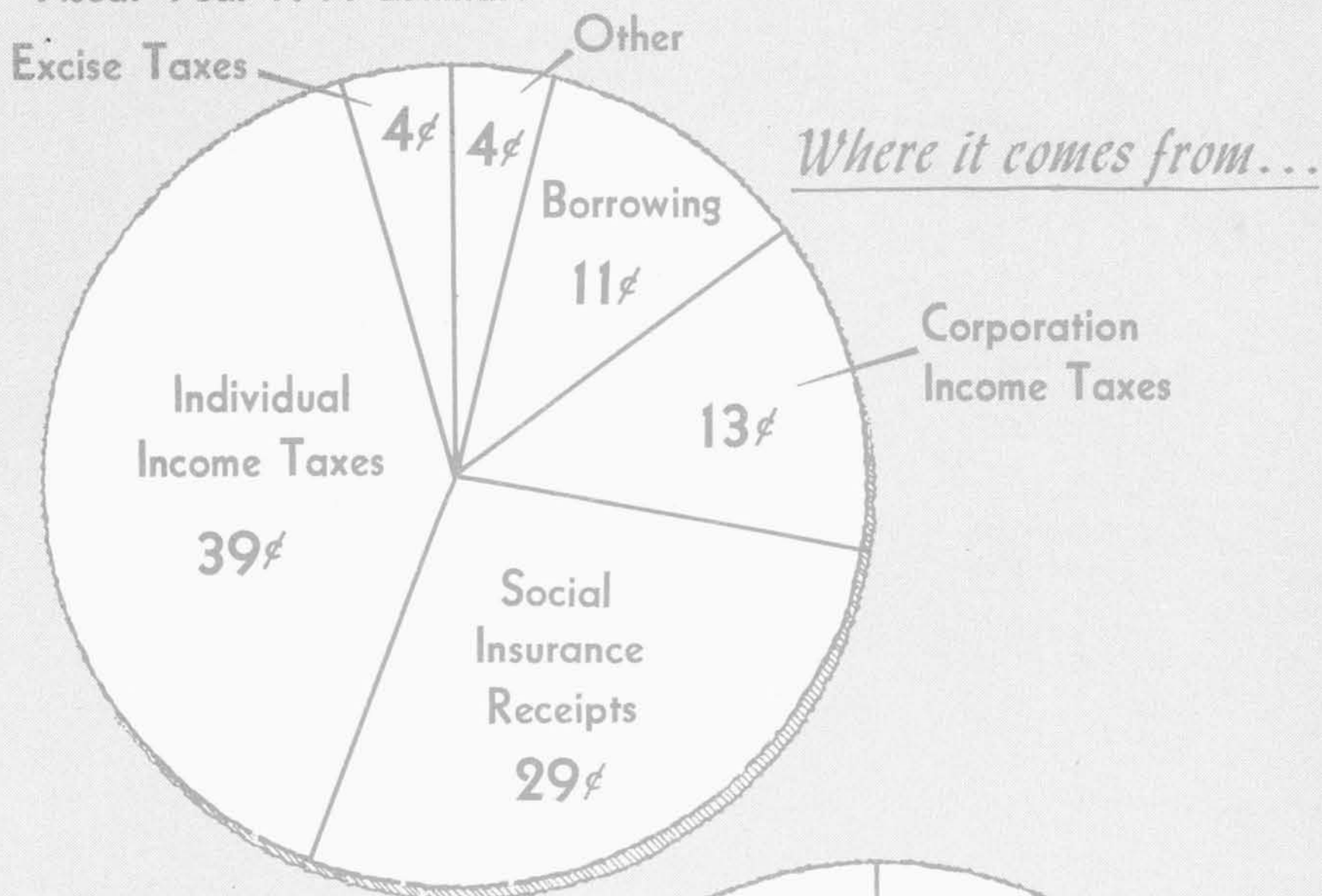


THE UNITED STATES BUDGET IN BRIEF FISCAL YEAR 1977



THE BUDGET DOLLAR

Fiscal Year 1977 Estimate



Where it goes...

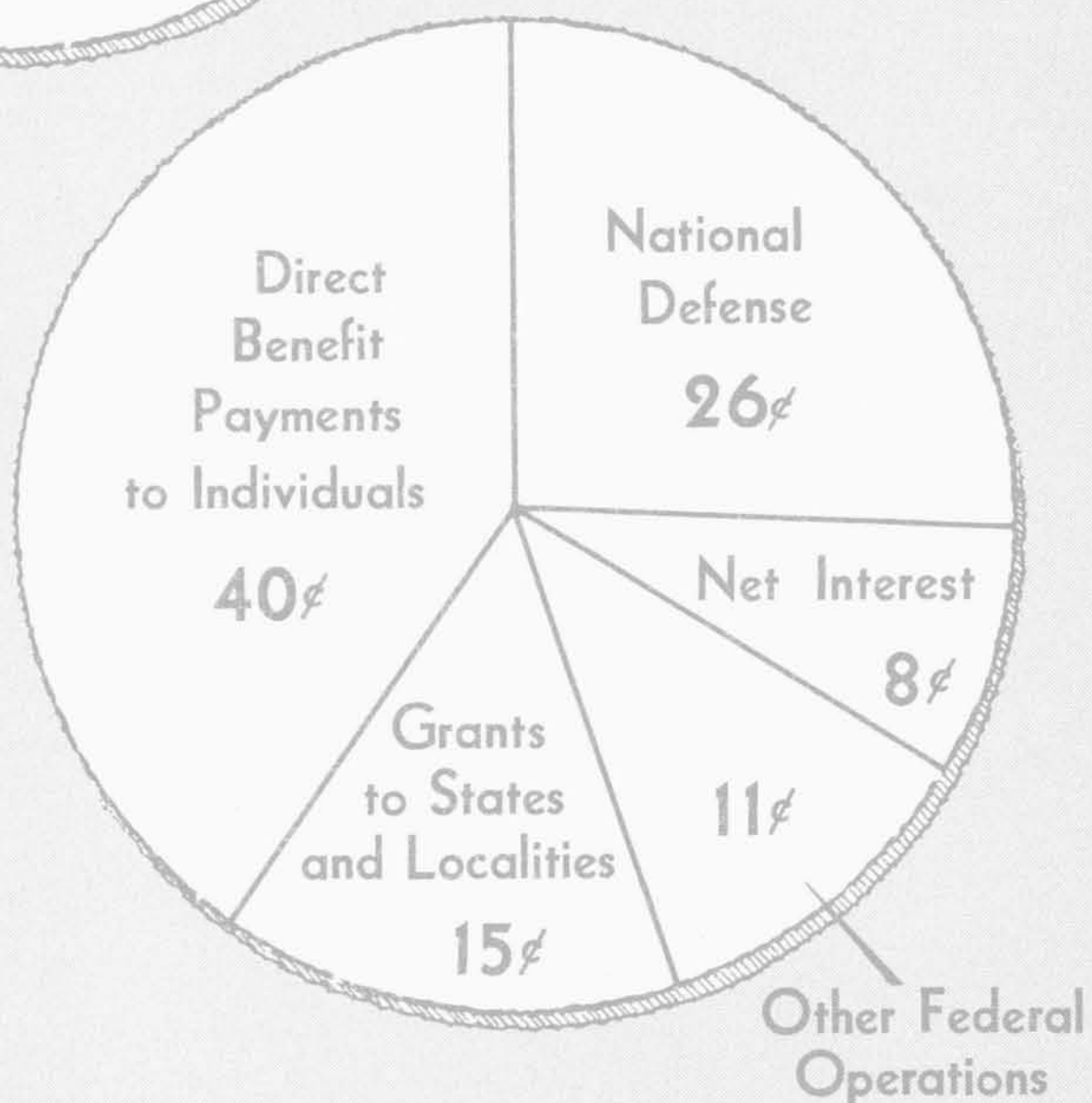


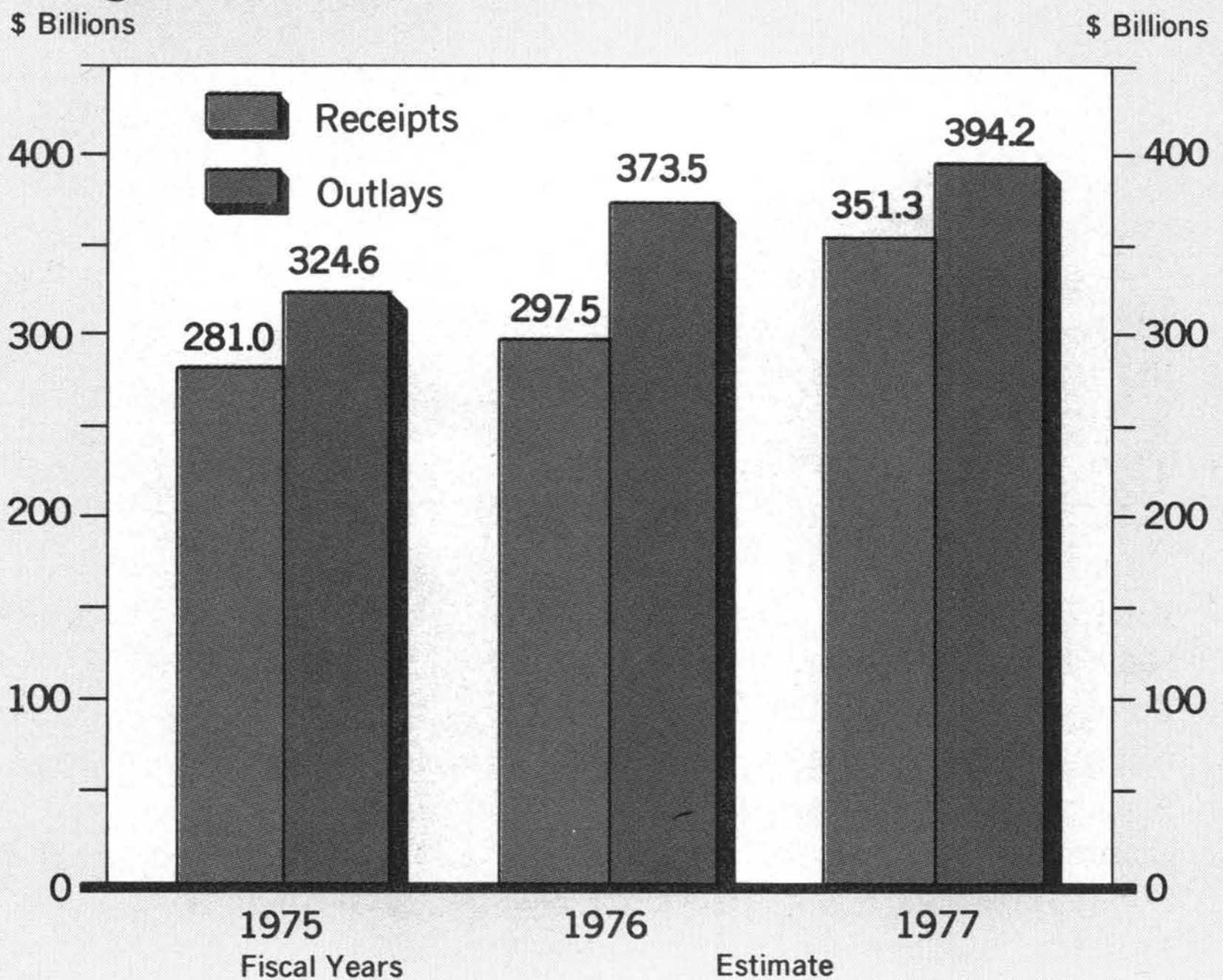
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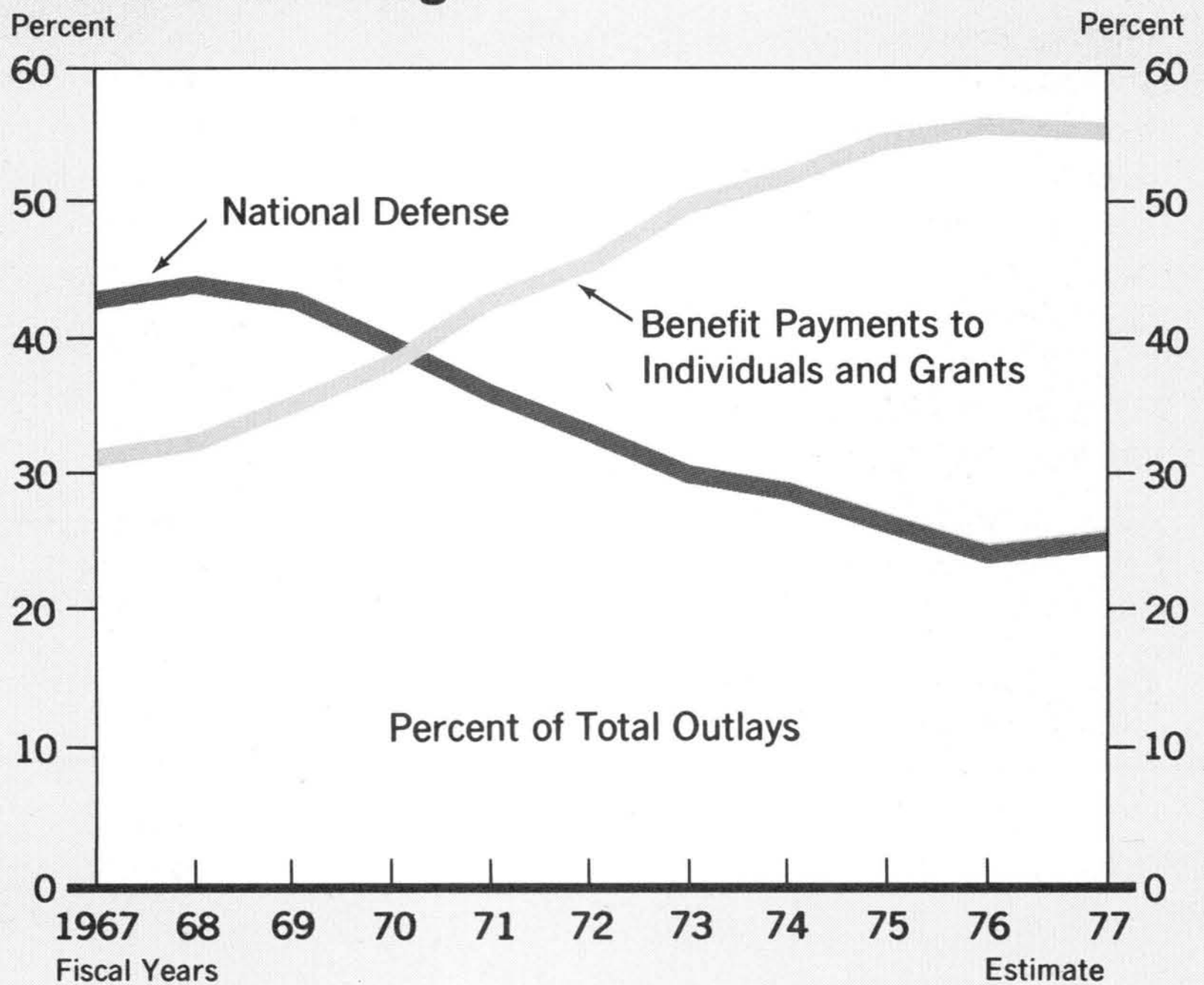
Note.—All years referred to are fiscal years, unless otherwise noted. Details in the tables, text, and charts of this booklet may not add to totals because of rounding.

Back-up data for charts in this book can be obtained from the Office of Management and Budget, Washington, D.C. 20503.

Budget Totals Since 1975



Shares of the Budget



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The Budget of the United States is a good roadmap of where we have been, where we are now, and where we should be going as a people. The budget reflects the President's sense of priorities. It reflects his best judgment of how we must choose among competing interests. And it reveals his philosophy of how the public and private spheres should be related.

Accordingly, I have devoted a major portion of my own time over the last several months to shaping the budget for fiscal year 1977 and laying the groundwork for the years that follow.

As I see it, the budget has three important dimensions. One is the budget as an element of our economic policy. The total size of the budget and the deficit or surplus that results can substantially affect the general health of our economy—in a good way or in a bad way. If we try to stimulate the economy beyond its capacity to respond, it will lead only to a future whirlwind of inflation and unemployment.

The budget I am proposing for fiscal year 1977 and the direction I seek for the future meet the test of responsible fiscal policy. The combination of tax and spending changes I propose will set us on a course that not only leads to a balanced budget within three years, but also improves the prospects for the economy to stay on a growth path *that we can sustain*. This is not a policy of the quick fix; it does not hold out the hollow promise that we can wipe out inflation and unemployment overnight. Instead, it is an honest, realistic policy—a policy that says we can steadily reduce inflation and unemployment if we maintain a prudent, balanced approach. This policy has begun to prove itself in recent months as we have made substantial headway in pulling out of the recession and reducing the rate of inflation; it will prove itself decisively if we stick to it.

A second important dimension of the budget is that it helps to define the boundaries between responsibilities that we assign to governments and those that remain in the hands of private institutions and individual citizens.

Over the years, the growth of government has been gradual and uneven, but the trend is unmistakable. Although the predominant growth has been at the State and local level, the Federal Government has contributed to the trend too. We must not continue drifting in the direction of bigger and bigger govern-

ment. The driving force of our 200-year history has been our private sector. If we rely on it and nurture it, the economy will continue to grow, providing new and better choices for our people and the resources necessary to meet our shared needs. If, instead, we continue to increase government's share of our economy, we will have no choice but to raise taxes and will, in the process, dampen further the forces of competition, risk, and reward that have served us so well. With stagnation of these forces, the issues of the future would surely be focused on who gets what from an economy of little or no growth rather than, as it should be, on the use to be made of expanding incomes and resources.

As an important step toward reversing the long-term trend, my budget for 1977 proposes to cut the rate of Federal spending growth, year to year, to 5.5%—less than half the average growth rate we have experienced in the last 10 years. At the same time, I am proposing further, permanent income tax reductions so that individuals and business can spend and invest these dollars instead of having the Federal Government collect and spend them.

A third important dimension of the budget is the way it sorts out priorities. In formulating this budget, I have tried to achieve fairness and balance:

- between the taxpayer and those who will benefit by Federal spending;
- between national security and other pressing needs;
- between our own generation and the world we want to leave to our children;
- between those in some need and those most in need;
- between the programs we already have and those we would like to have;
- between aid to individuals and aid to State and local governments;
- between immediate implementation of a good idea and the need to allow time for transition;
- between the desire to solve our problems quickly and the realization that for some problems, good solutions will take more time; and
- between Federal control and direction to assure achievement of common goals and the recognition that State and local governments and individuals may do as well or better without restraints.

Clearly, one of the highest priorities for our Government is always to secure the defense of our country. There is no alternative. If we in the Federal Government fail in this responsibility, our other objectives are meaningless.

Accordingly, I am recommending a significant increase in defense spending for 1977. If in good conscience I could propose less, I would. Great good could be accomplished with other uses of these dollars. My request is based on a careful assessment of the international situation and the contingencies we must be prepared to meet. The amounts I seek will provide the national defense it now appears we need. We dare not do less. And if our efforts to secure international arms limitations falter, we will need to do more.

Assuring our Nation's needs for energy must also be among our highest priorities. My budget gives that priority.

While providing fully for our defense and energy needs, I have imposed upon these budgets the same discipline that I have applied in reviewing other programs. Savings have been achieved in a number of areas. We cannot tolerate waste in any program.

In our domestic programs, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do. The hundreds of pages that spell out the details of my program proposals tell the story, but some examples illustrate the point.

I am proposing that we take steps to address the haunting fear of our elderly that a prolonged, serious illness could cost them and their children everything they have. My medicare reform proposal would provide protection against such catastrophic health costs. No elderly person would have to pay over \$500 per year for covered hospital or nursing home care, and no more than \$250 per year for covered physician services. To offset the costs of this additional protection and to slow down the runaway increases in federally funded medical expenses, I am recommending adjustments to the medicare program so that within the new maximums beneficiaries contribute more to the costs of their care than they do now.

My budget provides a full cost-of-living increase for those receiving social security or other Federal retirement benefits. We must recognize, however, that the social security trust fund is becoming depleted. To restore its integrity, I am asking the Congress to raise social security taxes, effective January 1, 1977, and

to adopt certain other reforms of the system. Higher social security taxes and the other reforms I am proposing may be controversial, but they are the right thing to do. The American people understand that we must pay for the things we want. I know that those who are working now want to be sure that money will be there to pay their benefits when their working days are over.

My budget also proposes that we replace 59 grant programs with broad block grants in four important areas:

- A health block grant that will consolidate medicaid and 15 other health programs. States will be able to make their own priority choices for use of these Federal funds to help low-income people with their health needs.
- An education block grant that will consolidate 27 grant programs for education into a single flexible Federal grant to States, primarily for use in helping disadvantaged and handicapped children.
- A block grant for feeding needy children that will consolidate 15 complex and overlapping programs. Under existing programs, 700,000 needy children receive no benefits. Under my program, all needy children can be fed, but subsidies for the nonpoor will be eliminated.
- A block grant that will support a community's social service programs for the needy. This would be accomplished by removing current requirements unnecessarily restricting the flexibility of States in providing such services.

These initiatives will result in more equitable distribution of Federal dollars, and provide greater State discretion and responsibility. All requirements that States match Federal funds will be eliminated. Such reforms are urgently needed, but my proposals recognize that they will, in some cases, require a period of transition.

These are only examples. My budget sets forth many other recommendations. Some involve new initiatives. Others seek restraint. The American people know that promises that the Federal Government will do more for them every year have not been kept. I make no such promises. I offer no such illusion. This budget does not shrink from hard choices where necessary. Notwithstanding those hard choices, I believe this budget reflects a forward-looking spirit that is in keeping with our heritage as we begin our Nation's third century.

GERALD R. FORD.

JANUARY 21, 1976.

PART I

BUDGET OVERVIEW

The President's budget is far more than an accounting document. It is the President's recommendations for the upcoming fiscal year.

Budget totals.—The budget recommends total outlays of \$394 billion in 1977, and receipts of \$351 billion. This results in a deficit of \$43 billion.

The 1977 deficit, as well as other factors, will increase the Federal debt held by the public from \$484 billion at the end of 1976 to \$558 billion at the end of 1977.

The size and composition of 1977 budget outlays are greatly influenced by past decisions. Similarly, action in connection with this budget will influence future years. Under the President's proposals, the deficit will be reduced in 1978 and the budget balanced in 1979.

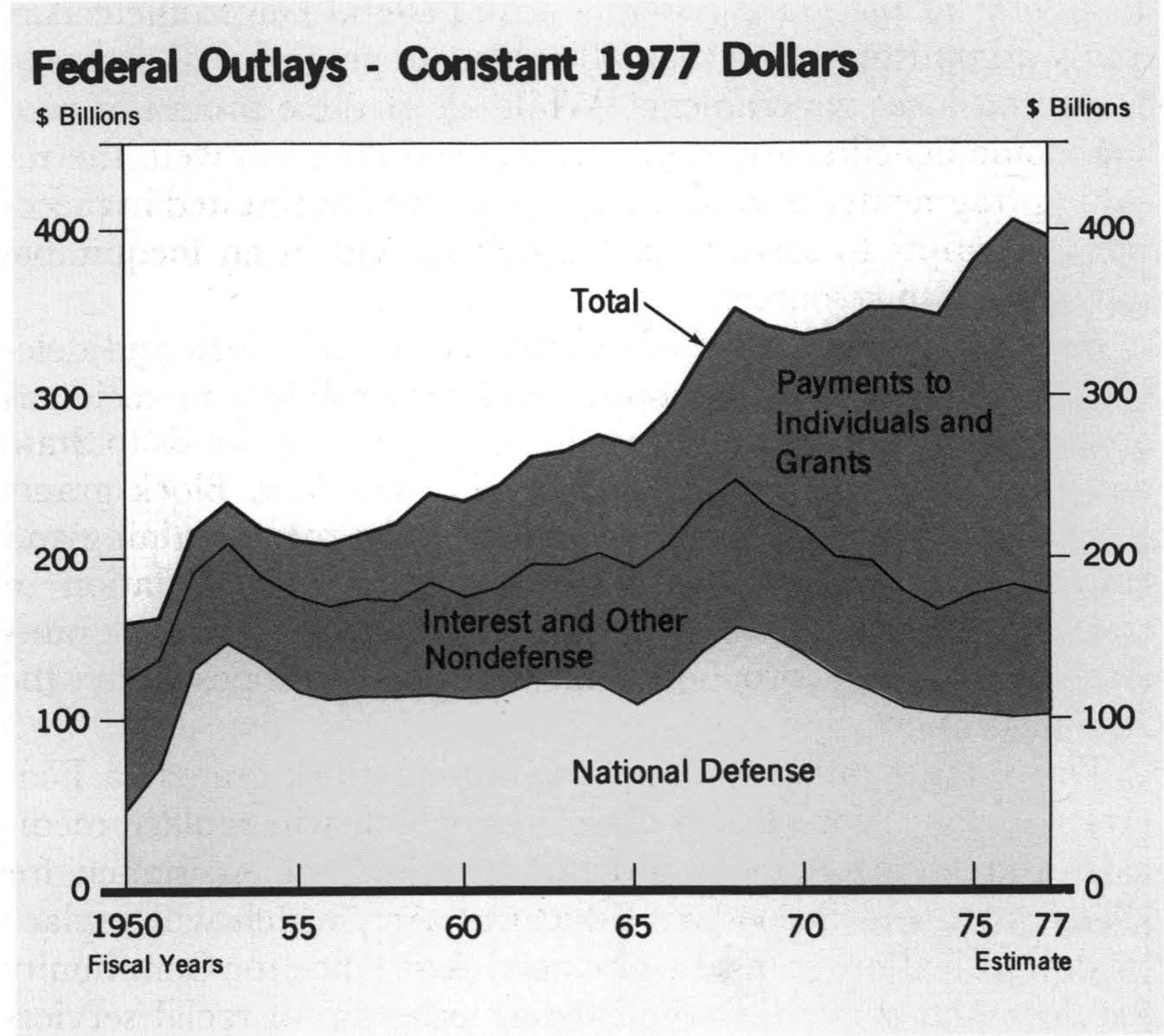
The budget and the economy.—When the 1976 budget was presented last year, the economy was experiencing a severe economic decline. A recovery is now underway. Since the second quarter of calendar year 1975, the real output of our economy has been growing at an annual rate of about 9%, and the number of employed has risen by about 1 million.

Nevertheless, real output remains considerably below the peak that was reached at the end of calendar year 1973, and the unemployment rate is still too high. The rate of inflation has slowed since 1973 and 1974, but it, too, is still high.

The budget is consistent with a healthy recovery without accelerating inflation. It slows the increase in Federal spending to about 5.5% over fiscal year 1976 and less than that when the transition quarter is taken into account. The reduction in the growth of spending makes possible further tax cuts. The President has proposed to reduce income taxes by \$10 billion below the temporary tax cuts that expire June 30, 1976, which is \$28 billion below the 1974 rates. About three-quarters of the total reductions will be for individuals, and one-quarter will go for

business. These tax cuts will increase the amounts the American people have to spend themselves in accordance with their own decisions, while the expenditure reductions will reduce the degree to which spending decisions will be made by the Federal Government.

The estimated deficit for 1977 is \$33 billion less than in 1976. This reduction in the deficit is appropriate, as the economy recovers from the recession. Achievement of the President's objectives to lower the deficit still further in 1978 and to balance the budget in 1979 is vitally important to our economic growth. Although additional spending might produce some short-run marginal relief from higher levels of unemployment, it could easily lead to a disorderly recovery that would trade a slightly lower unemployment rate in the short run for more inflation and a much higher unemployment rate later on.



Budget trends.—Over the past two decades, there has been a significant shift in the distribution of Federal resources. Non-defense spending on payments to individuals and grants to State and local governments rose on average about 9.5% per year, and

a total of about 500%, *even when adjusted for inflation*, over the 20-year period ending in 1975. Before adjustment for inflation, the increase was over 13% per year, or over 1,000%. During the same period, spending for defense with a comparable adjustment for inflation declined a total of 10%, although it increased 117% before adjustment for inflation.

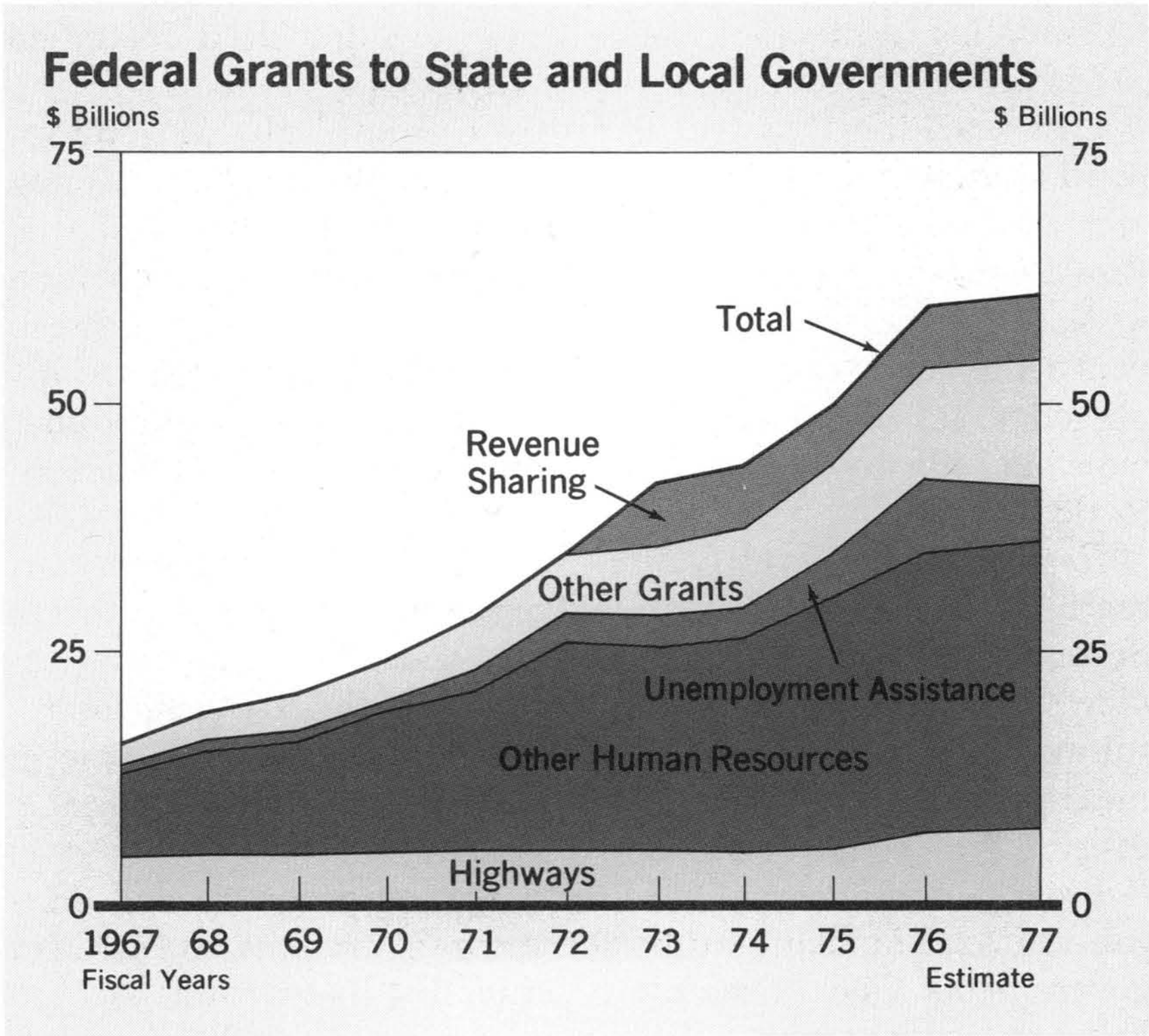
Last year, the President initiated a reversal of this trend toward erosion of the defense budget. He has again proposed a real increase in the defense budget this year. At the same time, the President seeks to keep the Federal Government from increasing its share of the economy. It is for these reasons that the President's Budget Message states, "In our domestic programs, my objective has been to achieve a balance between all the things we would like to do and those things we can realistically afford to do."

Reform of the grant system.—The Federal Government currently administers more than 500 separate programs of grants to State and local governments. While all of these programs provide some benefits, and some programs do the job well, the resulting fragmented and overlapping system has resulted in piecemeal attempts to solve urgent problems and in an inequitable distribution of resources.

Progress has been made in consolidating programs and delegating decisionmaking authority and responsibility to recipient governments. General revenue sharing distributes funds to State and local governments with minimal restrictions. Block grants have been established for community development, training and employment, and law enforcement assistance. Legislation to consolidate over 30 non-interstate highway assistance grants into three broad programs has also been proposed by the Administration.

This budget proposes four broad-based block grants: a Federal Assistance for Health Care Act, which will replace medicaid and 15 categorical programs; a Federal Assistance for Elementary and Secondary Education Act, which will replace 27 categorical programs; a Financial Assistance for Community Services Act, converting the existing program of social services to the needy into a block grant by removing excessive Federal requirements; and a Child Nutrition Reform Act (first proposed last year in a somewhat different form), which will replace 15 current programs with a single grant to enable States

to feed needy children. All of these proposals would eliminate State matching requirements. The budget also proposes a number of other major reforms in grant programs.



PART II

BUDGET RECEIPTS

This section describes the major sources of budget receipts and discusses the legislative proposals affecting them. The economic assumptions underlying these estimates are presented in Part III.

Total budget receipts in 1977 are estimated at \$351 billion, \$54 billion more than the \$298 billion estimated for 1976. About 90% of these receipts result from individual and corporation income taxes and from payroll taxes levied on wages and salaries, most of which are paid equally by employers and employees.

Enacted and Proposed Tax Changes

Two temporary tax reductions have been enacted in the last year. First, on March 29, 1975, the Tax Reduction Act of 1975 was enacted. This act provided for a partial rebate of calendar year 1974 individual income taxes, a number of temporary provisions that reduced individual and corporation income tax liabilities, generally for calendar year 1975, and a few permanent tax changes. The act also provided for a one-time \$50 bonus to social security and certain other social insurance recipients.

The individual income tax reductions in this act were reflected in changes in withholding schedules beginning May 1, 1975. Withholding rates were reduced then to reflect the full year's tax reduction. These rate reductions were greater than would have been necessary if such reductions had been made on January 1, 1975. As the following table shows, this act reduced receipts by about \$10 billion in both 1975 and 1976.

The second temporary tax reduction was the Revenue Adjustment Act of 1975, which was enacted December 23, 1975. This act provided for tax reductions for the first 6 months of calendar year 1976. For corporations, the rate reductions in the previous

act were extended. For individuals, however, larger tax reductions (at an annual rate) were enacted so that the withholding rates in existence in the last 8 months of calendar year 1975 would remain unchanged. In total, this act reduced individual and corporation income tax liabilities by \$8.4 billion, with about three-fourths of the receipts loss in 1976.

The President is proposing income tax reductions—linked to spending reductions as proposed in this budget—to become effective July 1, 1976. These tax reductions will be permanent and will be about \$10 billion larger at an annual rate than those effective in the first half of calendar year 1976. They will reduce receipts by about \$28 billion in 1977, with about three-fourths of the reductions going to individual taxpayers and one-fourth going to corporations.

ENACTED AND PROPOSED TAX CHANGES ¹

[In billions of dollars]

	1975 estimate	1976 estimate	TQ estimate	1977 estimate
Enacted tax changes:				
Tax Reduction Act of 1975.....	-10.2	-9.8	-0.2	0.4
Individuals.....	(-9.4)	(-7.8)	(-*)	(-.6)
Corporations.....	(-.8)	(-2.0)	(-.1)	(1.0)
Revenue Adjustment Act of 1975.....		-6.0	-.5	-1.9
Individuals.....		(-5.4)	(-.5)	(-1.5)
Corporations.....		(-.6)	(-*)	(-.4)
Total, tax change enacted in calendar year 1975.....	-10.2	-15.8	-.7	-1.5
Proposed tax changes:				
Individuals.....		-*	-4.6	-22.2
Corporations.....		-*	-.8	-6.2
Social insurance taxes.....				5.4
Other ².....		.2	-*	.1
Total, proposed tax changes....		.2	-5.5	-22.8

¹ This table shows the effect of enacted and proposed tax changes on budget receipts (i.e., cash collections) in comparison to the tax law in effect prior to the Tax Reduction Act of 1975.

² Includes proposed changes in miscellaneous receipts, estate and gift taxes, and airport and airway excise taxes.

*Less than \$50 million.

In addition to these changes, several tax incentives being proposed by the President to encourage specific economic activity will reduce individual and corporation income taxes. Specifically, legislation will be proposed to:

- provide a new tax credit on interest income received on residential mortgages as part of the Financial Institutions Act;
- induce a broader ownership of common stock by providing

a tax deferral for funds invested in stock purchase plans established by employers or directly by individuals; and —provide accelerated depreciation on investments made in areas of highest unemployment to stimulate employment in such areas.

Together, these proposals will reduce individual and corporation income taxes by \$0.8 billion in 1977.

Also, the President is proposing legislation to increase taxes for the social security and unemployment trust funds to insure that these funds are on a sound financial basis. An increase in the social security tax rate (from 11.7% to 12.3%) and the unemployment tax rate from (0.5% to 0.65%) and wage base (from \$4,200 to \$6,000) are proposed effective January 1, 1977. These changes will increase 1977 receipts by \$5.4 billion.

Finally, legislation will also be proposed to ease the burden of estate and gift taxes on farms and other small businesses. This legislation will not result in a significant loss in receipts.

RECEIPTS BY SOURCE

The table below shows budget receipts by source for 1975 to 1977; the estimates reflect the President's tax proposals discussed above.

Individual income tax receipts are estimated at \$130.8 billion in 1976 and \$153.6 billion in 1977. As discussed above, enacted and proposed tax reductions reduce receipts from this source by \$13.2 billion in 1976 and \$24.4 billion in 1977. In the absence of these tax law changes, individual income taxes would increase by \$34.0 billion in 1977 rather than by \$22.8 billion as projected here.

BUDGET RECEIPTS BY SOURCE

[In billions of dollars]

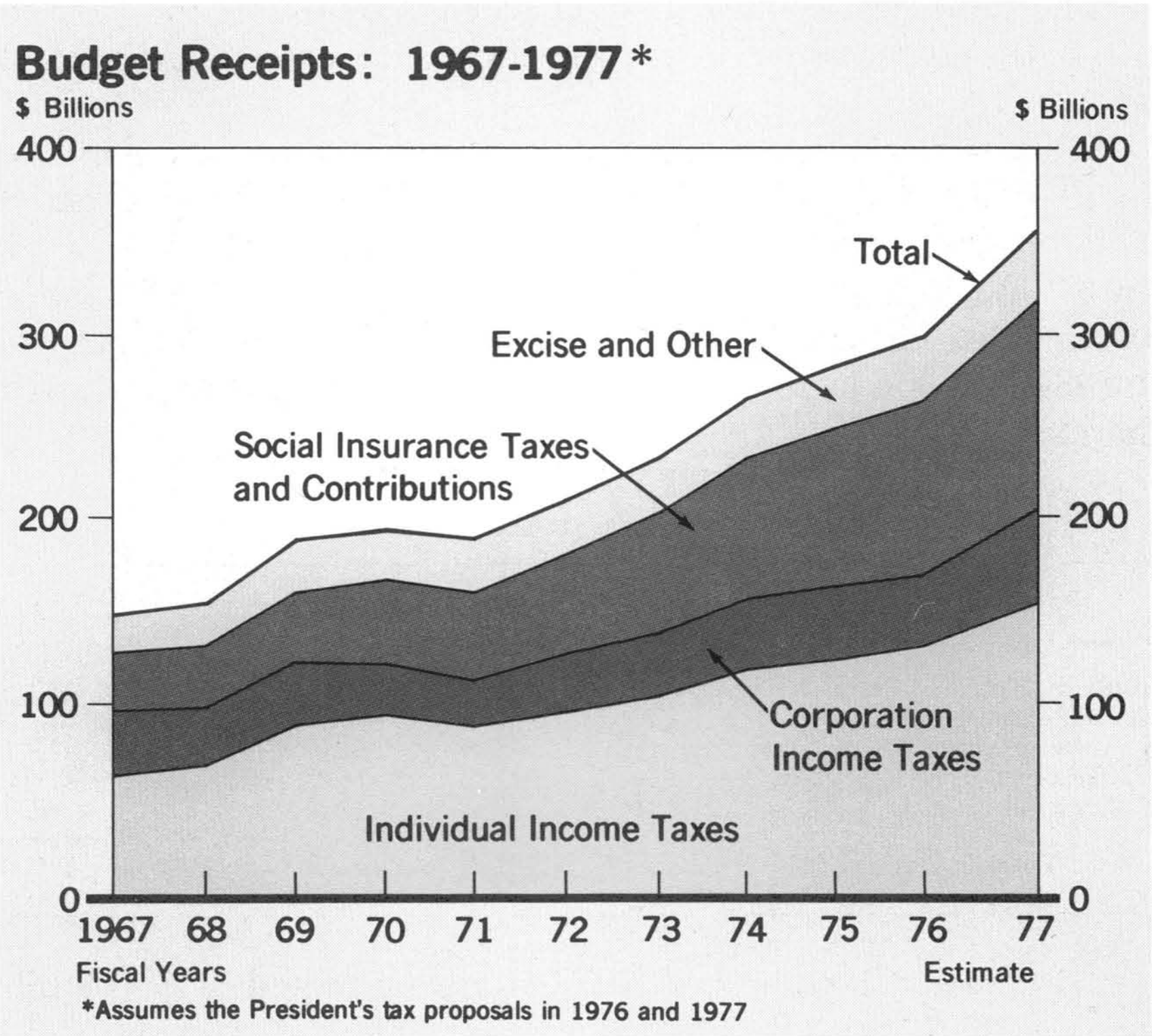
Source	1975 actual	1976 estimate	TQ estimate	1977 estimate
Individual income taxes.....	122.4	130.8	40.0	153.6
Corporation income taxes.....	40.6	40.1	8.4	49.5
Social insurance taxes and contributions.	86.4	92.6	25.2	113.1
Excise taxes.....	16.6	16.9	4.4	17.8
Other receipts.....	15.0	17.2	3.9	17.3
Total.....	281.0	297.5	81.9	351.3

Corporation income tax receipts are estimated at \$40.1 billion in 1976 and \$49.5 billion in 1977. Enacted and proposed

tax law changes reduce these receipts by \$2.7 billion in 1976 and \$5.5 billion in 1977. In the absence of these changes, profits taxes would increase by \$12.2 billion, reflecting the large projected increase in corporate profits that is expected to accompany the economic recovery.

Receipts from social insurance taxes and contributions are expected to total \$113.1 billion in 1977, up by \$20.5 billion from 1976. Included in this total are social security and other payroll taxes, unemployment insurance taxes, Federal employee retirement contributions and premium payments for supplementary medical insurance. Proposed increases in social security and unemployment trust fund taxes increase these receipts by \$5.4 billion in 1977.

Other receipts, consisting of excise taxes, estate and gift taxes, customs, and miscellaneous receipts, are estimated at \$35.1 billion in 1977, an increase of \$1.0 billion from 1976. The miscellaneous receipt estimate reflects elimination of those import fees on crude oil and petroleum products that were imposed in 1975.



PART III

THE LONG-RANGE OUTLOOK

To an increasing degree, Federal receipts and outlays are directly linked to developments in the economy. Most retirement and many other social insurance benefit payments are tied by law to the Consumer Price Index. Medicare outlays are affected directly by the price of medical services. Interest on the debt is linked to interest rates and the size of the budget surplus or deficit, which in turn is influenced by economic conditions. Outlays for unemployment insurance vary directly with the unemployment rate. Similarly, budget receipts vary in accordance with individual and corporation incomes, which respond to the course of the economy.

Because of the effect the economy has on the budget, the economic assumptions used strongly influence the budget outlook.

The Economic Assumptions

The following table presents the underlying economic assumptions that were used for purposes of developing budget estimates. It should be emphasized that the short-term economic assumptions have been developed in quite different ways from the longer-run assumptions. The assumptions for calendar years 1975

SHORT RANGE ECONOMIC FORECAST

[Calendar years; dollar amounts in billions]

Item	1974 actual	Forecast		
		1975	1976	1977
Gross national product:				
Current dollars.....	\$1, 407	\$1, 499	\$1, 684	\$1, 890
Constant (1972) dollars:				
Amount.....	\$1, 211	\$1, 187	\$1, 260	\$1, 332
Percent change.....	- 1. 8	- 2. 0	6. 2	5. 7
Prices (percent change):				
GNP deflator.....	9. 7	8. 7	5. 9	6. 2
Consumer Price Index.....	11. 0	9. 1	6. 3	6. 0
Unemployment rate.....	5. 6	8. 5	7. 7	6. 9

(for which only three quarters of actual data were available at the time the projections were made), 1976, and 1977 are *forecasts* of probable economic conditions during these years.

In contrast, the longer-range assumptions for the period 1978–81 are not forecasts of probable economic conditions, but rather assumptions consistent with moving gradually toward relatively stable prices and a higher level of employment. The current state of the forecasting art is much too crude to make accurate forecasts for years beyond 1977. Indeed, even the forecast for 1976 and 1977 is subject to considerable uncertainty.

LONG RANGE ECONOMIC ASSUMPTIONS

[Calendar years; dollar amounts in billions]

Item	1978	1979	1980	1981
Gross national product:				
Current dollars	\$2, 124	\$2, 376	\$2, 636	\$2, 877
Constant (1972) dollars:				
Amount	\$1, 411	\$1, 503	\$1, 600	\$1, 679
Percent change	5. 9	6. 5	6. 5	4. 9
Price level (percent change):				
GNP deflator	6. 1	5. 0	4. 2	4. 0
Consumer price index	5. 9	5. 0	4. 2	4. 0
Unemployment rates (percent)	6. 4	5. 8	5. 2	4. 9

The Long-Range Budget Projections

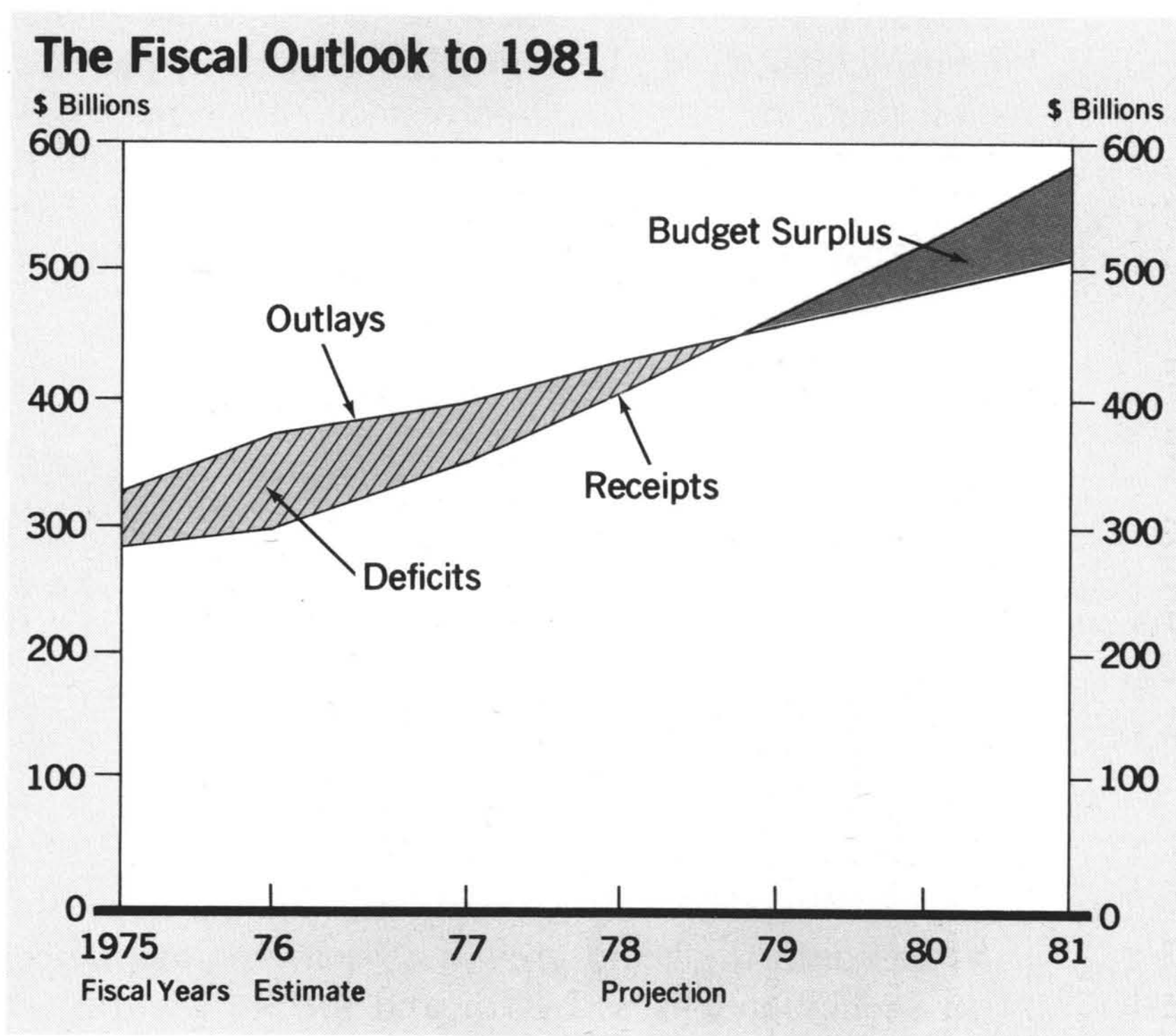
The effects of current budget decisions extend beyond the current fiscal year, establishing program trends that help to shape the size and composition of budgets for years into the future. Just as the composition and level of the 1977 budget have been largely determined by past decisions, so too the decisions and proposals it embodies will strongly affect subsequent budgets.

The estimates presented here indicate the degree to which resources would be committed by the continuation of existing and currently proposed programs at the program levels recommended for 1977. Thus, these projections are not intended as *forecasts*, or as *recommendations*. They are, however, consistent with the objective of restraining the growth in Federal spending in 1977 and 1978, and achieving a balanced budget in 1979.

Receipt projections, which assume current tax laws as modified by proposals in this budget, increase by an average of 13.6% a year between 1977 and 1981, rising from \$351 billion to \$585 billion. Over the same period, outlays for current programs and

those proposed in the budget are projected to rise by an average of 6.6% a year, from \$394.2 billion to \$509.9 billion. Thus, the budget is projected to move into surplus in 1979 with increasingly large surpluses in subsequent years.

In general, the projections for outlays assume that program levels remain fixed in current dollar terms except where there is an explicit legal requirement or budget recommendation to increase or decrease program levels over time. The projections allow for changes in beneficiary populations of programs such as social security, and also for future cost-of-living adjustments for most benefit programs, Federal pay raises, and other cost increases. These allowances are consistent with the economic assumptions outlined above.



The projected 67% growth in receipts between 1977 and 1981 reflects growth in tax bases, and an increase in the average effective tax rate on personal income as rising real incomes and inflation move people into higher tax brackets. This increase in effective tax rates, which is implicit in a progressive income tax system, accounts for about \$50 billion of the total increase in

individual income tax receipts between 1977 and 1981. Over the past two decades legislated tax cuts have offset implicit increases of this nature. Without these reductions, total Federal receipts would have risen to a much larger percentage of gross national product than they now claim.

On the basis of the economic assumptions presented in the preceding section, individual income taxes are projected to reach \$287 billion by 1981, an increase of \$134 billion, or 87% over 1977. Over the same period corporation income taxes are projected to increase by 45%, from \$49 billion to \$72 billion.

Increases in the taxable earnings base and rate under social security, proposed increases in social security and unemployment trust fund taxes in January 1977, and increases in other social insurance taxes and contributions, will occur to finance benefit increases. These increases, together with the growth in payrolls over the next 5 years, are projected to raise social insurance taxes and contributions from \$113 billion in 1977 to \$182 billion in 1981, a 61% increase. Estate and gift taxes, customs, excise taxes, and miscellaneous receipts are projected at \$45 billion in 1981, an increase of \$10 billion from 1977.

PROJECTED RECEIPTS BY SOURCE

[In billions of dollars]

	1977	1978	1979	1980	1981
Individual income taxes.....	153.6	184.0	218.4	252.8	287.3
Corporation income taxes...	49.5	54.5	59.8	65.9	71.7
Social insurance taxes and contributions.....	113.1	130.8	147.2	162.1	181.6
Excise taxes.....	17.8	18.4	18.8	19.2	19.6
Other.....	17.2	18.8	20.8	23.0	25.1
Total budget receipts.	351.3	406.7	465.3	523.1	585.4

The major trend in the composition of the budget over the past 20 years has been the rapid growth of domestic assistance programs—in such functions as health and income security—and the corresponding relative decline in spending for direct Federal operations, particularly for defense programs. Over the past two decades, outlays for domestic assistance have grown much more rapidly than national output, and more rapidly than total Federal outlays. The table below on budget composition illustrates this growth. Direct Federal operations involve Federal purchases of goods and services for use in Government pro-

grams such as defense and space exploration, compensation of Federal employees, and payment of interest on the public debt. Domestic assistance programs, in contrast, include payments to retired, disabled, or unemployed workers, to low-income families and individuals, and aid to State and local governments.

BUDGET COMPOSITION

[Percent of total outlays]

Description	Actual					Projected	
	1956	1960	1964	1968	1972	1977	1981
Domestic assistance.....	22.3	29.4	30.6	32.5	45.7	55.4	53.9
Payments for individuals:							
Direct ¹	(17.0)	(21.8)	(22.1)	(22.1)	(30.2)	(40.0)	(40.6)
Indirect (grants-in-aid).....	(2.5)	(2.7)	(3.0)	(3.4)	(6.3)	(5.3)	(5.7)
All other grants-in-aid ¹	(2.8)	(4.9)	(5.5)	(7.0)	(9.2)	(10.1)	(7.6)
Direct Federal operations.....	77.7	70.5	69.4	67.5	54.4	44.7	46.1
National defense.....	(56.4)	(49.0)	(44.5)	(44.4)	(33.4)	(25.7)	(28.0)
Net interest.....	(7.2)	(7.5)	(6.9)	(6.2)	(6.7)	(8.4)	(7.2)
Other.....	(14.1)	(14.0)	(18.0)	(16.9)	(14.3)	(10.6)	(10.9)
Total outlays.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Excludes military retired pay and grants classified in the national defense function.

The detailed composition of the 5-year projections of outlays is shown by major function on page 20. While total outlays are projected to increase by 29% between 1977 and 1981, outlays for health, income security, and national defense are projected to increase faster than total outlays. Outlays for other functions, such as interest and general government decline in relative terms. Outlays for the education, training, and social services function decline slightly, both in absolute and relative terms, due to the phaseout in 1977 of temporary programs enacted to provide employment during the recession.

The recent large increases and additions to domestic assistance programs have, to some extent been offset by real reductions in direct Federal operations, particularly defense. Thus, the rise in outlays for health and for income security—to 45% of total outlays by 1981, compared to less than 25% in 1968—indicates an increased response to human needs, but could present a long-range budgetary problem of fundamental importance if these programs were to grow in the future at the same rate as they have in the past. The budget cannot accommodate

the same rates of growth in the future, and maintain an adequate level of defense and other direct Federal activities, unless the Federal Government takes an ever-increasing portion of GNP through increased taxes.

Most Federal domestic assistance programs—and some Federal programs for other purposes—create a legal entitlement to benefits for all eligible recipients, and as such, are considered open-ended programs and fixed costs. As recently as 1971 these outlays amounted to less than 47% of the budget, but by 1981 they are projected to be 62%. The degree of uncontrollability in the budget has obvious fiscal policy implications. Without changes in legislation, attempts to control total budget outlays fall on an increasingly smaller proportion of the budget.

PROJECTED OUTLAYS BY FUNCTION, 1977 TO 1981

[In billions of dollars]

	1977	1978	1979	1980	1981
Outlays:					
National defense.....	101.1	112.9	121.5	132.3	142.8
International affairs.....	6.8	7.8	7.8	8.1	8.0
General science, space and technology.....	4.5	4.6	4.5	4.4	4.1
Natural resources, environment and energy.....	13.8	14.4	15.1	14.9	14.5
Agriculture.....	1.7	2.6	2.6	2.8	2.8
Commerce and transportation...	16.5	19.4	19.1	18.7	18.7
Community and regional development.....	5.5	6.0	6.2	6.0	6.1
Education, training, employment and social services.....	16.6	15.3	15.3	15.3	15.3
Health.....	34.4	37.7	40.3	43.4	47.0
Income security.....	137.1	147.1	158.3	170.1	182.9
Veterans benefits and services...	17.2	17.2	16.7	16.3	15.7
Law enforcement and justice....	3.4	3.3	3.3	3.3	3.3
General government.....	3.4	3.9	3.6	3.6	3.7
Revenue sharing and general purpose fiscal assistance.....	7.4	7.7	7.9	8.0	8.2
Interest.....	41.3	44.8	46.5	46.9	46.9
Allowances.....	2.3	5.6	8.1	10.5	12.8
Undistributed offsetting receipts.	-18.8	-20.7	-21.4	-22.1	-22.9
Total.....	394.2	429.5	455.7	482.5	509.9

PART IV

THE FEDERAL PROGRAM BY FUNCTION

This section discusses the budget in terms of major functions or purposes. The functional—in contrast with an agency—classification permits analysis and description of budget outlays for each major purpose, regardless of which agency is carrying out the activities.

While budget outlays are the most obvious measure of the Federal Government's effect on resource allocation, other fiscal activities of the Government also have large effects on resource allocation. Such activities include credit guarantees, off-budget agencies, federally sponsored private enterprises, and tax expenditures.

This year is the first time tax expenditures are discussed in the Budget in Brief. Tax expenditures are those revenue losses attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from income or provide a special credit, a preferential rate of tax, or a deferral of tax liability. Almost all tax expenditures are intended either to encourage particular economic activities or to reduce the taxes of persons considered to be in adverse circumstances. Among the economic activities encouraged are personal and business investment, spending by State and local governments, and support of charities. Among the persons whose tax burdens are lightened are the aged, those with large medical expenses, and recipients of Government assistance and social insurance payments.

Tax expenditures generally can be viewed as alternatives to other types of fiscal activity. Some major tax expenditures are discussed in the programatic sections that follow. More information, including a discussion of important conceptual and estimating issues, appears in Special Analysis F, "Tax Expenditures", in the Special Analyses volume of the Budget.

National Defense

The goal of national defense is to ensure the freedom and security of the United States and protect its vital interests throughout the world. To achieve this goal, our forces, together with those of our allies, must be able to: deter any attack against the United States, its allies, and other nations vital to U.S. security; maintain a worldwide military balance to reduce the threat of war; and maintain control of the sea lanes to ensure the flow of international trade vital to the welfare of the United States and its trading partners.

United States forces as proposed in this budget, together with allied forces, are sufficient to meet these objectives. Despite increases in Soviet defense spending, an adequate military balance exists in the world today, due primarily to four factors:

- An effective strategic deterrent has been maintained through selective force improvements.
- United States and allied forces have been strengthened by the introduction of modern tactical aircraft, the continuing modernization of the surface fleet, and increased purchases of tanks, antitank weapons, and other ground force equipment and munitions.
- The conversion of support resources into combat resources has improved the fighting capability of the defense establishment without increases in overall personnel levels.
- Much of the Soviet military increase has been directed toward the Chinese border.

The United States seeks a reduction of military expenditures and international tensions through negotiations and discussions. Effective agreements can be reached, however, only if United States and allied forces remain at least as strong as those of potential adversaries.

To maintain the military balance in the interim, funds are included in the 1977 budget to carry forward the increase in Army combat divisions initiated in 1976, continue the modernization of ground, sea, and tactical air equipment, and improve the readiness of the combat forces. These measures will require continuing budget increases, over and above amounts needed to offset inflation. Proposed outlays will rise from \$92.8 billion in 1976 to \$101.1 billion in 1977. To moderate these increases, actions are proposed to increase the efficiency of the defense establishment. The growth in personnel costs would be restrained

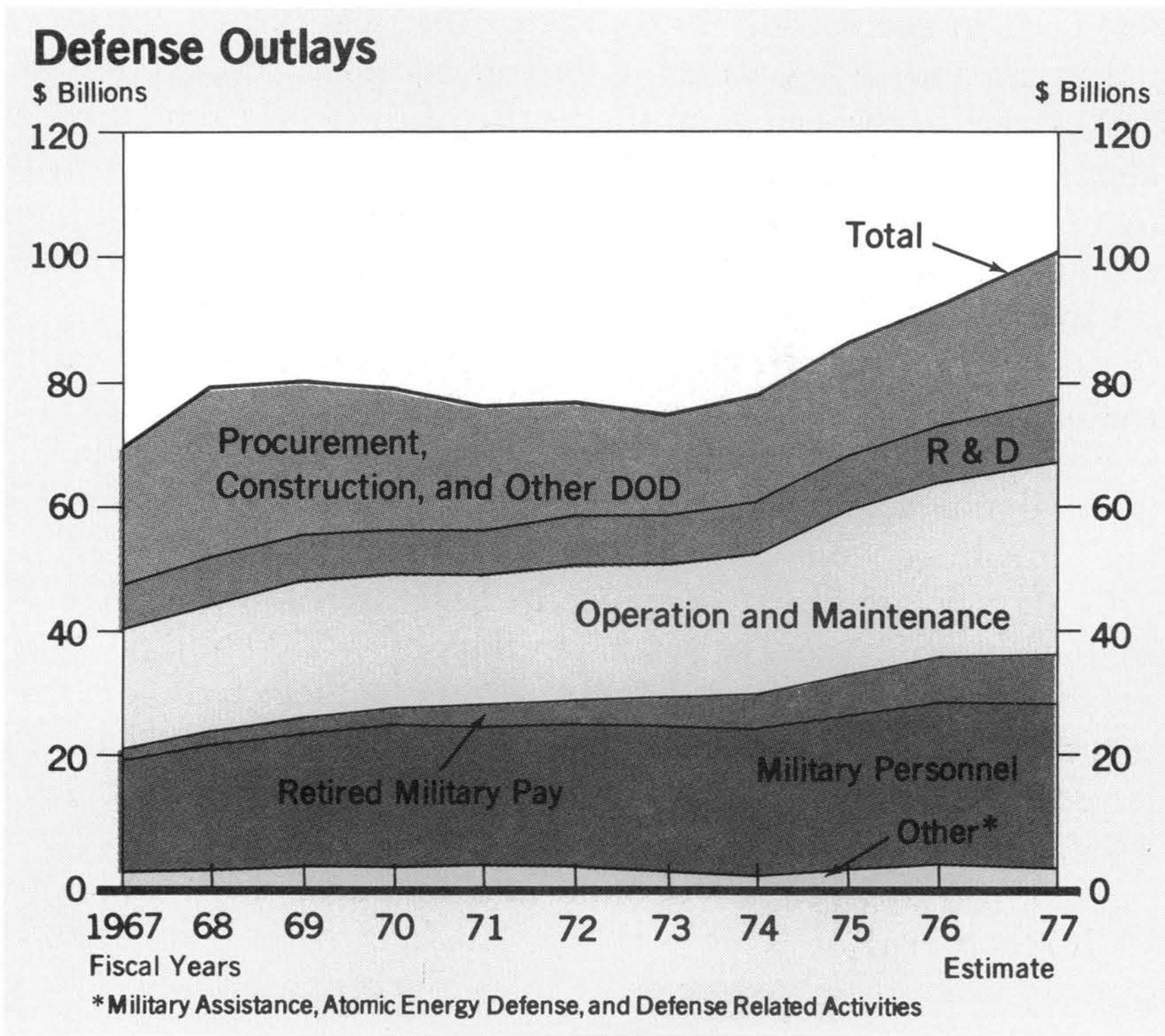
and some civilian positions would be eliminated through the consolidation of support facilities. Further reductions would be made in travel, petroleum consumption, construction, and other activities that do not contribute directly to combat effectiveness.

Budget increases are proposed to maintain U.S. force capabilities. Ground forces will be improved through continued production of helicopters and antitank guided missiles. Increased tank procurement will rebuild inventories and allow the conversion of two light infantry divisions into mechanized divisions.

Tactical air forces will be strengthened through the continued replacement of older aircraft with higher performance aircraft.

Procurement of 16 new ships in 1977 is proposed for the continued modernization of naval forces and the rebuilding of the fleet. Three nuclear-powered attack submarines, designed to hunt down and destroy enemy submarines, will be procured in 1977. Procurement of eight guided missile frigates will provide protection for amphibious force ships, replenishment ships, and merchant convoys from air, surface, and underwater attacks.

Research and development for the strategic forces will continue on the Trident missile and submarine, the B-1 strategic



bomber, cruise missiles, a new intercontinental ballistic missile for deployment in the mid-1980's, and on improving ballistic missile warhead accuracy.

Research and development activity for general purpose forces will proceed on a new battle tank, an attack helicopter, an infantry combat vehicle, and a new air combat fighter for the Navy and Air Force.

Nuclear weapons development, production, and testing will continue at about 1976 levels with increases necessary to provide safety, environmental, and waste storage improvements.

Stockpile receipts in 1977 are estimated at \$870 million, dependent upon market conditions and congressional approval of \$746 million in disposal authority for certain commodities in excess of current requirements.

Military assistance programs are discussed in the section on international affairs.

International Affairs

The foremost international goal of the United States is the attainment of world peace. The most immediate threat to peace has been in the Middle East. Thus, American peace initiatives in that area are a key aspect of the international affairs program.

America's prosperity and the health of the world economy are closely linked. The United States is committed to work with other industrial countries to promote the rapid recovery of their economies, accelerate completion of trade negotiations, reform the international monetary system, and foster economic growth in the developing countries. Proposed 1977 outlays for the international affairs function are \$6.8 billion.

Foreign aid is composed of military assistance—included in the national defense function and its functional budget total—and foreign economic and financial assistance.

Outlays for military assistance in 1977 are estimated at \$739 million, excluding net trust fund outlays of —\$200 million. Such assistance supports the defense efforts of selected countries through credit sales, training, and grants of U.S. materiel. The requested budget authority for grant military assistance in 1977 is 29% lower than in 1976.

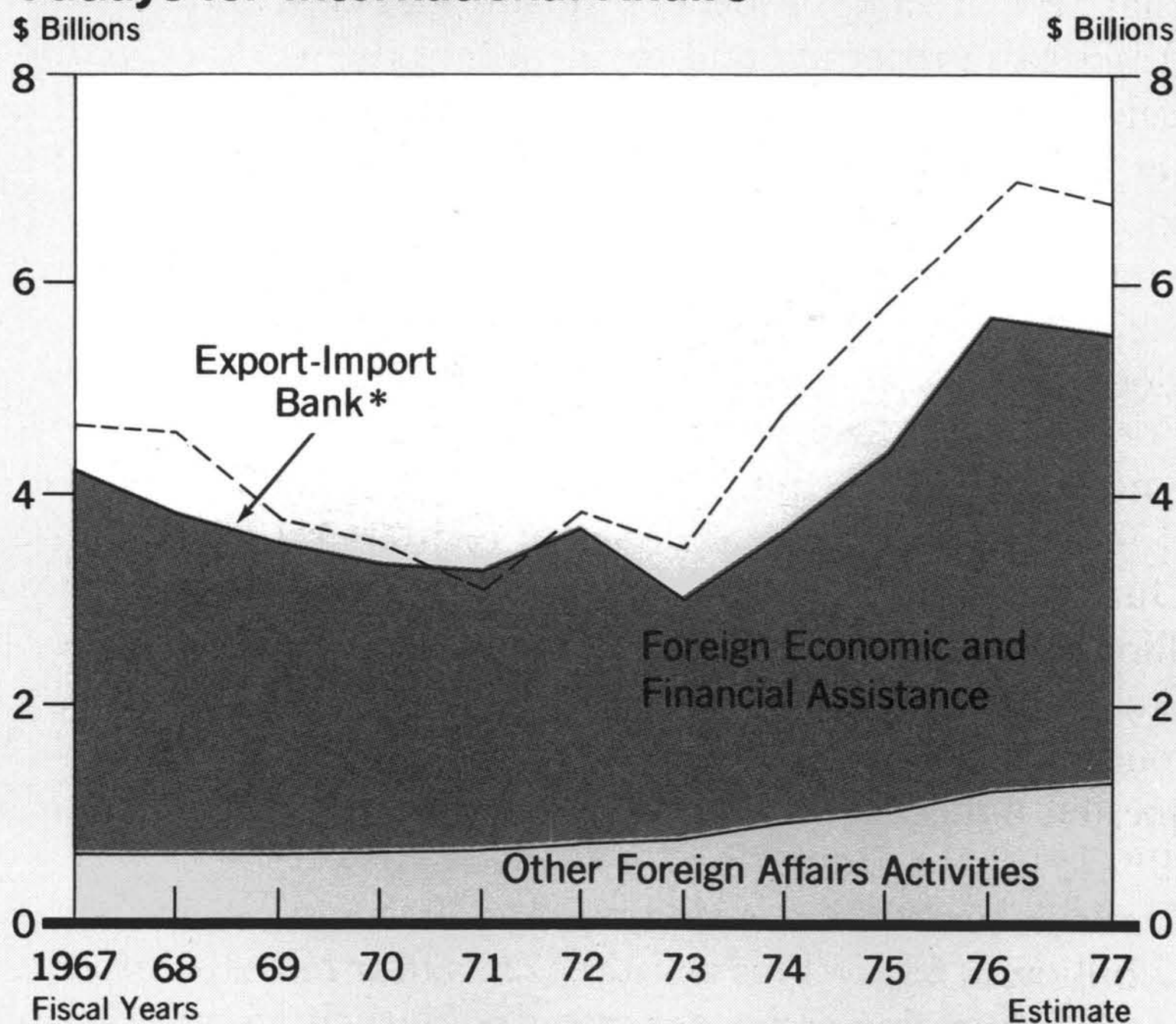
Outlays for foreign economic and financial assistance total \$4.7 billion in 1977. This assistance has four major components: security supporting assistance, required largely to support efforts

toward a Middle East settlement; multilateral development assistance, provided through contributions to international institutions such as the World Bank and the United Nations Development Program; bilateral development assistance, administered primarily by the Agency for International Development; and food for peace, through which the United States supplies over 6 million tons of food to the needy in the poorest group of countries. One of several smaller programs included in this assistance, the Peace Corps, will support 5,700 volunteers in 67 countries.

The Export-Import Bank promotes U.S. exports by extending direct loans to overseas buyers, insurance to American exporters, and discount loans and guarantees to American banks. The Bank's budget authority and outlays, excluded by statute from the budget totals since 1971, is again included in 1977. Estimated 1977 outlays are \$1.3 billion. Aid to exporting is also provided by the tax treatment of domestic international sales corporations. The estimated receipts loss is \$1.6 billion in 1977.

Estimated outlays of \$385 million in 1977 will support foreign information and exchange programs, and \$910 million in estimated outlays will provide funds to conduct U.S. foreign affairs.

Outlays for International Affairs



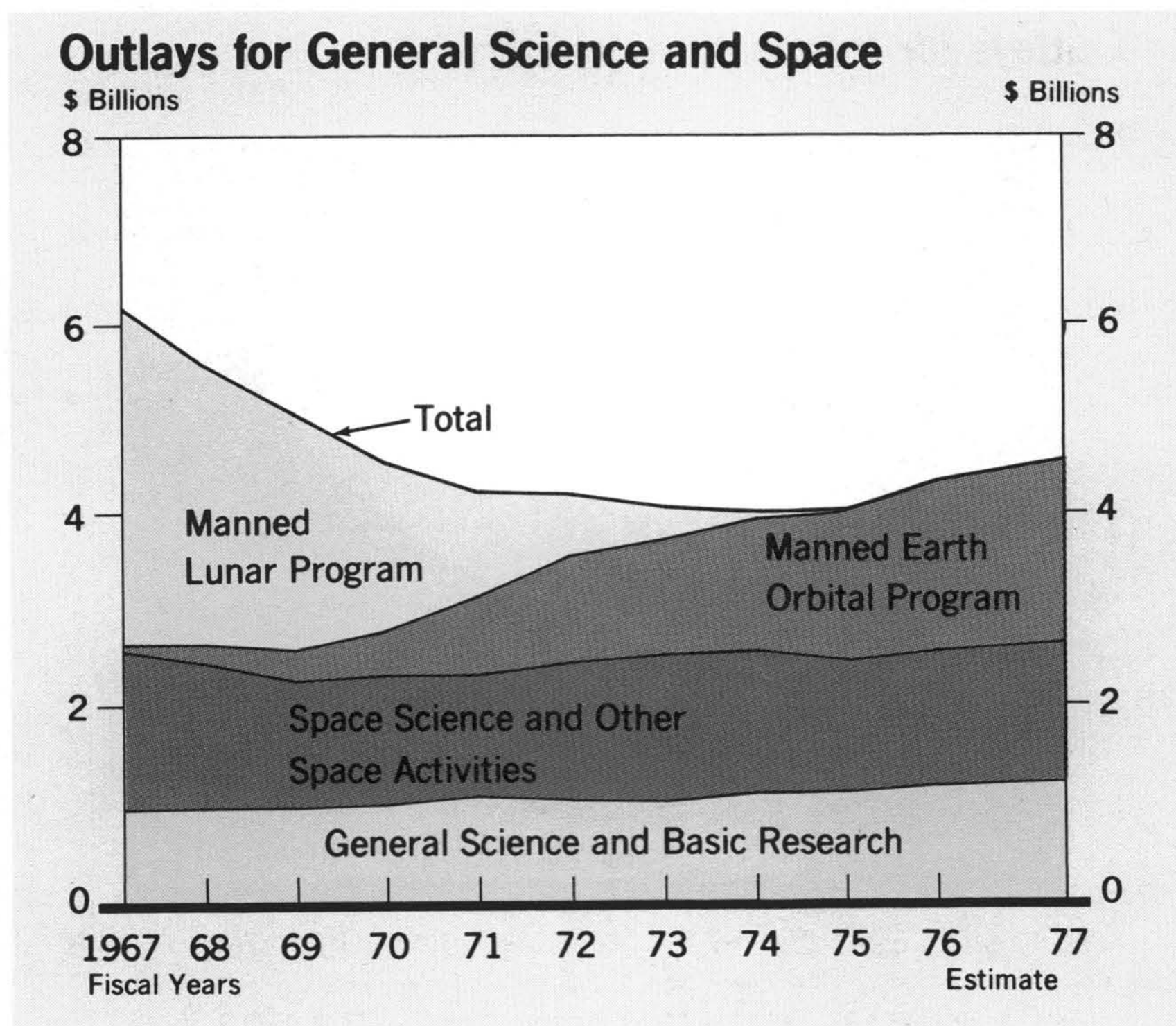
*Export-Import Bank was excluded from the Budget from 8/1/72 through 9/30/76

General Science, Space, and Technology

This function includes programs to develop space research and technology and to support expansion of basic scientific knowledge. Proposed outlays are \$4.5 billion in 1977.

A balanced space program of \$3.3 billion includes further development of the manned space shuttle, space science activities to increase our knowledge of the universe, and the application of space technology for such purposes as improved weather prediction. The increase of \$149 million in outlays permits an orderly buildup in the space shuttle program. The shuttle is a reusable space transportation system which will provide more economical manned access to space in the 1980's and beyond. To hold down spending, a third shuttle orbiter is being deferred.

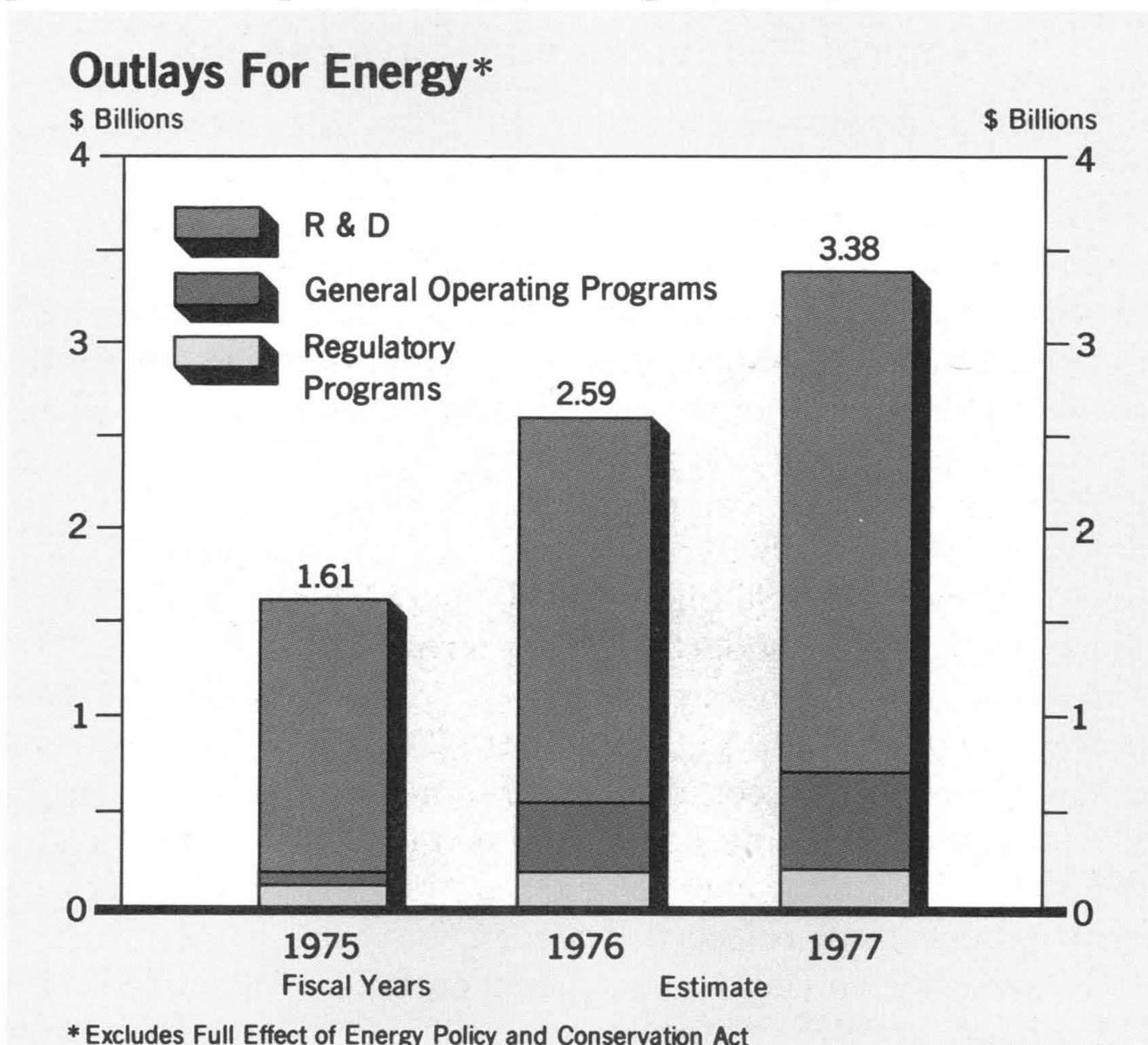
The 1977 budget also includes funds for programs of the National Science Foundation and the Energy Research and Development Administration to strengthen overall Federal support of basic research, and to acquire knowledge important to the long-term development of advanced energy technologies. Outlays for these purposes will total \$1.2 billion in 1977.



Energy

The President's energy policy is a comprehensive program directed toward developing the capability for energy independence by 1985. The recently enacted Energy Policy and Conservation Act takes a first step toward this goal. Among other things, it provides for the gradual phase-out of controls on domestic oil and the development of a strategic petroleum reserve. The Administration will press for other needed legislation that provides for: establishment of the \$100 billion Energy Independence Authority (EIA) to encourage domestic energy resource development, deregulation of the price of new natural gas, authorization of production from the Naval Petroleum Reserves, initiation of a private uranium enrichment industry, and amendments of the Clean Air Act to provide a needed balance between environmental and energy goals. In addition, the budget supports initiation of a synthetic fuels commercialization program through \$2 billion in loan guarantees.

The EIA will have resources of \$100 billion over a 10-year period. It will provide loans, loan guarantees, and other assist-



ance to domestic energy projects of critical importance. The Authority will supplement and encourage private capital investment across a broad spectrum of energy supply, conservation, and energy-related environmental projects. It will also work to shorten the time required for energy projects to obtain clearances and permits from Federal regulatory agencies.

Projected 1977 net budget outlays for energy programs will be \$3.4 billion, including \$2.7 billion for research and development. Major efforts are being devoted to further development of the breeder reactor; to research on fusion reactors; to advanced methods for producing synthetic fuel from coal; and to solar, geothermal, and conservation technologies.

The President's budget also provides for several other major energy programs. Energy resources on Federal lands will be made available for use to the maximum extent feasible consistent with protecting the environment. Energy conservation programs will encourage increases in the efficiency of automobiles and appliances, and industrial energy uses. Tax expenditures of over \$2 billion will support the development and production of fossil fuels.

Natural Resources and Environment

Programs in this area promote the utilization, management, and preservation of our natural resources and environment.

Projected outlays for water pollution control and abatement facility grants increase 60% to \$3.8 billion in 1977, primarily reflecting prior-year commitments for construction of municipal sewage plants. This budget proposes legislation that will establish sound long-term policies for this grant-in-aid program, placing the highest priority on projects which are the most effective in meeting national water quality objectives and striking an appropriate balance between Federal and State responsibilities. Since approximately \$6 billion will be unobligated at the beginning of 1977, no new budget authority is required.

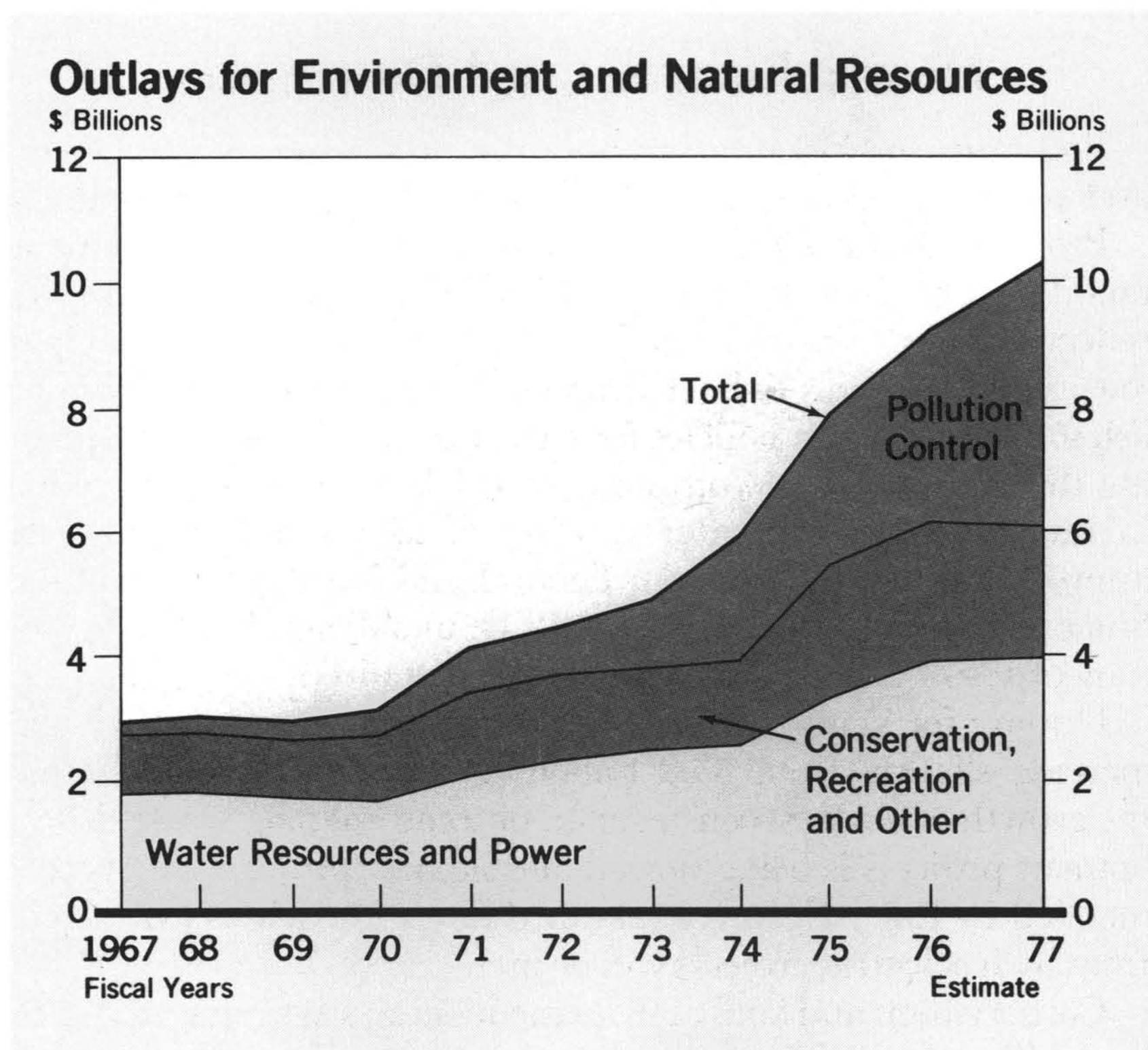
Outlays for water resources and power programs in 1977 will increase slightly from \$3.8 billion to \$3.9 billion. To restrain the growth of outlays, construction of some ongoing water development projects is being slowed and no new projects are recommended in 1977. However, planned dates for delivery of power from hydroelectric projects will be met.

Conservation and land management outlays are estimated to be \$1.0 billion in 1977, supporting the management of 1 million

square miles of public lands in a fashion that provides both for current production of resources and for conservation. The decrease from 1976 outlays results from changes in forest fire costs and estimated offsetting receipts plus a proposed reform of the agriculture conservation program.

The Land and Water Conservation Fund will be fully funded with \$300 million to provide for acquisition of recreation land both by the Federal Government and through grants to States. Outlays for other recreational programs will increase as visits to Federal recreational facilities rise.

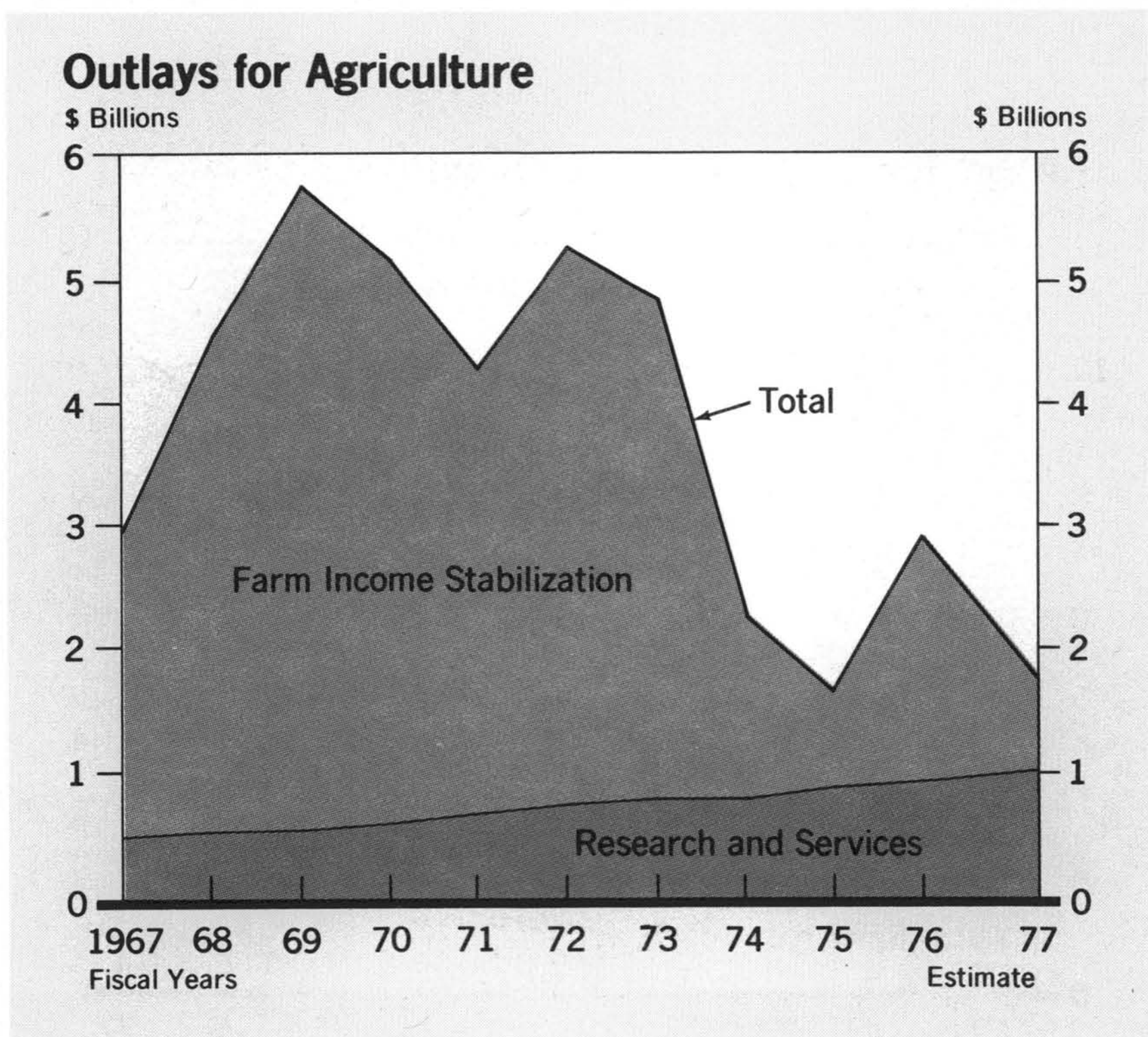
Outlays for other natural resource programs will be \$934 million. These funds include support for the Geological Survey's resource surveys and mapping, and for the National Oceanic and Atmospheric Administration's weather forecasting and marine and coastal programs.



Agriculture

The Administration's agriculture policy is to minimize Government restrictions on crop production, providing producers with protection against severe price declines while permitting market forces to work. Where this policy has not been followed—in crops such as rice, peanuts, and tobacco—cumbersome mandatory programs have resulted in increasing prices and in building up surpluses at Federal expense. Additional major reductions in farm income stabilization programs are contingent on enactment of the Administration's proposal to substitute an expanded crop insurance program for disaster payments and on changing the price support program for peanuts. Projected 1977 outlays for these mandatory programs are \$524 million.

Total 1977 outlays for the agriculture function are \$1,729 million. This includes proposed increases for research to improve production efficiency and for pest and disease eradication.

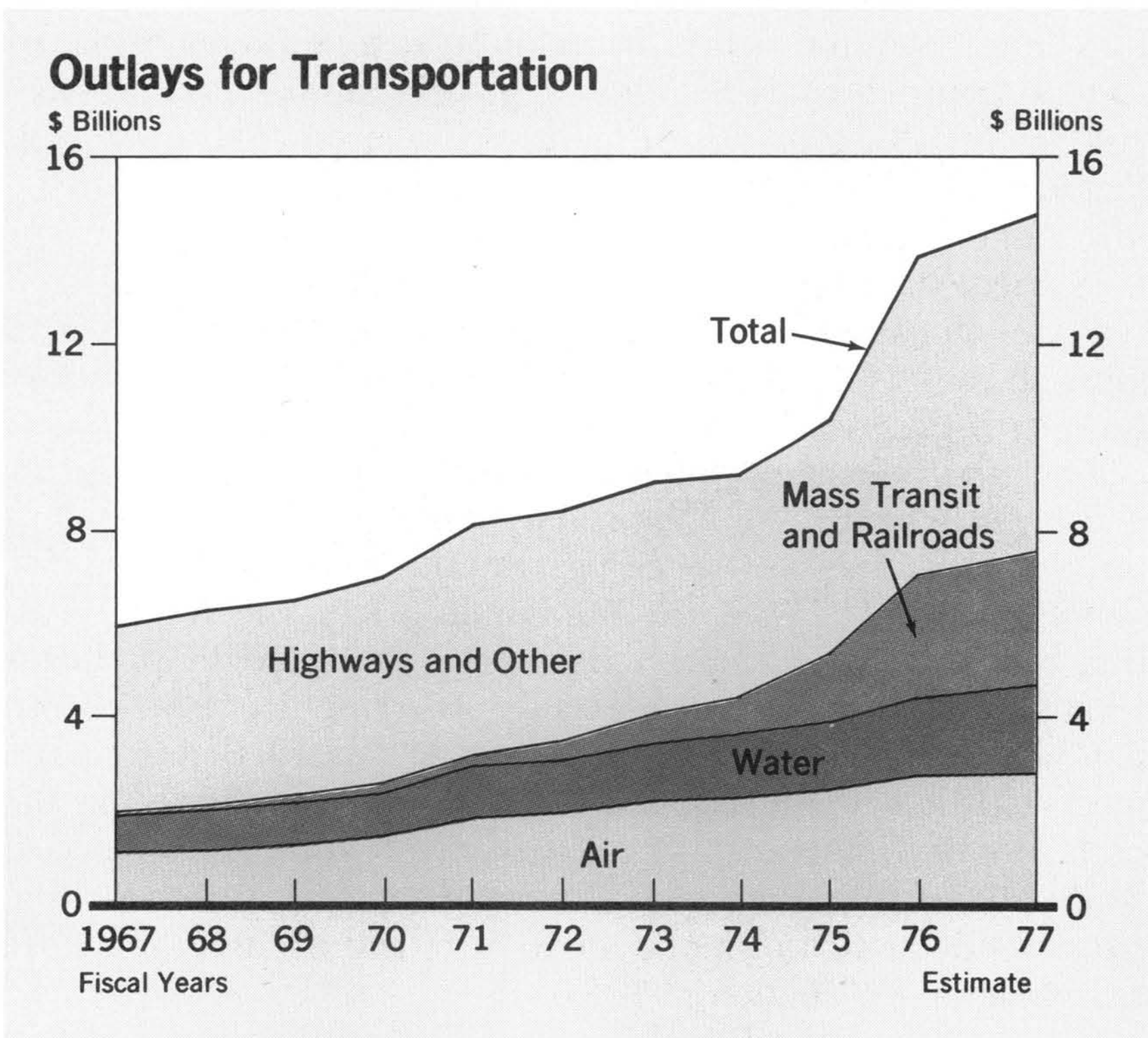


Commerce and Transportation

Outlays for transportation will increase 6% to \$14.9 billion in 1977. Highway outlays will rise to \$7.0 billion in 1977, the highest level in history. Highway legislation will restrain the level of authorizations, consolidate programs, and concentrate interstate funds upon key interconnecting segments of the system.

Mass transit outlays will grow by 16% to \$1.8 billion in 1977. Their future growth will be moderated by limiting the proportion of formula grants that may be used for operating subsidies and by reviewing proposals for major transit projects to ensure that lower-cost, equally-effective alternatives are considered.

Outlays of \$2.1 billion over the next 5 years will help restructure the Northeast-Midwest rail freight network. In addition, the Administration has proposed a \$1.2 billion upgrading of the Boston-Washington rail passenger route. The subsidy to Amtrak,



which operates the Nation's rail passenger service, will rise by \$122 million to \$462 million, but service reductions on the least efficient routes will be necessary because of the very rapid increases in operating deficits.

Air transportation legislation will make user fees more equitable and relieve the general taxpayer of part of the \$1.6 billion annual cost of operating the aviation system. Largely as a result of prior year commitments, subsidies for U.S. shipbuilding and ship operations will increase 16% in 1977 to \$662 million. Coast Guard outlays will increase from \$1.1 billion to \$1.2 billion.

The Administration will continue its strong support of proposed major reform of air, rail, and truck transportation regulation. Overregulation has generally led to higher prices by deterring competition and overprotecting regulated firms. Regulatory agencies advise that they will modernize their procedures, increase consumer representation, improve analysis of regulation costs and benefits, and speed decisions.

The Federal Government aids commerce through Small Business Administration (SBA) loans and loan guarantees, expected to total approximately \$2.6 billion in 1977, and several tax provisions. In 1977, under Administration proposals, these will include a \$6.2 billion tax expenditure for reduced tax rates on the first \$50 thousand of corporate profits, \$9.3 billion to encourage investment through a tax credit, over \$7 billion for preferential tax rates on capital gains, and several new tax aids. Assistance to minority business will continue through the Office of Minority Business Enterprise and the SBA.

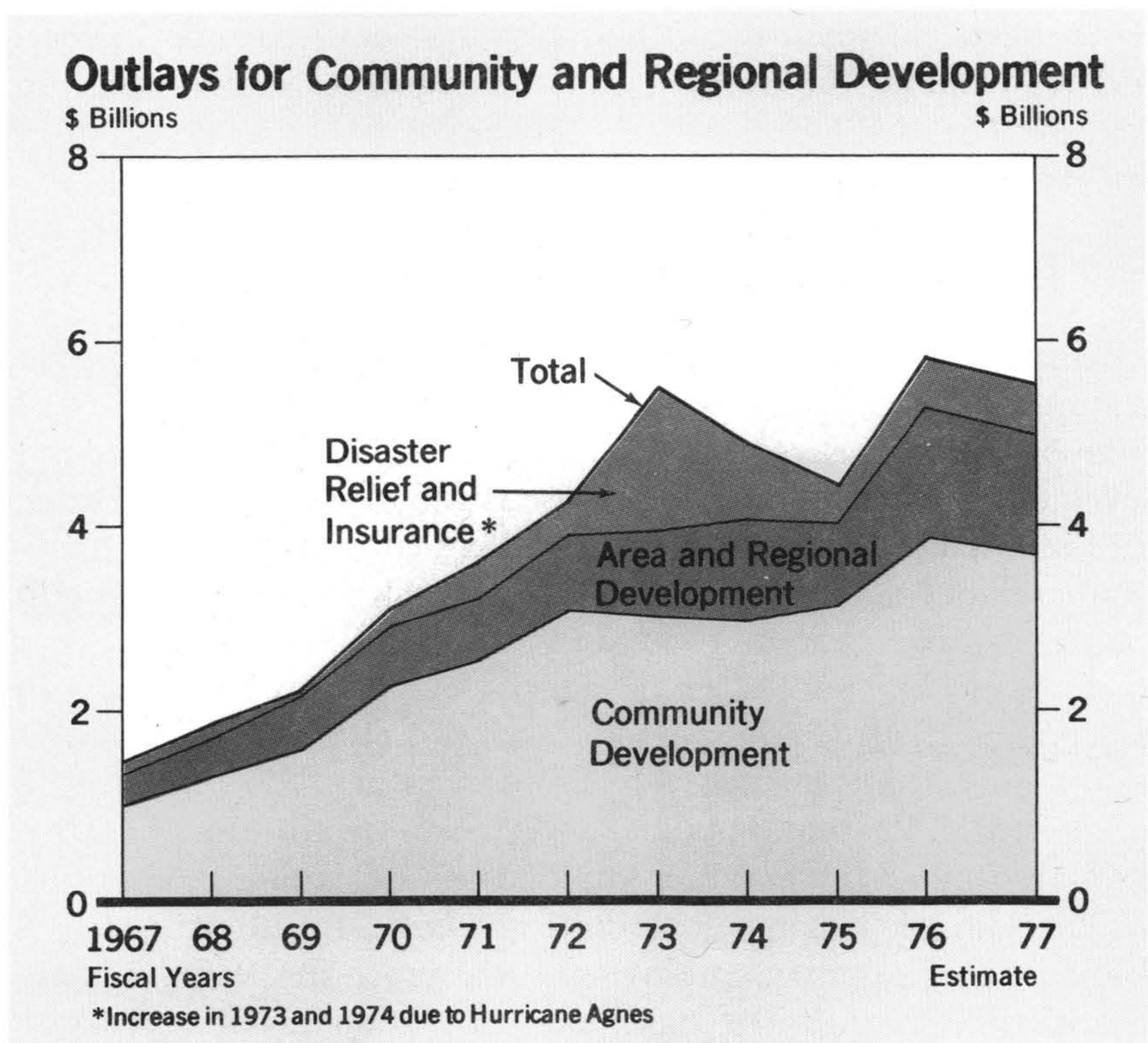
The most important thing the Federal Government can do for housing is to control inflation through sound fiscal and monetary policies. This requires spending restraint and smaller deficits. While laying the foundation for stable prices, the Administration has acted to alleviate temporary housing credit problems through special mortgage purchase programs. In 1976, \$3 billion will be made available to encourage construction of apartments. Most Federal support of housing is not reflected in the outlay totals. Government-sponsored private enterprises supplied \$4.8 billion for housing in 1975, and tax expenditures resulting from the deduction of mortgage interest and property taxes are estimated at \$7.7 billion in 1977.

The subsidy to the Postal Service will decline by \$231 million to \$1,459 million in 1977 as the gradual phasing out of subsidized rates continues.

Community and Regional Development

The Administration's policies for community and regional development stress local initiative, with Federal assistance supplementing State and local resources. Outlays for community and regional development are estimated to be \$5.5 billion in 1977 and \$6.0 billion in 1978.

Outlays for community development will be \$3.7 billion in 1977. New commitments under the community development grant program, which replaced seven categorical grant and loan programs, are estimated to be \$3.2 billion, \$446 million above the 1976 level. Outlays for this program reflect the rate at which communities carry out their projects and are expected to be \$1.6 billion in 1977. Funds are allocated by a formula that considers population, poverty, and housing overcrowding. Activities eligible for funding include land acquisition, public construction, and rehabilitation of structures.



There will be approximately 23,500 full-time and 203,000 part-time volunteers participating in domestic volunteer programs under ACTION, which will emphasize local involvement in assisting the disadvantaged. The Community Services Administration, formerly the Office of Economic Opportunity, will provide assistance aimed at meeting the needs of the economically disadvantaged. Implementation of the Pennsylvania Avenue Development plan in the National Capital will begin.

Area and regional development outlays will be \$1.3 billion in 1977. Programs in this category provide support primarily for rural development, American Indian Tribal governments, and Appalachian development.

Assisting American Indian communities in their development is a continuing concern. Outlays for Indian development programs in this function will be \$737 million in 1977.

Outlays for disaster relief and insurance are estimated to be \$562 million in 1977. Although State and local governments and the private insurance industry are primarily responsible for alleviating problems brought about by natural disasters, Federal aid is available through the national flood insurance program and the Disaster Relief Act. By the end of 1977, flood insurance will be available in 17,000 communities.

Training, Employment, and Social Services

Many programs that help individuals in obtaining jobs via training and employment services or through the provision of temporary public service employment are financed at the Federal level. The Federal Government also enforces the minimum wage and other standards regulating employment and labor-management relations practices. Outlays for Federal training and employment programs are estimated at \$5.0 billion in 1977.

A temporary public service jobs program was authorized in December 1974 as one part of a series of efforts to bring additional aid to the unemployed. Funds totaling \$2.5 billion were made available for about 260,000 jobs. An additional 50,000 jobs are funded under other employment and training programs.

The budget provides for additional budget authority of \$1.7 billion for temporary employment assistance in 1976. This authority will permit the continued operation of this program through December 1976, with a gradual phaseout thereafter through September 1977 as the economy continues to improve.

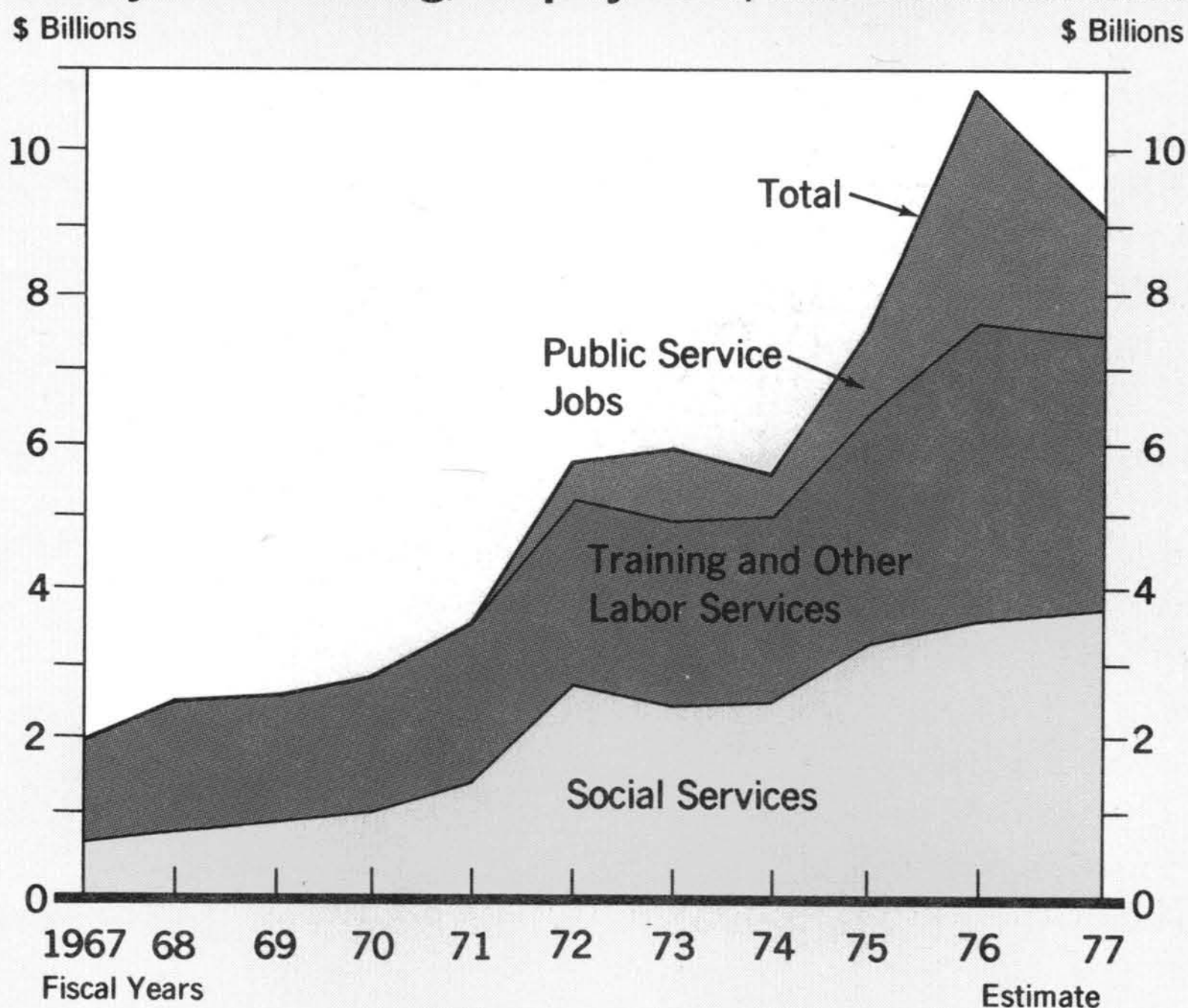
In order to focus this additional aid on areas with the greatest needs, funds would be distributed in areas with rates of unemployment over 6.5%.

In 1977, States and localities are estimated to spend about \$2 billion in Federal funds on regular programs developed under the Comprehensive Employment and Training Act of 1973 (CETA). These funds would provide about 515,000 years of institutional training, remedial education, on-the-job training, job development, job matching, vocational counseling, and related services.

The budget also provides \$440 million in budget authority for summer youth jobs in 1976 and \$400 million in 1977. Another \$400 million is provided for the Job Corps, programs for migrant workers and Indians, and other national training and employment programs.

Legislation to modify the work incentive (WIN) program would ensure that each employable recipient of aid to families with dependent children (AFDC) actively seeks a job. No work and training, and only limited child care and other supporting services, would be paid for by WIN. With these changes, out-

Outlays for Training, Employment, and Social Services



lays for this program are expected to total \$260 million in 1977, a reduction of \$55 million.

The cost of operating State offices that provide job-matching services to workers and employers is borne by the Federal Government. Outlays for the Employment Service in 1977 are estimated at \$569 million, \$20 million more than in 1976.

Grants to States for social services provide support for the delivery of services to the needy, with the goal of reducing their dependency. To promote greater flexibility and strengthen the initiative of State and local governments, a Financial Assistance for Community Services Act is proposed to eliminate the present 25% State matching requirement and other restrictions so States can operate their social service programs in the ways they find best serve the needy. Outlays for rehabilitation services are estimated to reach \$775 million in 1977, and \$401 million would be provided under programs to serve the elderly and other special groups.

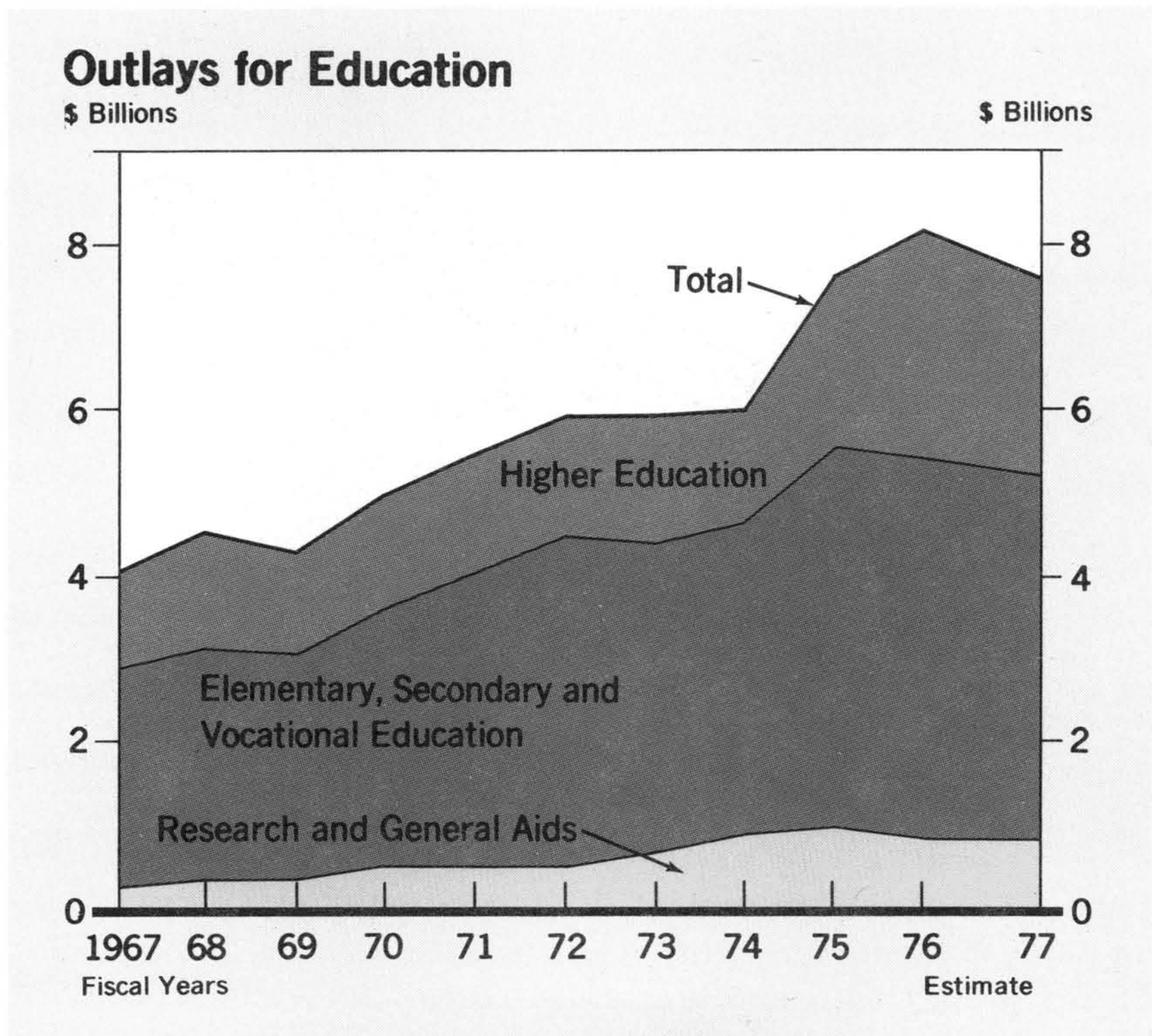
Education

Public education is primarily a State and local responsibility, but the Federal Government helps to assure educational opportunity and provides funds for special educational services for the handicapped and disadvantaged. Outlays for Federal educational programs are estimated to be \$7.6 billion in 1977.

Federal programs for elementary and secondary education provide grant-in-aid assistance, either through formula grants such as the program to assist disadvantaged children under Title I of the Elementary and Secondary Education Act, or specific, discretionary projects, to local and State educational agencies. Federal outlays for elementary, secondary, and vocational education programs are estimated to be \$4.4 billion in 1977. The 1977 budget includes a proposed Financial Assistance for Elementary and Secondary Education Act to consolidate 27 of these programs into a single flexible grant to States, without matching requirements, primarily for use in helping disadvantaged and handicapped children.

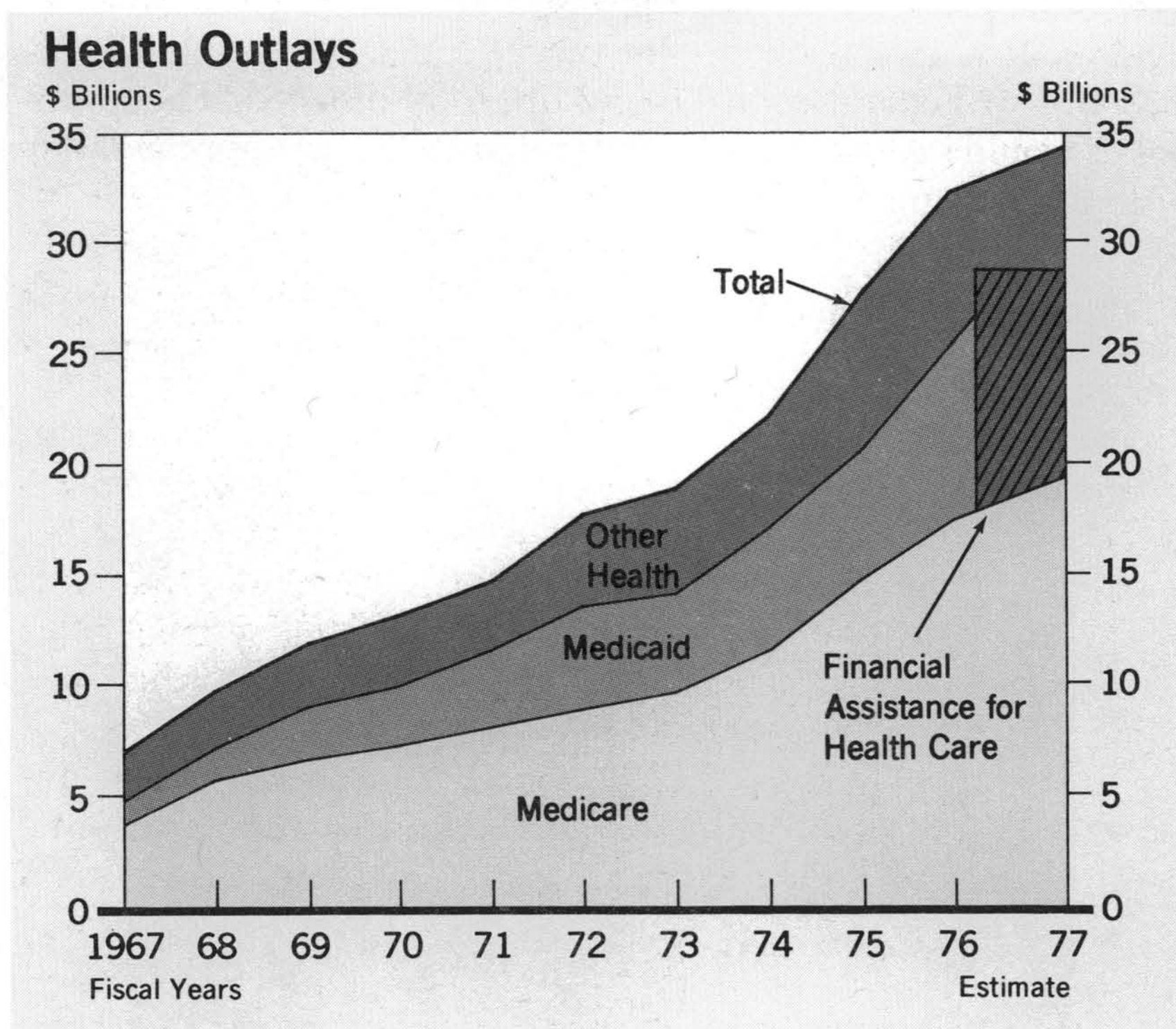
The Administration is again proposing to reform the impact aid program. Recognizing that Federal activities provide an economic benefit to host communities, the reform would limit Federal aid to those school districts where free education is provided

for children whose parents both live and work on Federal property. Since Federal property is exempt from local taxes, these families do not contribute to the cost of education, as other families do, and Federal contributions are fully justified. These proposals would save nearly \$285 million in 1977 and approximately \$330 million in 1978.



The Administration's program for higher education will place major emphasis on providing assistance directly to students, rather than to educational institutions. Budget authority of \$1.1 billion is requested for the basic educational opportunity grants program. This program will provide grants of up to \$1,400 each to support approximately 1.3 million undergraduate students in the 1977-78 school year. In addition, Federal funds are provided under the State student incentive grant program and the work-study program to assist needy students. The guaranteed student loan program will insure an estimated \$1.3 billion in loans to aid nearly 1 million students in the 1976-77 school year. Tax expenditures of over \$1.5 billion in 1977 also support higher education.

Health



Federal health programs include financing and providing health services (primarily for the aged and poor), research, prevention of health problems, and training of health personnel. Health outlays are expected to grow to \$34.4 billion in 1977, an increase of 7% over 1976, and to reach \$37.7 billion in 1978.

The 1977 budget proposes the Financial Assistance for Health Care Act which will consolidate medicaid and 15 categorical programs into a \$10 billion grant program with estimated outlays of \$9 billion. The grants will be allocated to the States under a formula based on factors, such as the low-income population, that will assure a more equitable distribution of Federal health spending. Funds must be used primarily to meet the health needs of low-income persons, but may also be used for other health purposes.

Proposed medicare outlays of \$19.6 billion in 1977, \$2.2 billion more than in 1976, will finance health insurance coverage for an estimated 25 million aged and disabled Americans. The proposed Medicare Improvements of 1976 will provide cata-

strophic expense protection under medicare by limiting beneficiaries' spending for covered expenses to \$500 per year for hospital and nursing home care and \$250 per year for physicians' services. The legislation will also increase beneficiaries' cost-sharing within these limits to provide incentives against excessive use of services, and will place a ceiling on medicare payments for hospital costs and doctors' charges. In total, these legislative proposals will help significantly to slow the inflation of health costs, reducing medicare outlays by \$2.2 billion in 1977 and \$3.5 billion in 1978.

Tax expenditures of over \$6 billion in 1977 will provide incentives for the purchase of health insurance and reduce the out-of-pocket costs of large medical expenses.

Health research outlays are estimated at \$2.2 billion in 1977. Growth in these programs will expand support of emerging fields of study such as immunology, the process of aging, and the effect of the environment upon health.

Outlays for training health personnel, estimated at \$594 million in 1977, will emphasize programs that best meet national needs by encouraging doctors to practice in areas with critical shortages and by increasing the number of personnel in family practice and other primary care fields.

Outlays for prevention and control of health problems are expected to be \$936 million in 1977. The budget emphasizes occupational safety and health, and food and drug safety programs.

Income Security

Income security programs provide payments to prevent living standards from falling below socially acceptable levels. Outlays for income security programs are estimated to increase \$8.6 billion to a total of \$137.1 billion in 1977, and to \$147.2 billion in 1978. About 35% of the 1977 budget is for income assistance.

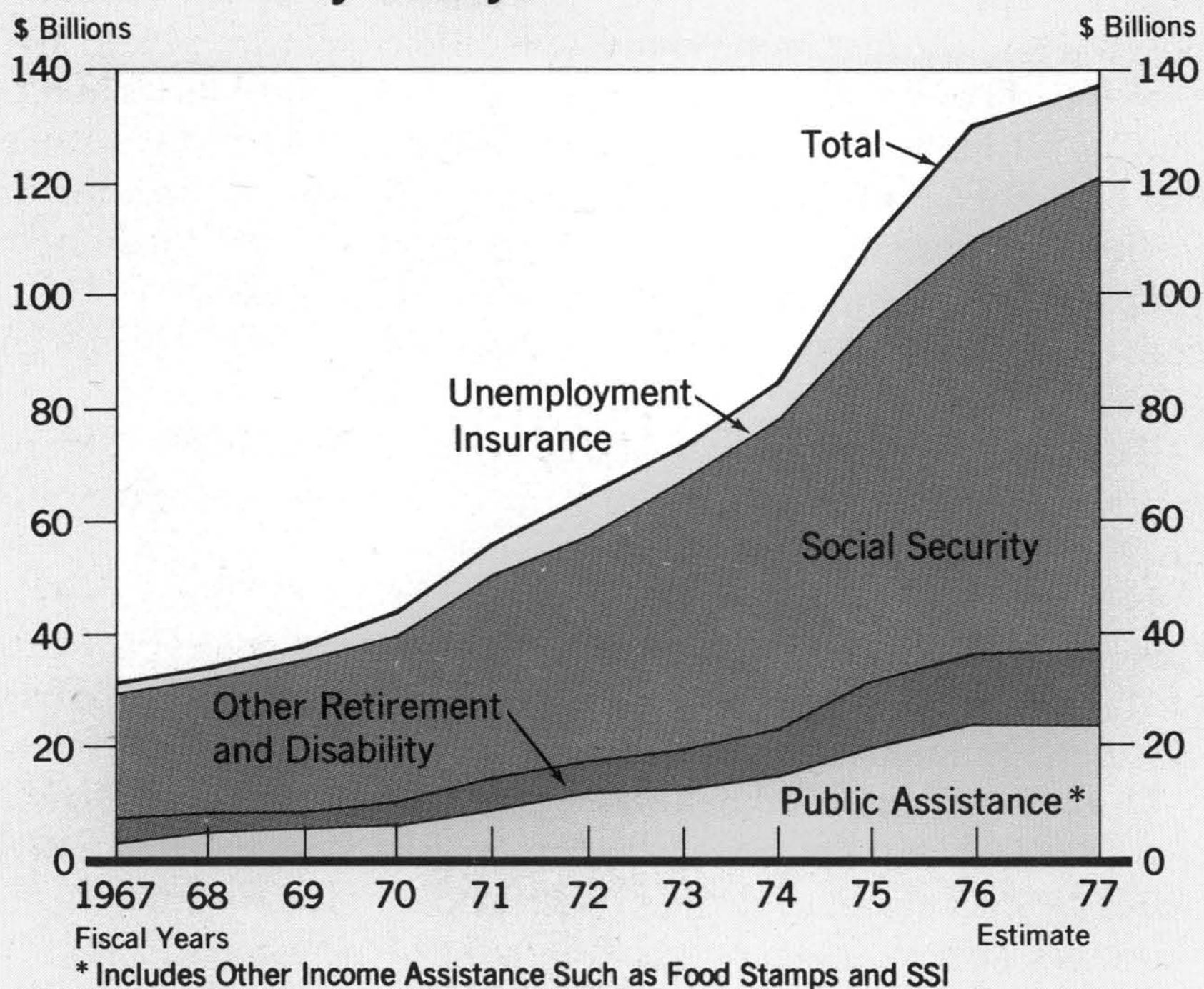
There are four types of Federal income security programs.

(1) Social security and retirement programs support retired or disabled citizens and approximately 35 million persons will receive benefits in 1977.

(2) Payments maintain basic family income during periods of temporary unemployment and it is estimated that more than 9.6 million workers will receive such payments in 1977.

(3) Cash benefits are provided to the needy not covered by the retirement and unemployment programs.

Income Security Outlays



(4) Finally, some income security assistance is provided through services rather than cash, notably for food and shelter.

Programs closely related to income security programs are discussed in other functions, namely: health, education, training, employment, and social services, and veterans benefits and services.

Income security benefits are generally excluded from income in personal income tax computations. This exclusion results in little or no loss of tax revenue from the poor, whom the income tax system largely excludes. However, substantial amounts of income security benefits go to persons with incomes above the poverty line, and significant tax expenditures result from these exclusions.

Social security is the world's largest retirement, survivors and disability insurance program, providing an average annuity of \$249 per month to retired workers in 1977. Total 1977 beneficiaries, including dependents and survivors, will be 32.6 million. Outlays for social security will increase \$10 billion in 1977 to \$82.7 billion. In order to reestablish the integrity of the social

security trust fund, an increase in social security taxes and other reforms are proposed.

The Administration will request authority under a proposed Income Assistance Simplification Act to improve and integrate the various programs aimed at the poor and needy. Modifications would be within carefully prescribed limits and subject to congressional disapproval. The objective of this proposal is to provide for an orderly transition from the present jumble of conflicting and overlapping programs to a more rational, equitable, and comprehensive approach to meeting these needs.

Other reforms are proposed in this budget. The proposed Child Nutrition Reform Act will replace the 15 existing categorical child nutrition programs with a single consolidated block grant to States. These programs have many conflicting, artificial, and costly regulations. Also, they provide substantial Federal subsidies to all children regardless of income. The new program will replace the current programs and target aid on the poor, including 700,000 children not now receiving program benefits. The food stamp program will be reformed to provide a more equitable distribution of benefits and restrict participation to those truly in need.

Under proposed legislation that has been submitted to the Congress, the unemployment insurance system will be expanded to provide coverage to 6 million more workers and to raise maximum unemployment benefits. Coverage of certain agricultural, domestic, and State and local government workers is proposed. Unemployment taxes will be raised to speed repayment of advances to the trust fund made to pay the Federal share of extended benefit programs.

Federal employees have a comprehensive retirement and disability system that provides benefits for 1.5 million individuals. This budget proposes to correct the automatic cost-of-living adjustment for military and civil service retired pay; the 1 percentage point bonus, which now results in retired pay increases that exceed the rate of inflation, will be eliminated.

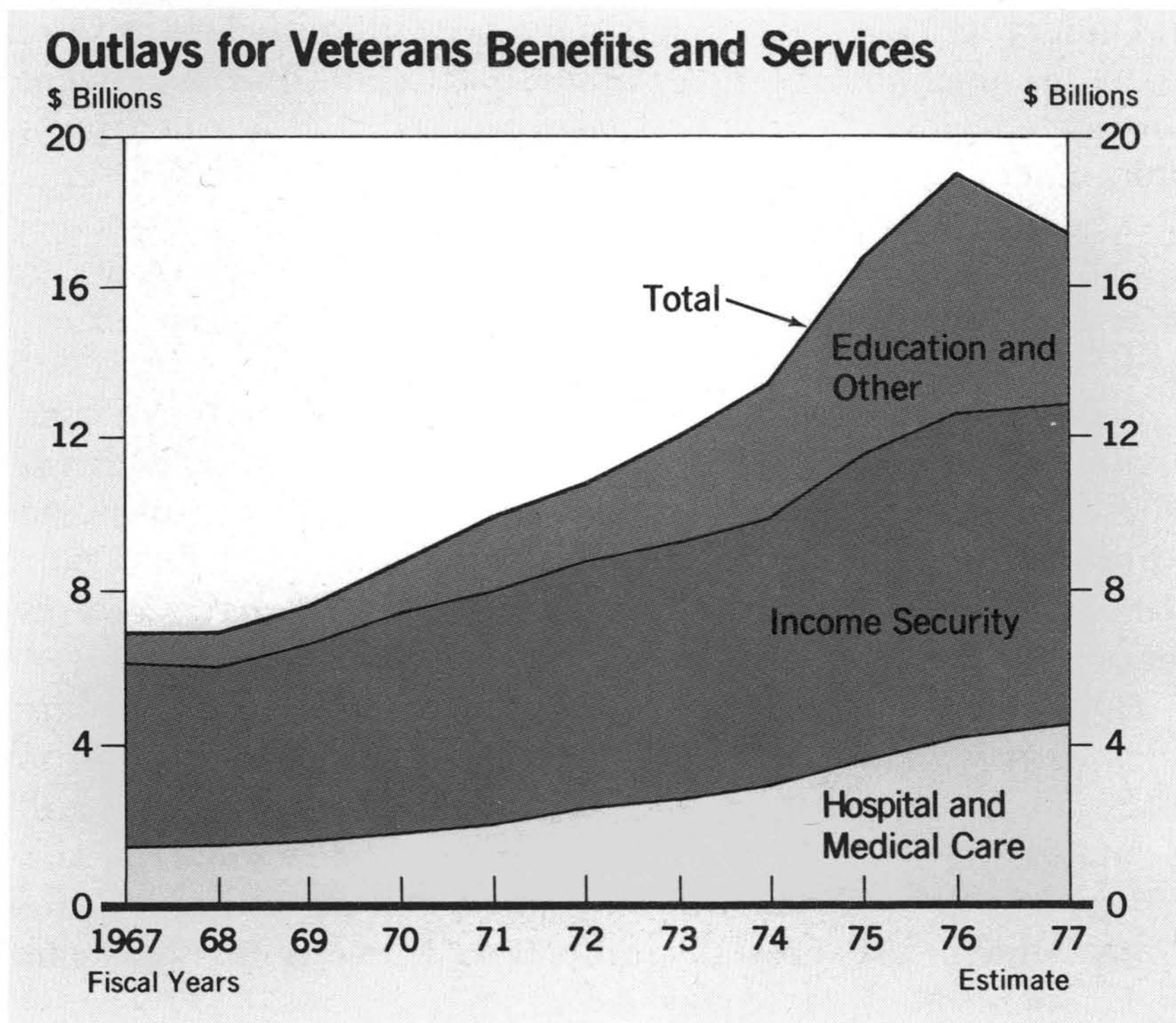
Housing subsidies will be approved for up to 506,000 dwelling units in 1977. These approvals will obligate the Government to make subsidy payments of over \$25 billion. These payments will be made over a 15–40 year period. The primary source of this assistance will be the new lower income housing assistance program, which subsidizes the difference between market rents and a percentage of tenant income.

Veterans Benefits and Services

The Federal Government provides benefits and services to veterans, their dependents and survivors. Outlays for veterans programs will total an estimated \$17.2 billion in 1977.

Compensation benefits, which are provided to veterans who are disabled as a result of military service, are expected to total \$5.2 billion in 1977. Pension benefits, based on need, are provided to wartime-service veterans who have non-service-connected disabilities or are aged and to their survivors. Outlays for pensions will total \$2.8 billion in 1977.

GI bill education benefits are designed primarily to assist veterans make the transition from military to civilian life by helping them get the education they might have gotten if they had not served their country in a national emergency. Pending legislation will eliminate VA education benefits for future All-Volunteer Force members and return education program eligibility for current active duty personnel to 8 years following separation. Outlays for veterans education benefits are estimated to be \$4.2 billion in 1977.

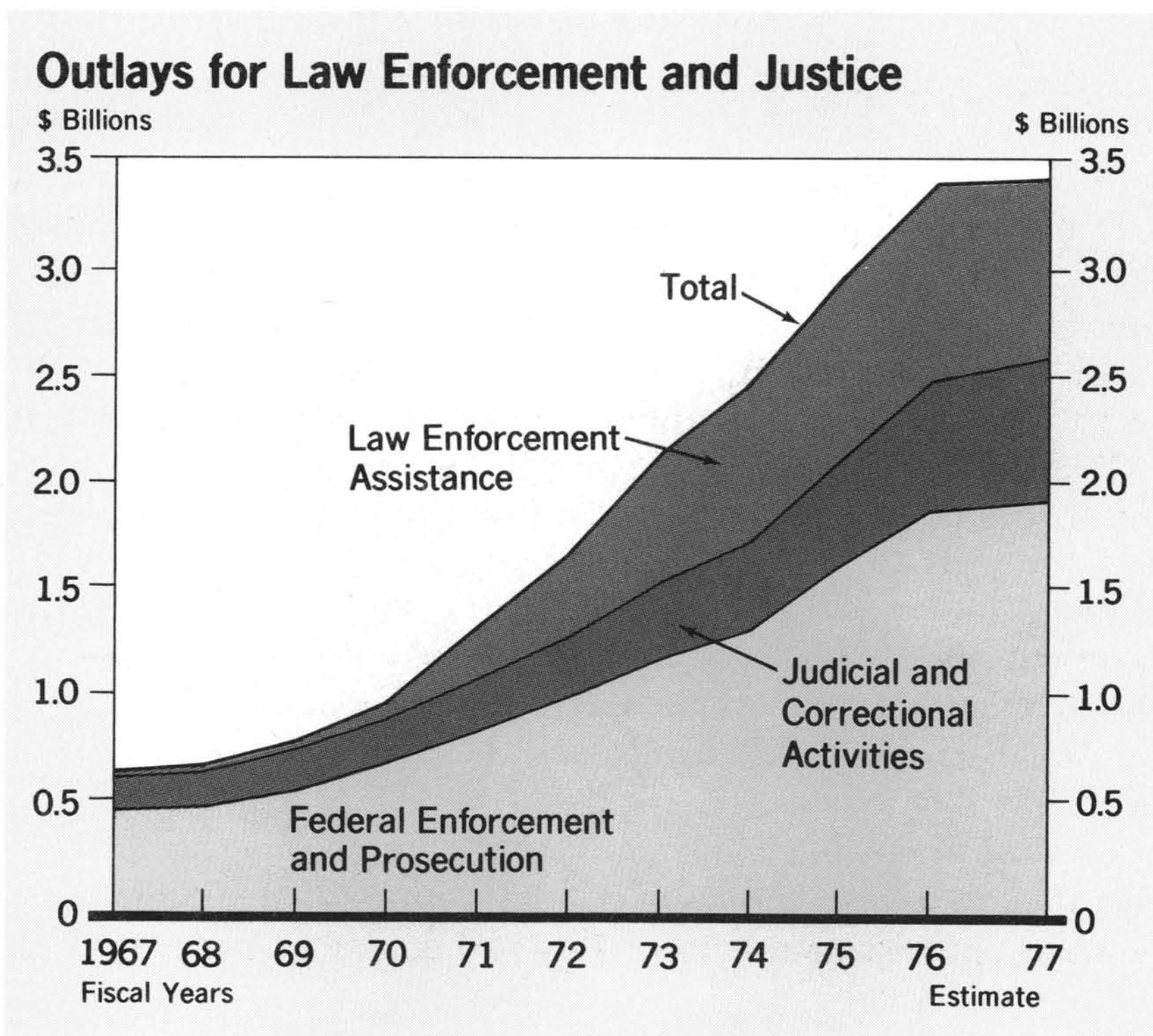


The 1977 budget includes funds to complete medical care staffing improvements recommended in the 1974 "Quality of Care" survey. Pending legislation will require health insurers to reimburse the VA for treatment of insured beneficiaries with non-service-connected disabilities. With enactment of this legislation, outlays for medical programs will be \$4.5 billion in 1977.

Law Enforcement and Justice

Proposed outlays for law enforcement and justice programs are \$3.4 billion in 1977—nearly the same as 1976. This includes \$834 million in technical and law enforcement assistance grants to State and local governments, which have the primary responsibility for law enforcement. Law enforcement assistance grants will decline by 8% in 1977, reflecting a more cautious and selective approach in this area. Emphasis will be placed on evaluation to determine the impact of these grant programs on the level of crime in the United States.

Within the Departments of Justice and Treasury, resources will be reallocated to emphasize apprehension and prosecution of



criminals. Legal staff in the U.S. attorneys' field offices will be expanded by 9% to handle burgeoning civil and criminal case-loads. New resources will also be devoted to the strengthening of antitrust enforcement programs. Vigorous enforcement of firearms laws will complement the President's legislative proposals for mandatory sentences for felons convicted of using illegal weapons, prohibitions on the manufacture and sale of "Saturday night specials," and a mandatory waiting period between purchase and receipt of handguns. Additional resources are included for the Drug Enforcement Administration to curtail sales and trade in illegal narcotics and dangerous drugs. The Immigration and Naturalization Service will redeploy staff to emphasize apprehension, detention, and deportation of illegal aliens.

Three correctional institutions will be activated and construction will begin on four new facilities to relieve overcrowding.

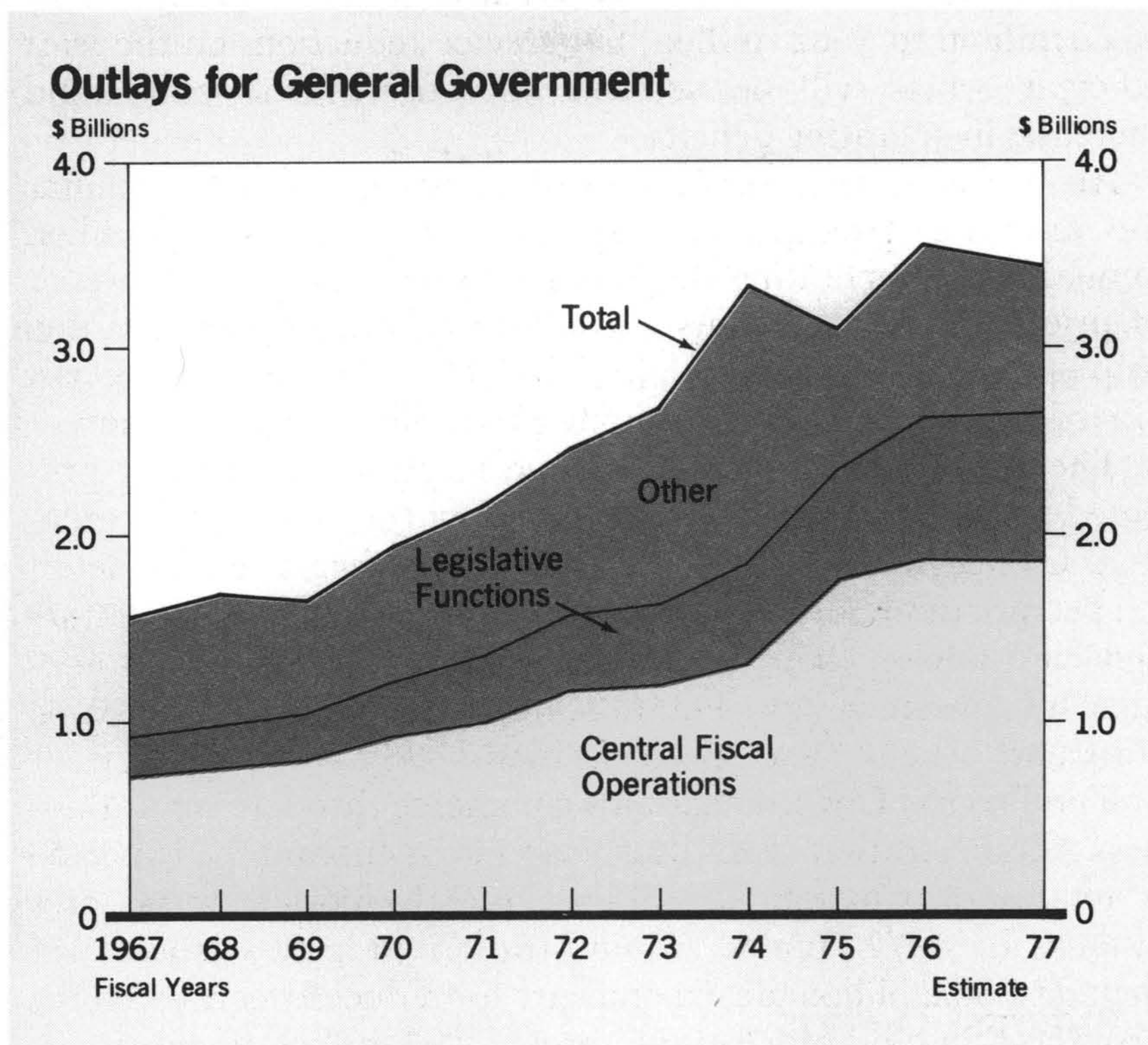
By law, the President's budget contains estimates of the judicial branch as submitted by that branch. Proposed outlays for judicial branch activities in this function are \$390 million.

General Government

General government programs encompass many fundamental Federal activities including those performed by the legislative branch, the Executive Office of the President, and administrative activities that cut across many programs. Internal Revenue Service programs make up nearly 50% of all outlays in this function. Staffing levels will be reduced to reflect expected productivity and management improvements and modest reductions in audit, collection, and other compliance activities.

By law, the President's budget contains estimates of the legislative branch as submitted by that branch. Proposed 1977 outlays for legislative branch activities in this function are \$841 million. Other program highlights of this function are the planned Office of Science and Technology Policy to advise the President, the proposed new territory of the Commonwealth of the Northern Mariana Islands, and the convening of a National Women's Conference.

Federal Financing Bank transactions are excluded from Federal budget totals. The Bank will have an estimated \$39 billion of loans and advances outstanding to Federal agencies in 1977.



General Revenue Sharing and Other Fiscal Assistance

General revenue sharing outlays will be \$6.6 billion in 1977. These payments are made to States and localities with minimal Federal restrictions and controls, thus allowing regional and local decisionmaking to better address regional and local needs. The Administration has recommended that the current program, which is scheduled to terminate during December 1976, be extended through 1982.

The Federal Government also returns part of certain taxes, and revenues generated from sale of timber, mineral leasing, grazing permits and camping fees to the jurisdictions in which they are collected. In addition, the District of Columbia will receive a payment of \$283 million in 1977 to compensate that government for burdens placed on it as the Nation's Capital.

The Treasury will make loans to New York City through the New York City Seasonal Financing Fund. These loans will facilitate New York City borrowing during periods when outlays ex-

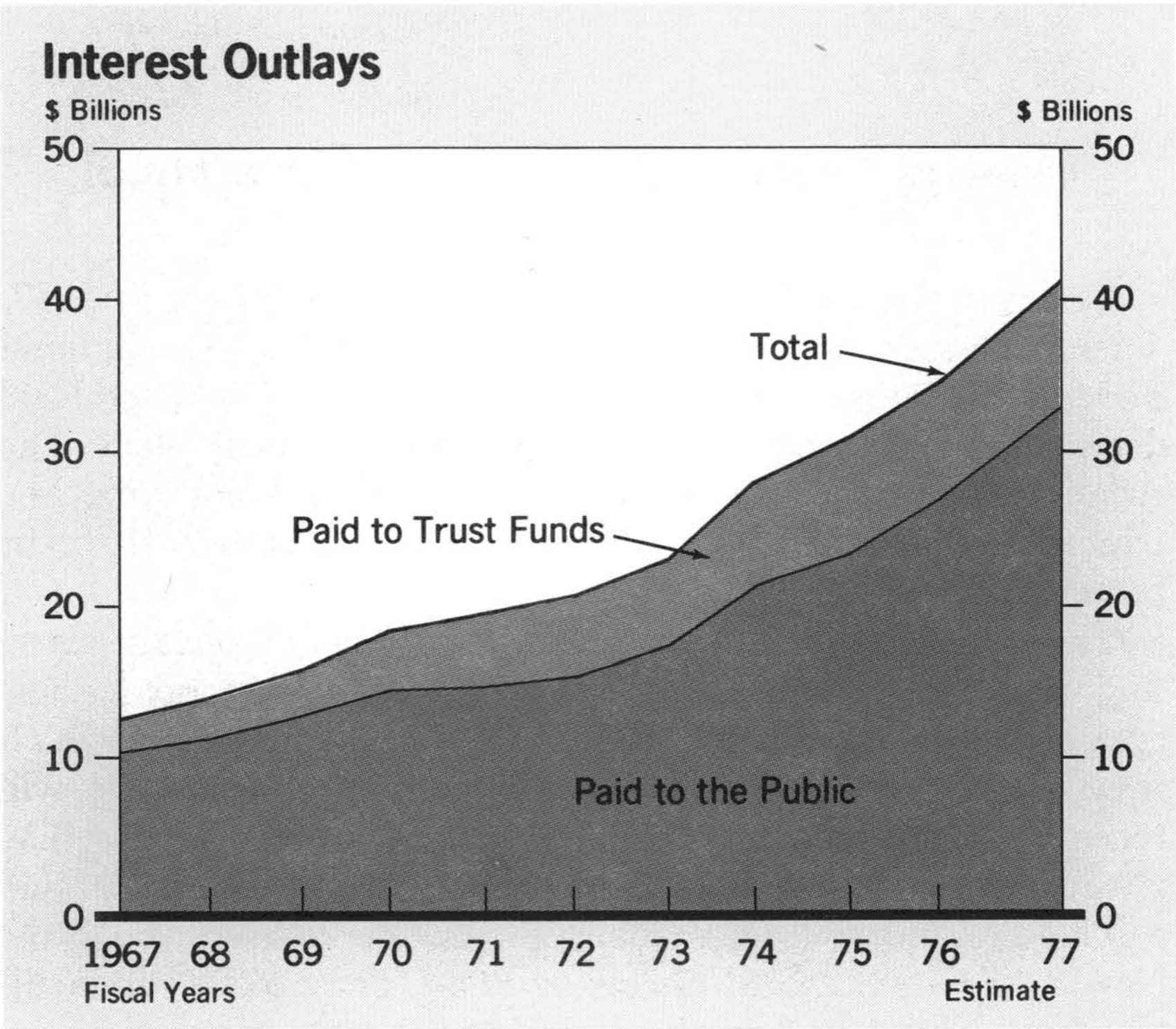
ceed revenues and must be repaid by the end of the City's fiscal year.

Two major tax expenditures provide fiscal assistance. The exclusion of interest on State and local debt instruments from Federal taxable income allows State and local governments to borrow at lower interest rates. The deductibility of State and local taxes from Federal taxable income allows individuals to partially offset their State and local tax liabilities against their Federal taxes. The associated revenue losses from these tax-expenditures are estimated to be \$4.5 and \$6.7 billion, respectively, in 1977.

Interest

Budget outlays for the interest function are estimated to rise by \$3.9 billion in 1976, and by another \$6.5 billion in 1977, reaching \$41.3 billion. These increases result primarily from the financing of estimated budget deficits of \$76 billion in 1976 and \$43 billion in 1977.

Interest paid on Government securities held by trust funds is deducted from budget totals as an undistributed offsetting receipt



to eliminate double counting of outlays. This deduction reduces 1977 interest outlays by \$8.4 billion for a net budget total of \$32.9 billion.

In addition, \$6.2 billion of the interest paid on Federal securities held by the Federal Reserve banks will be returned to the Treasury as miscellaneous receipts. Hence, the amount of interest in 1977 that must be financed from receipts or additional borrowing will be \$26.7 billion.

One significant tax expenditure is the optional deferral of taxes on interest income from U.S. savings bonds. Associated revenue losses are estimated to be \$0.7 billion in 1977.

Allowances

Allowances are included in the budget to cover civilian agency pay raises and contingencies. The outlay allowance for pay raises, due to take effect in October 1976, is \$760 million. Outlays for contingencies are \$200 million in 1976 and \$1.5 billion in 1977.

By law, Federal pay is adjusted annually on the basis of comparability with the private sector. The President's Panel on Federal Compensation has made a comprehensive review of the current comparability system and has made major recommendations for changing it. Some of these changes can be adopted through administrative action, while others require legislation. The budget estimates assume administrative actions that will reduce the average comparability increase, due in October 1976, from the earlier estimate of 11.5%, although the exact amount cannot as yet be determined.

Legislation will be proposed to initiate other reforms recommended by the President's pay panel. These include splitting the present General Schedule into two schedules and setting salaries in the new clerical and technical schedule on a locality basis. In addition, reform of laws governing wage-board pay rates that result in blue-collar workers earning more than their private sector counterparts will be proposed. The Panel also recommended further study to determine the feasibility of expanding the comparability principle to include fringe benefits as well as pay.

Consistent with the President's program of fiscal restraint, it presently appears necessary to limit the October 1976 pay increases for white-collar employees to 5%. Smaller increases may be received by some employees—consistent with changes in

the comparability process. For purposes of making budget estimates, it is assumed that all employees will receive at least a 3% increase. The President will make a final decision in late summer on the need for, and nature of, the pay restraint.

Undistributed Offsetting Receipts

Three offsetting collections are deducted from the budget as a whole, rather than within a function or account.

Employer share, employee retirement is composed of payments by Federal agencies to retirement funds of its employees. In 1977, contributions are estimated to be \$4.5 billion.

Most trust fund balances are—by law—invested in interest-bearing Federal debt securities. The interest received by trust nonrevolving funds is included as an undistributed deduction rather than being offset against the interest function. In 1977 these payments are estimated to be \$8.4 billion.

The Government plans to lease more lands off the west and gulf coasts in 1976, along with, for the first time, lands in the Gulf of Alaska. In the transition quarter, the Mid-Atlantic tracts off the east coast will be opened to exploration. Additional sales are planned in all areas in 1977 and will result in estimated receipts of \$6.0 billion in 1977.

PART V

THE BUDGET PROCESS

The budget sets forth the President's proposed financial plan of operation for the Federal Government. The process through which this plan is considered and put into effect is crucial to the determination of national priorities. This section describes that process, and the changes made in it by the Congressional Budget Act of 1974. This Act establishes new congressional budget procedures, requires new information in the President's budget, and—beginning with the upcoming 1977 fiscal year—shifts the fiscal year to an October 1 through September 30 basis.

The budget process has four interrelated phases: (1) executive formulation and transmittal, (2) congressional action, (3) budget execution and control, and (4) review and audit.

Executive formulation and control.—The President's transmittal of his budget proposals to the Congress is the result of many months of planning and analysis throughout the executive branch. Formulation of this budget, transmitted to the Congress in January 1976, began in the spring of 1975. Each spring, agency programs are evaluated, policy issues are identified, budget projections are made, and preliminary program plans are then presented to the President.

The President reviews the budget projections, and establishes general budget and fiscal policy guidelines for the fiscal year that begins over a year later, on October 1. Tentative policy determinations and planning targets are then given to the agencies as guidelines for the preparation of their budgets.

In the fall, agencies formulate their proposed budgets, which are reviewed in detail by the Office of Management and Budget and presented to the President in the context of overall fiscal policy issues. This budget—submitted to Congress in January, 1976—reflects the President's recommendations for individual programs, as well as total outlay and receipt levels appropriate

to the state of the economy. Supplemental budget requests and amendments may be submitted later to cover needs unforeseen at the time the budget was formulated.

As a result of the Congressional Budget Act, by November 10 the President must also submit current services estimates for the upcoming fiscal year. These estimates are projections of the budget authority and outlays required to continue existing programs in the upcoming fiscal year without any policy changes.

Congressional action.—The Congress, which has the power to change any of the President's recommendations, begins its formal review of the budget when the President submits his current services estimates. Review of these estimates is intended to lay a base for consideration of the President's January budget.

Before considering appropriations for a specific program, the Congress first enacts legislation that authorizes an agency to carry out that program. Such legislation authorizes an appropriation for the program, and, in some cases, sets a limit on the amount that can be appropriated.

Many programs are authorized for several years, or indefinitely; other programs, such as nuclear energy, defense procurement, and foreign affairs, require annual authorization. The granting of budget authority usually is a separate, subsequent action. In many cases, budget authority becomes available each year only as voted by the Congress. In other cases, the Congress has voted permanent budget authority, under which funds become available annually without further congressional action.

Under new procedures mandated by the Congressional Budget Act, the Congress is to consider budget totals prior to completing action on individual appropriations. The act requires that by March 15, the new House and Senate Budget Committees receive reports on budget estimates from all other congressional committees, as well as a fiscal policy report from the new Congressional Budget Office, by April 1. By May 15, the Congress adopts a concurrent resolution containing budget targets. By September 15, the Congress completes action on setting budget ceilings, and by September 25, the Congress completes action on any required reconciliation bill or resolution. A summary of the new congressional timetable is presented on the following page.

CONGRESSIONAL BUDGET TIMETABLE

On or before:

Action to be completed:

November 10_____	President submits current services budget.
15th day after Congress convenes ¹ _____	President submits his budget.
March 15_____	Committees submit reports to budget committees.
April 1_____	Congressional Budget Office submits report to budget committees.
April 15_____	Budget committees report first concurrent resolution on the budget to their Houses.
May 15_____	Committees report bills authorizing new budget authority.
May 15_____	Congress adopts first concurrent resolution on the budget.
7th day after Labor Day_____	Congress completes action on bills providing budget authority.
September 15_____	Congress completes actions on second required concurrent resolution on the budget.
September 25_____	Congress completes action reconciliation process implementing second concurrent resolution.
October 1_____	Fiscal year begins.

¹ Public Law 94-186 required the President's 1977 budget to be transmitted to Congress on January 21, 1976, 2 days after Congress convenes.

Congressional consideration of requests for appropriations and for changes in revenue laws follows an established pattern. They are considered first in the House of Representatives, where the Ways and Means Committee reviews proposed revenue measures and the Appropriations Committee, through its subcommittees, studies the proposals for appropriations. These committees then recommend the action to be taken by the House of Representatives. As the appropriations and tax bills are approved

by the House, they are forwarded to the Senate, where a similar process is followed. In case of disagreement between the two Houses of Congress, a conference committee (consisting of Members of both bodies) resolves the issues and submits a report to both Houses for approval. Measures are then transmitted to the President, in the form of an enrolled bill, for his approval or veto. When action on appropriations is not completed by the beginning of the fiscal year, the Congress may enact a "continuing resolution" to provide authority for the affected agencies to continue operations until their regular appropriations are approved.

Budget execution and control.—Once approved, the budget becomes the financial basis for the operations of agencies during the fiscal year. Most budget authority and other budgetary resources are made available by the Office of Management and Budget under an apportionment system that assures the effective and orderly use of available authority.

The Impoundment Control Act of 1974 provides that the executive branch may regulate the rate of spending by deferring the availability or proposing the rescission of budget authority, subject to the approval of the Congress. Deferrals, which are temporary withholdings of budget authority, cannot extend beyond the end of the fiscal year, and may be overturned by either House of the Congress at any time. Rescissions, which permanently cancel existing budget authority, must be enacted by the full Congress. If Congress does not approve a proposed rescission within 45 days of continuous session, the withheld funds must be made available for obligation.

Review and audit.—Individual agencies are responsible for assuring that the obligations they incur and the resulting outlays are in accordance with the laws and regulations. The Office of Management and Budget reviews program and financial reports and the General Accounting Office, a congressional agency, regularly audits, evaluates, and reports on Federal programs.

Relation of Budget Authority to Outlays

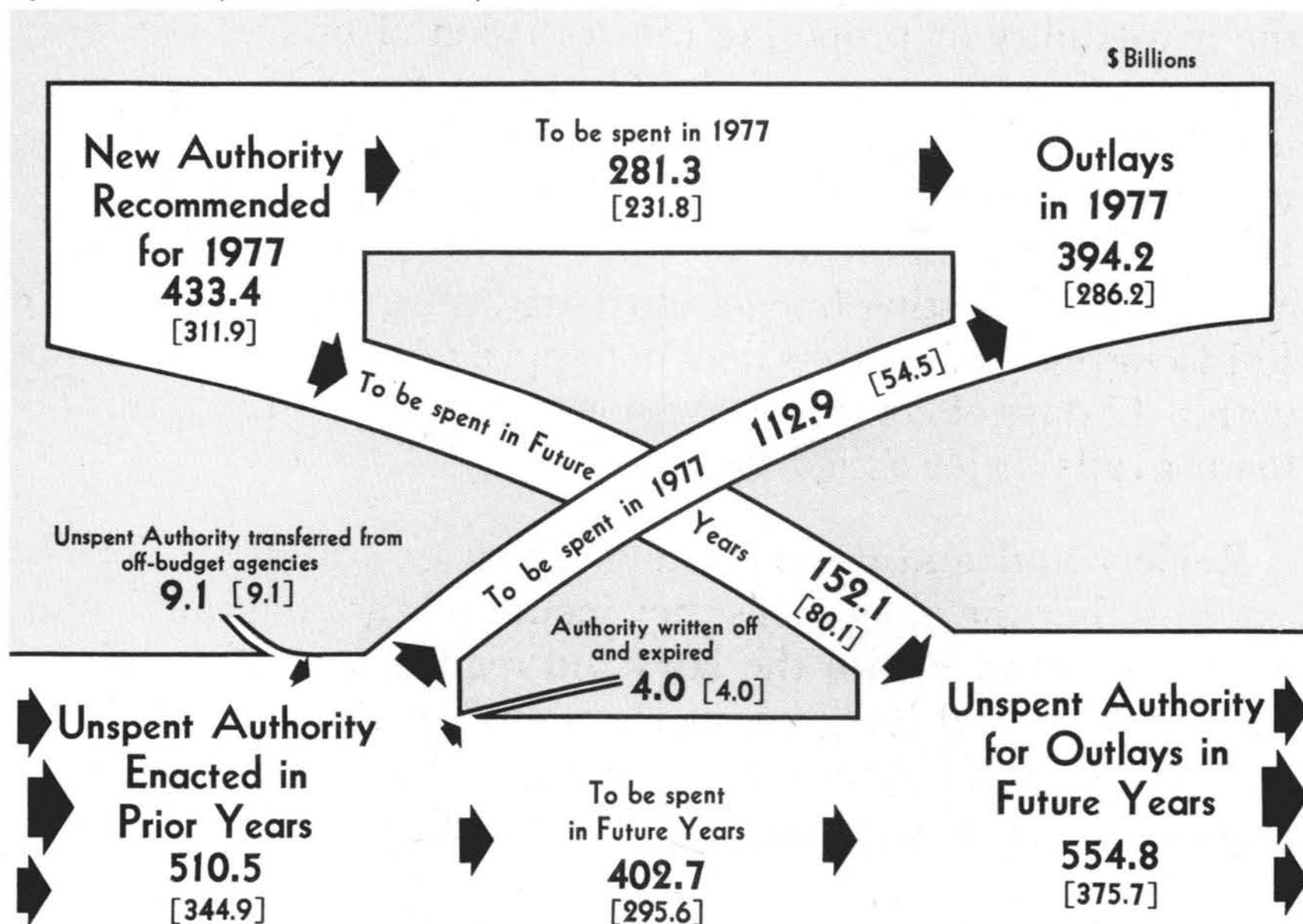
The budget authority appropriated by the Congress for a fiscal year generally exceeds the obligations or outlays from that authority within that year because:

- 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.

Relation of Budget Authority to Outlays—1977 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 interfund transactions between fund groups.

PART VI

BUDGET TABLES

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NOTES

- Backup data for charts in this book can be obtained from the Office of Management and Budget, Washington, D.C. 20503.
- More detailed budget tables are included in Part 8 of the *Budget of the United States Government, 1977*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1967-77 (in billions of dollars)

Description	Actual									Estimate		
	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977
Receipts and outlays:												
Receipts:												
Federal funds.....	111.8	114.7	143.3	143.2	133.8	148.8	161.4	181.2	187.5	198.4	54.8	230.8
Trust funds.....	42.9	44.7	52.0	59.4	66.2	73.0	92.2	104.8	118.6	134.8	33.8	157.7
Interfund transactions.....	-5.2	-5.8	-7.5	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-35.6	-6.6	-37.2
Total budget receipts.....	149.6	153.7	187.8	193.7	188.4	208.6	232.2	264.9	281.0	297.5	81.9	351.3
Outlays:												
Federal funds.....	126.8	143.1	148.8	156.3	163.7	178.0	186.4	198.7	238.5	276.9	69.8	286.2
Trust funds.....	36.7	41.5	43.3	49.1	59.4	67.1	81.4	90.8	111.2	132.2	34.9	145.2
Interfund transactions.....	-5.2	-5.8	-7.5	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-35.6	-6.6	-37.2
Total budget outlays.....	158.3	178.8	184.5	196.6	211.4	231.9	246.5	268.4	324.6	373.5	98.0	394.2
Surplus or deficit (-):												
Federal funds.....	-14.9	-28.4	-5.5	-13.1	-29.9	-29.1	-25.0	-17.5	-51.0	-78.5	-15.0	-55.5
Trust funds.....	6.2	3.2	8.7	10.3	6.8	5.9	10.7	14.0	7.4	2.5	-1.1	12.5
Total surplus or deficit.....	-8.7	-25.2	3.2	-2.8	-23.0	-23.2	-14.3	-3.5	-43.6	-76.0	-16.1	-43.0
Outstanding debt, end of year:												
Gross Federal debt.....	341.3	369.8	367.1	382.6	409.5	437.3	468.4	486.2	544.1	633.9	652.8	719.5
Held by:												
Government agencies.....	73.8	79.1	87.7	97.7	105.1	113.6	125.4	140.2	147.2	149.5	148.4	161.3
The public.....	267.5	290.6	279.5	284.9	304.3	323.8	343.0	346.1	396.9	484.4	504.4	558.2
Federal Reserve System.....	46.7	52.2	54.1	57.7	65.5	71.4	75.2	80.6	85.0	NA	NA	NA
Others.....	220.8	238.4	225.4	227.2	238.8	252.3	267.9	265.4	311.9	NA	NA	NA

NA=Not available.

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1968-77 (in billions of dollars)

Description	Actual								Estimate		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977
RECEIPTS BY SOURCE											
Individual income taxes.....	68.7	87.2	90.4	86.2	94.7	103.2	119.0	122.4	130.8	40.0	153.6
Corporation income taxes.....	28.7	36.7	32.8	26.8	32.2	36.2	38.6	40.6	40.1	8.4	49.5
Social insurance taxes and contributions.....	34.6	39.9	45.3	48.6	53.9	64.5	76.8	86.4	92.6	25.2	113.1
Excise taxes.....	14.1	15.2	15.7	16.6	15.5	16.3	16.8	16.6	16.9	4.4	17.8
Estate and gift taxes.....	3.1	3.5	3.6	3.7	5.4	4.9	5.0	4.6	5.1	1.4	5.8
Customs duties.....	2.0	2.3	2.4	2.6	3.3	3.2	3.3	3.7	3.8	1.0	4.3
Miscellaneous receipts.....	2.5	2.9	3.4	3.9	3.6	3.9	5.4	6.7	8.3	1.5	7.2
Total receipts.....	153.7	187.8	193.7	188.4	208.6	232.2	264.9	281.0	297.5	81.9	351.3
OUTLAYS BY FUNCTION											
National defense ¹	79.4	80.2	79.3	76.8	77.4	75.1	78.6	86.6	92.8	25.0	101.1
International affairs.....	4.6	3.8	3.6	3.1	3.7	3.0	3.6	4.4	5.7	1.3	6.8
General science, space, and technology.....	5.5	5.0	4.5	4.2	4.2	4.0	4.0	4.0	4.3	1.2	4.5
Natural resources, environment, and energy..	4.0	3.9	4.0	4.9	5.5	5.9	6.6	9.5	11.8	3.3	13.8
Agriculture.....	4.5	5.8	5.2	4.3	5.3	4.9	2.2	1.7	2.9	.7	1.7
Commerce and transportation.....	10.6	7.1	9.1	10.4	10.6	9.9	13.1	16.0	17.8	4.8	16.5
Community and regional development.....	1.9	2.2	3.2	3.6	4.3	5.5	4.9	4.4	5.8	1.5	5.5
Education, training, employment, and social services.....	7.0	6.9	7.9	9.0	11.7	11.9	11.6	15.2	18.9	4.4	16.6
Health.....	9.7	11.8	13.1	14.7	17.5	18.8	22.1	27.6	32.1	8.3	34.4
Income security.....	33.7	37.3	43.1	55.4	63.9	73.0	84.4	108.6	128.5	32.7	137.1
Veterans benefits and services.....	6.9	7.6	8.7	9.8	10.7	12.0	13.4	16.6	19.0	4.4	17.2
Law enforcement and justice.....	.6	.8	1.0	1.3	1.6	2.1	2.5	2.9	3.4	.9	3.4
General government.....	1.7	1.6	1.9	2.2	2.5	2.7	3.3	3.1	3.5	1.0	3.4
Revenue sharing and general purpose fiscal assistance.....	.3	.4	.5	.5	.5	7.2	6.7	7.0	7.2	2.0	7.4
Interest.....	13.8	15.8	18.3	19.6	20.6	22.8	28.1	31.0	34.8	9.8	41.3
Allowances ².....	.....	.....	.....	.....	.....	.....	.....	.....	.2	.2	2.3
Undistributed offsetting receipts.....	-5.5	-5.5	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-15.2	-3.6	-18.8
Total outlays.....	178.8	184.5	196.6	211.4	231.9	246.5	268.4	324.6	373.5	98.0	394.2

¹ Includes civilian and military pay raises for the Department of Defense.

² Includes allowances for civilian agency pay raises and contingencies for relatively uncontrollable programs and other requirements.

Table 3. PERCENTAGE DISTRIBUTION OF BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1968-77

Description	Actual								Estimate		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977
RECEIPTS BY SOURCE											
Individual income taxes.....	44.7	46.5	46.7	45.8	45.4	44.5	44.9	43.6	44.0	48.8	43.7
Corporation income taxes.....	18.7	19.5	16.9	14.2	15.4	15.6	14.6	14.4	13.5	10.3	14.1
Social insurance taxes and contributions....	22.5	21.3	23.4	25.8	25.8	27.8	29.0	30.7	31.1	30.8	32.2
Excise taxes.....	9.2	8.1	8.1	8.8	7.4	7.0	6.4	5.9	5.6	5.4	5.1
Estate and gift taxes.....	2.0	1.9	1.9	2.0	2.6	2.1	1.9	1.6	1.7	1.7	1.7
Customs duties.....	1.3	1.2	1.3	1.4	1.6	1.4	1.3	1.3	1.3	1.2	1.2
Miscellaneous receipts.....	1.6	1.5	1.8	2.0	1.7	1.7	2.0	2.4	2.8	1.8	2.0
Total receipts.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
OUTLAYS BY FUNCTION											
National defense ¹	44.4	43.5	40.3	36.3	33.4	30.5	29.3	26.7	24.8	25.5	25.6
International affairs.....	2.6	2.1	1.8	1.5	1.6	1.2	1.3	1.4	1.5	1.3	1.7
General science, space, and technology.....	3.1	2.7	2.3	2.0	1.8	1.6	1.5	1.2	1.2	1.2	1.1
Natural resources, environment, and energy..	2.2	2.1	2.1	2.3	2.4	2.4	2.4	2.9	3.2	3.4	3.5
Agriculture.....	2.5	3.1	2.6	2.0	2.3	2.0	.8	.5	.8	.7	.4
Commerce and transportation.....	5.9	3.8	4.6	4.9	4.6	4.0	4.9	4.9	4.8	4.9	4.2
Community and regional development.....	1.1	1.2	1.6	1.7	1.8	2.2	1.8	1.4	1.6	1.5	1.4
Education, training, employment, and social services.....	3.9	3.7	4.0	4.3	5.0	4.8	4.3	4.7	5.1	4.5	4.2
Health.....	5.4	6.4	6.6	7.0	7.5	7.6	8.2	8.5	8.6	8.5	8.7
Income security.....	18.8	20.2	21.9	26.2	27.6	29.6	31.5	33.5	34.4	33.4	34.8
Veterans benefits and services.....	3.8	4.1	4.4	4.6	4.6	4.9	5.0	5.1	5.1	4.5	4.4
Law enforcement and justice.....	.4	.4	.5	.6	.7	.9	.9	.9	.9	.9	.9
General government.....	.9	.9	1.0	1.0	1.1	1.1	1.2	1.0	.9	1.0	.9
Revenue sharing and general purpose fiscal assistance.....	.2	.2	.2	.2	.2	2.9	2.5	2.2	1.9	2.0	1.9
Interest.....	7.7	8.6	9.3	9.3	8.9	9.3	10.5	9.6	9.3	10.0	10.5
Allowances ².....	.....	.....	.....	.....	.....	.....	.....	.....	.1	.2	.6
Undistributed offsetting receipts.....	-3.1	-3.0	-3.3	-4.0	-3.5	-5.0	-6.2	-4.3	-4.1	-3.7	-4.8
Total outlays.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Includes civilian and military pay raises for the Department of Defense.² Includes allowances for civilian agency pay raises and contingencies for relatively uncontrollable programs and other requirements.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1968-77 (in billions of dollars)

Function and subfunction	Actual							Estimate		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ 1977
National defense:										
Department of Defense—Military:										
Military personnel.....	19.9	21.4	23.0	22.6	23.0	23.2	23.7	25.0	25.5	6.7 25.2
Retired military personnel.....	2.1	2.4	2.8	3.4	3.9	4.4	5.1	6.2	7.3	2.0 8.4
Operation and maintenance.....	20.6	22.2	21.6	20.9	21.7	21.1	22.5	26.3	28.3	7.6 30.7
Procurement.....	23.3	24.0	21.6	18.9	17.1	15.7	15.2	16.0	16.5	5.0 20.3
Research and development.....	7.7	7.5	7.2	7.3	7.9	8.2	8.6	8.9	9.1	2.5 10.4
Military construction and other ¹	4.0	.5	1.1	1.6	1.7	.9	2.6	2.8	3.2	.7 4.7
Deductions for offsetting receipts.....	-.2	-.1	-.1	-.1	-.1	-.1	-.2	-.2	-.1	-* -.2
Subtotal, Department of Defense—Military.....	77.4	77.9	77.2	74.5	75.2	73.3	77.6	85.0	89.8	24.5 99.6
Military assistance.....	.7	.8	.7	1.0	.8	.5	.8	1.0	1.4	.1 .5
Atomic energy defense activities.....	1.3	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.6	.4 1.8
Defense-related activities.....	.1	.2	-*	-.1	*	-.2	-1.3	-.9	-.1	-* -.8
Deductions for offsetting receipts.....	-*	-*	-*	-*	-*	-*	-*	-*	-*	-* -*
Total national defense.....	79.4	80.2	79.3	76.8	77.4	75.1	78.6	86.6	92.8	25.0 101.1
International affairs:										
Foreign economic and financial assistance..	3.5	3.1	2.9	2.9	3.2	2.9	2.9	3.7	5.0	1.0 4.7
Conduct of foreign affairs.....	.4	.4	.4	.4	.5	.5	.6	.7	.8	.3 .9
Foreign information and exchange activities.	.3	.2	.2	.2	.3	.3	.3	.3	.4	.1 .4
International financial programs ².....	.8	.2	.2	-.2	*	-*	-*	-*	-*	..... 1.3
Deductions for offsetting receipts.....	-.2	-.2	-.2	-.3	-.3	-.6	-.2	-.3	-.4	-.1 -.5
Total international affairs.....	4.6	3.8	3.6	3.1	3.7	3.0	3.6	4.4	5.7	1.3 6.8

See footnotes at end of table.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1968-77 (in billions of dollars)—Continued

Function and subfunction	Actual								Estimate		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977
General science, space, and technology:											
General science and basic research.....	.9	.9	.9	1.0	1.0	1.0	1.0	1.0	1.1	.3	1.2
Manned space flight.....	3.1	2.8	2.2	1.9	1.7	1.5	1.5	1.5	1.7	.5	1.9
Space science, applications, and technology.	1.1	.9	1.0	.9	1.1	1.2	1.2	1.1	1.1	.3	1.1
Supporting space activities.....	.4	.4	.4	.4	.3	.3	.3	.3	.3	.1	.3
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology.....	5.5	5.0	4.5	4.2	4.2	4.0	4.0	4.0	4.3	1.2	4.5
Natural resources, environment, and energy:											
Water resources and power.....	1.8	1.7	1.7	2.1	2.3	2.5	2.5	3.3	3.8	1.2	3.9
Conservation and land management.....	.7	.6	.7	.9	.8	.7	.7	1.3	1.3	.5	1.0
Recreational resources.....	.3	.4	.4	.5	.5	.6	.7	.8	.9	.2	1.0
Pollution control and abatement.....	.2	.3	.4	.7	.8	1.1	2.0	2.5	3.1	.8	4.4
Energy.....	1.0	1.0	.9	.8	1.0	1.0	.6	1.6	2.6	.6	3.4
Other natural resources.....	.4	.4	.4	.5	.6	.6	.7	.8	.9	.2	.9
Deductions for offsetting receipts.....	— .4	— .4	— .5	— .5	— .5	— .5	— .7	— .8	— .8	— .3	— .8
Total natural resources, environment, and energy.....	4.0	3.9	4.0	4.9	5.5	5.9	6.6	9.5	11.8	3.3	13.8
Agriculture:											
Farm income stabilization.....	4.0	5.3	4.6	3.7	4.6	4.1	1.5	.8	1.9	.5	.7
Agricultural research and services.....	.5	.5	.6	.6	.7	.8	.8	.9	1.0	.3	1.0
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total agriculture.....	4.5	5.8	5.2	4.3	5.3	4.9	2.2	1.7	2.9	.7	1.7
Commerce and transportation:											
Mortgage credit and thrift insurance.....	2.8	— .6	.1	— .3	—*	—1.2	1.5	2.8	1.3	.3	— .6
Postal Service.....	1.1	.9	1.5	2.2	1.8	1.6	1.7	1.9	1.7	.4	1.5
Other advancement and regulation of commerce.....	.5	.2	.5	.5	.5	.6	.7	.9	.9	.2	.9

Ground transportation	4.4	4.4	4.7	5.2	5.4	5.6	5.6	6.5	9.5	2.7	10.1
Air transportation	1.1	1.2	1.4	1.8	1.9	2.2	2.2	2.4	2.7	.7	2.8
Water transportation . . . . .	.9	.9	.9	1.1	1.1	1.2	1.4	1.5	1.7	.4	1.9
Other transportation	*	*	*	*	*	.1	.1	.1	.1	*	.1
Deductions for offsetting receipts	—*	—*	—*	— .1	—*	— .1	— .1	— .1	— .1	—*	— .1
Total commerce and transportation . .	10.6	7.1	9.1	10.4	10.6	9.9	13.1	16.0	17.8	4.8	16.5
Community and regional development:											
Community development	1.3	1.6	2.3	2.6	3.1	3.1	3.0	3.1	3.9	1.0	3.7
Area and regional development . . . . .	.4	.6	.6	.7	.8	.9	1.1	.9	1.4	.4	1.3
Disaster relief and insurance . . . . .	.1	*	.3	.4	.4	1.6	.8	.4	.6	.1	.6
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional development	1.9	2.2	3.2	3.6	4.3	5.5	4.9	4.4	5.8	1.5	5.5
Education, training, employment, and social services:											
Elementary, secondary, and vocational education	2.8	2.7	3.1	3.5	4.0	3.7	3.8	4.6	4.6	1.0	4.4
Higher education	1.4	1.2	1.4	1.4	1.4	1.5	1.3	2.1	2.7	.4	2.3
Research and general education aids . . . . .	.3	.3	.5	.5	.5	.7	.9	.9	.8	.2	.8
Training and employment	1.6	1.6	1.6	2.0	2.9	3.3	2.9	4.1	6.9	1.8	5.0
Other labor services . . . . .	.1	.1	.1	.2	.2	.2	.2	.3	.3	.1	.4
Social services . . . . .	.8	.9	1.1	1.4	2.7	2.5	2.5	3.3	3.6	.9	3.7
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total education, training, employment, and social services	7.0	6.9	7.9	9.0	11.7	11.9	11.6	15.2	18.9	4.4	16.6
Health:											
Health care services	7.6	9.5	10.6	12.1	14.5	15.5	18.5	23.4	27.6	7.3	21.3
Health research and education	1.4	1.5	1.6	1.7	2.0	2.3	2.3	2.7	3.0	.7	2.8
Prevention and control of health problems . . . . .	.3	.3	.4	.5	.5	.6	.8	.9	1.0	.3	.9
Health planning and construction . . . . .	.4	.4	.5	.5	.4	.4	.5	.7	.6	.1	.4
General health financing assistance . . . . .	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	9.0
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total health	9.7	11.8	13.1	14.7	17.5	18.8	22.1	27.6	32.1	8.3	34.4

See footnotes at end of table.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1968-77 (in billions of dollars)—Continued

Function and subfunction	Actual								Estimate		
	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977
Income security:											
General retirement and disability insurance.	24.6	28.3	31.3	37.5	42.0	51.7	58.6	69.4	77.2	21.1	87.4
Federal employee retirement and disability.	2.7	1.7	2.7	3.2	3.8	4.5	5.6	7.0	8.3	2.3	10.0
Unemployment insurance.....	2.4	2.6	3.4	6.2	7.1	5.4	6.1	13.5	19.4	4.0	16.9
Public assistance and other income supplements.....	4.1	4.7	5.7	8.6	11.1	11.4	14.1	18.8	23.6	5.4	22.9
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total income security.....	33.7	37.3	43.1	55.4	63.9	73.0	84.4	108.6	128.5	32.7	137.1
Veterans benefits and services:											
Income security for veterans.....	4.5	5.0	5.5	6.0	6.3	6.5	6.8	7.9	8.4	2.1	8.3
Veterans education, training, and rehabilitation.....	.5	.7	1.0	1.7	2.0	2.8	3.2	4.6	6.0	1.1	4.2
Hospital and medical care for veterans....	1.5	1.6	1.8	2.0	2.4	2.7	3.0	3.7	4.1	1.0	4.5
Veterans housing.....	.2	.1	.1	— .2	— .3	— .4	—*	*	— .1	*	— .4
Other veterans benefits and services.....	.2	.2	.3	.3	.3	.4	.4	.5	.6	.1	.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services...	6.9	7.6	8.7	9.8	10.7	12.0	13.4	16.6	19.0	4.4	17.2
Law enforcement and justice:											
Federal law enforcement and prosecution..	.5	.6	.7	.8	1.0	1.2	1.3	1.6	1.9	.5	1.9
Federal judicial activities.....	.1	.1	.1	.1	.2	.2	.2	.3	.3	.1	.4
Federal correctional and rehabilitative activities.....	.1	.1	.1	.1	.1	.2	.2	.2	.3	.1	.3
Law enforcement assistance.....	*	*	.1	.2	.4	.6	.8	.9	.9	.3	.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total law enforcement and justice...	.6	.8	1.0	1.3	1.6	2.1	2.5	2.9	3.4	.9	3.4
General government:											
Legislative functions.....	.2	.3	.3	.3	.4	.4	.5	.6	.8	.2	.8
Executive direction and management.....	*	*	*	*	.1	.1	.1	.1	.1	*	.1
Central fiscal operations.....	.8	.8	.9	1.0	1.2	1.2	1.3	1.8	1.9	.5	1.9

General property and records management.	.6	.6	.6	.6	.7	.9	1.0	.4	.3	.1	.3
Central personnel management.....	*	*	*	.1	.1	.1	.1	.1	.1	*	.1
Other general government.....	.2	.1	.2	.2	.2	.2	.4	.5	.6	.2	.5
Deductions for offsetting receipts.....	-.2	-.2	-.1	-.1	-.1	-.2	-.2	-.3	-.2	-*	-.2
Total general government.....	1.7	1.6	1.9	2.2	2.5	2.7	3.3	3.1	3.5	1.0	3.4
Revenue sharing and general purpose fiscal assistance:											
General revenue sharing.....	.....	.....	.....	.....	.....	6.6	6.1	6.1	6.3	1.6	6.6
Other general purpose fiscal assistance.....	.3	.4	.5	.5	.5	.6	.6	.9	.9	.4	.8
Total revenue sharing and general purpose fiscal assistance.....	.3	.4	.5	.5	.5	7.2	6.7	7.0	7.2	2.0	7.4
Interest:											
Interest on the public debt.....	14.6	16.6	19.3	21.0	21.8	24.2	29.3	32.7	37.7	10.4	45.0
Other interest.....	-.8	-.8	-1.0	-1.4	-1.3	-1.4	-1.2	-1.7	-2.9	-.6	-3.7
Total interest.....	13.8	15.8	18.3	19.6	20.6	22.8	28.1	31.0	34.8	9.8	41.3
Allowances:											
Civilian agency pay raises.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.8
Contingencies for:											
Relatively uncontrollable programs.....	.....	.....	.....	.....	.....	.....	.....	.....	0	0	0
Other requirements.....	.....	.....	.....	.....	.....	.....	.....	.....	.2	.2	1.5
Total allowances.....	.....	.....	.....	.....	.....	.....	.....	.....	.2	.2	2.3
Undistributed offsetting receipts:											
Employer share, employee retirement.....	-1.8	-2.0	-2.4	-2.6	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.5
Interest received by trust funds.....	-2.7	-3.1	-3.9	-4.8	-5.1	-5.4	-6.6	-7.7	-8.0	-2.1	-8.4
Rents and royalties on the Outer Continental Shelf.....	-1.0	-.4	-.2	-1.1	-.3	-4.0	-6.7	-2.4	-3.0	-.5	-6.0
Total undistributed offsetting receipts.....	-5.5	-5.5	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-15.2	-3.6	-18.8
Total outlays.....	178.8	184.5	196.6	211.4	231.9	246.5	268.4	324.6	373.5	98.0	394.2

*Less than \$50 million.

¹ Includes allowances for civilian and military pay raises for Department of Defense.

² The Export-Import Bank, included in this subfunction, was excluded from the budget by law as of August 17, 1971, but is included in the budget as of October 1, 1976.

Table 5. BUDGET AUTHORITY AND OUTLAYS BY AGENCY, 1975-77 (in millions of dollars)

Department or other unit	Budget authority				Outlays			
	1975 actual	1976 estimate	TQ estimate	1977 estimate	1975 actual	1976 estimate	TQ estimate	1977 estimate
Legislative branch.....	767	887	218	936	726	902	223	959
The Judiciary.....	313	347	87	394	284	342	94	391
Executive Office of the President.....	76	70	18	73	93	89	19	73
Funds appropriated to the President.....	8,726	9,055	214	6,447	3,988	5,142	825	3,958
Agriculture.....	15,210	14,680	2,388	11,822	9,722	14,213	3,261	10,753
Commerce.....	1,793	2,282	480	1,659	1,583	1,989	553	2,162
Defense—Military ¹	85,812	96,202	22,980	111,250	85,020	89,763	24,471	99,561
Defense—Civil.....	1,798	2,141	658	2,191	2,051	2,151	710	2,175
Health, Education, and Welfare.....	116,729	125,297	34,495	145,029	112,411	127,709	33,678	140,066
Housing and Urban Development.....	53,934	27,675	431	21,714	7,488	7,204	1,927	7,174
Interior.....	3,818	2,520	833	2,566	2,139	2,582	847	2,594
Justice.....	2,118	2,161	561	2,143	2,067	2,281	618	2,250
Labor.....	19,785	20,586	3,199	20,717	17,649	26,350	5,796	22,080
State.....	1,186	951	395	1,137	829	1,247	382	1,034
Transportation.....	19,119	8,314	1,015	11,734	9,247	12,253	3,363	12,867
Treasury.....	41,365	47,588	12,175	51,394	41,177	45,308	12,207	51,369
Energy Research and Development Administration....	3,512	5,021	1,302	6,047	3,165	4,078	1,192	5,311
Environmental Protection Agency.....	8,516	771	189	718	2,530	3,193	838	4,500

General Services Administration.....	-747	207	47	-575	-624	186	45	-605
National Aeronautics and Space Administration.....	3,229	3,553	932	3,695	3,267	3,517	909	3,676
Veterans Administration.....	16,725	19,872	4,514	17,654	16,575	19,016	4,358	17,179
Other independent agencies.....	22,390	33,168	4,374	30,915	17,291	19,027	5,072	21,290
Allowances ²		225	150	2,590		200	175	2,260
Undistributed offsetting receipts:								
Employer share, employee retirement.....	-3,980	-4,193	-979	-4,468	-3,980	-4,193	-979	-4,468
Interest received by trust funds.....	-7,667	-8,015	-2,110	-8,373	-7,667	-8,015	-2,110	-7,667
Rents and royalties on the Outer Continental Shelf.	-2,428	-3,000	-500	-6,000	-2,428	-3,000	-500	-6,000
Total budget authority and outlays.....	412,099	408,365	88,065	433,409	324,601	373,535	97,971	394,237

Memorandum:

Portion available through current action by Congress ³	271,123	258,341	52,226	268,350	145,674	163,016	29,208	173,550
Portion available without current action by Congress.	181,134	204,290	46,570	227,427	92,908	119,617	20,226	144,939
Outlays from obligated balances.....					56,580	63,982	29,627	79,467
Outlays from unobligated balances.....					65,598	81,186	29,640	58,649
Deductions for offsetting receipts:								
Intragovernmental transactions.....	-28,869	-40,562	-7,433	-43,299	-28,869	-40,562	-7,433	-48,299
Proprietary receipts from the public.....	-11,289	-13,704	-3,298	-19,070	-11,289	-13,704	-3,298	-19,070
Total budget authority and outlays.....	412,099	408,365	88,066	433,409	324,601	373,535	97,971	394,237

¹ Includes allowances for civilian and military pay raises for the Department of Defense.

² Includes allowances for civilian agency pay raises and contingencies for relatively uncontrollable programs and other requirements.

³ Budget authority excludes appropriations to liquidate contract authorizations. Outlays from such appropriations are included as outlays from balances below.

Table 6. OUTLAYS AND RECEIPTS OF TRUST FUNDS, 1975-77 (in millions of dollars)

Description	Outlays				Receipts			
	1975 actual	1976 estimate	TQ estimate	1977 estimate	1975 actual	1976 estimate	TQ estimate	1977 estimate
Federal old-age and survivors and disability insurance trust funds.	64,658	73,767	19,922	84,022	66,676	70,782	18,864	84,819
Health insurance trust funds.	14,781	17,433	4,562	19,646	16,904	18,559	5,059	23,028
State and local government fiscal assistance trust fund.	6,138	6,272	1,627	6,549	6,205	6,355	1,626	6,542
Unemployment trust fund.	13,211	18,500	3,700	16,500	8,195	16,700	3,400	16,900
Railroad employees retirement funds.	3,077	3,474	902	3,678	2,772	3,255	494	3,771
Federal employees retirement funds.	7,128	8,506	2,331	10,105	11,468	13,032	2,124	15,935
Airport and airway trust funds.	579	820	278	1,131	1,058	1,117	283	1,240
Highway trust funds.	4,843	6,625	1,924	6,915	6,774	6,328	1,902	7,115
Foreign military sales trust fund.	3,537	5,900	1,564	7,000	4,415	6,500	1,664	7,200
Veterans life insurance trust funds.	816	728	129	750	873	904	241	970
Other trust funds (nonrevolving).	444	658	165	612	491	649	168	628
Trust revolving funds.	-801	-1,054	-207	-1,273	.....	.....	.....	.....
Subtotal.	118,412	141,631	36,897	155,634	125,831	144,180	35,826	168,147
Intrafund transactions.	-1,035	-1,092	-3	-1,295	-1,035	-1,092	-3	-1,295
Proprietary receipts from the public.	-5,240	-7,347	-1,886	-8,096	-5,240	-7,347	-1,886	-8,096
Receipts from off-budget Federal agencies.	-967	-988	-153	-1,072	-967	-988	-153	-1,072
Total.	111,171	132,205	34,855	145,171	118,590	134,754	33,783	157,684

Table 7. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1969) PRICES: 1955-77
(In billions of dollars)

Fiscal year	Current prices						Constant (1969) prices					
	Total outlays	National defense	Nondefense				Total outlays	National defense	Nondefense			
			Total nondefense	Payments for individuals	Net interest	All other			Total nondefense	Payments for individuals	Net interest	All other
1955.....	68.5	39.9	28.6	13.0	4.8	10.8	109.8	61.5	48.3	17.3	14.2	16.9
1956.....	70.5	39.8	30.7	13.8	5.1	11.8	109.0	59.2	49.7	18.3	13.6	17.8
1957.....	76.7	42.3	34.5	15.6	5.4	13.5	112.4	60.0	52.4	20.1	12.9	19.4
1958.....	82.6	43.8	38.8	19.4	5.6	13.7	116.3	60.1	56.2	24.3	12.9	19.1
1959.....	92.1	45.9	46.2	21.2	5.8	19.2	126.2	61.0	65.2	26.1	13.1	26.0
1960.....	92.2	45.2	47.0	22.9	6.9	17.2	124.2	59.9	64.3	27.8	13.4	23.2
1961.....	97.8	46.6	51.2	25.9	6.7	18.6	129.5	60.6	68.9	31.0	13.3	24.6
1962.....	106.8	50.4	56.4	27.1	6.9	22.4	139.0	64.3	74.7	32.2	13.6	28.9
1963.....	111.3	51.5	59.8	28.7	7.7	23.4	140.6	64.0	76.6	33.6	13.7	29.3
1964.....	118.6	52.7	65.8	29.7	8.2	27.9	146.4	64.1	82.3	34.4	13.7	34.3
1965.....	118.4	48.6	69.8	30.4	8.6	30.8	142.9	57.6	85.3	34.7	13.7	36.9
1966.....	134.7	55.9	78.8	34.3	9.4	35.1	155.0	63.1	92.0	38.3	13.5	40.2
1967.....	158.3	69.1	89.2	40.1	10.3	38.8	174.8	75.6	99.2	43.4	13.0	42.8
1968.....	178.8	79.4	99.4	45.9	11.1	42.4	189.4	82.9	106.5	48.2	13.8	44.5
1969.....	184.5	80.2	104.3	52.8	12.7	38.9	184.5	80.2	104.3	52.8	12.7	38.9
1970.....	196.6	79.3	117.3	59.8	14.4	43.1	182.9	74.0	108.9	56.4	12.3	40.3
1971.....	211.4	76.8	134.6	74.5	14.8	45.2	185.4	66.8	118.6	66.9	12.5	39.2
1972.....	231.9	77.4	154.5	85.3	15.5	53.8	192.9	62.8	130.1	73.9	12.5	43.7
1973.....	246.5	75.1	171.5	95.9	17.4	58.2	193.7	57.2	136.6	79.9	12.4	44.3
1974.....	268.4	78.6	189.8	111.1	21.5	57.2	192.3	55.5	136.8	84.9	11.6	40.3
1975.....	324.6	86.6	238.0	142.5	23.3	72.2	211.5	55.3	156.2	98.1	11.8	46.3
1976 estimate.....	373.5	92.8	280.8	168.2	26.8	85.7	225.8	53.7	172.0	107.9	13.6	50.5
TQ estimate.....	98.0	25.0	72.9	42.7	7.7	22.6	56.7	14.0	42.7	26.4	3.4	12.8
1977 estimate.....	394.2	101.1	293.1	178.5	32.9	81.7	219.8	54.2	165.5	106.5	14.5	44.5

Table 7. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1969) PRICES: 1955-77—Continued
(In billions of dollars)

	Current prices						Constant (1969) prices					
	Addendum: Payments for individuals and grants-in-aid ¹						Addendum: Payments for individuals and grants-in-aid ¹					
	Total		Payments for individuals		All other grants ³		Total		Payments for individuals		All other grants ³	
	National defense	Nondefense	Direct National defense	Nondefense			National defense	Nondefense	Direct National defense	Nondefense		
1955.....	.4	14.4	.4	11.2	1.8	1.4	.6	19.7	.6	14.9	2.4	2.4
1956.....	.5	15.7	.5	12.0	1.8	1.9	.6	21.4	.6	15.9	2.5	3.0
1957.....	.5	17.7	.5	13.6	2.0	2.1	.7	23.3	.7	17.6	2.6	3.2
1958.....	.6	22.0	.6	17.1	2.3	2.6	.7	28.1	.7	21.3	2.9	3.9
1959.....	.7	25.0	.6	18.6	2.6	3.9	.8	31.7	.8	22.9	3.2	5.6
1960.....	.7	27.2	.7	20.2	2.7	4.3	.8	33.8	.8	24.5	3.3	6.1
1961.....	.8	30.1	.8	23.0	2.9	4.2	1.0	36.8	.9	27.5	3.5	5.8
1962.....	.9	31.7	.9	23.8	3.3	4.6	1.1	38.3	1.1	28.2	3.9	6.6
1963.....	1.1	33.7	1.0	25.1	3.5	5.1	1.2	40.1	1.2	29.5	4.1	6.6
1964.....	1.2	36.0	1.2	25.9	3.8	6.3	1.4	42.3	1.4	29.9	4.4	8.0
1965.....	1.4	37.4	1.4	26.5	4.0	7.0	1.6	43.3	1.6	30.2	4.5	8.6
1966.....	1.6	42.6	1.6	29.7	4.6	8.4	1.8	48.2	1.8	33.2	5.1	10.0
1967.....	1.9	50.2	1.8	35.0	5.1	10.2	2.0	54.8	2.0	37.9	5.5	11.4
1968.....	2.1	58.2	2.1	39.6	6.3	12.3	2.2	61.2	2.2	41.5	6.6	13.0
1969.....	2.5	65.6	2.4	45.4	7.4	12.9	2.5	65.6	2.4	45.4	7.4	12.9
1970.....	2.9	74.9	2.8	50.9	8.9	15.2	2.7	70.5	2.7	48.1	8.4	14.1
1971.....	3.4	91.8	3.4	63.7	10.8	17.3	3.1	81.9	3.0	57.2	9.7	15.0
1972.....	3.9	106.2	3.9	71.9	13.4	21.0	3.4	91.0	3.4	62.3	11.6	17.1
1973.....	4.4	124.6	4.4	82.8	13.1	28.7	3.7	101.8	3.7	69.0	10.9	22.0
1974.....	5.2	140.3	5.1	97.1	14.0	29.3	4.0	105.5	3.9	74.2	10.7	20.7
1975.....	6.3	176.0	6.2	126.4	16.1	33.6	4.3	119.9	4.3	87.0	11.1	21.8
1976 estimate.....	7.4	208.4	7.3	148.7	19.5	40.3	4.7	132.3	4.7	95.4	12.5	24.4
TQ estimate.....	2.0	53.2	2.0	37.7	5.1	10.5	1.2	32.5	1.2	23.3	3.1	6.1
1977 estimate.....	8.5	218.1	8.4	157.6	20.9	39.6	5.0	128.7	5.0	94.1	12.5	22.1

¹ The nondefense payments for individuals and grants are referred to as "domestic assistance" in various places in the Budget and in the Budget in Brief.

² All nondefense.

³ Includes a small proportion of grants in the national defense function, never totaling \$100 million in any year.

Table 8. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-77 (dollar amounts in billions)

Fiscal year	Gross national product	Budget receipts		Budget outlays		Federal debt, end of year			
		Amount	Percent of GNP	Amount	Percent of GNP	Total		Held by the public	
						Amount	Percent of GNP	Amount	Percent of GNP
1954.....	363.5	69.7	19.2	70.9	19.5	270.8	74.5	224.5	61.8
1955.....	381.0	65.5	17.2	68.5	18.0	274.4	72.0	226.6	59.5
1956.....	410.9	74.5	18.1	70.5	17.1	272.8	66.4	222.2	54.1
1957.....	433.3	80.0	18.5	76.7	17.7	272.4	62.9	219.4	50.6
1958.....	441.7	79.6	18.0	82.6	18.7	279.7	63.3	226.4	51.2
1959.....	471.3	79.2	16.8	92.1	19.5	287.8	61.1	235.0	49.9
1960.....	498.3	92.5	18.6	92.2	18.5	290.9	58.4	237.2	47.6
1961.....	509.0	94.4	18.5	97.8	19.2	292.9	57.5	238.6	46.9
1962.....	545.8	99.7	18.3	106.8	19.6	303.3	55.6	248.4	45.5
1963.....	577.1	106.6	18.5	111.3	19.3	310.8	53.9	254.5	44.1
1964.....	616.4	112.7	18.3	118.6	19.2	316.8	51.4	257.6	41.8
1965.....	658.0	116.8	17.8	118.4	18.0	323.2	49.1	261.6	39.8
1966.....	722.4	130.9	18.1	134.7	18.6	329.5	45.6	264.7	36.6
1967.....	773.5	149.6	19.3	158.3	20.5	341.3	44.1	267.5	34.6
1968.....	830.3	153.7	18.5	178.8	21.5	369.8	44.5	290.6	35.0
1969.....	904.2	187.8	20.8	184.5	20.4	367.1	40.6	279.5	30.9
1970.....	960.2	193.7	20.2	196.6	20.5	382.6	39.8	284.9	29.7
1971.....	1,019.8	188.4	18.5	211.4	20.7	409.5	40.2	304.3	29.8
1972.....	1,111.8	208.6	18.8	231.9	20.9	437.3	39.3	323.8	29.1
1973.....	1,238.4	232.2	18.8	246.5	19.9	468.4	37.8	343.0	27.7
1974.....	1,358.6	264.9	19.5	268.4	19.8	486.2	35.8	346.1	25.5
1975.....	1,440.0	281.0	19.5	324.6	22.5	544.1	37.8	396.9	27.6
1976 estimate.....	1,593.0	297.5	18.7	373.5	23.4	633.9	39.8	484.4	30.4
1977 estimate.....	1,837.0	351.3	19.1	394.2	21.5	719.5	39.2	558.2	30.4

**Table 9. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT
IN THE EXECUTIVE BRANCH ¹**

Agency	As of June 30		As of Sept. 30, 1977, estimate	Change 1976-77
	1975 actual	1976 estimate		
Agriculture.....	79,133	80,400	80,400	.....
Commerce.....	28,711	28,900	28,700	—200
Defense—military functions.....	954,721	930,700	924,000	—6,700
Defense—civil functions.....	29,069	29,100	29,100	.....
Health, Education, and Welfare....	129,285	135,000	128,900	—6,100
Housing and Urban Development..	15,142	15,000	15,700	700
Interior.....	58,088	59,200	59,300	100
Justice.....	49,032	51,600	51,700	100
Labor.....	13,427	14,600	14,900	300
State.....	22,324	22,900	22,900	.....
Transportation.....	70,345	72,400	72,600	200
Treasury.....	108,138	113,500	110,000	—3,500
Energy Research and Development Administration.....	7,457	8,300	8,400	100
Environmental Protection Agency..	9,160	9,600	9,600	.....
General Services Administration...	36,400	36,800	36,000	—800
National Aeronautics and Space Administration.....	24,333	24,300	23,800	—500
Veterans Administration.....	184,502	196,600	198,100	1,500
Other:				
Agency for International Devel- opment.....	6,185	6,200	6,200	.....
Civil Service Commission.....	6,670	6,800	6,900	100
Federal Energy Administration..	2,978	3,200	² 1,800	—1,400
Nuclear Regulatory Commission.	2,006	2,300	2,500	200
Panama Canal.....	13,768	13,800	13,800	.....
Selective Service System.....	2,121	200	100	—100
Small Business Administration...	4,127	4,300	4,400	100
Tennessee Valley Authority.....	14,084	15,100	15,500	400
United States Information Agency.....	8,662	8,800	8,800	.....
Miscellaneous.....	37,484	40,200	40,200	.....
Subtotal.....	1,917,352	1,929,800	1,914,300	—15,500
Contingencies ³.....	.....	2,000	5,000	3,000
Subtotal.....	1,917,352	1,931,800	1,919,300	—12,500
Postal Service.....	558,311	542,600	543,600	1,000
Total.....	2,475,663	2,474,400	2,462,900	—11,500

¹ Excludes developmental positions under the worker-trainee opportunity program and certain disadvantaged youth programs.

² Excludes the impact of the Energy Policy and Conservation Act of 1975. Allowance for any necessary additional staff is included in contingencies.

³ Subject to later distribution.

Table 10. BUDGET RECEIPTS AND OUTLAYS, 1789-1977 (in millions of dollars)

Fiscal year	Receipts	Outlays	Surplus or deficit (-)	Fiscal year	Receipts	Outlays	Surplus or deficit (-)
1789-1849.	1, 160	1, 090	+ 70	1939.....	4, 979	8, 841	- 3, 862
1850-1900.	14, 462	15, 453	- 991	1940.....	6, 361	9, 456	- 3, 095
1901.....	588	525	+ 63	1941.....	8, 621	13, 634	- 5, 013
1902.....	562	485	+ 77	1942.....	14, 350	35, 114	- 20, 764
1903.....	562	517	+ 45	1943.....	23, 649	78, 533	- 54, 884
1904.....	541	584	- 43	1944.....	44, 276	91, 280	- 47, 004
1905.....	544	567	- 23	1945.....	45, 216	92, 690	- 47, 474
1906.....	595	570	+ 25	1946.....	39, 327	55, 183	- 15, 856
1907.....	666	579	+ 87	1947.....	38, 394	34, 532	+ 3, 862
1908.....	602	659	- 57	1948.....	41, 774	29, 773	+ 12, 001
1909.....	604	694	- 89	1949.....	39, 437	38, 834	+ 603
1910.....	676	694	- 18	1950.....	39, 485	42, 597	- 3, 112
1911.....	702	691	+ 11	1951.....	51, 646	45, 546	+ 6, 100
1912.....	693	690	+ 3	1952.....	66, 204	67, 721	- 1, 517
1913.....	714	715	- *	1953.....	69, 574	76, 107	- 6, 533
1914.....	725	726	- *	1954.....	69, 719	70, 890	- 1, 170
1915.....	683	746	- 63	1955.....	65, 469	68, 509	- 3, 041
1916.....	761	713	+ 48	1956.....	74, 547	70, 460	+ 4, 087
1917.....	1, 101	1, 954	- 853	1957.....	79, 990	76, 741	+ 3, 249
1918.....	3, 645	12, 677	- 9, 032	1958.....	79, 636	82, 575	- 2, 939
1919.....	5, 130	18, 493	- 13, 363	1959.....	79, 249	92, 104	- 12, 855
1920.....	6, 649	6, 358	+ 291	1960.....	92, 492	92, 223	+ 269
1921.....	5, 571	5, 062	+ 509	1961.....	94, 389	97, 795	- 3, 406
1922.....	4, 026	3, 289	+ 736	1962.....	99, 676	106, 813	- 7, 137
1923.....	3, 853	3, 140	+ 713	1963.....	106, 560	111, 311	- 4, 751
1924.....	3, 871	2, 908	+ 963	1964.....	112, 662	118, 584	- 5, 922
1925.....	3, 641	2, 924	+ 717	1965.....	116, 833	118, 430	- 1, 596
1926.....	3, 795	2, 930	+ 865	1966.....	130, 856	134, 652	- 3, 796
1927.....	4, 013	2, 857	+ 1, 155	1967.....	149, 552	158, 254	- 8, 702
1928.....	3, 900	2, 961	+ 939	1968.....	153, 671	178, 833	- 25, 161
1929.....	3, 862	3, 127	+ 734	1969.....	187, 784	184, 548	+ 3, 236
1930.....	4, 058	3, 320	+ 738	1970.....	193, 743	196, 588	- 2, 845
1931.....	3, 116	3, 577	- 462	1971.....	188, 392	211, 425	- 23, 033
1932.....	1, 924	4, 659	- 2, 735	1972.....	208, 649	231, 876	- 23, 227
1933.....	1, 997	4, 598	- 2, 602	1973.....	232, 225	246, 526	- 14, 301
1934.....	3, 015	6, 645	- 3, 630	1974.....	264, 932	268, 392	- 3, 460
1935.....	3, 706	6, 497	- 2, 791	1975.....	280, 997	324, 601	- 43, 604
1936.....	3, 997	8, 422	- 4, 425	1976 est...	297, 534	373, 535	- 76, 001
1937.....	4, 956	7, 733	- 2, 777	TQ est...	81, 894	97, 971	- 16, 077
1938.....	5, 588	6, 765	- 1, 177	1977 est...	351, 262	394, 237	- 42, 975

*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—outlays starting in 1913; comparable data are not available for prior years.

Data for 1789-1939 are for the administrative budget; 1940-1977 are for the unified budget.

Starting in calendar year 1976 the Federal fiscal year will convert from a July 1-June 30 basis to an Oct. 1-Sept. 30 basis. The TQ refers to the transition quarter from July 1-Sept. 30, 1976.

GLOSSARY¹

AUTHORIZATION—Basic substantive legislation enacted by Congress that sets up or continues the legal operation of a Federal program or agency. Such legislation is normally a prerequisite for subsequent appropriations, but does not usually provide budget authority (see below).

BUDGET AMENDMENT—A proposal, submitted to the Congress by the President after his formal budget transmittal, but prior to completion of appropriation action by the Congress, that revises his previous budget request.

BUDGET AUTHORITY (BA)—Authority provided by law to enter into obligations that generally result in outlays. It may be classified by the period of availability (1-year, multiple-year, no-year), by the timing of congressional action (current or permanent), or by the manner of determining the amount available (definite or indefinite). The basic forms of budget authority are:

Appropriations—budget authority provided through the congressional appropriations process that permits Federal agencies to incur obligations and make payments.

Borrowing authority—statutory authority, not necessarily provided through the appropriations process, that permits Federal agencies to incur obligations and make payments from borrowed moneys.

Contract authority—statutory authority, not necessarily provided through the appropriations process, that permits Federal agencies to enter into contracts or incur other obligations in advance of an appropriation.

BUDGET RECEIPTS—Money, net of refunds, collected from the public by the Federal Government through the exercise of its governmental or sovereign powers and as premiums from voluntary participants in Federal social insurance programs closely associated with compulsory programs. Excluded are amounts received from strictly business-type transactions (such as sales, interest, or loans) and payments between Government accounts. (See offsetting receipts.)

BUDGET SURPLUS (+) OR DEFICIT (−)—The difference between budget receipts and outlays.

CONCURRENT RESOLUTION ON THE BUDGET—A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising specified congressional budget totals for the Federal Government for a fiscal year.

¹ These definitions are based on the booklet "Budgetary Definitions," published by the General Accounting Office in November 1975.

CONTINUING RESOLUTION—Legislation enacted by Congress to provide budget authority for specific ongoing activities when a regular appropriation for such activities has not been enacted by the beginning of the fiscal year.

CONTROLLABILITY—The ability of Congress or the President to control outlays during a fiscal year without changing existing law. The concept “relatively uncontrollable” includes outlays for open-ended programs and fixed costs, such as interest on the public debt, and social security and veterans benefits, as well as outlays to liquidate prior-year obligations.

CURRENT SERVICES ESTIMATES—Projections of estimated budget authority and outlays for the upcoming fiscal year at the same program level as and without policy changes from the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and benefit changes. The Congressional Budget and Impoundment Control Act of 1974 requires that the President submit current services estimates to the Congress by November 10 of each year.

DEFERRAL—Any action or inaction by an officer or employee of the United States that temporarily withholds, delays, or effectively precludes the obligation or expenditure of budget authority. Deferrals may not extend beyond the end of the fiscal year and may be overturned at any time by either House of Congress.

FEDERAL FUNDS—Funds collected and used by the Federal Government for the general purposes of the Government. There are four types of Federal fund accounts: General funds, special funds, public enterprise (revolving) funds, and intragovernmental funds. The major Federal fund is the general fund, which is derived from general taxes and borrowing. Federal funds also include certain earmarked receipts, such as those generated by and used for the operations of Government-owned enterprises.

FISCAL YEAR—Through fiscal year 1976, the yearly accounting period for the Federal Government that begins on July 1 and ends on June 30. Beginning with fiscal year 1977, fiscal years for the Federal Government will begin on October 1 and end on September 30. The fiscal year is designated by the calendar year in which it ends, e.g., fiscal year 1977 is the fiscal year ending September 30, 1977.

IMPOUNDMENT—Any action or inaction by an officer or employee of the Federal Government that precludes the obligation or expenditure of budget authority provided by the Congress (see deferral and rescission).

INTERFUND TRANSACTIONS—A subcategory of intragovernmental transactions (see offsetting receipts) that includes all payments from the Federal fund group to trust funds or vice versa. These are shown as payments by one fund group and receipts by the other and are included as receipts and outlays of the appropriate fund group. Such transactions are deducted prior to striking a budget total to avoid double counting.

OBLIGATIONS—Amounts of orders placed, contracts awarded, services rendered, or other commitments made by Federal agencies during a given period that will require outlays during the same or a future period.

OFF-BUDGET FEDERAL AGENCIES—Agencies, federally owned in whole or in part, whose transactions have been excluded from the budget totals under provisions of law, e.g., the Federal Financing Bank. The fiscal activities of these agencies are not included in either budget authority or outlay totals, but are presented in the Budget Appendix as “Annexed Budgets”.

OFFSETTING RECEIPTS—Collections or deposits to receipt accounts that are offset against budget authority and outlays rather than being counted as budget receipts. They are composed of (1) proprietary receipts from the public derived from Government activities of a business-type or market-oriented nature that are offset against related budget authority and outlays; and (2) intragovernmental transactions. Intragovernmental transactions are payments from governmental accounts to budgetary receipt accounts. Since these payments are from the Government to itself, they are offset against outlays rather than being counted as budget receipts.

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

RESCISSION—Enacted legislation canceling budget authority previously provided by the Congress. Rescissions proposed by the President must be approved by the Congress within 45 days to become effective.

SUPPLEMENTAL APPROPRIATION—An appropriation enacted as an addition to a regular annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until the next regular appropriation.

TAX EXPENDITURES—Losses of tax revenue attributable to provisions of the Federal tax law that allow a special exclusion, exemption, or deduction from gross income or provide a special credit, preferential rate of tax, or a deferral of tax liability.

TRANSITION QUARTER—The 3-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 resulting from the change from a July 1 through June 30 fiscal year to an October 1 through September 30 fiscal year beginning with fiscal year 1977.

TRUST FUNDS—Funds collected and used by the Federal Government for carrying out specific purposes and programs according to terms of a trust agreement or statute, such as the social security and unemployment trust funds. Trust funds are not available for the general purposes of the Government. Trust fund receipts that are not anticipated to be used in the immediate future are generally invested in interest-bearing Government securities and earn interest for the trust fund.

THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1977 are published in four documents.

(1) *The Budget of the United States Government, 1977* contains the information that most users of the budget would normally need, including the Budget Message of the President. The *Budget* presents an overview of the President's budget proposals and includes explanations of spending programs, estimated receipts, and the relationship of the budget to the economy. This document also contains a description of the budget system and various summary tables on the budget as a whole. (Price \$3.45.)

(2) *The Budget of the United States Government, 1977—Appendix* contains detailed information on the various appropriations and funds which comprise the budget.

The *Appendix* contains more detailed information than any of the other budget documents. It includes for each agency: the proposed wording of laws which would appropriate funds, budget tables for each account, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of agencies, and tables on employment. Supplemental proposals for the current year and new legislative proposals are identified separately. Information is also provided on certain activities, whose outlays are not part of the budget totals. (Price \$19.20.)

(3) *Special Analyses, Budget of the United States Government, 1977* contains 17 special analyses which highlight specified program areas or provide other significant presentations of Federal data.

This document includes information about: Government finances and operations as a whole and how they affect the economy; education, training and employment, health, income security, civil rights, and crime reduction programs; trends and developments in the areas of Federal aid to State and local governments, research and development, and environmental protection. (Price \$2.70.)

(4) *The United States Budget in Brief, 1977* provides a more concise, less technical overview of the 1977 budget than the above volumes, and includes a variety of charts. Summary and historical tables on the Federal budget and debt are also provided. (Price \$1.15.)

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