before us—to decide what national interests take priority.

“The budget is a superb deflator of rhetoric because it calls to account the open-ended promises heard so often in an election year. Proposals, no matter how attractive, must be paid for, and when spending is proposed that takes us beyond full employment balance, that payment must either be in the form of new taxes or rising prices. As the budget submitted herewith proves, I intend to resist the kind of spending that drives up taxes or drives up prices.

“One priority that most Americans will agree upon is the return of power to people, after decades of the flow of power to Washington. One good way of turning rhetoric into reality is to put that principle into practice in the tax area.

“Power in its most specific sense is spending power. My own choice between Government spending and individual spending has been clear and consistent: I believe some of that power should be taken from the Federal Government and returned to the individual.

“Accordingly, over the past 3 years, *the rate of increase in Government spending has been cut nearly in half* compared to the 3 comparable years before this Administration took office.

“From 1965 to 1968, Federal spending increased by 51%—an annual average of 17%; over the 3-year period 1969–72, spending rose by 28%—an average of 9% per year. The increase from 1972 to the spending level proposed in this budget is only 4.1%. This slash in the momentum of Federal spending is all the more dramatic when you consider that more than 71% of Federal spending is “uncontrollable”—that is, locked into the budget by previous congressional decisions.

“By putting the brakes on the increase in Government spending, we have been able to leave more spending power in the hands of the individual taxpayer. *In 1973, individuals will pay \$22 billion less in Federal income taxes than they would if the tax rates and structure were the same as those in existence when I took office.* To a family of four that earns \$7,500

a year, that means a reduction of Federal income taxes of \$272 this calendar year. I believe that the members of that family can use that money more productively for their own needs than Government can use it for them.

FEDERAL INCOME TAX REDUCTIONS FOR MARRIED
COUPLE WITH 2 CHILDREN, 1969-72

[Calendar year]				
Wage income	Taxes paid		Reduction between 1969 and 1972	
	1969	1972	Amount	Percentage
\$5,000-----	\$290	\$98	\$192	66
\$7,500-----	756	484	272	36
\$10,000-----	1,225	905	320	26
\$15,000-----	2,268	1,820	448	20

“The basic shift in the Government’s fiscal philosophy has gone relatively unnoticed. The upward curve of Federal spending is beginning to flatten out, while the Federal income tax “bite” out of the individual paycheck is becoming measurably less. This change in direction is as remarkable as it has been unremarked. We are not only talking about returning power—economic power, real power—to people and localities, we are doing something about it.

“Throughout this budget, a clear trend can be seen that is designed to return power to people—in real terms, in dollars-and-cents terms. It is a trend which is expressed by Federal income tax cuts, by more State and local participation in program administration, and by more Federal funds going to State and local governments without restrictions.

“This is the right course for the American people; it reflects their will; I remind the Congress of its power and responsibility to make revenue sharing and other returns of power to people a reality in this current session.

“Another priority—one upon which so much of our progress at home depends—is to create a peaceful world order. We could never fulfill our hopes for a full generation of peace from a position of weakness; we can only negotiate and maintain peace if our military power continues to be second to none.

“A demagogue may find it easy enough to advocate that we simply allocate necessary defense dollars to social programs, but a responsible Congress and a responsible President cannot afford such easy answers.

“Our success in reducing our involvement in Vietnam by 480,000 men before May 1, 1972 and comparable materiel reductions will enable us—for the first time—to spend more in the Department of Health, Education, and Welfare than we spend in the Department of Defense.

“But it would be foolhardy not to modernize our defense at this crucial moment. Accordingly, and still within our full-employment guideline, I have budgeted a \$6.3 billion increase in budget authority for military programs, including vitally needed additions to our strategic forces and our naval strength.

“In the 1972 defense appropriation bill, which the Congress did not pass until December of 1971, the Congress cut my appropriation request by \$3 billion. My 1971 defense request was cut by the Congress by \$2.1 billion. These were costly cuts especially in the field of research and development.

“We must be prudent in our defense spending, making certain we get the best defense for each taxpayer dollar spent. Productivity here too must be increased, but we cannot afford to be “penny-wise and pound-foolish.” *Nothing could be more wasteful than to have to pay the price of weakness.* It costs far less to maintain our strength than it would cost to fall behind and have to catch up, even if that could be done. I urge the Congress not to make the costly mistakes it has made in previous years in its defense cuts; the budget as submitted represents America’s actual military needs, and offers the best means to secure peace for the coming generation.

“*Another priority of this budget is to direct the resources of the Federal Government toward those needs the American people most want met and to the people who are most in need.*

—*Welfare Reform*, with training and work incentives, with a new fairness toward the working poor and a minimum income for every dependent family, is a good idea whose time has come.

—*Revenue Sharing* has been debated at length. The States and cities urgently require this aid; individual Americans need it for everything from improved law enforcement to tax relief. This budget allocates \$2.5 billion in 1972 and \$5.3 billion in 1973 to make General Revenue Sharing a reality now.

—*Schools* need emergency assistance now to make necessary adjustments to provide equal educational opportunity. This budget allocates \$500 million in 1972 and \$1 billion in 1973 for this purpose.

- Government reorganization* is needed now, to deliver more services for each tax dollar collected.
- Health care* must be improved and made available to all Americans, without driving up medical costs.
- Drug abuse prevention* must be intensified to curb narcotics trafficking and to expand Federal drug rehabilitation efforts coordinated by the White House Special Action Office.
- A new commitment to the aging* is long overdue to add dignity and usefulness to their lives.
- Scientific research and technology*, so essential to our national security, also must focus more directly on solving our domestic problems, increasing our productivity, and improving our competitive position in international trade.
- Veterans* of the Nation will receive the special consideration they deserve, with particular emphasis on those reentering civilian life after service in Vietnam.

SUMMARY OF THE 1973 BUDGET

“For 1973, the Federal budget at full-employment is approximately in balance.

THE BUDGET TOTALS

[Fiscal years. In billions]

Description	1971 actual	1972 estimate	1973 estimate	
Budget receipts.....	\$188.4	\$197.8	\$220.8	
Budget outlays.....	211.4	236.6	246.3	
Deficit (—).....	—23.0	—38.8	—25.5	
Full-employment receipts.....	214.1	225.0	245.0	
Full-employment outlays ¹	209.2	233.1	244.3	
Full-employment surplus or deficit (—).....	4.9	—8.1	0.7	
Budget authority.....	236.4	249.8	270.9	
Outstanding debt, end of year:	1970 actual			
Gross Federal debt.....	\$382.6	\$409.5	\$455.8	\$493.2
Debt held by the public.....	284.9	304.3	343.8	371.3
Outstanding Federal and federally assisted credit, end of year:				
Direct loans ²	51.1	53.2	50.7	51.4
Guaranteed and insured loans ³	105.4	118.7	136.8	158.6
Direct loans by Government-sponsored agencies.....	37.5	38.8	54.6	65.8

¹ These estimates reflect the fact that under conditions of full employment outlays for unemployment insurance benefits and the Emergency Employment Act program would be lower. Spending under other programs are also affected by employment conditions. For example, outlays for food stamps, social security benefits, public assistance, and veterans' pensions would also be lower under conditions of full employment, and interest would be higher. If adjustments were feasible for all such items, full employment outlays probably would be lower.

² Including loans in expenditure account.

³ Excluding loans by Government or Government-sponsored agencies.

“Budget receipts in 1973 are estimated to be \$220.8 billion, which is \$23 billion higher than in 1972. If the economy were operating at full employment throughout the year, the revenues produced would be \$245 billion.

“Estimated receipts for 1973 reflect a reduction of \$6.9 billion as a result of the tax cuts proposed in the new economic policy and incorporated in the Revenue Act of 1971. About \$5 billion of this reduction is in individuals' taxes. The resulting increase in consumers' purchasing power will be a major source of strength in the economy.

“Budget outlays in the coming year are expected to be \$246.3 billion, an increase of \$9.6 billion over the current year. This outlay increase will also help provide jobs and business investment in the year ahead, while remaining within the limit set by full-employment budget guidelines. If the economy were operating at full employment throughout the year, outlays for unemployment insurance benefits and the Emergency Employment Act—and outlay totals—would be lower than the amounts included in the 1973 budget.

“This budget requests \$271 billion of *budget authority*—the right to make commitments to spend—in 1973. About \$185 billion of this amount will require new action on the part of the Congress.

ECONOMIC SETTING AND FISCAL POLICY

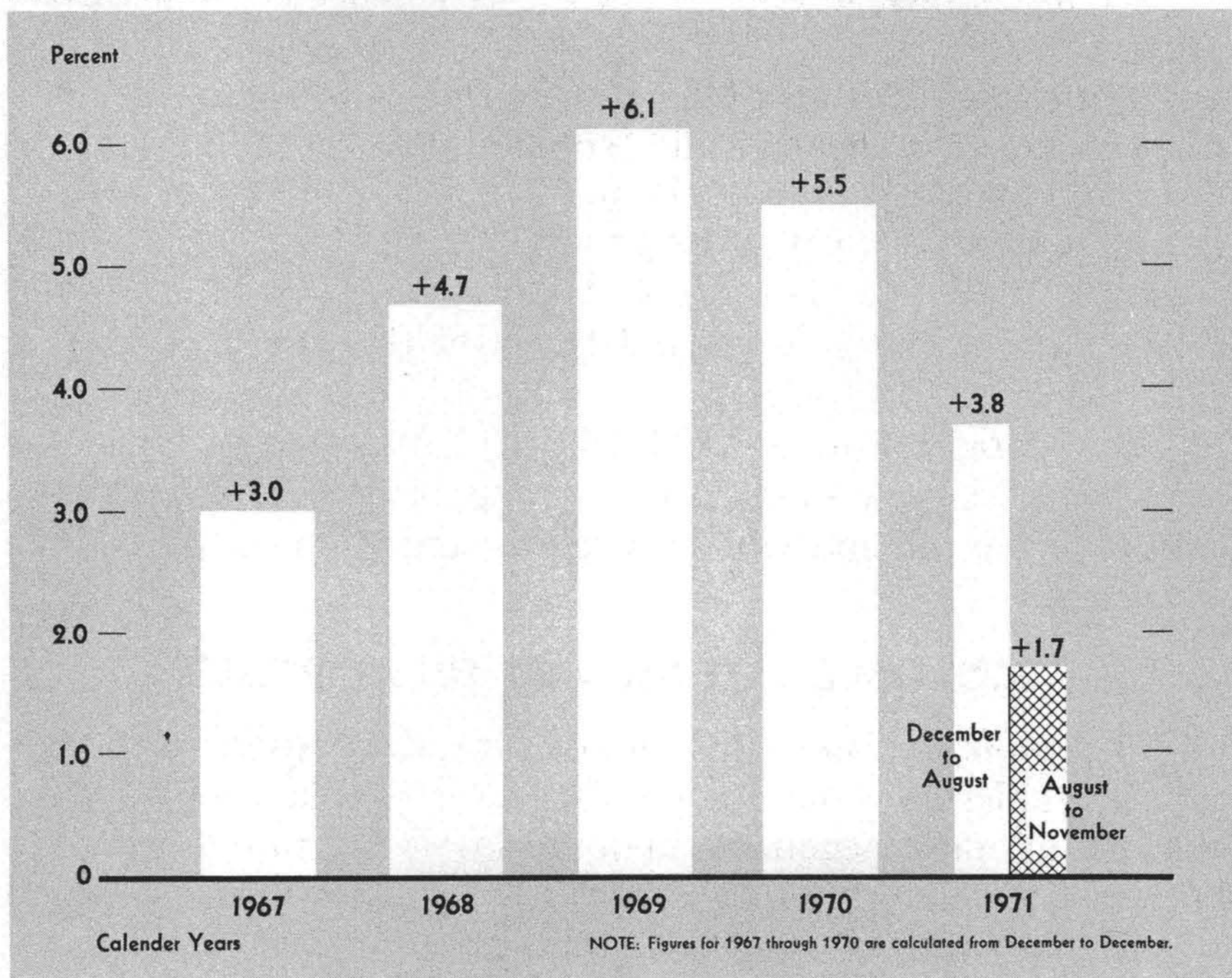
“Economic setting.—In January 1969, the Nation's chief economic problem was mounting inflation. Anti-inflationary policies that we adopted began gradually to lower the rate of price increases. However, progress was slower than we had hoped and was accompanied by an unacceptable increase in unemployment. This increase was, in part, a result of the transition of 2½ million people from wartime to peacetime activities. Action was called for and action was taken.

On August 15, 1971, a new economic policy was announced that:

- imposed a 90-day freeze on wage and price increases;
- proposed a job development tax credit to increase employment;
- recommended repeal of the automobile excise tax and an early increase in the personal tax exemption;
- reduced planned Federal spending in 1972 by \$5 billion;
- suspended the convertibility of the dollar into gold; and
- imposed a temporary 10% import surcharge.

This policy has begun to move the economy toward full employment without inflation and without war, a condition we have not experienced in this generation. The consumer price index rose only 1.7% at an annual rate from August to November—the lowest rate of increase for a comparable period in 4½ years. Now we have moved beyond the wage and price freeze into a transitional period of flexible wage and price controls and on the way to a return to reasonable price stability under free markets.

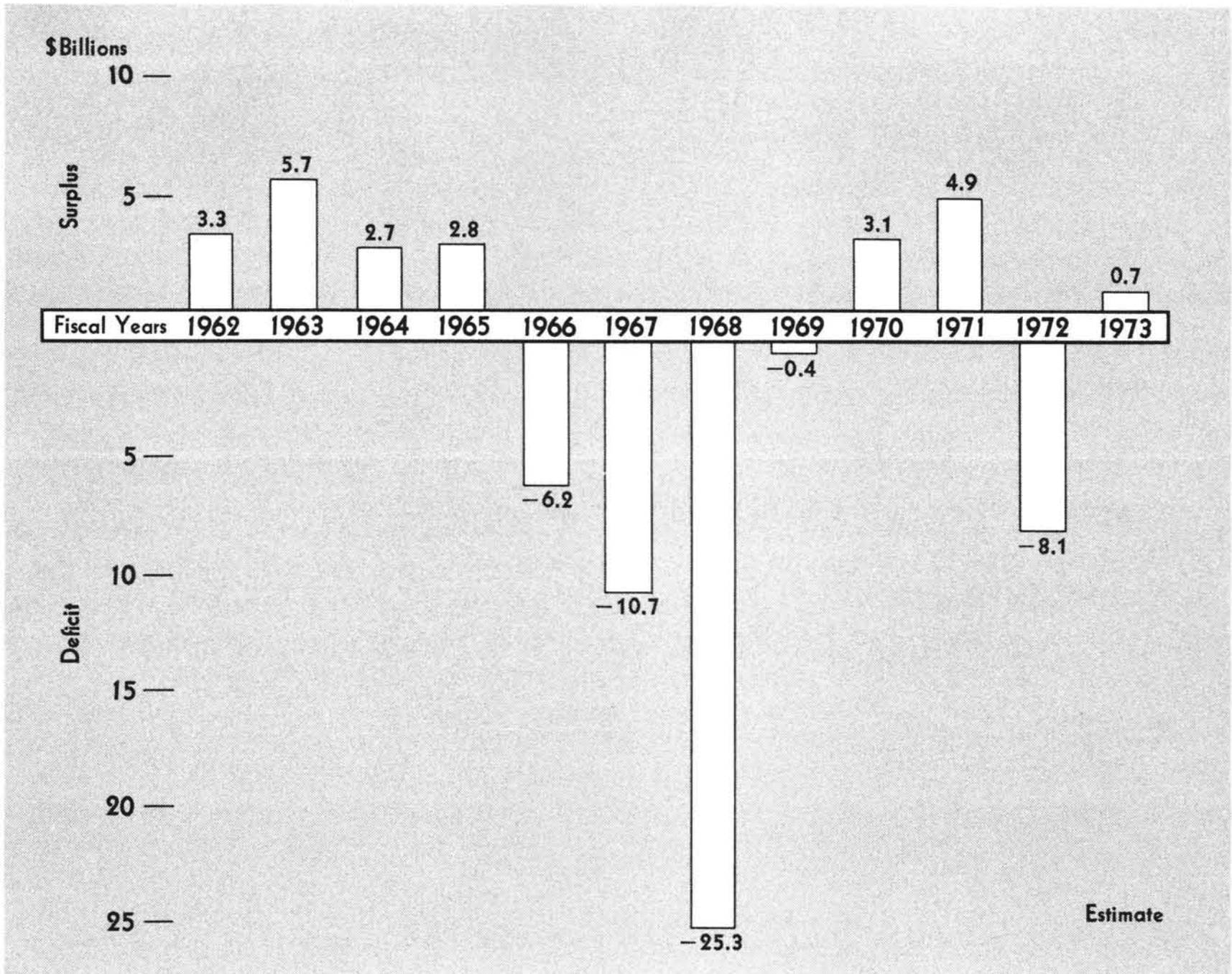
A Slowdown in Inflation—Percent Change in the CPI (Annual Rates)



“Each element of the new economic policy has a vital role in sustaining the momentum of our economy. The 1973 budget carries out a fiscal policy that is responsive to the needs of the Nation and responsible in holding down inflation.

“Budget policy.—The full-employment budget concept is central to the budget policy of this Administration. Except in emergency conditions, *expenditures should not exceed the level at which the budget would be balanced under conditions of full employment.* The 1973 budget conforms to this guideline. By doing so, it provides necessary stimulus for expansion, but is not inflationary.

Full Employment Budget — Surplus or Deficit



“We have planned the 1973 expenditures to adhere to the full-employment budget concept even though this has required making many difficult decisions. It now appears that the 1972 full-employment budget will be \$8.1 billion in deficit. While our economy can absorb such a deficit for a time, the experience of the late 1960’s provides ample warning of the danger of continued, and rising, full-employment deficits. The lesson of 1966–68, when such deficits led to an intolerable inflation, is too clear and too close to permit any relaxation of control of Government spending.”

BUDGET RECEIPTS

The basic economic assumptions underlying the estimate of receipts in 1972 and 1973 are summarized in the following table:

ECONOMIC ASSUMPTIONS

[Calendar years. In billions]

Description	1971 actual	1972 estimate	1973 estimate
Gross national product.....	\$974. 1	\$1, 047	\$1, 145
Personal income.....	803. 6	857	924
Corporate profits before tax.....	75. 4	85	99

Total budget receipts in 1973 are estimated at \$220.8 billion, compared with \$197.8 billion in 1972, an increase of \$23.0 billion. The anticipated expansion of economic activity and the corresponding growth in individual and corporate income are expected to provide increased budget revenues in 1973. Part of the increase, however, will be offset by tax cuts resulting from the Revenue Act of 1971, as shown in the table below.

EFFECT OF THE REVENUE ACT OF 1971 (PUBLIC LAW 92-178)

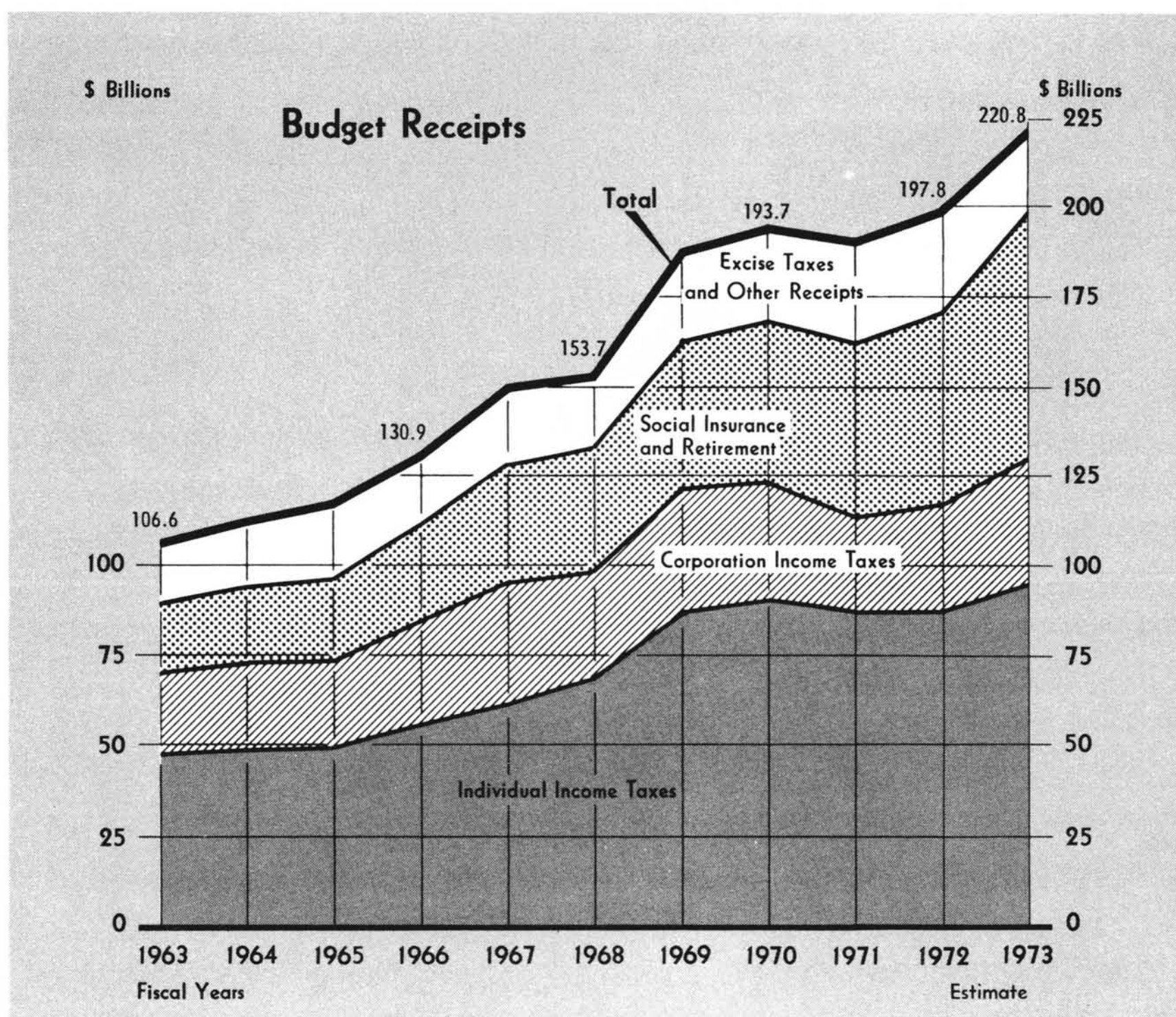
[In billions of dollars]

	1972	1973
Individual income tax:		
Increased exemptions and deductions.....	-2.7	-2.6
Correction of withholding schedules.....	0.7	0.1
Investment tax credit and revision of accelerated depreciation.....	0.1	-0.4
Total individual.....	-1.9	-2.9
Corporate income tax:		
Investment tax credit and revision of accelerated depreciation.....	(1)	-1.6
Deferral of tax liability for certain corporations engaged in foreign trade (DISC).....	(1)	-0.1
Total corporate.....	(1)	-1.7
Excise tax: Repeal of auto and small truck excise taxes.....	-2.5	-2.3
Total.....	-4.4	-6.9

¹ Less than \$50 million.

The Federal tax system relies heavily on *income taxes*, with 59% of total budget receipts coming from this source in 1973. Individual income tax receipts are estimated at \$93.9 billion in 1973, \$7.4 billion more than in 1972. The increase results from growth in taxable personal income, but is reduced substantially by tax reductions enacted in the Tax Reform Act of 1969 and the Revenue Act of 1971. Corporate income tax receipts are estimated at \$35.7 billion in 1973, an increase of \$5.6 billion over the previous year. This increase reflects the rising share of corporate profits in gross national product that normally occurs whenever the economy expands toward full employment.

Social insurance taxes and contributions are expected to total \$63.7 billion in 1973, up by \$9.6 billion from 1972. This category includes payroll taxes to finance social security and hospital insurance; unemployment insurance taxes; contributions to the



railroad retirement system; civil service retirement contributions by Federal employees and premiums for supplementary medical insurance. The increase in receipts from this source reflects the increase in the taxable earnings base from \$7,800 to \$9,000, that became effective January 1, 1972, as well as proposed legislation to increase the taxable earnings base to \$10,200 effective January 1, 1972, and to decrease the employer-employee combined rate from 11.3% to 10.8% effective January 1, 1973 (under existing law, the present rate of 10.4% is scheduled to rise to 11.3% effective January 1, 1973).

Excise taxes levied on a variety of manufactured products, activities, and services, are expected to provide 7% of total budget receipts in 1972. Receipts from this source are less in 1972 and 1973 than they were in 1971. This results from the provisions of the Revenue Act of 1971 that repealed the auto and small truck excise taxes, reducing revenues in both 1972 and 1973 by more than \$2 billion.

All other receipts, including estate and gift taxes, customs duties, and miscellaneous receipts, will amount to 5% of total receipts in 1973.

BUDGET RECEIPTS

[Fiscal years. In billions,]

Source	1971 actual	1972 estimate	1973 estimate
Individual income taxes.....	\$86. 2	\$86. 5	\$93. 9
Corporation income taxes.....	26. 8	30. 1	35. 7
Social insurance taxes and contributions.....	48. 6	54. 1	63. 7
Excise taxes.....	16. 6	15. 2	16. 3
All other receipts.....	10. 2	11. 9	11. 2
Total budget receipts.....	188. 4	197. 8	220. 8
Under existing law.....	188. 4	197. 7	220. 1
Under proposed legislation.....	.....	0. 1	0. 7

THE LONGER VIEW

In 1976, our Nation will celebrate its 200th birthday. Three basic questions must be answered as we look toward a proper celebration of our bicentennial.

- How can we best achieve our great national goals?
- What role should the Federal Government have in this effort?
- How can we best rededicate ourselves to the ideal of personal freedom?

In considering these questions, we cannot ignore the hard fact that the increase in uncommitted resources between now and 1976 will be small in comparison with the magnitude of the tasks, forcing us to make difficult decisions about priorities.

My basic preferences in allocating our national resources are clear.

First, I believe that, in order to avoid permanent inflation, Federal spending must not exceed the level at which the budget would be balanced if the economy were at full-employment.

Second, I believe that an increasing share of our national resources must be returned to private citizens and State and local governments to enable them—rather than the Federal Government—to meet individual and community needs.

Last year, the budget margin projected for 1976—the potential Federal budget surplus, assuming full employment and only proposed expenditures and taxes as then (1971) existing—was \$30 billion. Actions taken in the last 12 months and those proposed in this budget will reduce that margin to only \$5 billion. This margin is less than \$25 from each man, woman, and child

in the expected 1976 population, and is less than 1.6% of projected 1976 budget receipts. And yet, it must be sufficient to cover the 1976 costs of all new proposals not included in this budget.

The moral is clear. A strong fiscal discipline will be necessary in the years ahead if we are to preserve the buying power of the dollar. New spending programs must be evaluated against the most stringent of standards: do they have enough merit to warrant increases in taxes or elimination of existing programs?

This Administration has measured its proposals against this standard. I have made the hard choices necessary to assure that they can be financed within a full-employment budget policy.

I urge the Congress to engage in a similar self-discipline in making the hard choices that will be required during the next few years. This Administration will vigorously oppose irresponsible and short-sighted spending proposals that would commit large sums of Federal money to schemes that are politically attractive but would endanger an inflation-free prosperity.

CONCLUSION

“There will be those who contend that in this budget their favorite programs are not financed, or are not financed as much as they want them to be.

“They will be absolutely right.

“Government expenses increase each year because special interest groups, representing only those who stand to benefit from their program, persuade decisionmakers that more resources are needed for those programs without regard to the effect on the total budget. The cost is multiplied by geometric progression when this tactic is repeated for literally hundreds of programs. Seldom do any of these groups recommend additional taxes to finance their proposed spending.

“Then inflationary factors, frequently induced by the large total volume of spending resulting from individual decisions made without consideration of the larger picture, force the cost of these programs upward. At the same time the special constituency benefiting from the program is enlarged and strengthened, its demands are correspondingly increased, and the cycle continues to feed upon itself.

“Taken together, what is good for all the special interests is bad for the public interest. Our strength is in our ability to act as one Nation, not as a conglomerate of warring and greedy factions.

“For this reason my 1973 budget, large as it is, will not be large enough to satisfy many. However, I hope the American people will make their desire for less pervasive government known in unmistakable terms to their elected representatives. It is essential to preserve the private enterprise system, with its competitive spirit and its work ethic, which has done so much to inspire the independent and help the dependent and which has made this Nation the economic example to the rest of the world.

“That system has enabled us to secure, for our people, a far higher standard of living than any experienced, or even envisioned, by the rest of the civilized world.

“I do not wish it said of my Administration that we furthered or encouraged the process of discarding that heritage. So, I have emphasized fiscal responsibility and downward pressure on Federal expenditures, rather than simply accept all requests of all special groups and hope that the inevitable need for new taxes could be delayed as long as possible.

“I am not averse to a day of reckoning, but when it comes, I want it to be said that this Administration foresaw the danger, held spending to amounts that could be paid from full-employment revenues, and took all steps possible to reduce the need for raising taxes so that the Federal Government plays a smaller, not a larger, role in the life of each of us. In this way, every citizen will have a larger share of the fruits of his labor to spend the way he or she freely chooses.”

A handwritten signature in dark ink, reading "Richard Nixon". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

PART 2

GOALS AND ACCOMPLISHMENTS

This section reviews the most important goals of the Administration and the progress which has been made toward them in the last 3 years. It is intended to show how the 1973 budget proposals build on that progress.

TOWARD THE GOAL OF

A New Prosperity, Without Inflation and Without War

Recent Program Improvements

- Instituted the principle of the balanced full employment budget.
- Created the National Commission on Productivity and the Regulations and Purchasing Review Board.
- Established the Construction Industry Stabilization Committee.
- Began the jobs for veterans program and increased summer jobs for youth.
- Implemented the Emergency Employment Act of 1971.

The New Economic Policy Will

- Create more new jobs through:
 - Accelerated personnel income tax cuts.
 - Job Development tax credit.
 - Repeal of the auto and small truck excise taxes.
- Reduce inflation through:
 - Maintaining fiscal responsibility.
 - 90-day wage-price freeze.
 - Phase 2 stabilization mechanism.
- Provide new stability for the dollar through:
 - Realignment of international exchange rates.
 - Suspension of gold and other reserve asset conversion.
 - Negotiated changes in trade practices and barriers.

TOWARD THE GOAL OF

Simpler, Fairer Taxation

- Closed loopholes.
- Simplified the mechanics of payment.
- Increased personal exemptions and standard deductions.
- Ended the 10% income tax surcharge.
- Eliminated income taxes altogether for 9 million low-income people.
- Liberalized and simplified depreciation regulations for business.
- Established the Job Development credits.
- Repealed the auto and small truck excise tax.

TOWARD THE GOAL OF

Making Government More Effective and More Responsive to the People

Recent Program Improvements

The following were created—

- Domestic Council.
- Council on Environmental Quality.
- Office of Management and Budget.
- Council on International Economic Policy.
- Environmental Protection Agency.
- Office of Consumer Affairs.
- Office of Telecommunications Policy.
- Action.
- National Oceanic and Atmospheric Administration.

1973 Budget Proposals

- Streamlined Cabinet with four new domestic departments.
- General Revenue Sharing—no strings aid for States and cities.
- Special Revenue Sharing—partnership of Federal dollars and State and local decisionmaking for urban and rural communities, education, job training, transportation, and law enforcement.

Program Results

- Joint funding and consolidation of grant programs.
- Establishment of 10 Federal regional councils to coordinate grant programs and develop interagency strategies at local level.
- Greater participation by State and local officials in the determination of how Federal funds will be used in their areas.
- The Federal assistance review program effectively working to decentralize and coordinate Federal decisionmaking.
- A strengthened policy development process, improved coordination of executive branch activities, and establishment of a policy implementation monitoring system.
- Rapid response by our Government to such national disasters as the coal mining disaster of 1971, and Venezuelan equine encephalomyelitis epidemic of 1971.

General Revenue Sharing

- Moves money and power closer to people.
- Builds capacity for better program performance.
- Relieves mounting fiscal pressure on State and local governments.
- Responds quickly to critical needs.
- Grows automatically.

TOWARD THE GOAL OF

Providing for the National Defense

Recent Program Improvements

- Formulated a new national security strategy.
- Initiated major development and modernization efforts.
- Reduced authorized American Forces in Vietnam by 87%.
- Set the goal of an all-volunteer force.
- Initiated reform to correct draft inequities for as long as we have the draft.

1973 Budget Proposals

- Substantially improve our national defense.
- Maintain strong and ready Active Forces.
- Strengthen our strategic nuclear deterrent.
- Preserve our technological superiority.
- Continue modernization of the general purpose forces.
- Continue transfer of Vietnam operations to the South Vietnamese.
- Upgrade the capability of the National Guard and Reserves to augment the Active Forces.

Results

- A \$6.3 billion increase in budget authority for military programs from 1972 to 1973.
- A 16% increase in strategic programs over 1972.
- An increase of \$838 million in budget authority for research and development from 1972 to 1973.
- An increase in budget authority for shipbuilding of \$1.1 billion over 1971 to \$3.6 billion in 1973.
- All-volunteer pay legislation doubling the pay of first-term enlistees, effective November 1971.
- Progress in Vietnamization permitting the South Vietnamese to take over responsibility for ground combat, in-country naval, and substantial air operations and to assume additional responsibilities in the future.

TOWARD THE GOAL OF

Peace and International Development

Recent Program Improvements

- Established the Council on International Economic Policy to provide top level focus on international economic issues.
- Coordinated military and supporting assistance under the framework of international security assistance.
- Directed measures to strengthen the U.S. foreign intelligence organization and programs.

1973 Budget Proposals

- Adequately fund foreign aid to carry out the Nixon Doctrine.
- Continue the process of Vietnamization by providing economic and military aid.
- Step up programs for the international control of narcotics production and traffic.
- Expand exchange programs to promote beneficial contacts between American and foreign individuals and institutions.

Results

- Acted to correct the deficit in our international payments and to lay the groundwork for basic reform of the international monetary system.
- Provided economic and military aid making possible significant progress toward security in Southeast Asia.
- Established with the Soviet Union a framework for continued progress in strategic arms limitation.
- Responded with assistance for relief of disaster victims and refugees in Peru and South Asia.

TOWARD THE GOAL OF

Enhancing Environmental Quality, Combating Pollution

Recent Program Improvements

- Created the Environmental Protection Agency and the Council on Environmental Quality to consolidate and better manage Federal environmental programs.
- Implemented the Refuse Act permit program, making it possible for the first time, to monitor major discharges of pollutants into the Nation's waterways.
- Increased grants to strengthen pollution control programs of State and local governments.
- Stepped up enforcement activities to protect the environment and abate pollution.
- Increased funding to control pollution at Federal facilities.

1973 Budget Proposals

- Continue the \$6 billion, 3-year program of grants to assist in the construction of sewage treatment facilities.
- Bring pesticide use under greater control.
- Restrict indiscriminate dumping of wastes in the ocean.
- Initiate programs to reduce noise levels.
- Regulate use of toxic substances.
- Levy a tax on sulfur oxide emissions.
- Require more careful consideration of environmental factors in land use decisions and powerplant siting.
- Reduce damage to the environment resulting from mining operations.

Results

- A sixfold increase in budget authority for programs of the Federal Environmental Protection Agency, from \$431 million in 1969 to \$2.5 billion in 1973.
- An increase in budget authority for municipal sewage treatment projects from \$214 million in 1969 to \$2 billion in 1973.
- An increase in the population served by secondary sewage treatment from 91 million in 1969 to 115 million in 1973.
- A ninefold increase between 1969 and 1973 in budget authority to correct pollution problems at Federal facilities.
- A doubling of outlays for EPA air pollution control programs between 1969 and 1973.

TOWARD THE GOAL OF

Providing Recreation for All

Recent Program Improvements

- Initiated the Legacy of Parks program to bring parks to the people by developing new parks in and near cities.
- Increased the authorized funding level of the Land and Water Conservation Fund from \$200 million a year to \$300 million a year.
- Authorized the donation of surplus Federal property to State and local governments for parks, recreation, and historic purposes.

1973 Budget Proposals

- Fully fund the Land and Water Conservation Fund annual authorization at \$300 million.
- Modify the formula for allocation of grant from the fund so that distribution among States is more nearly proportionate to population.

Program Results

- Purchase of an estimated 800,000 acres of land for Federal recreation, historic, and natural preservation areas between 1970 and 1973.
- Purchase of an estimated 1.2 million acres of recreation land by State and local governments with Federal grant assistance, between 1970 and 1973.
- Donation of an estimated 40,000 acres of surplus Federal property between 1971 and 1973 to local governments for use as parks.
- Sale between 1970 and 1973 of an estimated 80,000 acres of public domain lands to local governments for recreation purposes, at the bargain price of \$2.50 per acre.
- Increase outlays for recreation programs from \$372 million in 1969 to \$640 million in 1973.

TOWARD THE GOAL OF

Providing for Human Needs

Recent Program Improvements

- Increased social security benefits by 15% in 1970, followed by a further 10% increase in 1971.
- Reformed the food stamp program, establishing national standards and increasing benefits for the most needy.
- Increased unemployment benefits and expand coverage under the Employment Security Amendments of 1970.
- Provided further temporary emergency increases in benefits in high unemployment States.

Budget Proposals

- Enact Welfare Reform to replace the present failing welfare system.
- Increase social security benefits by another 5% with future rises tied automatically to the cost of living.
- Strengthens dramatically programs to help the elderly.
- Establish better audit and management controls over public assistance payments and social services.

Results

- A one-third increase in social security benefits between 1969 and 1973.
- A ninefold increase in spending on the food stamp programs since 1969.
- A nearly threefold increase between 1969 and 1973 in needy school-children receiving subsidized lunches.
- A sixfold increase in the budget authority for the Administration on Aging to \$100 million between 1969 and 1973.
- A 53% increase in the number of people helped by vocational rehabilitation from 1969 to 1973.

Welfare Reform

- Sets national eligibility standards.
- Establishes a national minimum Federal income standard of \$2,400 for a family of four.
- Emphasizes incentives for work, training, and self-sufficiency.
- Includes low-income working families for the first time.
- Reduces the fiscal burden on States of mounting welfare cost.
- Establishes a national administrative structure with high standards of control, service, and efficiency.
- Provides training and child care for welfare recipients.

TOWARD THE GOAL OF

Improving Health for Americans

Recent Program Improvements

- Intensified research into cancer and sickle cell anemia.
- Increased support of health manpower training and reformed assistance to health profession schools and students.
- Directed health facility construction efforts toward less costly modes of care.
- Expanded consumer safety and occupational health activities.

1973 Budget Proposals

- Establish guaranteed health insurance coverage for employees and their families.
- Provide special health insurance for low-income families.
- Eliminate monthly premium for supplementary medical insurance in Medicare.
- Expand cancer, sickle cell anemia, and family planning research.
- Increase supply and improve distribution of health manpower.
- Substantially increase consumer food and product safety activities.
- Reform Medicaid and Medicare.
- Assist the development of health maintenance organizations.
- Improve nursing homes for the aged.
- Screen 1.5 million children for lead poisoning.

Results

- Obligations for cancer research raised from \$185 million in 1969 to \$430 million in 1973.
- Over 290,000 health professionals in training during 1973, compared to 233,000 in 1969.

TOWARD THE GOAL OF

Fighting Drug Abuse

Recent Program Improvements

- Created Special Action Office for Drug Abuse Prevention at the White House under the leadership of a distinguished professional.
- Recognized the problems of drug abuse in the military and directed treatment be given.
- Instituted tough antiheroin programs in the Armed Forces, especially in Vietnam.
- Established the National Clearinghouse for Drug Abuse Information.
- Broadened efforts to control illicit world drug trade, including ending Turkish opium production.

1973 Budget Proposals

- Additional manpower for enforcement agencies.
- Launching a combined Federal-State attack on drug traffickers.

Results

- The number of drug abuse prevention centers has increased to 81 in 1972 from six in 1969.
- Quadrupled the funds spent on drug abuse prevention.
- Distributed over 2 million copies of source books on drug addiction, mainly to schools.
- Obligations for drug abuse prevention and treatment will rise from \$46 million in 1969 to \$365 million in 1973; with 49,000 addicts treated in 1973, compared to 5,100 in 1969.

TOWARD THE GOAL OF

Insuring Equal Opportunity for All Americans

Recent Program Improvements

- Extended the vote to 18-year-olds under the Voting Rights Act Amendments of 1970.
- Created the Office of Minority Business Enterprise to encourage and expand business opportunities for all minority groups.
- Strengthened the Office of Federal Contract Compliance, and the Equal Employment Opportunity Commission.
- Created the Cabinet Committee on Opportunities for Spanish-Speaking People by statute.
- Launched a series of actions to protect Indian resources and advance Indian self-determination.

1973 Budget Proposals

- Maintain civil rights as a high-priority responsibility of the Federal Government.
- Accelerate equal employment opportunities in the Federal service.
- Extend the life and authority of the Commission on Civil Rights for 5 years and expend its authority to cover sex discrimination.

Results

- Increased spending for civil rights enforcement by 700% between 1969 and 1973.
- Increased number of minority group members and women employed in jobs for greater responsibility in both the public and private sectors.
- Implemented the "Philadelphia plan" and 24 other citywide construction plans, resulting in a goal of 28,000 new jobs for minority groups in the construction industry.
- Increased funding for minority business enterprise programs by 236% between 1969 and 1973.
- Implemented a fair housing program for military personnel who live off base.

TOWARD THE GOAL OF

Reforming and Improving American Education

Recent Program Improvements

- Revitalized the administration of Federal aid programs to provide more equal educational opportunity.
- Strengthened the organization and management of the Office of Education.
- Began development of new techniques for career education to insure that all students have an opportunity to acquire productive occupational skills.

1973 Budget Proposals

- Enable State and local governments to assume a greater role in planning and management of Federal education programs through education revenue sharing.
- Furnish emergency school assistance to alleviate problems of school desegregation.
- Create a National Foundation for Higher Education to spur innovation and needed change in our colleges and universities.
- Establish a National Institute of Education to provide national leadership in education research and development.

Results

- A 71% reduction in the number of children attending all-black schools since 1969.
- More than doubled Federal aid for college students between 1969 and 1973.
- A 46% increase in total Federal aid to elementary and secondary education between 1969 and 1973.

TOWARD THE GOAL OF

Providing Skills and Jobs for All Americans

Recent Program Improvements

- Provided transitional public service employment opportunities in State and local governments under the Emergency Employment Act of 1971.
- Reorganized the Manpower Administration in the Department of Labor to decentralize responsibility and simplify relationships between the Federal Government and States and localities.
- Created a nationwide program of computerized job banks to match jobseekers with job opportunities.

1973 Budget Proposals

- Enact manpower revenue sharing to reform manpower work and training programs through decentralization of administrative responsibilities to State and local government.
- Strengthen and reform manpower programs for welfare recipients, enabling those who participate to become self-supporting.

- Increase the number of transitional public service employment opportunities in State and local governments.
- Expand Federal and State occupational health and safety programs.

Results

- Increased the number of persons in work and training programs from 1,183,000 in 1969 to 1,496,000 in 1973.
- Increased work and training outlays 151% between 1969 and 1973.
- Installed computerized job banks in most States.

TOWARD THE GOAL OF

Protecting the Consumer and Worker

Recent Program Improvements

- Created the Office of Consumer Affairs.
- Established the Consumer Product Information Center to channel government buying data to the public.
- Developed and implemented new standards for workers under the Occupational Safety and Health Act.
- Implemented the Federal Coal Mine Health and Safety Act to protect miners.
- Reorganized and revitalized the Federal Trade Commission.
- Implemented legislation requiring auto safety equipment installed in new autos.
- Extended Highway trust fund financing to safety.

1973 Budget Proposals

- Improve product safety and testing.
- Provide better protection against fraud and deceptive warranties.
- Protect and encourage employee pension benefits.

Results

- A decrease in highway fatalities between 1969 and 1970, the first significant decline since 1958.
- Over 2,700 products withdrawn from the market in 1971, an increase of 96% over 1969 due to vigorous enforcement of existing consumer protection laws.
- 5,600 citations issued alleging nearly 20,000 safety and health violations.
- Coal mine deaths at a new low.

TOWARD THE GOAL OF

Combating Crime and Securing Equal Justice for All

Recent Program Improvements

- Strengthened the ability of law enforcement agencies to deal with a wide range of criminal justice problems by enactment of the Administration's Omnibus Crime Control Act of 1970.
- Increased the Federal Government's ability to fight organized crime under the Organized Crime Control Act.
- Consolidated and revised Federal drug laws through enactment of the Administration's Comprehensive Drug Prevention and Control Act of 1970.
- Initiated a 10-year plan to improve the Federal Prison System.

1973 Budget Proposals

- Increase the effectiveness and flexibility of Federal grants to State and local authorities, under any law enforcement revenue sharing.
- Expand expenditures for law enforcement at all levels of government.
- Continued emphasis on combating drug abuse through both law enforcement and treatment.

Results

- A 253% increase in total outlays for law enforcement between 1969 and 1973.
- An increase from \$104 million in 1969 to \$923 million in 1973 for law enforcement assistance to States and cities, and an increase from \$554 million to \$1,398 million for direct Federal programs.
- A 300% increase in the number of compliance actions by the Bureau of Narcotics and Dangerous Drugs between 1969 and 1973.
- Training one-third more State and local police officers in 1973 than 1969.
- An increase in indictments of members of organized crime syndicates from 813 in 1969 to 2,122 in 1971.
- An increase in seizures of dangerous drugs and narcotics by over 400% between 1969 and 1973.

TOWARD THE GOAL OF

Providing Better Communities and More Housing for All Americans

Recent Program Improvements

- Provided major increases in subsidized housing for low- and moderate-income families.
- Initiated the GNMA tandem plan to limit the effects of high-interest rates and facilitate financing of housing for middle-income families.

- Instituted aggressive policy of Federal Home Loan Bank System advances to savings institutions to aid the conventional mortgage market.
- Reorganized the Department of Housing and Urban Development to better decentralize decisionmaking and serve overall community needs.

1973 Budget Proposals

- Replace five categorical grant programs with urban community development revenue sharing.
- Complete the transition to the new planning and management assistance program.
- Simplify and consolidate the complex and confusing array of housing programs and eliminate unwieldy program restrictions and conflicts.

Results

- Total housing starts of over 2 million achieved in calendar 1971—the highest level in our history.
- Starts of subsidized housing for low- and moderate-income families increased almost fourfold from 156,000 in 1969 to 566,000 in 1973.

TOWARD THE GOAL OF

Providing for the Veteran

Recent Program Improvements

- Increased pension benefits by 17%; an average of 10% on January 1, 1971, and an additional 7% on January 1, 1972.
- Broadened eligibility for education and training, and increased benefit payment from \$100 to \$175 per month for a single veteran.
- Improved medical care by adding over 12,000 staff, constructing seven hospitals and adding 296 special care units since 1969.
- Established jobs-for-veterans program to help returning veterans find job training and employment.

1973 Budget Proposals

- Increase education and training benefit level by an additional 8.6%, to \$190 per month for a single veteran.
- Raise average employment in VA medical facilities by 10,000, add 248 special care units, and emphasize appropriate alternatives to hospitalization.
- Modernize or replace seven hospitals and completely activate six new hospitals.
- Broaden outpatient care for veterans with non-service-connected disabilities to avoid unnecessary hospitalization.
- Expand efforts to provide jobs for veterans.
- Improve level and structure of compensation benefits.

Results

- Raised veterans average compensation benefits by 30% and pensions by 22% between 1969 and 1973.
- Increased total education and training benefits by 250% since 1969.

- Raised the staff/patient ratio in VA hospitals from 1.2 in 1969 to a record 1.5 to 1 in 1973.
- Increased number of hospital and extended care patients treated with VA funds by over 80,000 and raised outpatient visits by 4 million over 1969.
- More than doubled the number of GI bill trainees from about 900,000 in 1969 to over 2 million in 1973.
- Increased the number of guaranteed housing loans by 64% between 1969 and 1973.

TOWARD THE GOAL OF

Science and Technology Serving Man

Recent Program Improvements

- Initiated major new program to focus research on domestic problems.
- Increased the support for fundamental research.
- Revitalized programs to improve science education.

1973 Budget Proposals

- New emphasis on a strategic approach to research and development.
- Experiment to find better ways to stimulate private sector research and development.
- Find ways to accelerate practical application of research and development efforts.
- Involve high technology agencies in solving human problems.

Results

- 15% increase in civilian research and development obligations over 1972; 65% increase over 1969.
- Man-years of professional scientific research effort supported by the National Science Foundation increased approximately 78% between 1969 and 1973.
- Over 1,500 additional man-years of professional scientific effort will be focused on major national problems through NSF programs.

TOWARD THE GOAL OF

The Exploration and Exploitation of Space

Recent Program Improvements

- Redirected nuclear rocket and outer planets exploration programs to provide a better balance in future space investments.
- Increased emphasis on programs that provide direct benefit, such as weather, communications, navigation and earth resources satellites, and on programs to increase scientific knowledge.

1973 Budget Proposals

- Develop the space shuttle to reduce future cost of space operations.
- Prepare for unmanned exploration of Mars and Jupiter.
- Operate the first earth resources technology satellite.

- Develop a new generation weather satellite to provide major improvements in weather forecasting.
- Begin to utilize NASA's capabilities for earth-bound transportation problems.

Results

- Achieved first successful manned landing on the moon and successfully completed three additional lunar landings.
- Sent unmanned spacecraft to photograph Mars.
- Demonstrated ability of experimental communications satellite to provide medical information directly to remote areas.
- Used multispectral pictures from aircraft to detect environmental problems.

TOWARD THE GOAL OF

Providing for Future Power Needs

Recent Program Improvements

- Accelerated development of liquid-metal fast-breeder power reactor to meet future energy needs.
- Initiated program to expand capability to enrich uranium for use as nuclear fuels.

1973 Budget Proposals

- Emphasize research on controlled thermonuclear fusion and other projects to meet long-term needs for clean energy.
- Further accelerate fast-breeder program.
- Intensify environmental research.
- Strengthen and improve regulatory activities.

Results

- A one-third increase by about 1979 in AEC's plant capacity to meet future needs for enriched uranium fuels.
- Schedule for development of the fast breeder commensurate with future needs.

TOWARD THE GOAL OF

Providing a Modern Transportation System

Recent Program Improvements

- Initiated a 12-year, \$10 billion program to improve urban mass transportation.
- Accelerated efforts to improve the national airway system.
- Began 10-year program to modernize the U.S.-flag merchant marine.
- Extended Highway trust fund financing to highway safety programs.
- Increased emphasis on solution of urban highway problems through higher funding for traffic operations improvements program and urban highways.

- Established program to prevent skyjackings.
- Increased responsibility of the Coast Guard in the areas of boating safety and pollution control.

1973 Budget Proposals

- Continue needed financial aid to States and localities pending enactment of transportation revenue sharing.
- Expand Federal assistance to reduce metropolitan highway congestion and to improve urban mass transit.
- Modernize the Federal regulatory structure to improve surface freight transportation.
- Encourage equipment modernization and eliminate tax inequities in the railroad freight industry.

Results

- A nearly fourfold increase in the funds committed for urban transportation between 1969 and 1973.
- A decrease in highway fatalities between 1969 and 1970, the first significant decline since 1958.
- A decrease in the number of train accidents in 1970, the first decline in 9 years.

TOWARD THE GOAL OF

Promoting Opportunities in Business for All Americans

Recent Program Improvements

- Created the Office of Minority Business Enterprise to coordinate efforts of the Federal Government and to expand the assistance provided minority businessmen.
- Created the National Oceanic and Atmospheric Administration to bring together, for more effective development and management, the many scattered marine programs of the Federal Government.

1973 Budget Proposals

- Increase financial assistance to small businessmen, including direct assistance by the Small Business Administration.
- Expand financial and management assistance to minority businessmen.
- Expand research efforts to reduce losses from natural disasters and fires.
- Initiate efforts to find ways to stimulate research and development in the private sector of the economy.
- Expand mapping of Continental Shelf to increase our knowledge of the resources located there.

Results

- Over 35,000 new or existing small businesses will receive financial assistance in 1973, compared to 14,500 in 1969.
- An estimated 250 minority business development organizations will receive grants or contracts in 1973.
- An estimated 10,000 new construction jobs will be created in areas of high unemployment in calendar year 1972.

- Increased warning time on severe storms providing greater protection of life and property.
- Stimulation of research and development that can contribute to productivity, exports, and employment.

TOWARD THE GOAL OF

Providing for the Farmer and Rural American

Recent Program Improvements

- Established more market-oriented commodity programs to allow farmers wide freedom of choice in selecting the most efficient mix of crops for their land.
- Increased the availability of credit for rural housing and for farmers.
- Created a federally assisted rural telephone bank and a private electric utilities bank to help finance development in rural areas.
- Strengthened consumer protection through expanded meat and poultry inspection and establishment of a new egg inspection program.

1973 Budget Proposals

- Create rural community development revenue sharing to provide funds to States and local governments for the improvement of rural communities and public facilities.
- Create a new rural credit program to promote commercial, industrial and community development in rural areas.
- Shift the farm operating loan program from direct loans to insured loans, thus significantly increasing the availability of credit.
- Expand the rural housing loan program for low- to moderate-income rural residents.

Results

- Moved to strengthen farm income and farm prices in the face of unexpected bumper grain crops in 1971.
- Expanded agricultural exports from \$5.7 billion in 1969 to \$7.8 billion in 1971.
- Increased the 1973 level of the rural housing programs for low- to moderate-income rural residents to 463% of the 1969 level.
- Increased the number of families benefiting from the rural water and sewer grant and loan programs in 1973 by 75% over the number in 1969.
- Increased the number of federally inspected meat and poultry establishments by more than 56% since 1969.

TOWARD THE GOAL OF

Effective Government and Improved Quality of Life for the District of Columbia

Recent Program Improvements

- Seating of the District's first congressional delegate in nearly 100 years.
- Establishment of the Commission on the Organization of the Government of the District of Columbia.

1973 Budget Proposals

- Aid in financing Washington mass transit development.
- Steps to clean up the Potomac.
- Upgrading higher education in the District.
- Stronger urban renewal and preservation measures.
- Reforms in the municipal revenue and financing structure.
- Programs to put city in forefront of the Nation's drug treatment and rehabilitation effort.

Program Results

- Serious crime in 1971 down 14% below 1970.
- Narcotics treatment administration now has over 3,000 addicts in treatment.
- Over 8 miles of track and 10 stations under construction for METRO.

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, the Nation's research and development effort, and the national debt.

THE LONG-RANGE OUTLOOK

Federal activities have major impacts on the national economy as a whole and on the welfare of individual citizens. The effects of each year's budget decisions are felt for years thereafter. It is therefore essential that the long-term consequences of these decisions be explicitly understood.

The fiscal outlook.—The budget margin projected for future years is the potential Federal budget surplus, at full employment, assuming current and proposed tax legislation and continuation of all current and proposed expenditure programs. The projections assume no new Federal initiatives beyond those proposed in this budget.

The margin is a very tenuous and precarious one. For example, in last year's budget, the margin remaining in 1976 was projected at \$30 billion but now it is projected at \$5 billion. In 1 year, tax reductions and increased outlay commitments have consumed \$25.5 billion of the margin for 1976.

There is, of course, nothing inevitable about the current estimate of the budget margin remaining for 1976. Some ongoing programs can be reduced or eliminated in future years, thus adding somewhat to the \$5 billion margin shown. Nonetheless, \$5 billion is a small figure for 4 years in the future, if our immediate past experience is any guide. Thus, actions which add to government spending must be constrained to a small fraction of former levels. The only alternatives are higher taxes or higher prices.

The government must also face more squarely the long range implications of decisions taken today. We can no longer afford

to accept proposals because "they do not cost much in the first year." As is the case with uncontrollables, the problem of an inadequate margin for future initiatives will be with us until we are willing to say no to proposals because, once started, they will cost more than we will be willing to pay in future years. In an age of complex problems requiring long range solutions, the Nation can no longer afford an exclusive focus on one year at a time in budgeting.

Social security legislation now pending before Congress schedules an increase in the payroll tax base and rate, starting in January 1976. By 1977, the additional revenues resulting from these changes and from growth in the economy will increase the budget margin substantially, to \$23 billion, in spite of continuing growth in outlays. This 1977 margin is the difference between projected revenues of \$346 billion and projected outlays of \$323 billion for existing and proposed programs. Though substantial, this margin is \$7 billion less than the margin projected last year for 1976.

Thus, it is clear that new spending proposals must be evaluated against the most stringent of standards: *Are they sufficiently desirable to warrant increases in taxes or elimination of existing programs?*

The role of the budget in resource allocation.—Both the revenue and outlay sides of the budget influence the way in which national resources are allocated. Taxes affect resource allocation primarily because they divert to public use a portion of the income of taxpayers, which would otherwise be used for private purposes.

The effect of budget outlay decisions on resource allocation varies with the type of expenditure:

- The influence may be fairly direct and identifiable, as in the case of direct Federal purchases of goods and services for a given function.
- Federal grants to State and local governments affect the allocation of resources among various functions by influencing the budget decisions of these governments.
- Federal transfer payments increase the purchasing power of the recipients. Resource allocation is affected to the extent that the expenditure patterns of recipients differ from the pattern of the average taxpayer.

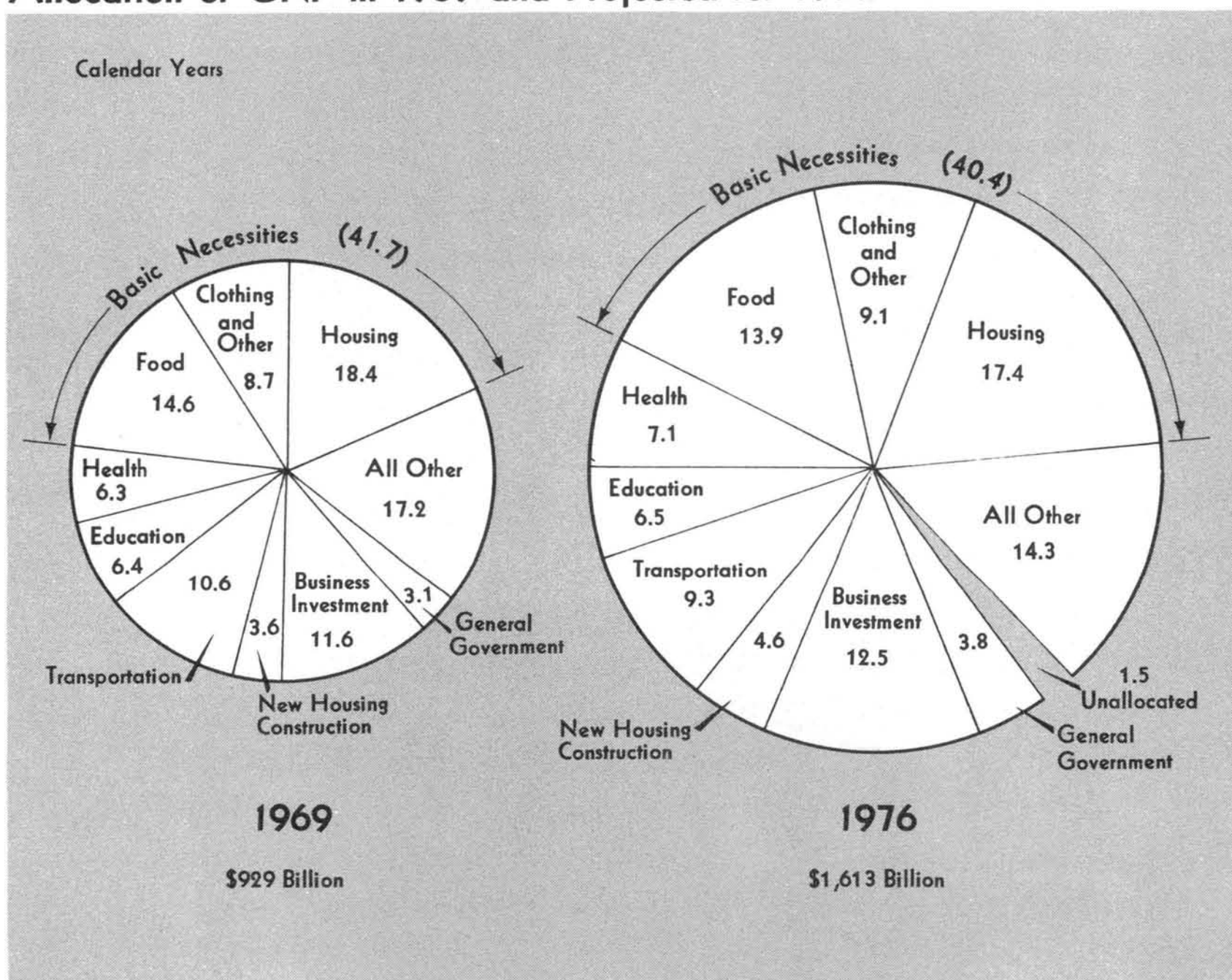
Projected resource allocation.—The chart and table below present projections of resource allocation patterns for calendar

year 1976 and comparisons with the 1969 patterns. The projections show the claims on resources that are likely to exist in calendar 1976, given past trends and the current and proposed tax rates and Federal program outlays.

For the purposes of this analysis, GNP has been divided into eight functions, as indicated in the chart and table. For 1976, the chart shows a portion of GNP equal to the projected budget margin, plus general revenue sharing, as unallocated. Definitions of the functions in terms of the national income accounts are given in the appendix to chapter 3 of the 1971 Economic Report of the President.

The following chart shows the resource allocation picture now projected for calendar year 1976 compared with the corresponding pattern for calendar year 1969. The 75% increase in current

Allocation of GNP in 1969 and Projected for 1976



dollar GNP expected between these years—from \$0.9 to \$1.6 trillion—will be accompanied by large increases in expenditures for all eight functions. Some functions, however, are expected to increase somewhat as a share of GNP; others are expected to decrease. The relative differences between the two years reflect shifting national priorities and changing demographic patterns.

- Business investment and net exports, for instance, are expected to increase relative to GNP.
- General government expenditure is expected to rise rapidly because of large increases in expenditures for law enforcement and environmental programs.
- Total health expenditure is projected to increase sharply, largely as a result of increased Federal assistance for health care costs.
- Expenditures for the “all other” function are estimated to decline *in relative terms*, as defense, space, and atomic energy programs grow less rapidly than GNP.
- Total national expenditures for basic necessities are projected to decline as a percentage of GNP as income levels rise.

Although rising in absolute amount, defense and space purchases of goods and services are expected to be a smaller percentage of GNP in calendar 1976 than they were in 1969. As the table below indicates, the federally financed shares of the total national expenditures for all functions except business investment (which is exclusively private), transportation, and the “all other” function are projected to increase.

FEDERAL, STATE AND LOCAL, AND PRIVATE SHARES OF TOTAL EXPENDITURES, BY FUNCTION

Function	Calendar 1969			Calendar 1976		
	Federal ¹	State and local ²	Private ³	Federal ¹	State and local ²	Private ³
Health	23.0	16.7	60.3	28.8	15.6	55.6
General government	19.6	80.4	.....	23.5	76.5	.....
Housing investment	5.5	—0.1	94.6	9.4	0.1	90.6
Business investment . . . . .	.....	.....	100.0	.....	.....	100.0
Education	8.6	75.2	16.2	13.8	74.4	11.8
Basic necessities	13.8	2.9	83.3	16.9	2.5	80.6
Transportation	6.8	12.9	80.8	6.3	14.9	78.8
All other	54.2	0.9	44.9	42.4	1.3	56.3
Total allocated resources	⁴ 20.4	⁴ 10.6	69.0	⁴ 20.1	⁴ 12.4	67.5

¹ Includes grants and transfer payments. All transfer payments other than for medical, educational and foreign aid programs are included in basic necessities.

² Excludes grants.

³ Excludes transfer payments.

⁴ Includes interest payments and subsidies not included above.

Total Federal expenditure projected for calendar 1976—under the assumption of no new programs except those proposed in this budget—is a smaller percentage of total allocated resources than in 1969.

THE NATION'S RESEARCH AND DEVELOPMENT EFFORT

The need for a more strategic approach to research and development.—It is clear that Federal investments in research and development have a far-reaching impact on economic and social progress. The implications go well beyond the contribution of research and development to specific programs such as defense, space, energy, health, environment, and transportation.

The scope and significance of research and development tends to be overlooked in the Federal budgetary process since it is scattered throughout the budget and since science and technology are often viewed as optional long run approaches to the solution of specific problems which demand immediate attention. This view of research and development hinders the development of an overall—more strategic—approach to guide resource allocation.

A major objective of this Administration has been and will continue to be, a more strategic approach to our total national research and development investment. To further this strategic approach, we must spend more of our talent and resources in more clearly understanding the research and development process, particularly in how it works in the context of a representative form of government and a free market economy. This budget proposes just that. In addition, the 1973 budget will move us ahead in several critical areas where our knowledge is sufficient to make wise investments in R. & D.

This budget accelerates our efforts to turn science and technology to the service of man through emphasis on solving important civilian problems, increases significantly our efforts in defense R. & D. to protect our national security, and strengthens the support of basic research to increase our stock of knowledge to draw on for the future.

Beyond these overall R. & D. thrusts in the budget, provision is made for a beginning in several important areas. This budget:

- initiates a series of experiments to find better ways to encourage private investment in research and development and to improve the application of R. & D. results.
- draws more directly on the capabilities of those agencies that harnessed the atom and conquered space, AEC and NASA.
- strengthens the partnership between government and industry in R. & D. to create innovative technologies and new

markets, thus creating new job opportunities, increasing the Nation's productivity and strengthening the U.S. position in international trade.

—provides an improved national capability to assess the importance of research and development to economic growth.

Through these and other efforts this Administration continues to improve management of the Government to insure that the overall level of R. & D. effort is adequate, that our R. & D. programs are focused on top priority needs, that our considerable R. & D. capabilities are effectively utilized, and that the American people get a proper return on the dollars they invest in Federal research and development.

Fiscal year 1973 funding for Federal R. & D.—The Federal R. & D. effort will reach \$17.8 billion in the 1973 budget, an increase of \$1.4 billion, or more than 8%, over 1972.

Included within this total are significant increases in research and development to strengthen our national defense; to increase the emphasis of the space program on useful applications; to accelerate research and development to deal with key problems in health, transportation, energy, environment, and natural disasters; and to strengthen basic science.

The expansion of ongoing programs, together with new efforts that move us to a longer range strategy for R. & D., will result in a total increase for the civilian research and development effort—exclusive of defense and space—of \$700 million in 1973 or 15% over 1972. This makes the growth in civilian R. & D. since 1969 65%, from \$3.3 billion to \$5.4 billion.

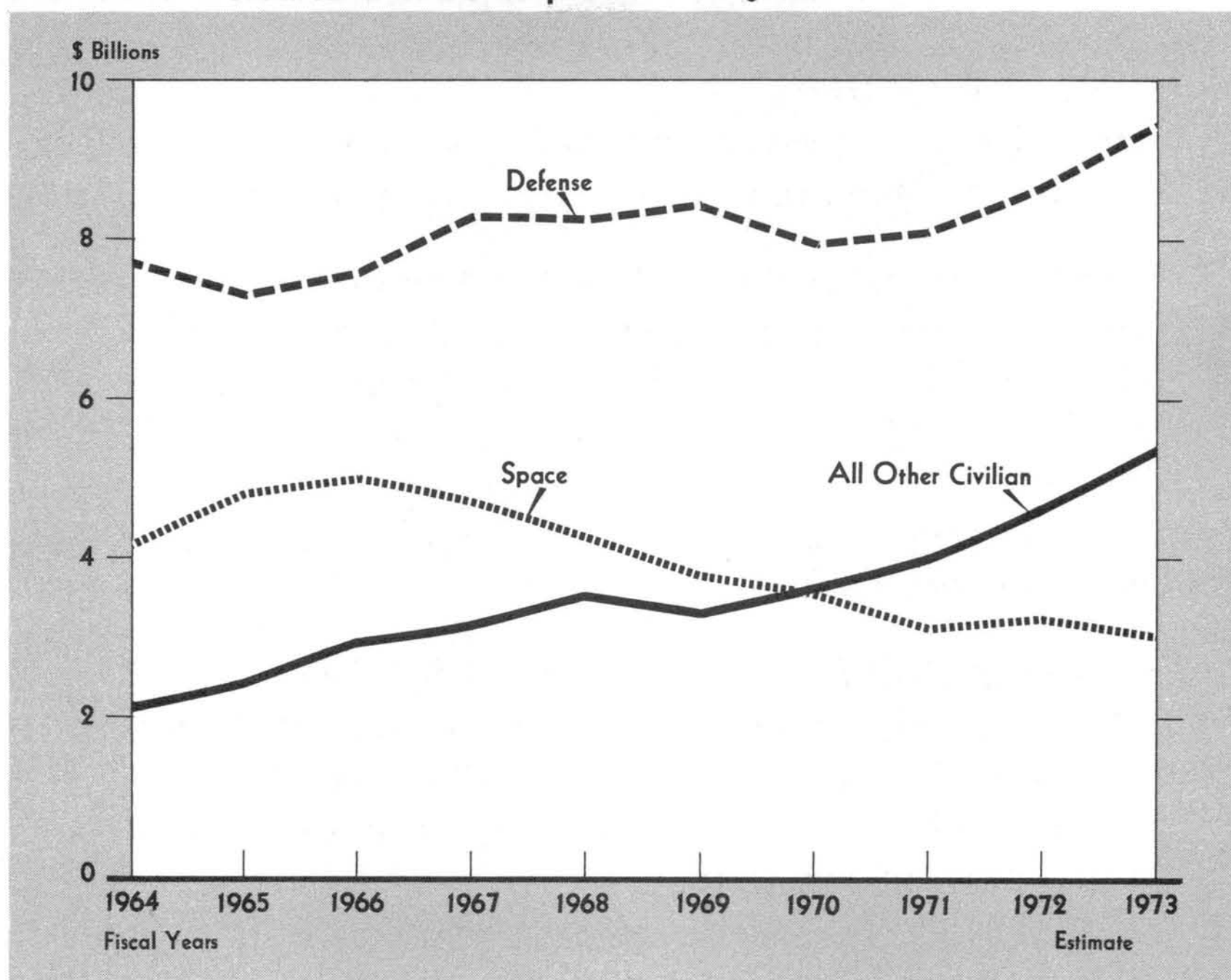
THE OVERALL FEDERAL R. & D. OUTLOOK

[Obligations for conduct of R. & D. in billions of dollars]

	1969	1972	1973
Defense, including AEC, military related programs-----	8.4	8.6	9.4
Space-----	3.8	3.1	3.0
Civilian programs-----	3.3	4.7	5.4
Total -----	15.5	16.4	17.8

Recent trends in Federal R. & D. are also depicted in the following chart.

Conduct of Research and Development — Obligations



Special efforts to strengthen civilian R. & D.—This budget includes special efforts to strengthen civilian R. & D. as illustrated in the following table:

RESEARCH AND DEVELOPMENT

[Obligations in millions]

Program objective	1972	1973	Percent increase
Abundant electrical power without pollution.....	\$392	\$480	22%
Fast, safe, pollution-free transportation.....	456	666	46
Reduction in the loss of human life and property from natural disasters.....	93	136	46
Effective methods of curbing drug trafficking and of rehabilitating drug users.....	50	60	20
Local demonstrations of effective emergency health care systems..	8	15	88
Experimental incentives program.....	0	40	-----
Total of these categories.....	999	1,397	-----
Total 1973 increase.....	-----	398	40

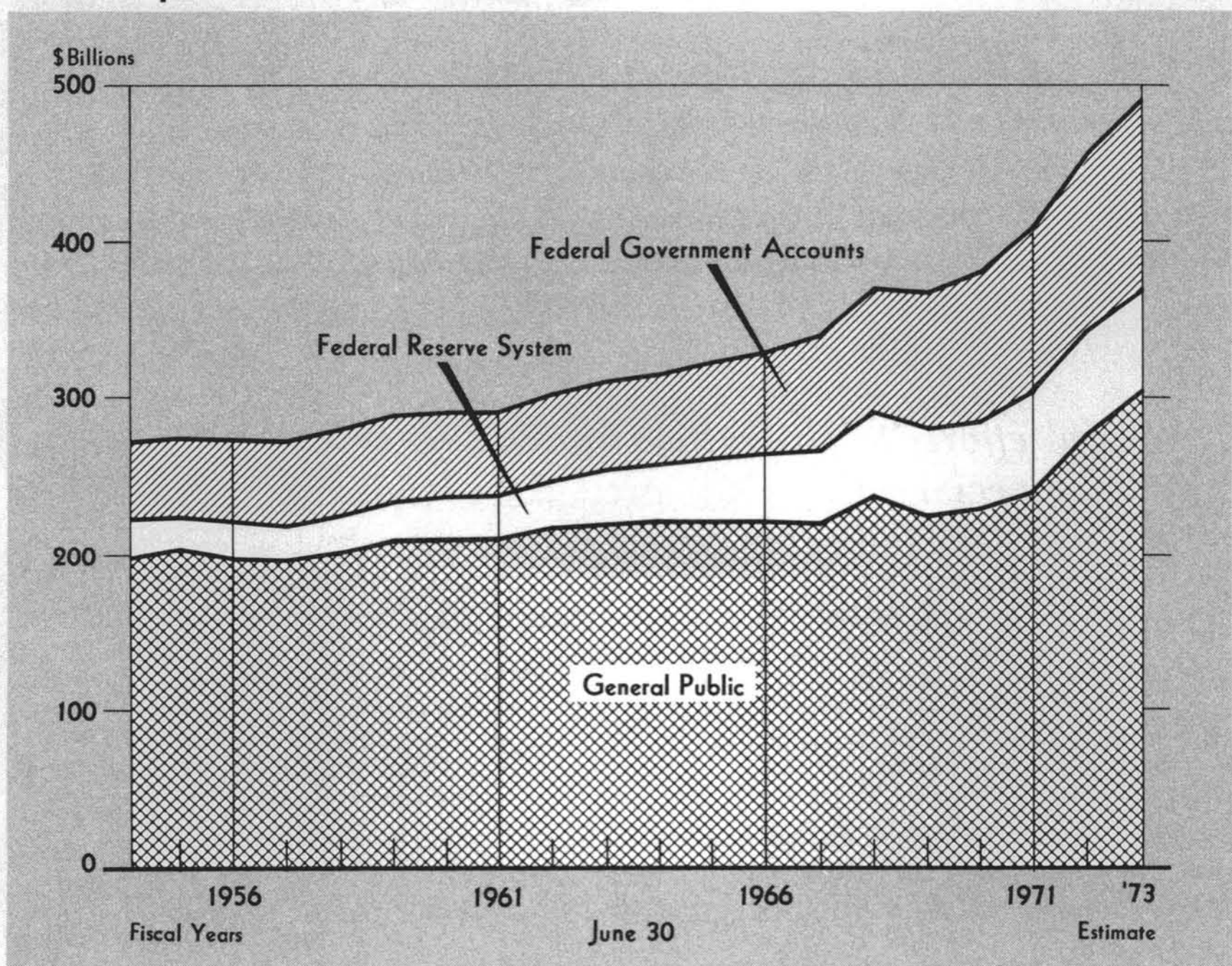
This increase of about \$400 million is the first stage in about a \$2 billion R. & D. investment over the next 5 years in these areas alone. These increases illustrate the efforts of the Administration to focus R. & D. on both short-run and longer range goals in areas of national concern.

THE FEDERAL DEBT

The Federal debt is largely an internal debt, owed by the Nation primarily to our own citizens. In a very real sense, then, we owe the debt to ourselves.

The chart below shows gross Federal debt separately held by the general public, by the Federal Reserve System, and in Government accounts. Between 1963 and 1973, gross Federal debt is projected to increase by \$182.4 billion, or 58.7%. Debt held by the general public, on the other hand, is projected to increase by \$81.1 billion, or 36.5%.

Ownership of the Federal Debt



The concept of debt held by the general public is important for budget purposes, because only this debt has a significant effect on the unified budget surplus or deficit. Interest on debt held by Government accounts has offsetting entries in other parts of the budget while most of the interest on securities held by the Federal Reserve System is returned to Treasury and shows up as receipts. A more detailed discussion of interest on the public debt can be found in the functional discussion in Part 4.

PART 4

THE BUDGET PROGRAM BY FUNCTION

The outlays of the Federal Government are grouped into 14 functional categories according to the general purpose served, regardless of the administering agency. This section describes the trends and administrative initiatives 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:

- \$0.8 billion for pay raises for

civilian agencies (the national defense total includes a comparable allowance of \$2.7 billion for military and civilian pay raises in the Defense Department) ; and

- \$0.5 billion for unforeseen contingencies and for programs on which detailed proposals have not yet been completely formulated.

The size and composition of budget outlays have changed substantially over the last three decades as shown in the table below.

CHANGING COMPOSITION OF THE BUDGET

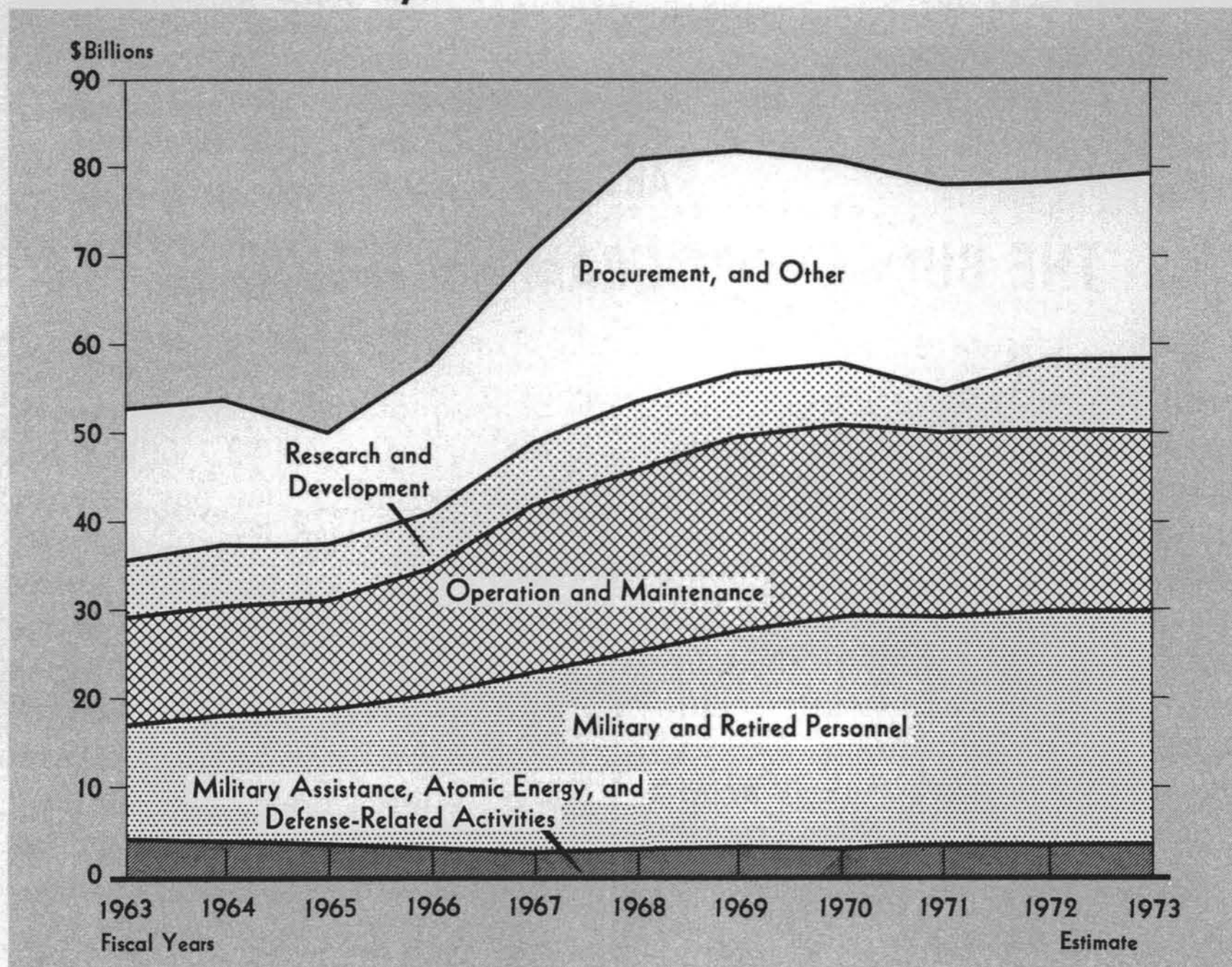
[Dollars in billions]

Function	Percent of total budget							Outlays 1973
	1945	1950	1955	1960	1965	1970	1973	
National defense.....	85.7	30.4	58.7	49.8	41.9	40.8	31.8	\$78.3
International affairs and finance.....	3.5	11.1	3.0	3.3	3.7	1.8	1.6	3.8
Space research and technology.....	*	.1	.1	.4	4.3	1.9	1.3	3.2
Physical resources.....	6.2	13.7	8.3	10.9	12.3	10.7	10.4	25.7
Agriculture and rural development.....	1.7	6.5	5.9	3.6	4.1	3.2	2.8	6.9
Natural resources and environment.....	.3	2.9	.7	1.1	1.7	1.3	1.0	2.5
Commerce and transportation.....	4.4	3.9	1.6	5.2	6.2	4.7	4.7	11.6
Community development and housing.....	-.2	.6	*	1.1	.2	1.5	2.0	4.8
Human resources.....	2.9	32.5	21.1	27.6	29.9	36.9	45.0	110.8
Education and manpower.....	.2	.5	.8	1.1	1.9	3.7	4.6	11.3
Health.....	.2	.6	.4	.8	1.5	6.6	7.4	18.1
Income security.....	1.2	10.9	13.3	19.7	21.7	22.3	28.3	69.7
Veterans benefits and services.....	1.2	20.5	6.6	5.9	4.8	4.4	4.8	11.7
General government.....	.8	2.7	1.7	1.4	1.9	1.7	2.2	5.5
Interest.....	3.7	13.3	8.8	9.0	8.7	9.3	8.6	21.2
General Revenue Sharing.....							2.0	5.0
Allowances.....							.5	1.3
Undistributed deductions.....	-2.8	-3.9	-1.8	-2.5	-2.6	-3.2	-3.5	-8.6
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	246.3

* Less than 0.05%.

NATIONAL DEFENSE

National Defense Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

This Administration has formulated a new national security strategy of *Realistic Deterrence* designed to move this Nation towards an era of peace. Our strategy is based on maintaining adequate strength, effective partnership with our allies, and negotiations with our adversaries in order to secure and preserve the peace. To implement this strategy successfully, the defense program must provide sufficient strategic retaliatory capability to constitute the free world's basic nuclear deterrent. It must also provide general purpose forces strong enough, together with those of our allies, to deter or defend against tactical nuclear or conventional threats. This budget proposes a substantial increase in budget authority to as-

sure our ability to continue to meet these objectives in the future.

Recent Program Improvements

- Formulated a new national security strategy;
- Initiated major development and modernization efforts;
- Reduced authorized American forces in Vietnam by 87%;
- Set the goal of an all-volunteer force; and
- Initiated reform to correct draft inequities for as long as we have the draft.

Budget Proposals

- Substantially improve our national defense;
- Maintain strong Active Forces;
- Strengthen our strategic nuclear deterrent;

- Continue modernization of the general purpose forces;
- Preserve our technological superiority; and
- Upgrade the capability of the Guard and Reserves to augment the Active Forces.

Progress in Vietnamization has allowed us to move toward termination of American combat involvement in Vietnam. Authorized U.S. troop strength has been reduced from 549,500 to 69,000 as of May 1, 1972. U.S. casualties are now averaging less than 5% of the level of 1968. With our assistance, the South Vietnamese have assumed responsibility for ground combat operations and are now assuming other military responsibilities.

Department of Defense—Military

A \$6.3 billion increase in budget authority is planned primarily to strengthen our nuclear deterrent and modernize the general purpose forces. Research and development will be increased to preserve and enhance our technological superiority. National Guard and Reserve programs will also be increased.

Programs proposed in this budget will make a military career more attractive. Pay for the new recruit was almost doubled in November 1971. Other increases in pay and allowances are budgeted for January 1972 and 1973. The costs of attracting capable personnel are substantial. Although the military personnel levels are about the same as those of 1964, average military pay and benefits have increased from \$4,570 per man in 1964 to \$9,500 in 1973.

Strategic forces.—Strategic forces exist primarily to deter nuclear attack. This capability is provided by an effective combination of offensive systems—intercontinental bal-

listic missiles, submarine-launched ballistic missiles, and strategic bombers. The continental air defense system and the Safeguard ABM system now under construction also contribute to this capability.

We are negotiating with the Soviet Union in the Strategic Arms Limitation Talks (SALT) to limit offensive and defensive systems. However, until there are agreed limits on strategic forces, we must prepare to meet the growing Soviet threat. Increases are planned in 1973 for the strategic forces to: (1) Emphasize improvements to our sea-based strategic deterrent force; (2) continue the conversion of the ballistic missile forces to the more capable Minuteman III and Poseidon systems which are equipped with multiple warheads; (3) carry forward the phased deployment of the Safeguard ABM system; and (4) continue the development of a new manned strategic bomber.

General purpose forces.—Our general purpose forces also serve a deterrent role. These forces, together with those of our allies, must be adequate to meet a major Communist attack in either Europe or Asia, to assist our allies against other threats in Asia, and to contend with a contingency elsewhere.

Efforts to improve the firepower, mobility, and reaction capability of the *land forces* will continue in 1973 with additional procurement of M-60 tanks, antitank missiles, and ground-to-air missile systems. An enlarged troop-carrying helicopter and a new heavy-lift helicopter are being developed to increase the mobility of the Army.

General purpose *naval forces* insure our ability to protect vital shipping lanes and provide sea-based airpower. This budget will

provide a shipbuilding program which is double the annual average program for 1966–69. New ships will be constructed to further modernize the fleet, and greater emphasis will be placed on the development of smaller ships with greater firepower.

The modernization of the *tactical air forces* continues with the initial procurement of the F–15 fighter for the Air Force and continued production of the F–14 carrier-based fighter aircraft for the Navy. Close air support for ground forces will be strengthened through continued procurement of Harrier aircraft for the Marine Corps and the development of the A–X aircraft for the Air Force.

Guard and Reserve.—These forces are now designated the primary source of augmentation for the Active Forces in any emergency requiring rapid and substantial increases in general purpose forces. Increased manning, training, and equipping are essential to enable National Guard and Reserve units to fulfill this mission.

Research and development.—We are proposing a significant increase in our research and development program to preserve our technological superiority, thereby providing for effective response to changing threats. New strategic and tactical systems will be designed and the technology that underlies future systems will be strengthened.

Military Assistance

Military assistance and credit 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.

Atomic Energy

The Atomic Energy Commission is responsible for developing and manufacturing nuclear weapons and improving nuclear power reactors for propulsion of naval vessels. AEC also develops designs of improved nuclear powerplants and enriches nuclear fuels for such plants. It pursues other peaceful applications of atomic energy, and conducts basic and applied research in the physical and biomedical sciences.

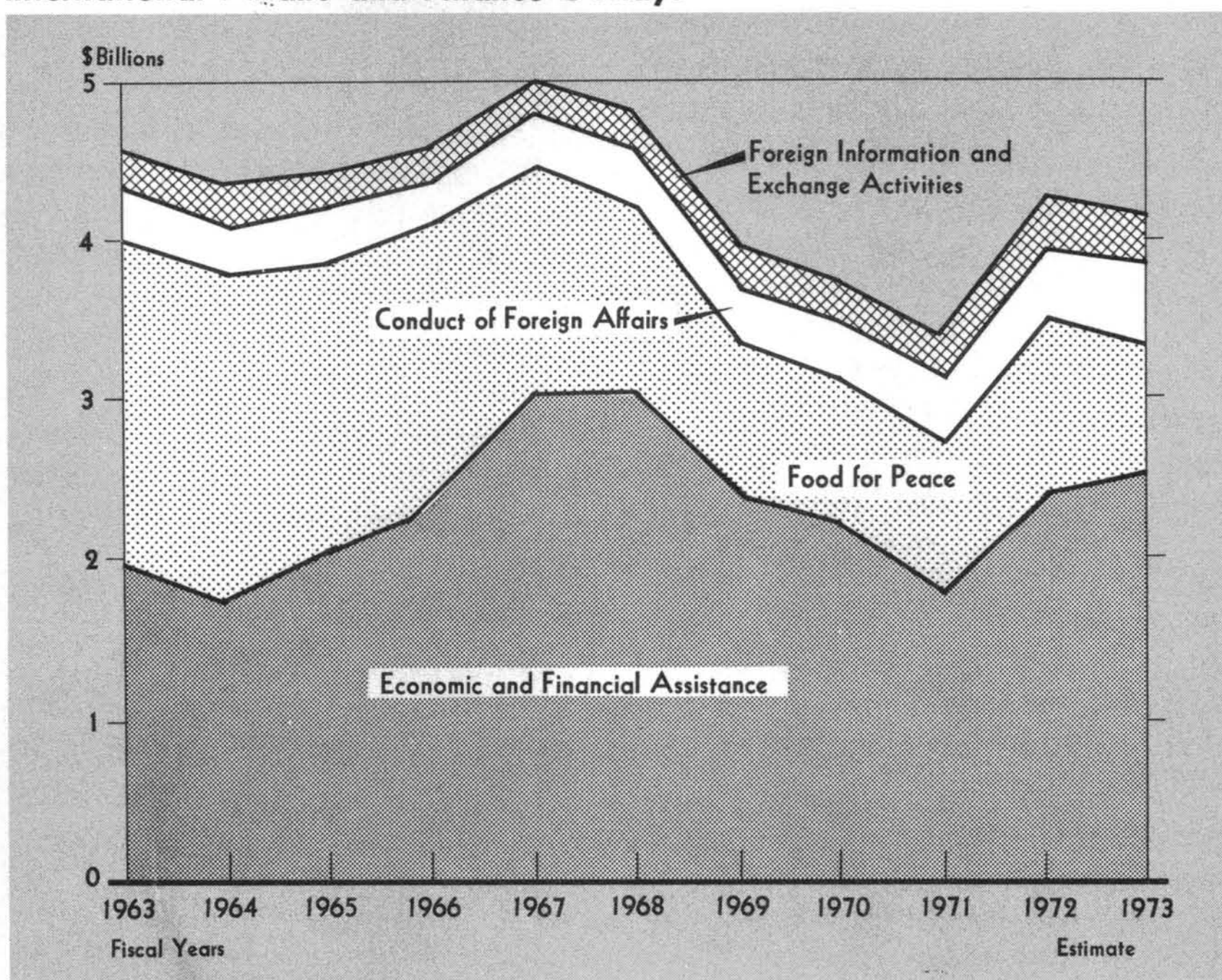
The 1973 outlays of \$2,422 million reflect in part accelerated development of the “fast breeder” power reactor concept and expansion of AEC’s capability to enrich nuclear powerplant fuels. Intensified efforts to assure that nuclear powerplants are environmentally acceptable will also be made. In addition, AEC will accelerate its controlled thermonuclear fusion research program, seeking to develop another source of clean energy for the future.

National Defense

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$78,310	31.8%
1972 estimate....	78,030	33.0
1971.....	77,661	36.8
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

INTERNATIONAL AFFAIRS AND FINANCE

International Affairs and Finance Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

The United States is moving from an era of confrontation into an era of negotiation, with the goal of achieving a generation of peace. To meet this objective requires all the instruments of our foreign policy. In such a period, steadfastness of purpose must be reflected in our programs and expenditures.

Recent Program Improvements

- Established the Council on International Economic Policy;
- Coordinated military and supporting assistance under the framework of international security assistance; and
- Directed measures to strengthen the U.S. foreign intelligence programs.

Budget Proposals

- Adequately fund foreign aid programs;
- Continue the process of Vietnamization;
- Step up programs for the international control of narcotics; and
- Expand cultural exchange programs.

Economic and Financial Assistance

International security assistance.—Security assistance actively encourages friendly countries to mobilize for their own defense. The Secretary of State determines security assistance policy and coordinates the military and supporting assistance components.

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 unable to meet the costs of equipping their military forces until they are able to shift to foreign military credit sales.

Economic supporting assistance provides financial and technical aid to countries whose defense requirements are an especially heavy drain on their resources. Outlays are estimated to increase from \$584 million in 1972 to \$796 million in 1973, primarily for Southeast Asia.

Multilateral development assistance.—International financial institutions and organizations have a growing capacity to manage large capital and technical assistance programs. Additional contributions are being proposed so that the United States may fulfill its international obligations. Outlays are estimated at \$639 million in 1973.

Bilateral development assistance.—The Agency for International Development administers bilateral development loans and technical assistance. Loans support the development efforts of lower income countries by financing specific projects and general import programs. Outlays are estimated to be \$906 million in 1973.

Other economic and financial assistance.—The Overseas Private Investment Corporation provides services to facilitate U.S. investments in developing countries. The Export-Import Bank, removed from budget totals by recent legislation, has been given greatly increased spending and credit authority to help expand U.S. exports.

The President's Foreign Assistance Contingency Fund is used to meet unforeseen circumstances re-

quiring economic, military, or humanitarian assistance. Budget authority of \$100 million is requested for 1973.

Food for Peace

The United States donates and sells agricultural commodities on favorable terms to friendly nations to combat hunger and malnutrition, promote economic growth in developing nations, and expand export markets for U.S. commodities. About half of the 1973 outlays of \$839 million will go to provide food to South and Southeast Asia.

Foreign Information and Exchange Activities

Important mutual benefits flow from widened contacts among the people of the world. Cultural and educational exchange activities of the State Department will be expanded. Activities of the U.S. Information Agency will continue at current levels.

Conduct of Foreign Affairs

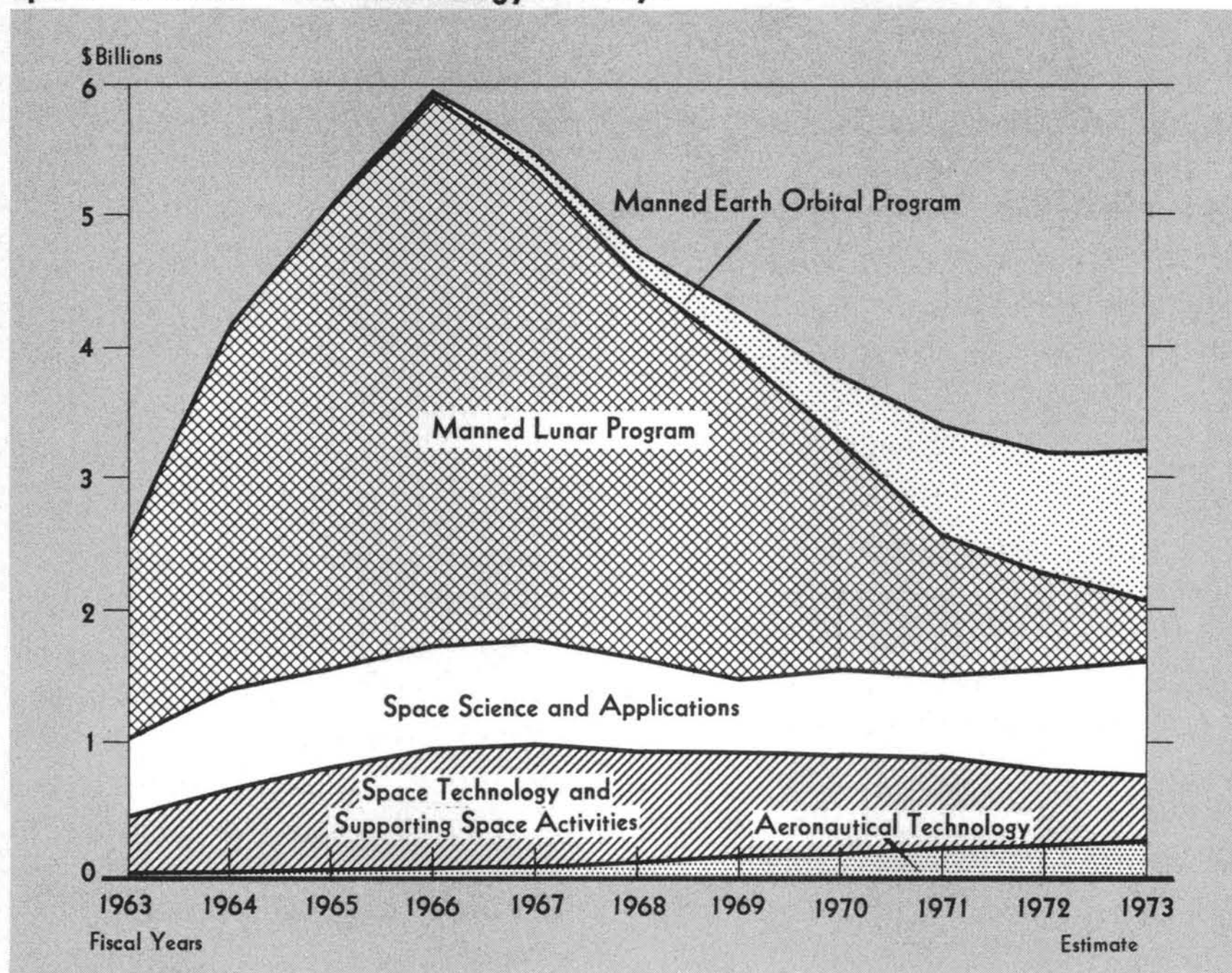
Overseas operating costs of the U.S. Government and assessed contributions to international organizations will increase slightly. The Arms Control and Disarmament Agency will increase activities in support of arms control negotiations.

International Affairs and Finance

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$3,844	1.6%
1972 estimate....	3,960	1.7
1971.....	3,095	1.5
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

SPACE RESEARCH AND TECHNOLOGY

Space Research and Technology Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

The 1973 budget continues the transition from the era of the Apollo manned lunar landings to the post-Apollo space program.

Recent Program Improvements

- Redirected nuclear rocket and outer planets programs to provide a better balance in future space investments; and
- Improved weather, communications, and scientific satellites.

Budget Proposals

- Develop reusable space shuttle;
- Use NASA's capabilities for earth-bound transportation problems.

Manned space flight.—The last manned lunar visits will be completed within a year. In 1973, Skylab, an experimental space station, will obtain scientific data about man in space, solar astronomy, and earth resources. By about 1979, the space

shuttle will begin to reduce the cost of operations in earth orbit.

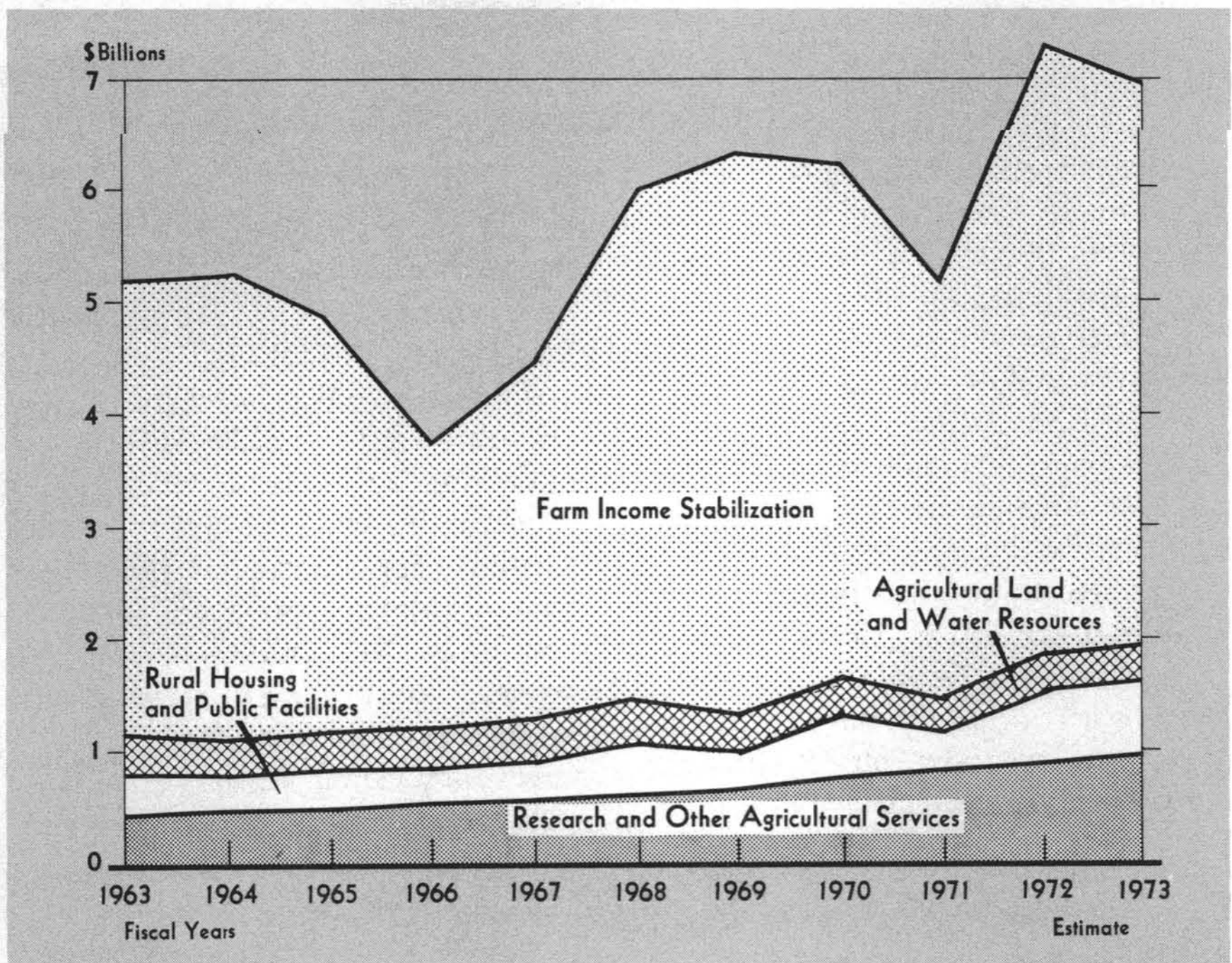
Space science and applications.—Funds are provided for the unmanned exploration of the planets and development of astronomical observatories. The first earth resources satellite will be operated and a new weather satellite developed.

Space and aeronautical technology.—Alternative advanced propulsion systems, including a small nuclear rocket, will be defined. The current NERVA nuclear rocket program will be terminated. Aeronautical technology will be accelerated on short takeoff aircraft and on the reduction of aircraft noise.

The space program as a percent of total budget outlays has declined from 4.4% in 1966 to 1.3% in 1973.

AGRICULTURE AND RURAL DEVELOPMENT

Agriculture and Rural Development Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

Agriculture and rural development programs help strengthen income opportunities for farmers, eliminate hunger and malnutrition, assure reasonably priced and wholesome food for consumers, and foster development of rural areas.

Recent Program Improvements

- Established more flexible, market-oriented commodity programs under the Agricultural Act of 1970;
- Increased the availability of credit for rural housing and for farmers;
- Established a rural telephone bank and a private rural electric utilities bank;
- Expanded agricultural exports by 37% since 1969; and

- Established an egg inspection program and broadened meat and poultry inspection.

Budget Proposals

- Create rural community development revenue sharing;
- Create a new credit program to aid rural development;
- Substitute insured for direct farm operating loans; and
- Substantially expand the rural housing loan program for low- to moderate-income rural residents.

In 1973, outlays for agriculture and rural development will be \$6.9 billion. Excluding net asset sales, outlays will be \$100 million over the 1972 level.

Farm income stabilization.—One of the principal objectives of agri-

cultural programs is to enable American farmers to earn incomes consistent with their ability and capital investments. But the programs also seek to assure adequate production of farm products at reasonable prices to consumers, and to avoid adverse effects on the environment from farming. Outlays for farm income stabilization will be \$5.0 billion in 1973.

Agricultural programs have played a major role in eliminating hunger and malnutrition by donating surplus commodities to needy families and schoolchildren. Outlays for distribution of commodities and other assistance to schools are increasing. However, distribution of commodities to families, which is declining as the food stamp program expands, partially offsets the increase. The food stamp program is discussed in the income security section.

Enactment of proposed legislation to shift farm operating loans from a direct to an insured basis will permit a \$75 million increase in the availability of credit in 1972 and 1973.

Rural housing and public facilities.—Loan levels for rural housing will increase by \$500 million in 1973. These loans will assist about 142,000 low-to-moderate-income rural families in acquiring homes in 1973. In addition, \$300 million in loans and \$42 million in grants will help 500,000 rural families correct critical waste disposal and water supply problems.

Creation of a private rural electric utilities bank and a federally assisted rural telephone bank has expanded the availability of credit for electrification and telephones, while permitting direct Federal loans to decrease.

Agricultural land and water resources.—The conversion of the ag-

ricultural conservation program to the rural environmental assistance program has enhanced the environmental benefits realized by the program. In 1973, outlays for this program will increase to \$196 million.

Funding for conservation services to farmers and planning for resource conservation and development projects will continue in 1973 at the expanded level established in 1972.

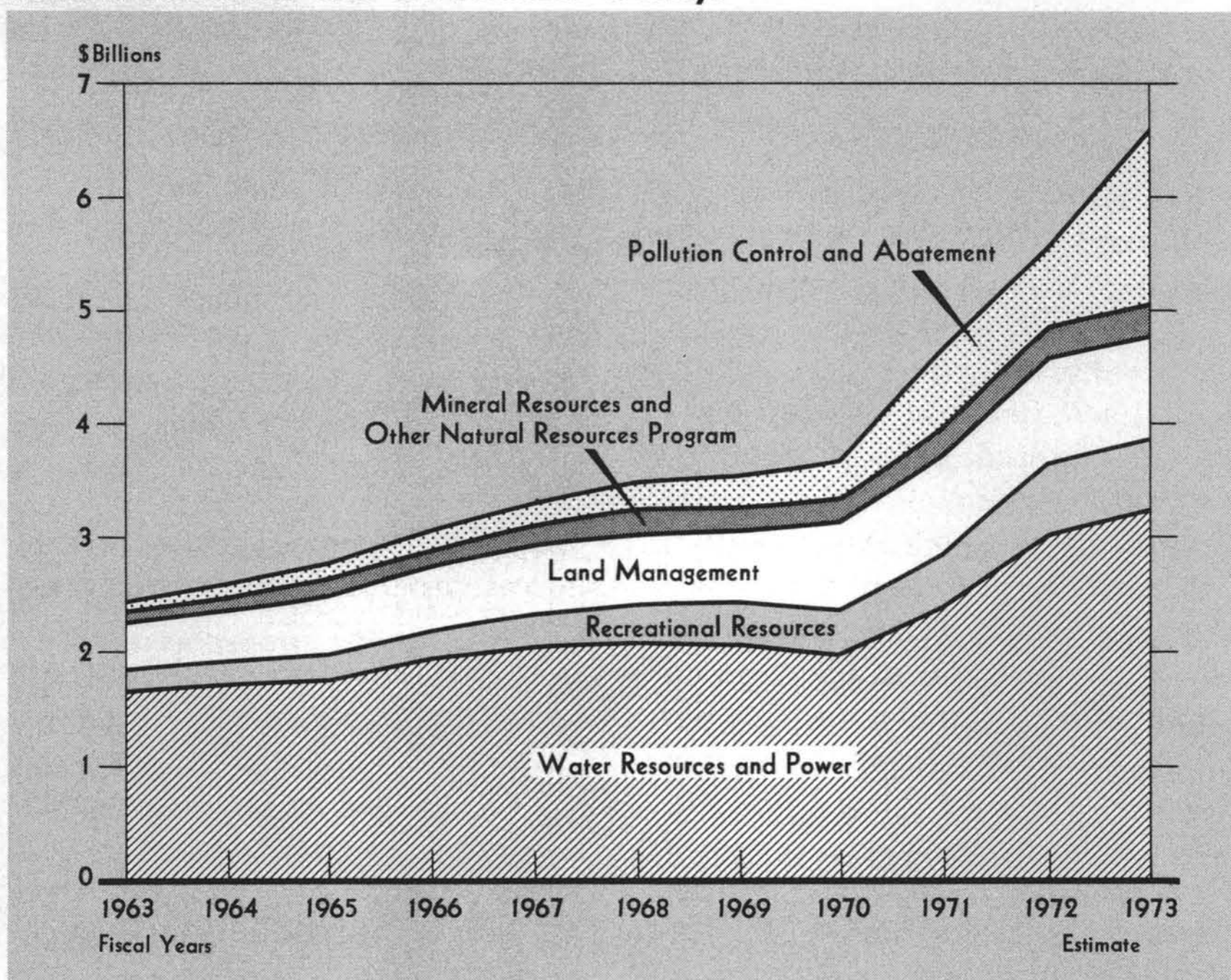
Research and other agricultural services.—Total outlays for research and other agricultural services will increase in 1973 to \$915 million. Outlays for consumer protection and regulatory programs will increase by \$11 million. This will permit better laboratory testing of meats and sanitation inspection of meat processing plants to protect consumers from dangerous chemical additives. A new egg inspection program will provide mandatory nationwide uniform grade standards for eggs. Other outlay increases are for research and extension services, preventing animal diseases, developing new pest control techniques, and expanding enforcement of the Animal Welfare Act.

Agriculture and Rural Development

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$6, 891	2. 8%
1972 estimate....	7, 345	3. 1
1971.....	5, 096	2. 4
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

NATURAL RESOURCES AND ENVIRONMENT

Natural Resources and Environment Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

Natural resources and environment programs must protect and enhance the quality of the environment and assist in the wise use of natural resources. Gross outlays will rise to \$6.6 billion in 1973. After deducting offsetting receipts, largely from the sale of oil and gas leases, net outlays will be \$2.5 billion.

Recent Program Improvements

- Created the Environmental Protection Agency and the Council on Environmental Quality;
- Initiated monitoring of major discharges of pollutants into navigable waters;
- Increased pollution control funds for Federal facilities ninefold between 1969 and 1973; and
- Began a Legacy of Parks program,

to develop parks in and near cities, and increased the authorized level of the Land and Water Conservation Fund by 50%.

Budget Proposals

- Create a Department of Natural Resources;
- Continue a \$6 billion, 3-year program of grants for construction of sewage treatment facilities;
- Fully fund the Land and Water Conservation Fund; and
- Levy a tax on sulfur oxides emissions.

The budget also provides for new programs for regulation of pesticides, land use, and powerplant siting, protection of mined areas, control of ocean dumping of wastes, and noise control.

Pollution control and abatement.—These programs include air and water pollution control, solid waste management, and control of pesticides, radiation, and noise. Appropriations of \$2 billion are provided for grants for construction of municipal sewage treatment plants. Outlays for these grants will increase by \$192 million to \$1.1 billion in 1973. Outlays for other pollution control programs will increase by \$62 million to \$441 million. Outlays of \$272 million for abating pollution at Federal facilities are classified under other budget functions.

Recreational resources.—Recreation programs include acquisition and operation of nationally significant natural areas and historical sites, and grants to State and local governments for recreation areas.

The budget recommends appropriation of the full annual authorization of \$300 million for the Land and Water Conservation Fund in 1973. Of this amount, \$197 million will be allocated for grants to State and local governments, and \$98 million for Federal park and recreation land purchases. Between 1969 and 1973 the fund will assist in the purchase of an estimated 800,000 acres of Federal, and 1,200,000 acres of State and local recreation lands, and help finance 6,200 recreation development projects.

Water resources and power.—Water resources projects provide navigation, irrigation, water supplies, electric power, and recreation. They also help control floods, erosion, and water pollution.

Corps of Engineers and Bureau of Reclamation construction projects were seriously underfinanced in the late 1960's, while major new commitments were made for future

construction work, resulting in program disruptions. The 1973 budget provides substantial increases for construction of ongoing projects, while limiting new construction starts to a modest total commitment, in order to avoid repetition of past program disruptions.

Land management.—These programs manage the use and protection of public lands and national forest lands. Proposed legislation will assist States in improving the regulation of land use to assure that development is wisely planned.

Mineral resources.—Mineral resources programs include research on the conservation and development of minerals and fuels, and research in metallurgy and mining.

An outlay increase of \$11 million is proposed for pilot plant research on coal gasification.

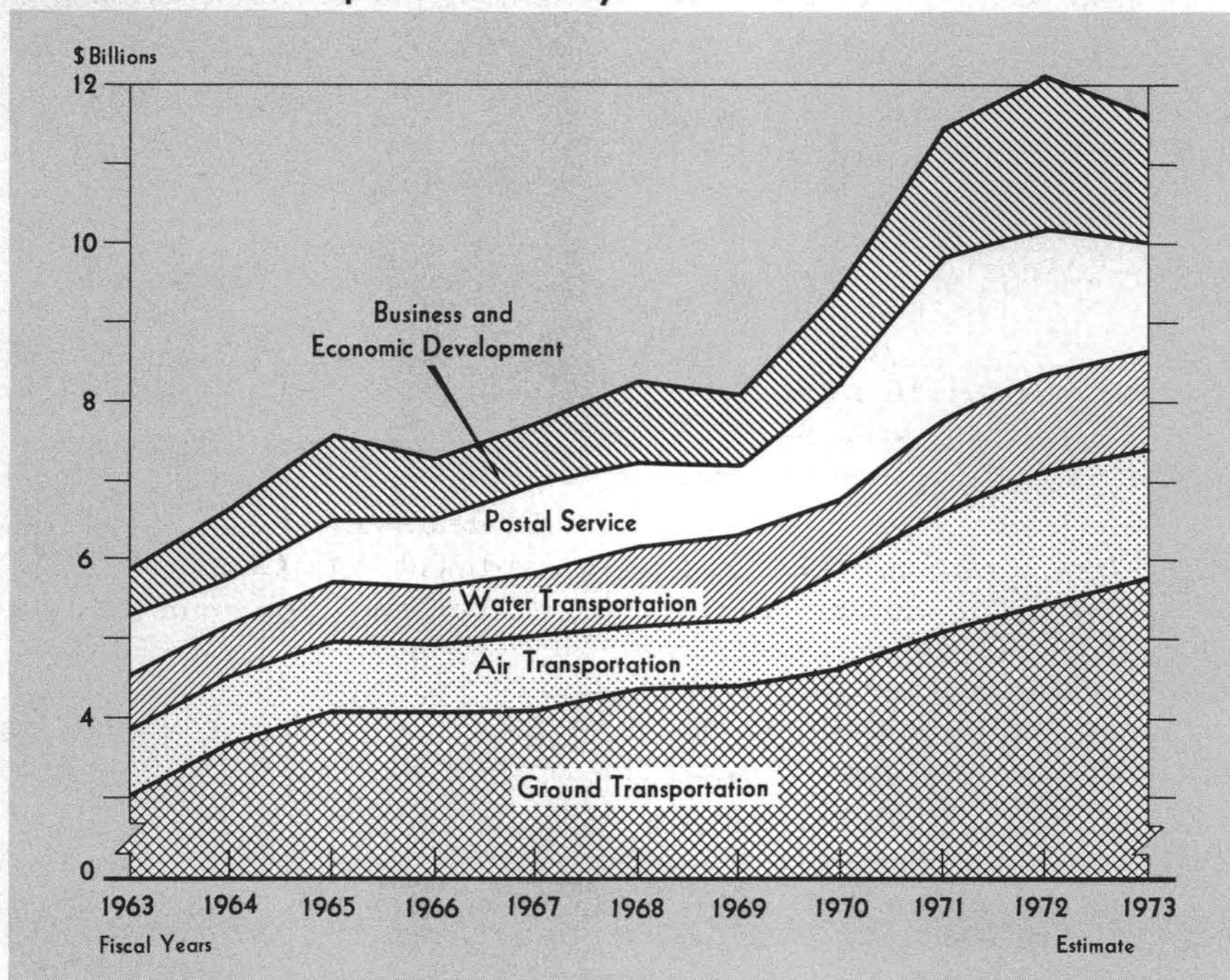
Other natural resources programs.—These programs include water resources investigations, geological and mineral resource surveys, and topographic surveys and mapping. Increases in 1973 are provided for processing data from the experimental earth resources technology satellite, for investigation of geothermal energy resources, and for earthquake research.

Natural Resources and Environment

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate. . . .	\$2, 450	1. 0%
1972 estimate. . . .	4, 376	1. 8
1971.	2, 716	1. 3
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

COMMERCE AND TRANSPORTATION

Commerce and Transportation Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

A major effort is being made to improve and reform Federal programs which affect the Nation's ground, air, and water transportation systems.

Recent Program Improvements

- Initiated 12-year, \$10 billion program to improve urban mass transportation;
- Began 10-year merchant marine modernization program;
- Consolidated marine programs under National Oceanic and Atmospheric Administration (NOAA); and
- Created Office of Minority Business Enterprise.

Budget Proposals

- Create a Department of Economic Affairs;

- Provide more effective financial aid to State and local government through transportation revenue sharing;
- Aid cities in reducing highway congestion through increased urban transportation funding.
- Modernize the surface freight carrier regulatory structure;
- Initiate efforts to stimulate research and development in the private sector of the economy;
- Expand financial and management assistance to small businesses.

Ground transportation.—The Administration's transportation revenue sharing proposal now before Congress will place responsibility

for selected transportation programs at the State and local level.

To help solve traffic congestion and public transit problems, the Administration is proposing \$1.7 billion for urban highways and mass transit programs in 1973.

The Interstate Highway System, now 76% complete, is scheduled to be finished by 1980 and at that time is expected to carry about 20% of all highway travel. Highway fatalities and train accidents have decreased for the first time in a decade.

Air transportation.—The Federal Aviation Administration will continue the rapid modernization and expansion of the Nation's system for handling airway traffic. Research and development will stress the design of an entirely new system of air traffic control that will increase capacity, safety, and productivity.

Efforts are being intensified to reduce aircraft engine noise and to insure that advanced engines do not adversely affect the atmosphere. In addition, strict environmental standards are being applied to airport development projects.

Water transportation.—The 1973 program for the U.S.-flag merchant marine will continue the renovation of our merchant fleet begun in 1970. The program is designed to obtain increased vessel operating efficiency and to stimulate research and development efforts throughout the industry.

To protect the growing number of recreational boaters and combat pollution, the Coast Guard will emphasize safety and pollution control on waters under the jurisdiction of the United States. The proposed Ports and Waterways Safety Act gives the Coast Guard explicit au-

thority to provide services which will reduce accidents and increase port and harbor traffic efficiency.

Postal Service.—Higher wage costs and an expanded capital investment program will raise total expenditures for postal services from \$10.2 billion in 1972 to \$10.6 billion in 1973. This increase will be more than offset by a rise in postal revenues from \$8.3 billion in 1972 to \$9.2 in 1973, primarily as a result of an expected increase in postal rates.

Advancement of business.—The Department of Commerce will further expand its program of assistance to minority business enterprises. The Small Business Administration will increase its direct and guaranteed lending to over 35,000 small businesses. Research and development programs of NOAA and NBS will be expanded.

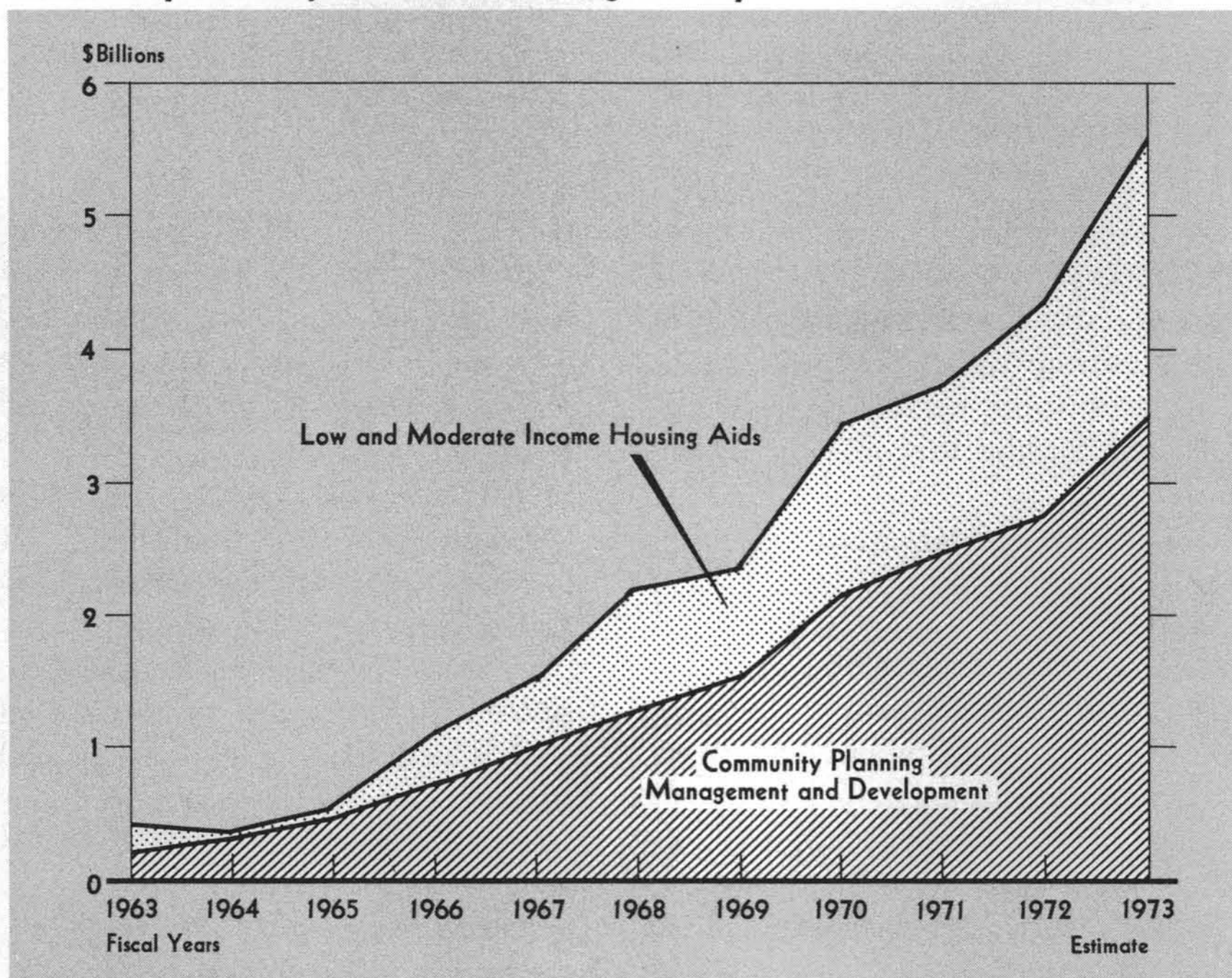
Area and regional development.—The economic development programs of the Department of Commerce and the Appalachian Regional Commission will be continued until the more comprehensive program of rural community development revenue sharing is enacted.

Commerce and Transportation

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$11, 550	4. 7%
1972 estimate....	11, 872	5. 0
1971.....	11, 310	5. 3
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

COMMUNITY DEVELOPMENT AND HOUSING

Community Development and Housing Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function and outlays for the housing mortgage market. Detailed outlay numbers for the function are shown in part 6, table 3.

The Administration's policies have four principal objectives: To meet the Nation's needs for adequate housing for all Americans; to assist families who cannot afford standard housing with their own resources; to assist State and local governments to develop capacities required to meet their community development problems; and to improve the Federal administrative machinery for community development and housing programs.

Recent Program Improvements

- Increased housing starts to a record level of 2 million units in calendar year 1971;
- Accelerated housing production for low- and moderate-income families to achieve fourfold increase from 1969 to 1973;
- Initiated a price support plan to

moderate the impact of high interest rates on home mortgages; and

- Increased FHLBS lending to savings institutions to augment the supply of mortgage funds.

Budget Proposals

- Create a Department of Community Development;
- Initiate a program of urban community development revenue sharing;
- Establish a new planning and management assistance program; and
- Simplify and consolidate housing program statutes.

Outlays for community development and housing programs will total \$4.8 billion in 1973, an increase of \$805 million over 1972. Outlays for most of these programs result

from commitments made in prior years.

Low- and moderate-income housing aids.—Families with lower incomes are assisted under the low-rent public housing and the rent supplement programs. Families with incomes too high for public housing, but not high enough to afford new standard housing, can receive assistance provided through the homeownership assistance and rental housing assistance programs. Under these four programs new subsidy commitments will provide \$566 million annually to support 500,000 additional housing units in 1973.

Families who could normally afford to buy housing without subsidy, but are unable to do so because of high interest rates, can receive assistance under the new tandem plan of the Government National Mortgage Association. This plan holds interest costs down through mortgage price support.

Maintenance of the housing mortgage market.—The Federal Government plays a key role in assuring that the private mortgage market provides an adequate supply of funds. In 1973, HUD will issue mortgage insurance commitments for about 1.6 million new and existing homes and apartments. In addition, the Federal Home Loan Bank System regulates savings and loan associations, insures their savings accounts, and provides loans through the 12 privately owned Federal home loan banks. These loans are used to augment conventional mortgage lending, as well as to meet unexpected withdrawals.

Urban community development revenue sharing.—This program, proposed last year, will give communities greater flexibility in meeting local needs. It will replace five categorical grant programs: Urban

renewal, Model Cities, rehabilitation loans, neighborhood facilities, and open space. The \$2.3 billion funding requested for 1973 will exceed the level of the replaced programs by \$490 million.

Community planning, management, and development.—A new planning and management assistance program will reform the existing comprehensive planning program to help State and local governments deal more effectively with community development problems at the local level. Commitments will be \$100 million in both 1972 and 1973.

In the research and development area Operation Breakthrough is a major effort in developing economical mass production techniques for quality housing construction.

The role of the Office of Economic Opportunity in community development has been redirected toward social research and development rather than operating programs.

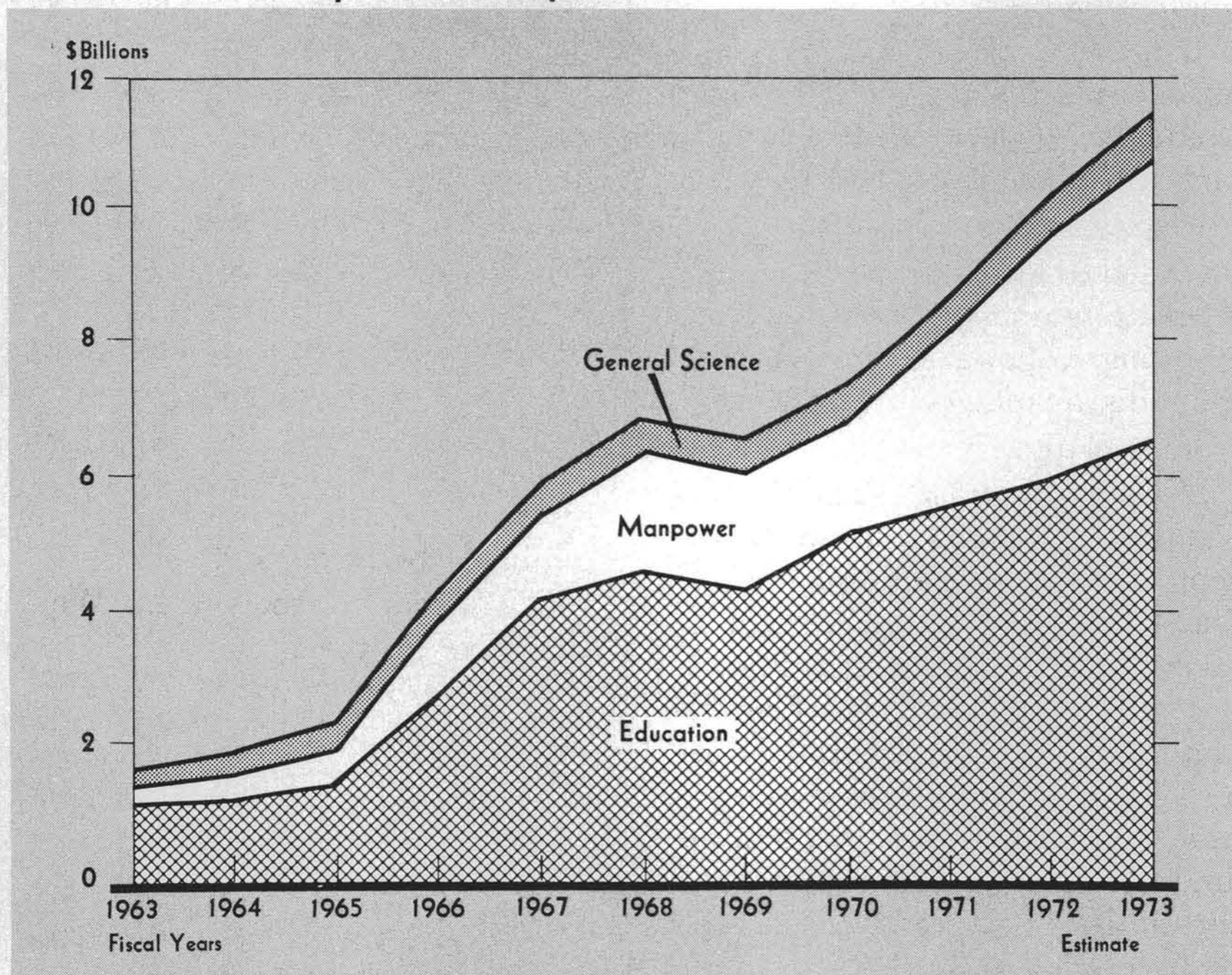
In July 1971, volunteer programs were consolidated into a new agency, Action, to utilize volunteer services more effectively.

Community Development and Housing

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$4,844	2.0%
1972 estimate....	4,039	1.7
1971.....	3,357	1.6
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

EDUCATION AND MANPOWER

Education and Manpower Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

Education, general science, and manpower programs represent basic investments in the development of human resources. They serve to develop general scientific and intellectual knowledge, and provide needed skills to our work force.

Recent Program Improvements

- Enacted the Emergency Employment Act of 1971;
- Decreased the number of children attending all-black schools 71% since 1968; and
- Focused major scientific research program on domestic problems.

Budget Proposals

- Create a Department of Human Resources;
- Initiate education revenue sharing and prepare for manpower revenue sharing;

- Assist school desegregation;
- Increase public service jobs;
- Establish National Institute of Education and National Foundation for Higher Education;
- Prepare for the Opportunities for Families program;
- Expand aid for low-income college students; and
- Stimulate investment in science and technology.

Elementary, secondary, and vocational education.—The Administration's revenue-sharing proposal for elementary and secondary education will consolidate more than 30 separate categorical formula grant programs into five broad areas. States and localities will have greater latitude in administering and planning for the use of these funds to meet local problems. Out-

lays will be \$3.2 billion in 1973, \$224 million more than requested for existing categorical programs.

Under the proposed Emergency School Assistance Act, \$1.5 billion would be made available in 1972 and 1973 to expedite school desegregation. Project grants will be provided to local school districts desegregating under court order or attempting voluntarily to overcome the disadvantages of minority group isolation.

Higher education.—The Administration's proposed reform of student assistance provides aid to insure that no qualified student will be barred from college by lack of funds.

The proposed National Foundation for Higher Education will support innovation and reform at colleges and universities. In addition, funds to improve educational opportunities of minority group students attending developing institutions will be increased in 1973.

Other education aids.—The proposed National Institute of Education will serve as the focal point for educational research and experimentation. The National Foundation for the Arts and the Humanities will greatly expand its programs.

General science.—The Administration's initiatives to revitalize and expand basic and problem-related research efforts will be continued in 1973. An increase of \$74 million in obligations by the National Science Foundation will permit a growth of over 10% in basic research which it sponsors. Research efforts addressing major social, economic, and environmental problems will be expanded by 40%.

Manpower training and employment services.—Outlays for manpower training and employment services will be \$3.9 billion in

1973, including \$1.1 million under the Emergency Employment Act of 1971, which supports public service jobs when unemployment is high. Manpower revenue sharing, proposed for inauguration July 1, 1973, will place the primary responsibility for manpower services with State and local governments.

The Opportunities for Families Program, included in the proposed Welfare Reform, will provide income support, training, and public service employment to help welfare families become self-supporting. This will replace the present Work Incentive program, which will expand in 1973 to provide job training assistance to 149,000 welfare recipients, and child care services for an estimated 186,000 children.

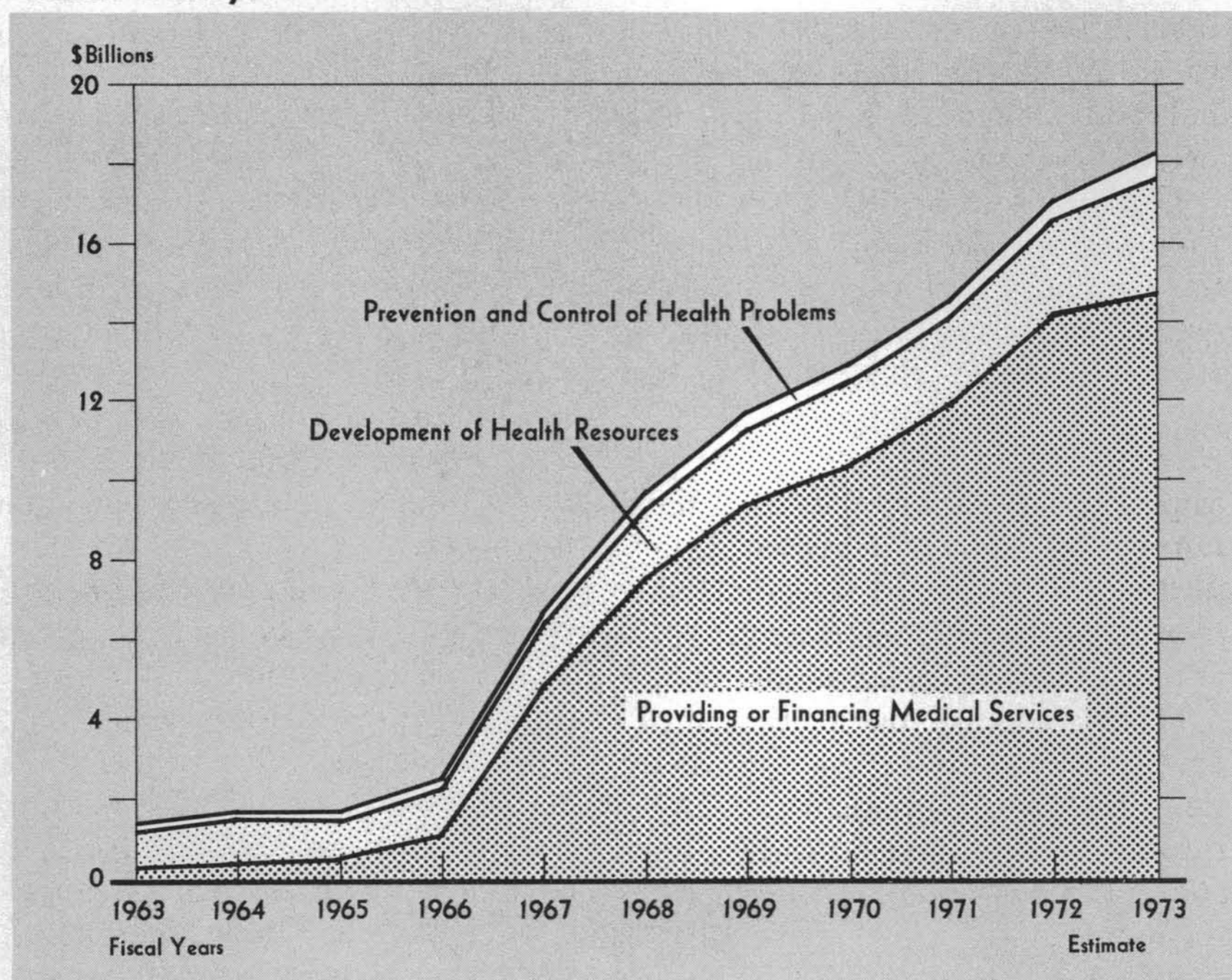
Other manpower aids.—Outlays for occupational safety and health programs will increase more than 50% in 1973 as major emphasis is given to reducing the frequency of work-related injury, disease, and death. The Office of Federal Contract Compliance will intensify its efforts to eliminate discrimination in the workplace.

Education and Manpower

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$11,281	4.6%
1972 estimate....	10,140	4.3
1971.....	8,654	4.1
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

Health Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

The National Health Strategy for the 1970's is directed toward three objectives: prevention of health problems, assured access to medical care, and greater efficiency within the health care system.

Recent Program Improvements

- Intensified research into cancer and sickle cell anemia;
- Increased support for health manpower training;
- Increased services for family planning, rehabilitation of drug addicts and alcoholics; and
- Expanded consumer safety and occupational health activities.

Budget Proposals

- Guarantee health insurance coverage for employees and their families;

- Establish special health insurance for low-income families with children;
- Assist development of health maintenance organizations;
- Improve nursing homes for the aged;
- Increase product safety activities by 300%, and food inspection activities by 56%; and
- Eliminate the monthly premium for supplementary medical insurance in Medicare.

Development of health resources.—In 1973 the Administration will give high priority to development of the Nation's health resources. Outlays for biomedical research will increase by almost \$200 million to \$1.6 billion in 1973 with emphasis on cancer, sickle cell

anemia, and family planning. Research to eliminate or control cancer will be expanded by \$93 million. Research will also be directed to heart disease, drug and alcohol addiction, and environmental health.

Outlays for health manpower programs will rise by \$107 million to \$727 million, and will provide increased support to health professions schools based on their enrollment, as well as assistance to students. Medical school curriculums will be improved and shortened, and the number of students increased. Emphasis will be placed on enrolling more students from minority groups and low-income backgrounds.

Health facilities construction programs will encourage the construction of needed outpatient facilities through grants, and provide loan guarantees with interest subsidies for inpatient facilities.

A major attempt will be made to improve the efficiency of health services delivery. Assistance will be provided to encourage development of organizations that deliver prepaid comprehensive medical services, particularly health maintenance organizations. Federal support for State and local health planning agencies will also be intensified.

Providing or financing medical services.—In 1973, Medicare, the largest Federal health program, will share the medical expenses for almost all of the 20 million aged in the Nation. Medicaid coverage will reach approximately 24 million poor people. Legislation has been recommended to improve Medicare by eliminating the monthly premium currently required for supplementary medical insurance. Legislation now pending before the Congress

would modify both Medicare and Medicaid to introduce reforms and cost-sharing features that will encourage use of more efficient modes of treatment.

Maternal and child health programs will increase efforts to reduce infant mortality and birth defects. Family planning services will be provided to 3.5 million persons, an increase of 380,000 over 1972.

Medical, nutritional, and sanitation services for American Indians and Alaska Natives will be improved.

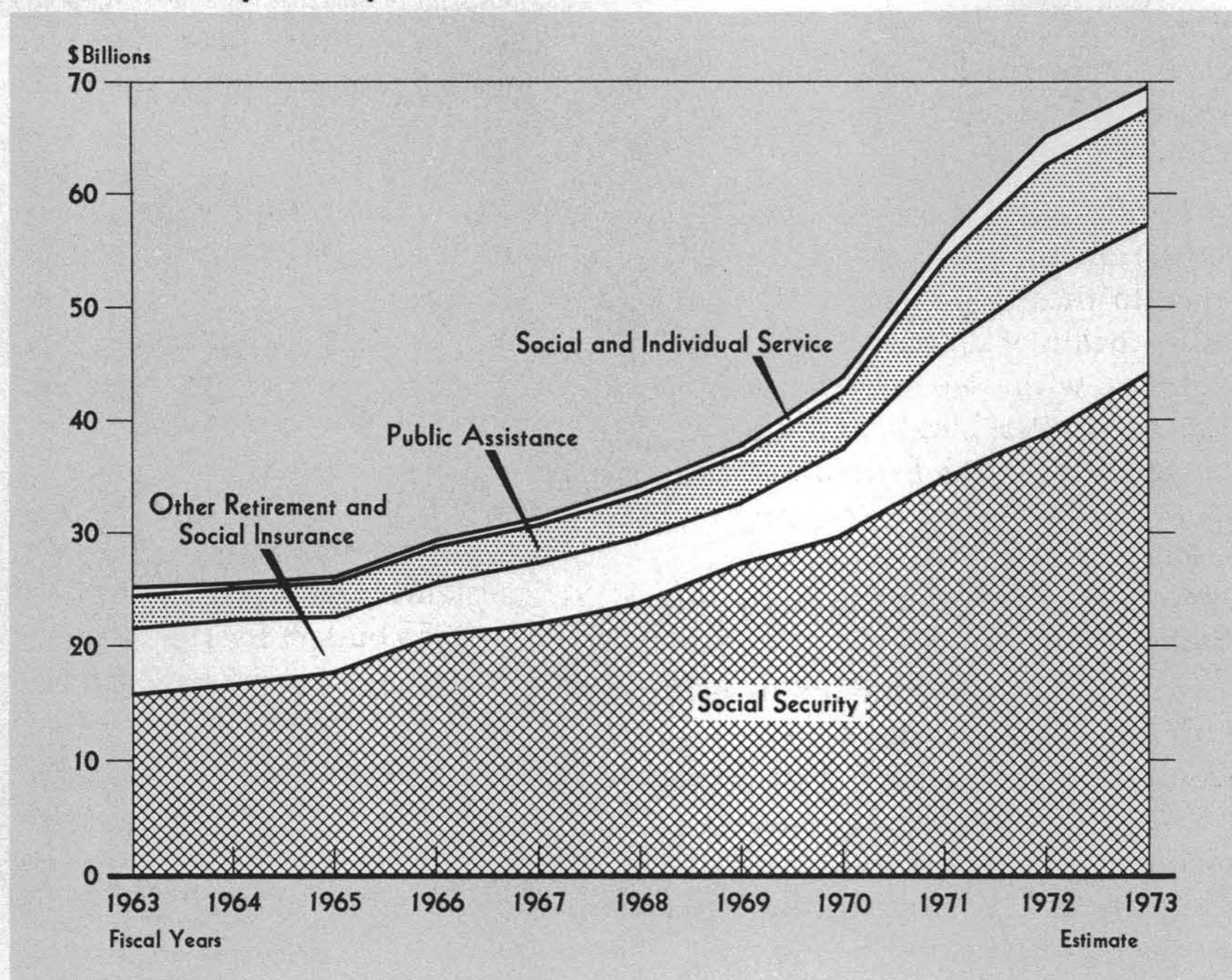
Prevention and control of health problems.—Priority will be given to disease prevention and control, environmental health problems, and consumer safety. Outlays for these activities will rise by \$236 million to \$619 million in 1973. Efforts to combat drug abuse will be intensified through coordination of Federal programs and expansion of community-based rehabilitation programs.

In 1973, Federal action to protect the consumer through inspection of foods, consumer products, and medical devices will be expanded. Occupational health hazards and mental health will also receive increased Federal attention.

Health		
Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$18,117	7.4%
1972 estimate....	17,024	7.2
1971.....	14,461	6.8
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

INCOME SECURITY

Income Security Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

The Nation's income security programs provide essential income support to millions of individuals and families. During the past 3 years important improvements have been proposed to make these programs more effective.

Recent Program Improvements

- Increased social security benefits 25% since 1970;
- Reformed the food stamp program, increasing benefits most for the neediest recipients; and
- Increased unemployment benefits under the Employment Security Amendments of 1970.

Budget Proposals

- Enact Welfare Reform;
- Increase social security benefits an additional 5%; and

- Strengthen dramatically programs to help the elderly.

Retirement and social insurance.—Social insurance benefits cushion the loss of income when earnings are interrupted or terminated by old age, disability, death, or temporary unemployment. Proposed improvements in social security will increase benefits by an additional 5%, provide automatic cost-of-living increases to make benefits "inflation proof," raise widow's benefits, and allow beneficiaries to earn more without a reduction in benefits.

The Employment Security Amendments of 1970 provide 13 weeks of benefits on top of the regular 26-week period whenever the

national insured unemployment rate exceeds 4.5%. Temporary legislation, passed in December 1971, will extend benefits for still another 13 weeks in States with unemployment rates of 6.5% or more.

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, the blind, and the disabled. In 1973 the Federal Government will pay 56% of program costs—an estimated \$7.6 billion—with the remainder paid by the States.

A savings of \$400 million in 1973 public assistance outlays will result from increased quality control efforts, an increase in the number of recipients employed as a result of training, and a more rigorous audit of State accounts and systems.

The Welfare Reform proposals of this Administration would completely restructure the present, failing system. It would emphasize greater incentives for work, training, and self-sufficiency. It would also establish national eligibility standards, a Federal income floor for families with children, and provide payments to low-income working families for the first time. Funds budgeted in 1973 for Welfare Reform are to pay the costs of planning and preparation for benefit payments.

Federal food and nutrition programs ensure an opportunity for the needy to obtain an adequate diet. The number of persons receiving benefits under the Food Stamp program will quadruple between 1969 and 1973 and will exceed 13 million persons in 1973. In addition, 8 million needy children will receive free or reduced price school lunches.

Social and individual services.—There are a number of services for public assistance recipients designed to combat rising dependency. The Administration has intensified fiscal management efforts and has sought a fixed amount for these sharply rising services—uncontrollable under current laws.

Vocational rehabilitation prepares physically and mentally disabled men and women to take a productive role in society. The program is being expanded as part of a 2-year effort to serve all trainable public assistance recipients by 1974.

The 1973 budget for the Administration on Aging will be increased sixfold over 1969, in order to meet commitments stemming from the White House Conference on Aging held in November 1971. New programs will emphasize independence for the elderly.

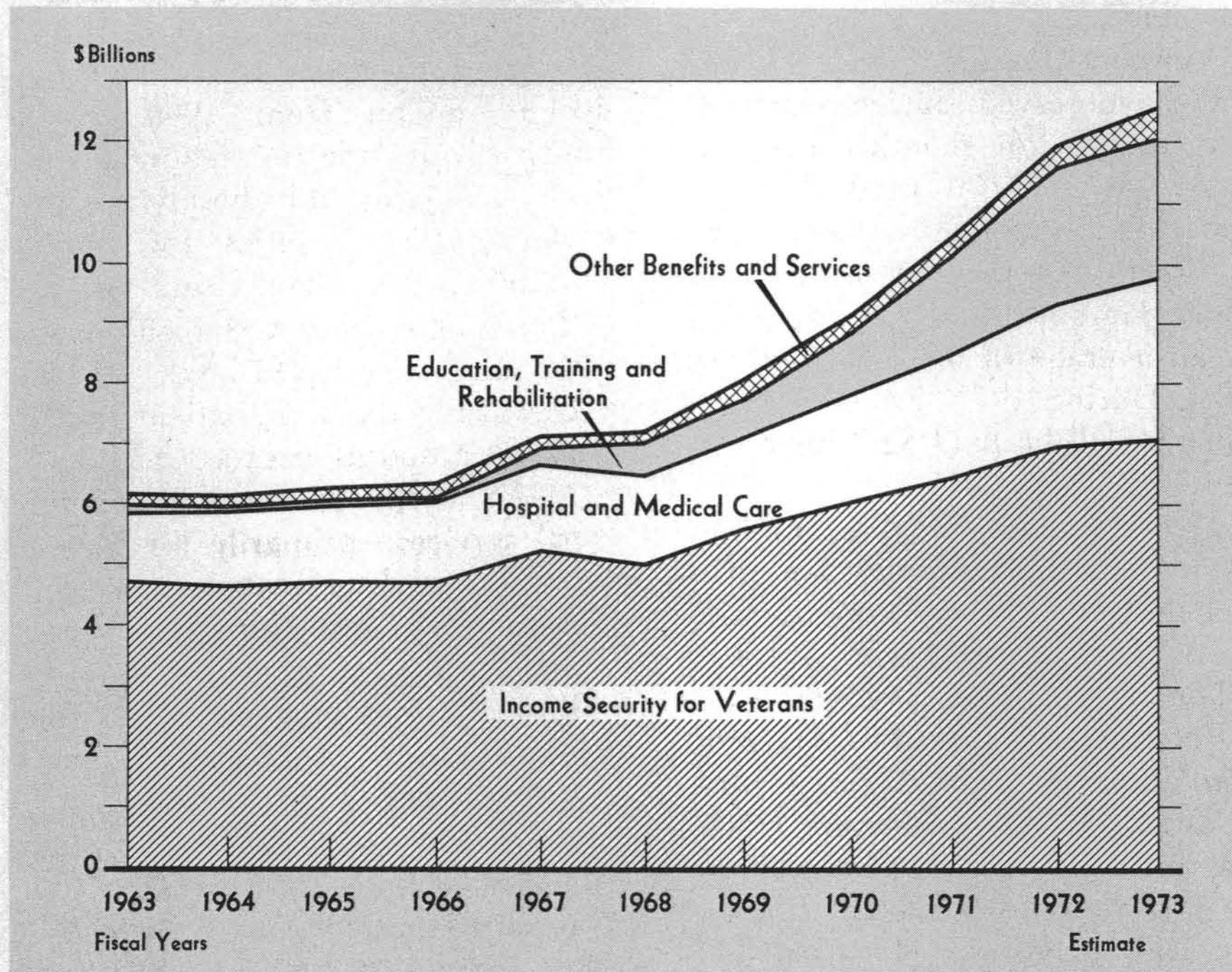
A special effort will be made to strengthen the delivery of human services, particularly for those most in need of assistance. Legislation will be proposed to integrate planning and provision of services, provide limited transfer of funds among HEW programs, and strengthen the capacity of State and local governments to manage these programs.

Income Security

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$69,658	28.3%
1972 estimate....	65,225	27.6
1971.....	55,712	26.4
1970.....	43,790	22.3
1969.....	37,699	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

Veterans Benefits and Services Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function and outlays for veterans housing. Detailed outlay numbers for the function are shown in part 6, table 3.

The 1973 budget underscores the Administration's commitment to veterans programs that assist men and women who have served their country.

Recent Program Improvements

- Increased compensation, pension, and education benefits;
- Improved medical care through addition of over 12,000 staff, 296 specialized medical units, and seven new hospitals; and
- Doubled veteran participation in GI bill training since 1969.

Budget Proposals

- Increase educational benefits, counseling, and job assistance;

- Provide more adequate compensation benefits; and
- Raise the staff/patient ratio in VA hospitals to a record level of 1.5.

Income security for veterans.—

Income security benefits are provided to veterans and their dependents when family income has been reduced by the disability or death of a veteran. Outlays for these programs will total \$7.1 billion in 1973.

Veterans who have incurred or aggravated a disability as a result of military service receive monthly *compensation* payments that are related to the degree of the disability. Survivors may also receive special compensatory payments as a result

of a veteran's death during wartime. In 1973, 2.6 million persons will receive \$3.8 billion in compensation payments.

Veterans who are totally disabled and have served during wartime, may qualify for monthly *pensions* based on financial need. Widows and children of these veterans may also qualify, depending on their income. Pension rates were increased by an average of 6.5% in January 1972. During 1973, 2.4 million recipients will be paid \$2.7 billion in pensions.

The families of 9.1 million servicemen and veterans are protected by various *life insurance* programs. In 1973, they will have \$92 billion in insurance coverage.

Veterans education, training, and rehabilitation.—The GI bill provides assistance for education, training, and rehabilitation to enable returning veterans to reenter civilian life with enhanced education and job skills. In 1973, an estimated 2.0 million veterans, together with 55,000 dependent children or war orphans and 12,000 widows or wives, will receive a total of \$2.4 billion in education and training benefits.

Veterans housing.—The Veterans Administration will assist nearly 360,000 veterans to purchase homes in 1973 through its guarantees of privately financed mortgages. The Veterans Administration also will make 4,000 direct loans to finance housing for eligible veterans where private mortgage credit is not generally available. Expanded sales of loans to private investors will reduce net outlays for housing credit programs in 1973.

Hospital and medical care for veterans.—The Veterans Adminis-

tration provides comprehensive medical services to eligible veterans. Outlays for veterans medical care will increase by \$254 million from 1972 to an estimated \$2.5 billion—up \$1 billion from 1969. VA funds will provide for treatment of 949,000 veterans in its hospitals and extended care facilities and over 11.5 million outpatient visits.

The quality of VA medical care will be increased in 1973 by:

- Increasing the staff/patient ratio in VA hospitals to a record 1.5;
- Adding 248 specialized medical services—primarily for alcoholism and drug treatment, heart, respiratory, and kidney disease; and
- Providing planning funds for replacement of four hospitals, and activating six new hospitals.

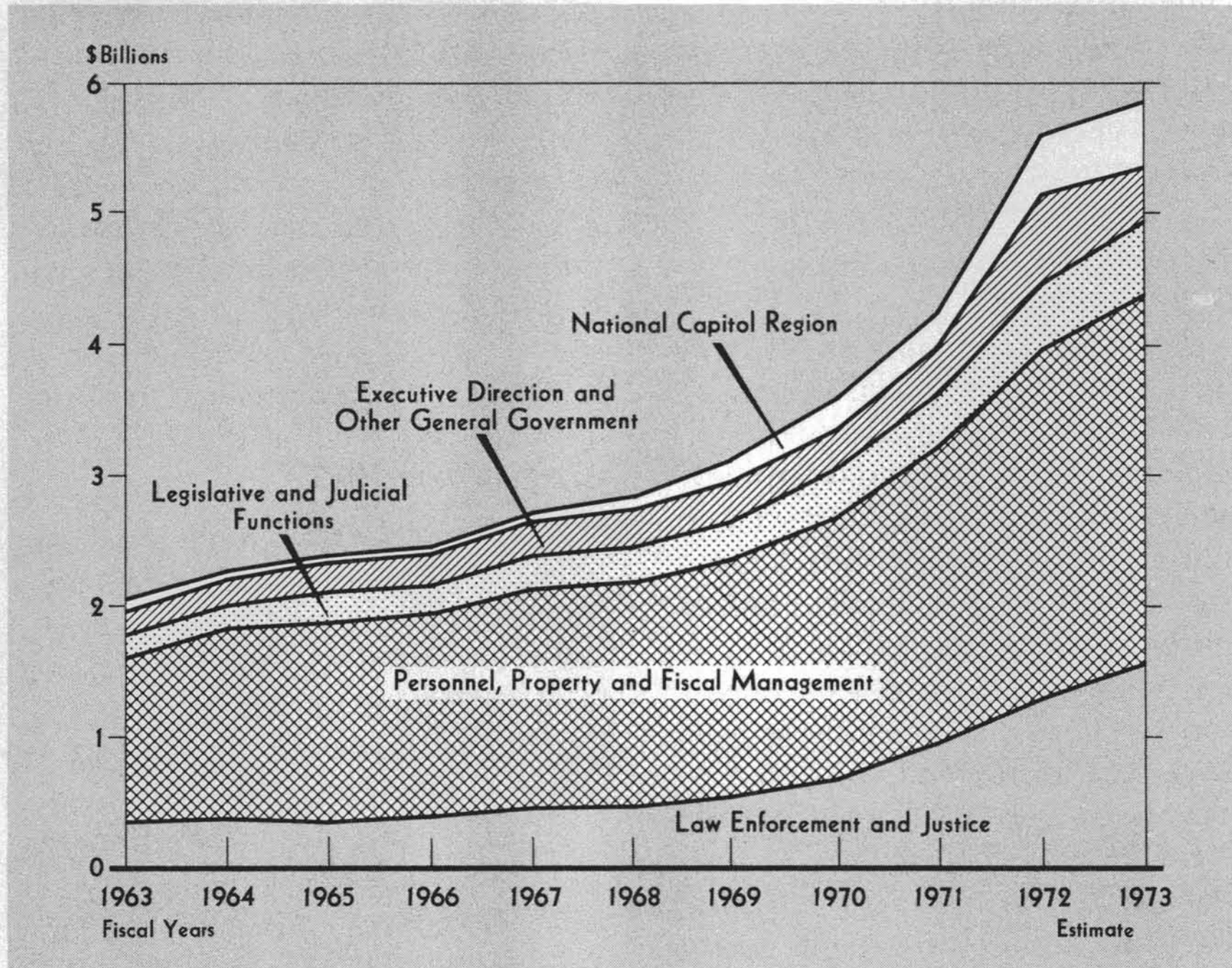
Other veterans benefits and services.—The cooperation of Federal agencies, State and local governments, voluntary agencies, and private employers will be utilized in a special "six point program" to assist Vietnam veterans to obtain job training and employment.

Veterans Benefits and Services

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$11, 745	4. 8%
1972 estimate....	11, 127	4. 7
1971.....	9, 776	4. 6
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

GENERAL GOVERNMENT

General Government Outlays



Note.—The amounts above do not reflect offsetting receipts deducted by function. Detailed outlay numbers for the function are shown in part 6, table 3.

Effective law enforcement, a fair and efficient judicial system, and orderly administration of Government personnel, property, and fiscal management activities are major objectives of general government programs.

Recent Program Improvements

- Improved ability to fight crime and drug abuse under recent legislation; and
- Enacted legislation giving 18-year-olds the vote.

Budget Proposals

- Provide State and local governments increased resources to fight crime;
- Propose law enforcement special revenue sharing;

- Expand Federal enforcement efforts, especially to curb drug trafficking and organized crime; and
- Accelerate equal employment opportunities.

Law enforcement and justice.—Program improvements in 1973 are designed to upgrade law enforcement, provide efficient administration of justice, and develop new approaches to criminal rehabilitation at all levels of government.

Particular emphasis will be placed on enforcing laws against the manufacture and distribution of illicit dangerous drugs, destroying major criminal systems, and developing technological devices to assist enforcement activities. The Law

Enforcement Assistance Administration will increase grants for support of State and local law enforcement programs, and State correctional programs. Improvements in the Nation's correctional programs will emphasize improved rehabilitation programs and basic education, with continued progress on the Federal prison system's construction program and recruiting of minority group employees.

The *civil rights* enforcement efforts of the Federal Government will be substantially strengthened to assure that there is no discrimination against minorities and women. The administration of fair housing protection will receive expanded resources. Expenditures under the proposed emergency school desegregation assistance program, discussed in the education section, will increase sharply to assist local communities in the process of desegregating their schools. The Department of Justice will also continue to expand efforts to assure the basic rights of all Americans in exercising their franchise and assuring that Federal assistance is rendered in a nondiscriminatory manner. Outlays for these purposes will grow by 105% in 1973.

Central fiscal operations.—The Internal Revenue Service (IRS) accounts for over 65% of the outlays for central fiscal operations. It will process nearly 114 million tax returns in 1973 and increase the number of returns audited to insure that taxpayers comply with the law. IRS will also provide field office support in 1972 and 1973 for the economic stabilization program of the President.

General property and records management.—The 1973 budget

again proposes that the construction of Federal buildings be shifted from direct Federal funding to private investment financing. This will permit the \$850 million unfunded backlog of public buildings to be reduced substantially by June 30, 1973.

Full-year funding is provided for the Consumer Product Information Coordinating Center which has responsibility for distributing Government data useful to consumers. About 25 million catalogs listing available Government consumer publications will be distributed to the public in 1973.

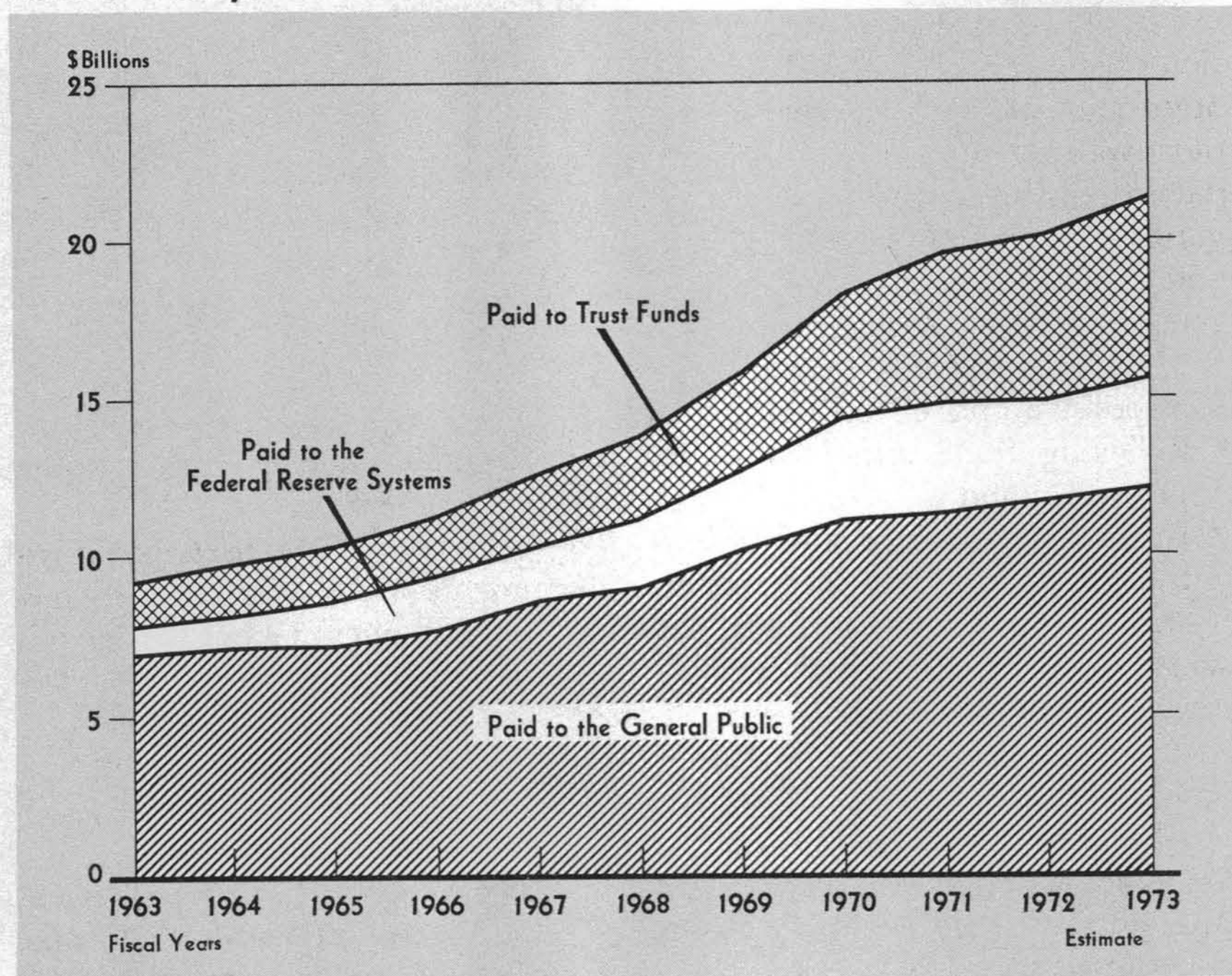
National Capital region.—Construction of the Nation's most modern rail rapid transit system will continue in the Nation's Capital. To keep construction moving forward, the budget proposes a Federal guarantee of the system's revenue bonds to increase their marketability. The budget also proposes increasing the general Federal payment to the District by \$11 million and financing the city's capital construction program by locally issued bonds instead of direct Federal loans.

General Government

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$5, 531	2.2%
1972 estimate....	5, 302	2.2
1971.....	3, 970	1.9
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

INTEREST

Interest Outlays



Interest costs, predominantly interest on the public debt, are expected to rise by \$0.5 billion in 1972, and by another \$1.1 billion in 1973. The increases in both 1972 and 1973 result largely from increases in the public debt.

Of the estimated net interest outlays of \$21.2 billion in 1973, \$5.7 billion will be paid to trust funds and other Government investment accounts on Government securities held by them. In addition, \$3.5 billion of the interest paid on obligations held by the Federal Reserve Banks will be returned to Treasury as miscellaneous receipts through the deposit of excess earnings by such banks. Hence, the net impact

on the 1973 budget of the interest paid on the public debt will be about \$12.0 billion.

Interest

Fiscal year	Total outlays (in millions)	Percent of total budget outlays
1973 estimate....	\$21, 161	8. 6%
1972 estimate....	20, 067	8. 5
1971.....	19, 609	9. 3
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

GENERAL REVENUE SHARING

General Revenue Sharing will redress a major imbalance which has existed for many years in the Nation's federal system of government. State and local service needs have outstripped the ability to finance these needs, while the Federal categorical grants have become rigid and cumbersome. The objectives of general revenue sharing include:

- Making the federal system more responsive and effective;
- Relieving State and local fiscal pressures; and
- Introducing greater equity into the Nation's overall tax system.

Rapidly growing demands for such essential local services as education, public safety, urban renewal, and environmental improvement are leading to an increasingly serious State and local fiscal problem. General Revenue Sharing would provide hard-pressed State and local governments with Federal assistance without matching fund or programmatic restrictions attached to the use of the funds.

If last year's General Revenue Sharing proposal had been enacted, it would have provided State and local governments with \$3,750 million in 1972. The Administration is reaffirming its support for this important program by recommending

\$5,300 million in budget authority for 1973. The budget also provides \$2,500 million in budget authority for retroactive payments in the last half of 1972. The annual appropriation for revenue sharing will be equal to 1.3% of the Federal personal income tax base. Because it is tied to the income tax base, the amount appropriated for revenue sharing will grow each year.

In essence, revenue sharing will make basic changes in our system of government:

- for the *individual taxpayer*, it will provide a stronger voice in how his tax money is spent locally, and the hope that the pressure of State and local taxes may be eased;
- for *State and local governments*, it will not only help 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 responsibility to the level of government best equipped to solve domestic problems; and
- for *all people*, it will provide a means of encouraging local diversity and experimentation within the framework of national purposes.

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 econ-

omy. 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 1973 budget, which covers the fiscal year beginning July 1, 1972, and ending June 30, 1973, began in the spring of 1971. About 10 months later, in January 1972, the budget was formally transmitted to Congress.

During the period when a budget is being formulated in the executive branch, there is a continuous exchange of information, proposals, evaluations, and policy determinations among the President, the 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. The President also 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 planning 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 any 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 1973 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. These requests 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 by the House 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

The budget authority appropriated by the Congress for a fiscal year is more than the obligations or outlays within that year because:

- 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.

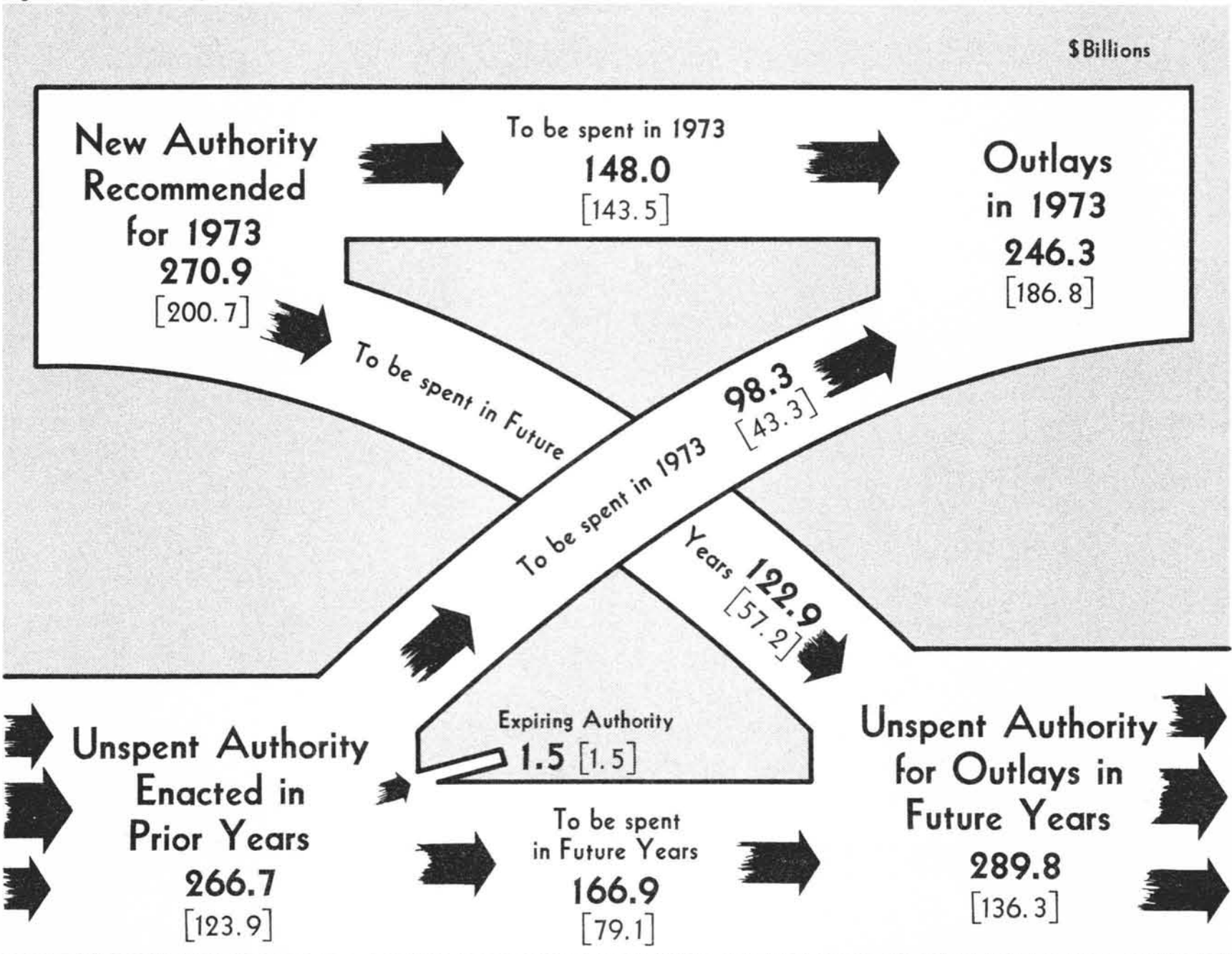
As a result, substantial unspent budget authority is always carried over from prior years. Most of it is earmarked for specified purposes, and is not available for new programs.

As shown in the chart below, \$98.3 billion—almost 40% of 1973 outlays will be made under budget authority enacted in earlier years. Conversely, almost half of 1973 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.

Relation of Budget Authority to Outlays—1973 Budget

Figures in brackets represent Federal funds only



NOTE: The difference between the total budget figures and federal funds shown in brackets consists of trust funds and intragovernmental transactions between fund groups

PART 6

BUDGET TABLES

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Table 1. BUDGET RECEIPTS, OUTLAYS, FINANCING, AND DEBT 1963-73 (in millions of dollars)

Description	Actual									Estimate	
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Receipts, expenditures, and net lending:											
Expenditure account:											
Receipts.....	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	188,392	197,827	220,785
Expenditures (excludes net lending).....	111,456	118,039	117,181	130,820	153,201	172,802	183,072	194,456	210,308	235,597	246,463
Expenditure account surplus or deficit (—).....	—4,896	—5,377	—347	36	—3,649	—19,131	4,712	—714	—21,916	—37,770	—25,678
Loan account:											
Loan disbursements.....	9,646	10,237	10,911	14,628	17,676	20,327	13,117	8,313	8,131	8,258	8,354
Loan repayments.....	9,791	9,693	9,662	10,796	12,623	14,297	11,640	6,182	7,014	7,246	8,560
Net lending.....	—145	545	1,249	3,832	5,053	6,030	1,476	2,131	1,117	1,013	—206
Total budget:											
Receipts.....	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	188,392	197,827	220,785
Outlays (expenditures and net lending).....	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	211,425	236,610	246,257
Budget surplus or deficit (—).....	—4,751	—5,922	—1,596	—3,796	—8,702	—25,161	3,236	—2,845	—23,033	—38,783	—25,472
Budget financing:											
Net borrowing from the public or repayment of borrowing (—).....	6,088	3,092	4,061	3,076	2,838	23,100	—1,044	3,814	19,448	39,500	27,500
Other means of financing.....	—1,337	2,830	—2,465	720	5,863	2,061	—2,192	—969	3,585	—717	—2,028
Total means of financing.....	4,751	5,922	1,596	3,796	8,702	25,161	¹ —3,236	¹ 2,845	23,033	38,783	25,472
Outstanding debt, end of year:											
Gross Federal debt.....	310,807	316,763	323,154	329,474	341,348	369,769	367,144	382,603	409,467	455,784	493,165
Held by the public.....	254,461	257,553	261,614	264,690	267,529	290,629	279,483	284,880	304,328	343,828	371,328

¹ Excludes changes due to reclassification and to conversion of mixed-ownership enterprises to private ownership. See footnotes to table 9 in the 1971 budget and table 10 in the 1972 budget.

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION 1963-73 (in millions of dollars)

	Actual									Estimate	
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
RECEIPTS BY SOURCE											
Individual income taxes.....	47,588	48,697	48,792	55,446	61,526	68,726	87,249	90,412	86,230	86,500	93,900
Corporation income taxes.....	21,579	23,493	25,461	30,073	33,971	28,665	36,678	32,829	26,785	30,100	35,700
Social insurance taxes and contributions (trust funds):											
Employment taxes and contributions.....	14,746	16,959	17,359	20,662	27,823	29,224	34,236	39,133	41,699	46,367	55,113
Unemployment insurance.....	4,112	4,045	3,819	3,777	3,659	3,346	3,328	3,464	3,674	4,364	5,016
Contributions for other insurance and retirement.....	946	1,008	1,081	1,129	1,867	2,052	2,353	2,701	3,205	3,361	3,554
Excise taxes:											
Federal funds.....	9,915	10,211	10,911	9,145	9,278	9,700	10,585	10,352	10,510	9,175	9,735
Trust funds.....	3,279	3,519	3,659	3,917	4,441	4,379	4,637	5,354	6,104	6,025	6,565
Estate and gift taxes.....	2,167	2,394	2,716	3,066	2,978	3,051	3,491	3,644	3,735	5,200	4,300
Customs duties.....	1,205	1,252	1,442	1,767	1,901	2,038	2,319	2,430	2,591	3,210	2,850
Miscellaneous receipts ¹	1,023	1,084	1,594	1,875	2,108	2,491	2,908	3,424	3,858	3,525	4,052
Total receipts.....	106,560	112,662	116,833	130,856	149,552	153,671	187,784	193,743	188,392	198,827	220,785
Federal funds.....	83,550	87,205	90,943	101,427	111,835	114,726	143,321	143,158	133,785	137,788	150,617
Trust funds.....	25,799	28,518	29,230	32,997	42,935	44,716	52,009	59,362	66,193	73,163	83,214
Intragovernmental transactions.....	-2,788	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,124	-13,046
OUTLAYS BY FUNCTION ¹											
National defense.....	52,257	53,591	49,578	56,785	70,081	80,517	81,232	80,295	77,661	78,030	78,310
International affairs and finance.....	4,115	4,117	4,340	4,490	4,547	4,619	3,785	3,570	3,095	3,960	3,844
Space research and technology.....	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,749	3,381	3,180	3,191
Agriculture and rural development.....	5,138	5,184	4,805	3,676	4,373	5,940	6,218	6,201	5,096	7,345	6,891
Natural resources and environment.....	1,498	1,966	2,056	2,036	1,878	1,722	2,169	2,568	2,716	4,376	2,450
Commerce and transportation.....	5,765	6,511	7,399	7,171	7,594	8,094	7,921	9,310	11,310	11,872	11,550
Community development and housing.....	-880	-185	288	2,644	2,616	4,076	1,961	2,965	3,357	4,039	4,844
Education and manpower.....	1,502	1,751	2,284	4,258	5,853	6,739	6,525	7,289	8,654	10,140	11,281
Health.....	1,379	1,716	1,704	2,509	6,667	9,608	11,611	12,907	14,463	17,024	18,117
Income security.....	24,084	25,110	25,702	29,016	31,164	34,108	37,699	43,790	55,712	65,225	69,658
Veterans benefits and services.....	5,520	5,681	5,722	5,920	6,897	6,882	7,640	8,677	9,776	11,127	11,745
Interest.....	9,215	9,810	10,357	11,285	12,588	13,744	15,791	18,312	19,609	20,067	21,161
General government.....	1,810	2,040	2,210	2,292	2,510	2,561	2,866	3,336	3,970	5,302	5,531
General revenue sharing.....										2,250	5,000
Allowances.....										550	1,275
Undistributed intragovernmental transactions.....	-2,644	-2,877	-3,109	-3,364	-3,936	-4,499	-5,117	-6,380	-7,376	-7,878	-8,590
Total outlays.....	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	211,425	236,610	246,257
Federal funds.....	90,141	95,761	94,807	106,512	126,779	143,105	148,811	156,301	163,651	182,519	186,784
Trust funds.....	23,958	25,884	26,962	31,708	36,693	41,499	43,284	49,065	59,361	67,215	72,519
Intragovernmental transactions.....	-2,788	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,124	-13,046

¹ Includes both Federal funds and Trust funds.

Table 3. BUDGET OUTLAYS BY SUBFUNCTION, 1963-73 (in millions of dollars)

Function and subfunction	Actual									Estimate	
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
National defense:											
Department of Defense—Military ¹											
Military personnel.....	11,985	12,986	13,387	15,162	17,956	19,859	21,374	23,031	22,633	22,600	22,300
Retired military personnel.....	1,015	1,209	1,384	1,591	1,830	2,095	2,444	2,849	3,386	3,928	4,326
Operation and maintenance.....	11,874	11,932	12,349	14,710	19,000	20,578	22,227	21,609	20,941	20,500	20,450
Procurement.....	16,632	15,351	11,839	14,339	19,012	23,283	23,988	21,584	18,858	17,944	16,082
Research and development.....	6,376	7,021	6,236	6,259	7,160	7,747	7,457	7,166	7,303	7,780	7,923
Military construction and other.....	513	1,236	928	2,279	2,636	3,975	525	1,059	1,552	1,594	1,502
Allowances ²										800	3,425
Deductions for offsetting receipts.....	-251	-159	-150	-160	-138	-164	-143	-148	-126	-146	-108
Subtotal, Department of Defense—Military	48,143	49,577	45,973	54,178	67,457	77,373	77,872	77,150	74,546	75,000	75,900
Military assistance ¹	1,406	1,209	1,125	1,003	858	654	789	731	999	800	600
Atomic energy ¹	2,758	2,764	2,625	2,403	2,264	2,466	2,450	2,453	2,275	2,358	2,422
Defense-related activities.....	24	172	136	-62	-17	139	260	79	-70	90	79
Deductions for offsetting receipts ³	-74	-130	-281	-738	-481	-116	-138	-118	-89	-218	-692
Total national defense	52,257	53,591	49,578	56,785	70,081	80,517	81,232	80,295	77,661	78,030	78,310
International affairs and finance:											
Conduct of foreign affairs ¹	346	296	347	315	336	354	371	398	405	459	487
Economic and financial assistance.....	1,968	1,756	2,041	2,329	3,057	3,053	2,420	2,231	1,807	2,376	2,495
Foreign information and exchange activities.....	201	207	223	227	245	253	237	235	242	277	292
Food for Peace.....	2,040	2,049	1,852	1,784	1,452	1,204	975	937	918	1,114	839
Deductions for offsetting receipts ³	-441	-191	-123	-165	-542	-245	-217	-232	-276	-267	-269
Total international affairs and finance	4,115	4,117	4,340	4,490	4,547	4,619	3,785	3,570	3,035	3,960	3,844
Space research and technology:											
Manned space flight.....	1,516	2,768	3,538	4,210	3,649	3,096	2,781	2,209	1,885	1,637	1,571
Space science and applications.....	576	754	751	778	796	700	569	656	661	766	853
Space technology.....	303	432	484	435	440	410	344	328	272	220	188
Aeronautical technology.....	36	40	58	75	89	128	168	188	210	226	251
Supporting space activities.....	122	178	262	435	452	390	390	374	365	344	339
Deductions for offsetting receipts.....	-*	-1	-2	-1	-2	-3	-6	-6	-11	-13	-11
Total space research and technology	2,552	4,170	5,091	5,933	5,423	4,721	4,247	3,749	3,381	3,180	3,191

See footnotes at end of table.

Agriculture and rural development:

Farm income stabilization.....	4,060	4,134	3,667	2,536	3,167	4,542	5,000	4,589	3,651	5,501	5,011
Rural housing and public facilities.....	375	326	354	309	330	474	318	579	328	608	618
Agricultural land and water resources.....	324	325	342	347	353	351	343	344	346	375	388
Research and other agricultural services.....	414	440	483	528	567	615	642	730	813	901	915
Deductions for offsetting receipts.....	-36	-42	-42	-44	-44	-42	-85	-41	-42	-41	-41
Total agriculture and rural development.....	5,138	5,184	4,805	3,676	4,373	5,940	6,218	6,201	5,096	7,345	6,891

Natural resources and environment:

Water resources and power.....	1,646	1,703	1,761	1,940	2,025	2,069	2,041	1,983	2,389	3,005	3,207
Land management.....	422	459	509	556	618	639	643	754	837	935	918
Mineral resources.....	25	46	59	62	73	85	71	94	130	121	103
Pollution control and abatement.....	87	117	134	158	190	249	303	350	701	1,287	1,541
Recreational resources.....	180	202	215	241	285	331	372	370	479	642	640
Other natural resources programs.....	67	70	79	90	93	102	107	122	136	149	176
Deductions for offsetting receipts.....	-929	-632	-701	-1,011	-1,408	-1,753	-1,368	-1,105	-1,957	-1,763	-4,135
Total natural resources and environment.....	1,498	1,966	2,056	2,036	1,878	1,722	2,169	2,568	2,716	4,376	2,450

Commerce and transportation:

Air transportation ¹	808	835	875	879	945	951	1,042	1,223	1,602	1,742	1,688
Water transportation.....	672	658	728	708	765	844	864	902	1,041	1,200	1,225
Ground transportation.....	3,057	3,686	4,092	4,043	4,093	4,367	4,413	4,632	5,070	5,412	5,720
Postal Service.....	770	578	805	888	1,141	1,080	920	1,510	2,183	1,943	1,409
Advancement of business.....	239	252	405	351	332	447	152	487	738	744	642
Area and regional development.....	242	538	557	315	318	472	584	590	717	816	857
Regulation of business.....	82	91	98	99	118	98	107	120	181	174	153
Deductions for offsetting receipts ³	-104	-128	-160	-112	-119	-165	-162	-154	-221	-159	-144
Total commerce and transportation.....	5,765	6,511	7,399	7,171	7,594	8,094	7,921	9,310	11,310	11,872	11,550

Community development and housing:

Community planning, management, and development.....	233	320	460	721	1,023	1,277	1,509	2,171	2,486	2,745	3,009
Urban community development revenue sharing.....											490
Low- and moderate-income housing aids.....	198	37	81	391	478	948	871	1,280	1,243	1,674	2,066
Maintenance of the housing mortgage market.....	-1,289	-511	-237	1,545	1,133	1,863	-406	-487	-319	-380	-720
Deductions for offsetting receipts.....	-22	-31	-16	-13	-19	-12	-13	-*	-53	-*	-*
Total community development and housing.....	-880	-185	288	2,644	2,616	4,076	1,961	2,965	3,357	4,039	4,844

Education and manpower:

Elementary and secondary education.....	527	566	645	1,804	2,439	2,595	2,480	2,968	3,164	3,383	3,619
Higher education.....	419	383	414	705	1,159	1,393	1,230	1,381	1,428	1,442	1,371
Vocational education.....	41	41	132	136	250	265	262	289	415	531	568
Education revenue sharing.....											110
Other education aids.....	98	110	158	155	264	334	373	429	534	632	745
General science.....	206	310	309	368	415	449	490	464	522	538	596
Manpower training and employment services.....	209	299	534	989	1,236	1,587	1,560	1,602	2,380	3,318	3,918
Other manpower aids.....	7	49	100	112	100	132	142	169	223	326	387
Deductions for offsetting receipts.....	-5	-5	-9	-11	-11	-16	-13	-14	-12	-29	-32
Total education and manpower.....	1,502	1,751	2,284	4,258	5,853	6,739	6,525	7,289	8,654	10,140	11,281

Table 3. BUDGET OUTLAYS BY SUBFUNCTION, 1963-73 (in millions of dollars)—Continued

Function and subfunction	Actual									Estimate	
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Health:											
Providing or financing medical services:											
Medicare benefits (HI, SMI).....					3,172	5,126	6,299	6,783	7,875	8,974	10,436
Medicaid benefits.....	157	210	272	770	1,173	1,806	2,285	2,727	3,362	4,401	3,705
Other.....	161	176	204	324	521	523	731	834	709	839	592
Subtotal, providing or financing medical services.....	318	386	476	1,094	4,866	7,455	9,315	10,344	11,946	14,214	14,733
Development of health resources.....	949	1,170	1,039	1,212	1,556	1,826	1,918	2,097	2,201	2,446	2,787
Prevention or control of health problems.....	114	161	189	204	247	330	380	473	319	382	619
Deductions for offsetting receipts ¹	-3	-1	-1	-1	-2	-3	-2	-6	-3	-18	-22
Total health	1,379	1,716	1,704	2,509	6,667	9,608	11,611	12,907	14,463	17,024	18,117
Income security:											
Retirement and social insurance:											
Social security benefits (OASDI).....	15,015	15,830	16,618	19,793	20,746	22,826	26,175	29,045	35,874	40,053	45,501
Unemployment insurance benefits.....	2,979	2,837	2,505	2,062	2,072	2,146	2,158	2,886	5,324	6,454	5,255
Other retirement programs.....	3,484	3,567	3,407	3,708	4,533	4,594	4,207	5,344	5,123	6,147	1,291
Subtotal, retirement and social insurance.....	21,478	22,234	22,530	25,563	27,351	29,566	32,540	37,275	46,321	52,654	57,047
Public assistance.....	2,909	3,085	3,119	3,151	3,180	3,726	4,272	5,186	7,775	10,111	10,335
Social and individual services.....	176	199	249	410	692	831	888	1,331	1,617	2,477	2,297
Deductions for offsetting receipts ¹	-473	-403	-133	-103	-53	-16	-1	-1	-1	-18	-21
Total income security	24,084	25,110	25,702	29,016	31,164	34,108	37,699	43,790	55,712	65,225	69,658
Veterans benefits and services:											
Income security for veterans.....	4,706	4,646	4,710	4,700	5,209	4,997	5,528	6,021	6,448	6,950	7,050
Veterans education, training, and rehabilitation.....	101	77	58	54	305	478	701	1,015	1,659	2,240	2,437
Veterans housing.....	-109	44	*	169	304	210	102	54	-179	-306	-289
Hospital and medical care for veterans.....	1,147	1,231	1,271	1,320	1,393	1,472	1,566	1,802	2,038	2,422	2,693
Other veterans benefits and services.....	176	185	179	196	195	218	237	260	294	322	349
Deductions for offsetting receipts.....	-501	-502	-497	-518	-509	-492	-493	-477	-484	-500	-495
Total veterans benefits and services	5,520	5,681	5,722	5,920	6,897	6,882	7,640	8,677	9,776	11,127	11,745

Interest:											
Interest on the public debt.....	9,895	10,666	11,346	12,014	13,391	14,573	16,588	19,304	20,959	21,400	22,700
Interest on refunds of receipts.....	74	88	77	104	120	120	120	113	132	158	158
Interest on uninvested funds.....	11	11	12	14	13	10	7	6	6	6	5
Deductions for offsetting receipts.....	-765	-955	-1,078	-846	-936	-959	-925	-1,110	-1,487	-1,497	-1,703
Total interest.....	9,215	9,810	10,357	11,285	12,588	13,744	15,791	18,312	19,609	20,067	21,161
General Government:											
Legislative functions.....	131	126	142	159	167	180	192	229	256	312	332
Judicial functions.....	63	66	76	79	87	94	110	133	146	175	193
Executive direction and management.....	21	22	23	24	25	27	31	37	45	81	96
Central fiscal operations.....	733	808	844	886	968	1,024	1,094	1,271	1,414	1,652	1,718
General property and records management.....	416	553	565	550	617	569	567	595	613	762	830
Central personnel management ¹	110	110	107	107	116	140	146	166	218	281	302
Law enforcement and justice.....	323	335	366	385	426	452	534	666	959	1,294	1,543
National capital region.....	70	58	61	73	84	104	162	226	241	443	537
Other general government.....	139	189	190	192	218	243	268	272	340	611	323
Deductions for offsetting receipts ³	-196	-226	-165	-162	-199	-272	-238	-259	-261	-307	-344
Total general government.....	1,810	2,040	2,210	2,292	2,510	2,561	2,866	3,336	3,970	5,302	5,531
General revenue sharing.....										2,250	5,000
Allowance for:											
Pay raises (excluding Department of Defense).....										250	775
Contingencies.....										300	500
Undistributed intragovernmental transactions:											
Employer share, employee retirement.....	-1,159	-1,256	-1,329	-1,447	-1,661	-1,825	-2,018	-2,444	-2,611	-2,687	-2,893
Interest received by trust funds.....	-1,485	-1,621	-1,780	-1,917	-2,275	-2,674	-3,099	-3,936	-4,765	-5,190	-5,697
Total outlays.....	111,311	118,584	118,430	134,652	158,254	178,833	184,548	196,588	211,425	236,610	246,257
MEMORANDUM											
Federal funds.....	90,141	95,761	94,807	106,512	126,779	143,105	148,811	156,301	163,651	182,519	186,784
Trust funds.....	23,958	25,884	26,962	31,708	36,693	41,499	43,284	49,065	59,361	67,215	72,519
Intragovernmental transactions.....	-2,788	-3,061	-3,339	-3,568	-5,218	-5,771	-7,547	-8,778	-11,586	-13,124	-13,046

*Less than \$500 thousand.

¹ Entries net of offsetting receipts.

² Includes allowances for military retirement systems reform and civilian and military pay raises for Department of Defense.

³ Excludes offsetting receipts which have been distributed by subfunction above.

Table 4. BUDGET AUTHORITY AND OUTLAYS BY AGENCY
(in millions of dollars)

Department or other unit	Budget authority			Outlays		
	1971 actual	1972 estimate	1973 estimate	1971 actual	1972 estimate	1973 estimate
Legislative Branch.....	436	567	492	384	477	505
The Judiciary.....	152	174	192	142	171	189
Executive Off. of the President.....	50	68	67	47	63	71
Funds Approp. to the President.....	5,426	5,610	6,476	4,454	4,433	4,131
Agriculture.....	8,591	12,799	11,877	8,560	11,610	11,005
Commerce.....	1,274	1,485	1,533	1,188	1,289	1,425
Defense—Military ¹	71,232	75,398	81,656	74,546	75,000	75,900
Defense—Civil.....	1,343	1,620	1,838	1,376	1,655	1,822
Health, Education, & Welfare.....	65,829	76,533	86,887	61,866	71,911	78,953
Housing & Urban Develop.....	3,355	3,974	4,755	2,890	3,462	4,214
Interior.....	524	1,208	-1,106	225	1,053	-1,138
Justice.....	1,248	1,563	1,739	916	1,230	1,476
Labor.....	6,559	9,414	9,523	7,923	10,466	9,589
State.....	488	573	602	468	545	576
Transportation.....	11,262	8,650	8,558	7,247	7,851	8,155
Treasury.....	21,007	24,404	28,057	20,990	24,124	27,737
Atomic Energy Commission.....	2,308	2,316	2,563	2,275	2,358	2,422
Environ. Protect. Agency.....	1,289	2,448	2,478	701	1,287	1,541
General Services Admin.....	651	619	77	501	511	110
Nat'l Aero. & Space Admin.....	3,311	3,295	3,378	3,381	3,180	3,191
U.S. Postal Service.....	12,577	1,418	1,424	2,183	1,943	1,409
Veterans, Administration.....	10,219	11,367	12,397	9,756	11,101	11,715
Other Independent Agencies.....	14,653	11,393	12,525	6,785	8,216	8,572
Allowances for:						
Pay increases (excl. DOD).....	-----	260	800	-----	250	775
Contingencies.....	-----	500	700	-----	300	500
Undistributed intergovernmental transactions:						
Employer share, employee retirement.....	-2,611	-2,687	-2,893	-2,611	-2,687	-2,893
Interest rec'd by trust funds.....	-2,765	-5,190	-5,697	-4,765	-5,190	-5,697
Total budget authority and outlays.....	236,406	249,777	270,898	211,425	236,610	246,257
MEMORANDUM						
Portion available through current action by Congress ²	169,444	169,418	185,305	102,335	119,033	126,780
Portion available without current action by Congress.....	85,255	100,763	109,508	36,921	42,536	45,086
Outlays from obligated balances.....	-----	-----	-----	48,500	49,670	52,877
Outlays from unobligated balances.....	-----	-----	-----	41,962	45,775	45,428
Deductions for offsetting receipts:						
Intrabudgetary transactions.....	-13,420	-14,981	-15,142	-13,420	-14,981	-15,142
Proprietary receipts from the public.....	-4,873	-5,423	-8,772	-4,873	-5,423	-8,772
Total.....	236,406	249,777	270,898	211,425	236,610	246,257

¹ Includes allowance for all-volunteer force, civilian and military pay raises, and military retirement systems reform.

² Budget authority excludes appropriations to liquidate contract authorizations. Outlays from such appropriations are included as outlays from balances below.

Table 5. OUTLAYS AND RECEIPTS OF TRUST FUNDS (in millions of dollars)

Description	Outlays			Receipts		
	1971 actual	1972 estimate	1973 estimate	1971 actual	1972 estimate	1973 estimate
Funds to which receipts are appropriated:						
Federal old-age and survivors and disability insurance trust funds.....	35,874	40,053	45,514	38,892	41,593	46,242
Health insurance trust funds.....	7,875	8,974	10,436	8,534	10,627	15,347
Unemployment trust fund.....	6,132	7,316	6,127	4,321	5,614	5,786
Railroad employees retirement funds.....	1,919	2,113	2,098	1,880	2,035	2,181
Federal employees retirement funds.....	3,259	3,659	4,168	5,851	6,516	7,271
Airport and airway trust funds.....	287	1,377	596	1,184	1,569	756
Highway trust funds.....	4,689	4,782	5,027	5,729	5,557	6,052
Foreign military sales trust fund.....	970	1,200	1,500	966	1,350	1,650
Veterans life insurance funds.....	743	861	575	784	820	831
Other trust funds (nonrevolving).....	294	323	325	351	308	283
Trust revolving funds (table B-7).....	-382	-618	-663	-----	-----	-----
Subtotal.....	61,659	70,041	75,704	68,492	75,989	86,399
Interfund transactions.....	-640	-744	-814	-640	-744	-814
Proprietary receipts from the public.....	-1,659	-2,083	-2,371	-1,659	-2,083	-2,371
Total.....	59,361	67,215	72,519	66,193	73,163	83,214

Table 6. SUMMARY OF FULL-TIME PERMANENT EMPLOYMENT IN THE EXECUTIVE BRANCH

Agency	As of June ¹				
	1971 actual	1972 estimate		1973 estimate	Change 1972-73
		In 1972 budget	Current		
Agriculture.....	84,252	87,300	83,000	83,400	400
Commerce.....	28,435	29,600	28,500	29,700	1,200
Defense—military functions.....	1,062,741	1,061,600	1,011,000	1,005,800	—5,200
Defense—civil functions.....	30,063	31,300	30,600	31,300	700
Health, Education, and Welfare.....	104,283	102,100	102,000	² 99,500	—2,500
Housing and Urban Development.....	16,030	16,700	15,200	16,000	800
Interior.....	57,570	59,100	56,900	56,900	—
Justice.....	42,662	46,800	45,100	46,300	1,200
Labor.....	11,352	12,100	11,800	12,600	800
State.....	23,398	23,700	22,700	22,800	100
Transportation.....	68,489	71,900	66,400	69,200	2,800
Treasury.....	90,135	100,400	98,500	99,200	700
Atomic Energy Commission.....	6,920	7,000	6,700	6,900	200
Environmental Protection Agency.....	5,959	8,900	8,000	8,500	500
General Services Administration.....	38,076	41,600	39,400	39,400	—
National Aeronautics and Space Administration.....	29,478	28,400	27,500	26,800	—700
Veterans Administration.....	158,635	160,800	162,700	174,100	11,400
Other agencies:					
Agency for International Development.....	13,477	11,100	12,400	11,800	—600
Civil Service Commission.....	5,324	5,900	5,600	6,000	400
Selective Service System.....	5,569	6,500	6,200	6,100	—100
Small Business Administration.....	4,004	4,200	4,000	4,000	—
Tennessee Valley Authority.....	13,612	13,300	14,000	14,000	—
Panama Canal.....	13,967	14,900	14,200	14,000	—200
U.S. Information Agency.....	9,773	9,900	9,400	9,400	—
Miscellaneous agencies.....	31,332	33,700	34,300	34,600	300
Subtotal.....	1,955,536	1,988,800	1,916,100	1,928,300	12,200
Allowances for contingencies ³	—	10,000	2,000	5,000	3,000
Subtotal.....	1,955,536	1,998,800	1,918,100	1,933,300	15,200
Postal Service.....	⁴ 603,782	629,500	613,400	618,500	5,100
Total.....	⁴ 2,559,318	2,628,300	2,531,500	2,551,800	20,300

¹ Excludes disadvantaged worker-trainee in the Public Service Careers program.

² Reflects transfer of federally operated hospitals to local communities.

³ Subject to later distribution.

⁴ Adjusted to include approximately 39,000 employees previously erroneously classified and, under a labor-management agreement, to be reclassified as full-time permanents in 1972.

Table 7. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-72 (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.....	826.1	153.7	18.6	178.8	21.6	172.8	20.9	369.8	44.8	290.6	35.2
1969.....	897.6	187.8	20.9	184.5	20.6	183.1	20.4	367.1	40.9	279.5	31.1
1970.....	953.2	193.7	20.3	196.6	20.6	194.5	20.4	382.6	40.1	284.9	29.9
1971.....	1,008.2	188.4	18.7	211.4	21.0	210.3	20.9	409.5	40.6	304.3	30.2
1972 estimate.....	1,089.5	197.8	18.2	236.6	21.7	235.6	21.6	255.8	41.8	343.8	31.6

¹ Not available.

Table 8. BUDGET RECEIPTS AND OUTLAYS, 1789-1972 (in millions of dollars)

Fiscal year	Re- ceipts	Outlays	Surplus or defi- cit (—)	Fiscal year	Re- ceipts	Outlays	Surplus or defi- cit (—)
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.....	188,392	211,425	-23,033
1962.....	99,676	106,813	-7,137	1972 estimate.....	197,827	236,610	-38,783
1963.....	106,560	111,311	-4,751	1973 estimate.....	220,785	246,257	-25,472

*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.

GLOSSARY

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

AUTHORIZATION—Basic substantive legislation enacted by Congress which sets up a Federal program or agency either indefinitely or for a given period of time. 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. Most budget authority is voted each year, but some becomes available automatically under permanent laws, such as 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, 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. The expenditure account is 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; plus
- **NET LENDING (NL)**—Gross loan disbursements minus repayments in the loan account. The loan account is 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.

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.

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. Trust fund receipts which are not anticipated to be used in the immediate future are generally 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) intra-budgetary 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 employee's 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.

EXECUTIVE BRANCH OF THE GOVERNMENT

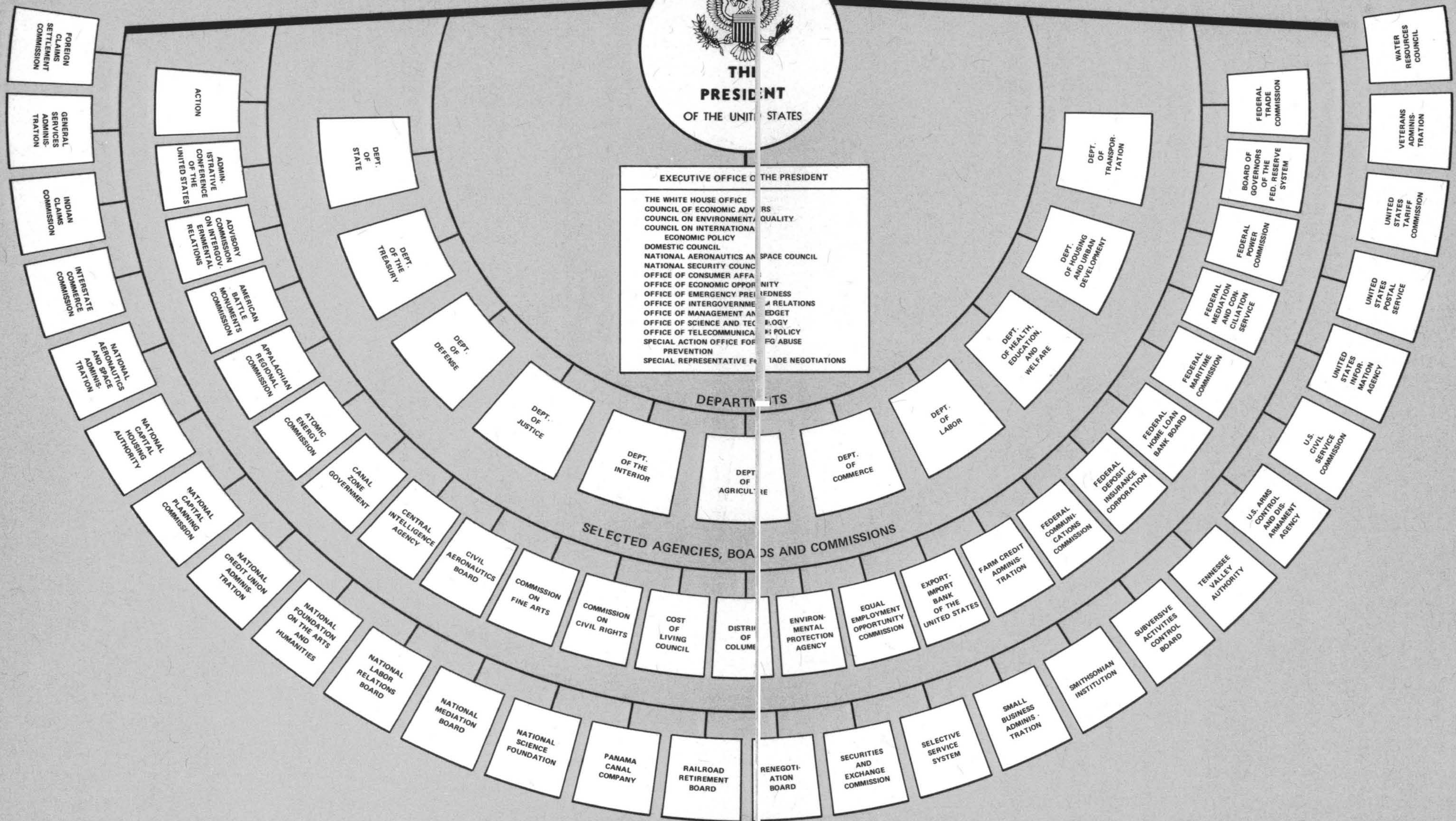


EXECUTIVE OFFICE OF THE PRESIDENT

THE WHITE HOUSE OFFICE
 COUNCIL OF ECONOMIC ADVISERS
 COUNCIL ON ENVIRONMENTAL QUALITY
 COUNCIL ON INTERNATIONAL ECONOMIC POLICY
 DOMESTIC COUNCIL
 NATIONAL AERONAUTICS AND SPACE COUNCIL
 NATIONAL SECURITY COUNCIL
 OFFICE OF CONSUMER AFFAIRS
 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 ACTION OFFICE FOR DRUG ABUSE PREVENTION
 SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS

DEPARTMENTS

SELECTED AGENCIES, BOARDS AND COMMISSIONS



ORGANIZATION CHART OF THE EXECUTIVE BRANCH

This foldout chart presents a graphic view of the major components of the Executive Branch of the Government as presently organized. 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. A major reorganization of the Executive Branch has been proposed by the President.

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, 1973*. 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, 1973.—Appendix*. Contains the text of appropriation language, schedules, and narrative statements for individual appropriations and funds.

3. *Special Analyses, Budget of the United States, 1973*.—Contains special tabulations and analyses of budgetary data for those interested in selected aspects of the total Federal program.