

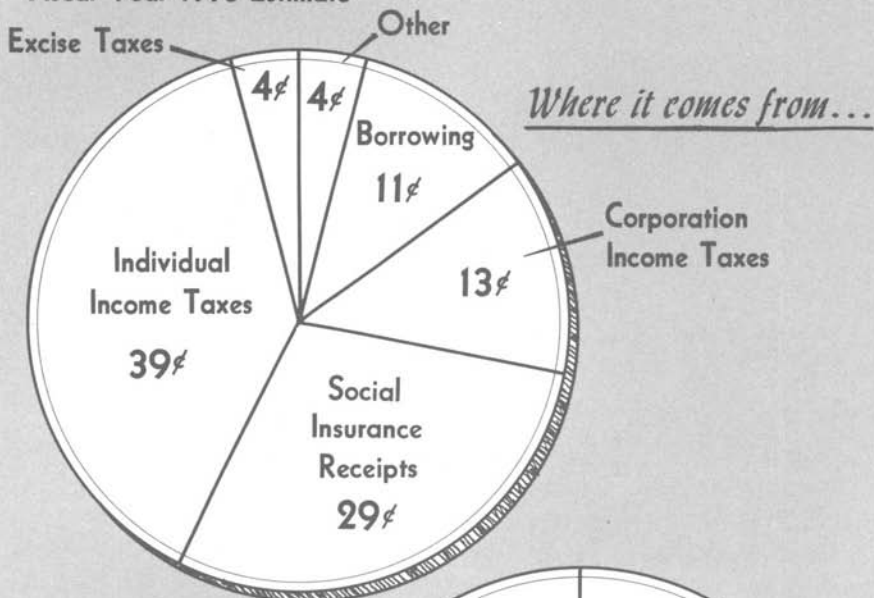
THE UNITED STATES BUDGET IN BRIEF

FISCAL YEAR

1978

THE BUDGET DOLLAR

Fiscal Year 1978 Estimate



Where it goes...

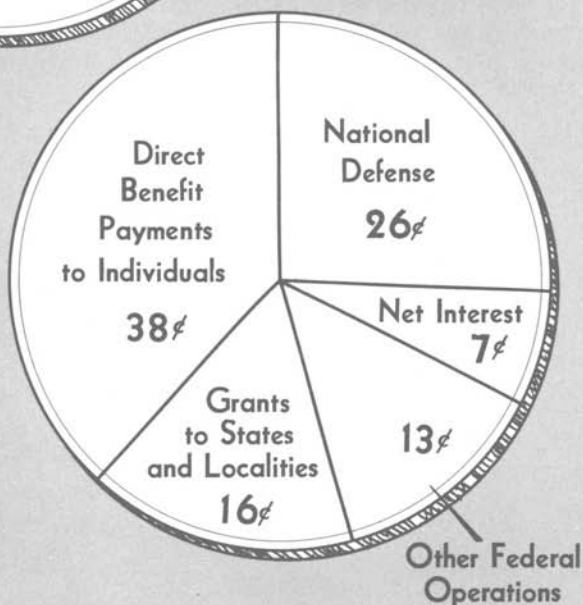


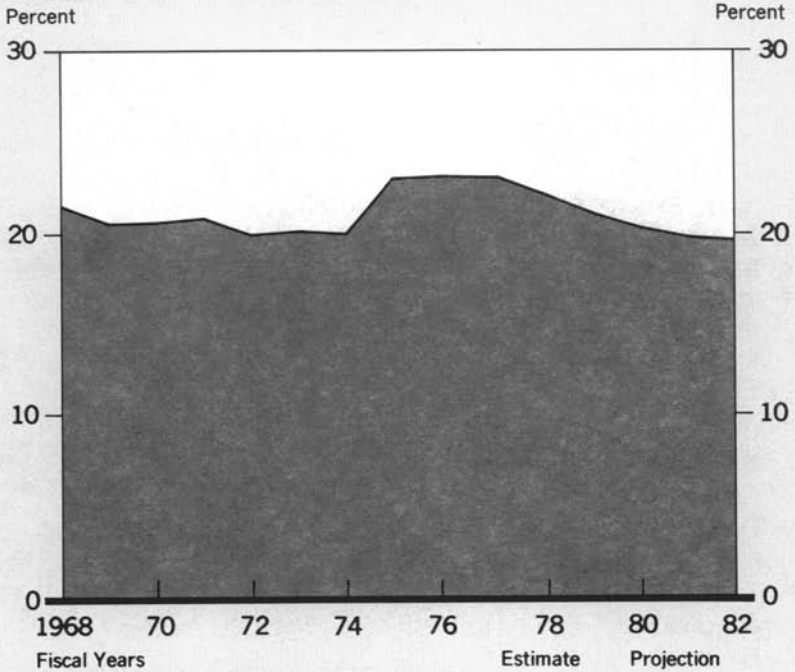
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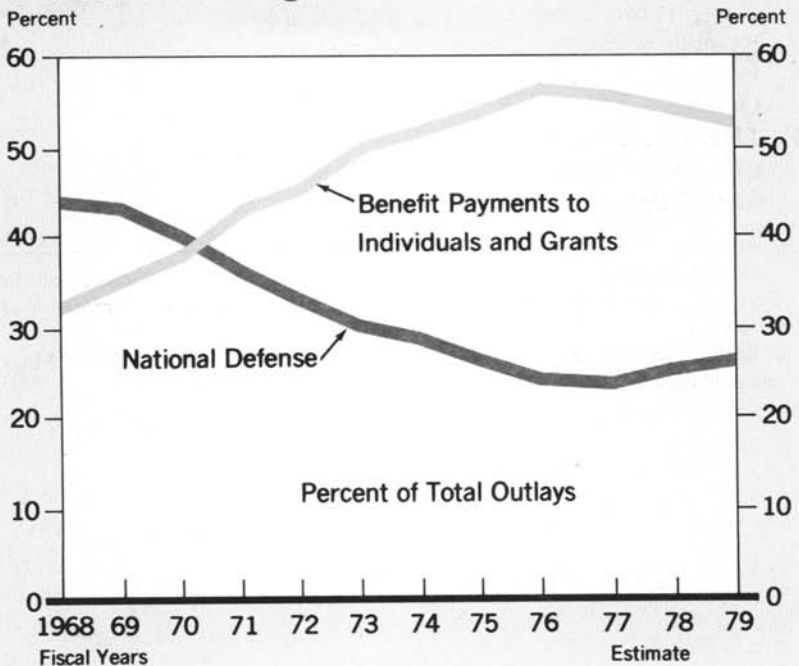
Note.—All years referred to are fiscal years, unless otherwise noted. Details in the tables, text, and charts of this booklet may not add to totals because of rounding.

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

Federal Outlays* as a Percent of GNP



Shares of the Budget



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The budget is the President's blueprint for the operation of the Government in the year ahead. It records his views on priorities and directions for the future—balancing the American desire to solve every perceived problem at once with the practical reality of limited resources and competing needs.

The thirty budgets I have either shaped or helped to shape are a chronicle of our lives and times. They tell us what we have aspired to be and what we have been in fact. They tell us about the growing complexity of our society, about the changing and growing role of our Government, and about new problems we have identified and our attempts to solve them.

In shaping my budgets as President, I have sought to renew the basic questions about the composition and direction of the Government and its programs. In my reviews of existing and proposed programs and activities I have asked:

- Is this activity important to our national security or sense of social equity?
- Is this activity sufficiently important to require that we tax our people or borrow funds to pay for it?
- Must the Federal Government raise the taxes or borrow the funds or should State or local government do so?
- Should the Federal Government direct and manage the activity or should it limit its role to the provision of financing?
- How has the program performed in the past? Have the benefits outweighed the costs in dollars or other burdens imposed?
- Have the benefits gone to the intended beneficiary?
- Does this activity conflict with or overlap another?

As a result of these reviews I have proposed to reverse some trends and to accelerate others.

I have proposed, and repropose this year, a marked slowdown in the rate of growth in Government spending. Over the last three decades, Federal, State, and local government spending has grown from 18% of GNP to 34% of GNP. Federal spending growth alone has averaged 10% per year over the last decade.

And even these percentages do not tell the whole story. As the budget documents illustrate, there has been a trend over the last few years toward so-called "off-budget" spending. This is an undesirable practice because it obscures the real impact of the Federal Government and makes it more difficult for any but the most technically knowledgeable citizens to understand what their Government is doing. Therefore, I am calling for legislation to halt this practice so that our budget system will fully reflect the financial activities of the Government.

In a related attempt to gain greater control over the rate of growth of Government spending I have given special attention this year to spending plans for fiscal year 1979. For the first time, the Federal budget shows detailed planning amounts for the year beyond the budget year. This innovation grows out of my conviction that our only real hope of curbing the growth of Federal spending is to plan further in advance and to discipline ourselves to stick to those plans.

Although from the standpoint of deficits of most recent years the 1978 budget I present shows us fairly close to balance in 1979 and shows balanced budgets thereafter, I regret not being able to show total balance in 1979. The effects on 1978 and 1979 spending of congressional action in the last session rejecting many of the restraints I proposed for the current fiscal year, 1977, made this impossible unless I was willing to abandon, at least in part, the further immediate tax relief I have advocated since October of 1975 and, for no reason other than being able to show such a 1979 balance, cut back from program levels I feel are justified. These alternatives were unacceptable, but given the greatly reduced deficit for 1979 this budget implies, congressional cooperation on the restraints I propose and a slightly better economic performance in the months ahead than we have used in preparing this 1978 budget, it is entirely possible that when the 1979 budget is due to be submitted, a year from now, it could be in total balance as I have strived to achieve.

With restraint on the growth of Federal spending, we can begin to provide permanent tax reductions to ease the burden on middle-income taxpayers and businesses. For too long Government has presumed that it is "entitled" to the additional tax revenues generated as inflation pushes taxpayers into higher tax brackets or as the national product increases. We need to reverse this presumption. We need to put the burden of proof on the Government to demonstrate the reasons why individuals and busi-

nesses should not keep the income and wealth they produce. Accordingly, my long-term budget projections assume further tax relief will be provided, rather than presuming, as has been the practice in the past, that positive margins of receipts over expenditures that show up in projections are "surpluses" or "fiscal dividends" that must be used primarily for more Federal spending, on existing or new programs or both.

One trend has been reversed in the past two years. After several years of decline in real spending for national security purposes the Congress has agreed in substantial part to my recommendations for increases in defense spending. The budget I propose this year and the planning levels for the succeeding four years assume a continuation of this real growth trend. My recommendations are the result of a careful assessment of our own defense posture and that of our potential adversaries. In this area as in all others, I am recommending spending I consider essential while at the same time proposing savings in outmoded or unwarranted activities. For the longer term, my recommendations recognize the simple fact that we must plan now for the defense systems we will need 10 years from now.

This same approach was reflected last year in my recommendations for the Federal Government's basic research and development programs. In spite of the financial pressures on the Federal budget, I recommended real growth. I am again proposing real growth for basic research and development programs this year because I am convinced that we must maintain our world leadership in science and technology in order to increase our national productivity and attain the better life we want for our people and the rest of the world.

I am also calling again for an end to the proliferation of new Federal programs and for consolidation of many of the programs we now have. At last count there are 1,044 programs identified in the Catalog of Federal Domestic Assistance. While our Nation has many needs, there is no rational justification for the maze that has been created.

Overlap and duplication are not the only defects of these programs; nor are they the most serious. More importantly the current programs too often fail to aid the intended beneficiaries, rewarding instead those who have learned how to work the Washington system. Some of these programs fail to pinpoint responsibility and accountability for performance and too many of them impose a managerial and operating burden on the Federal Gov-

ernment, diverting attention from the functions that must be performed at the Federal level and at the same time usurping the proper roles of State and local governments and the private sector.

If we could ever afford the "luxury" of this inefficiency and ineptitude, we can no longer. Federal programs for health services, elementary and secondary education, child nutrition and welfare, for example, are areas that desperately need reform. I called for action last year and prepared detailed legislative proposals. Those who truly care about the needs of our people will not let another year go by without reform. There is no excuse, for example, for the Federal Government to have 15 different child nutrition programs spending over \$3 billion per year and still have 700,000 children from families below the poverty line who receive no aid. Nor is there any reason to take the money out of the general taxpayers' pockets to subsidize their own children's school lunch.

It will take real courage to correct these problems and the others I have identified for congressional action without following the all too familiar pattern of the past—simply adding more programs. But, increasingly, courage is not a choice; it is an absolute requirement if we are to avoid ever larger, less responsive government.

The task ahead will not be easy because it will require some fundamental changes in our expectations for Government. As a start, we need to understand that income and wealth are not produced in Washington, they are only redistributed there. As a corollary, we need to overcome the idea that Members of the Congress are elected to bring home Federal projects for their district or State. Until this idea is totally rejected, higher funding levels for old programs and more new programs will be enacted each year as Members of the Congress seek to insure their reelection. We also need to overcome the prevalent attitude that only new programs with multibillion dollar price tags are worthy of media attention and public discussion and worthy of being judged bold and innovative. The multitude of programs already in a budget of more than \$400 billion and initiatives to do something about them are worthy of intense public scrutiny, discussion and judgment in their own right.

These changes in attitude will require leadership not only by the executive branch, but, at least equally important, on the part of each Member of the Congress. Members of the Congress must

begin to share the burden of the President in saying no to special interest groups—even those in their own districts.

The changes that have occurred in the congressional budget-making process in recent years provide some basis for optimism for the future. The new budget committees have begun to provide a counterbalance to the spending and taxing committees, offering hope that the total effect of the splintered actions of the other committees will be given equal weight in the congressional process.

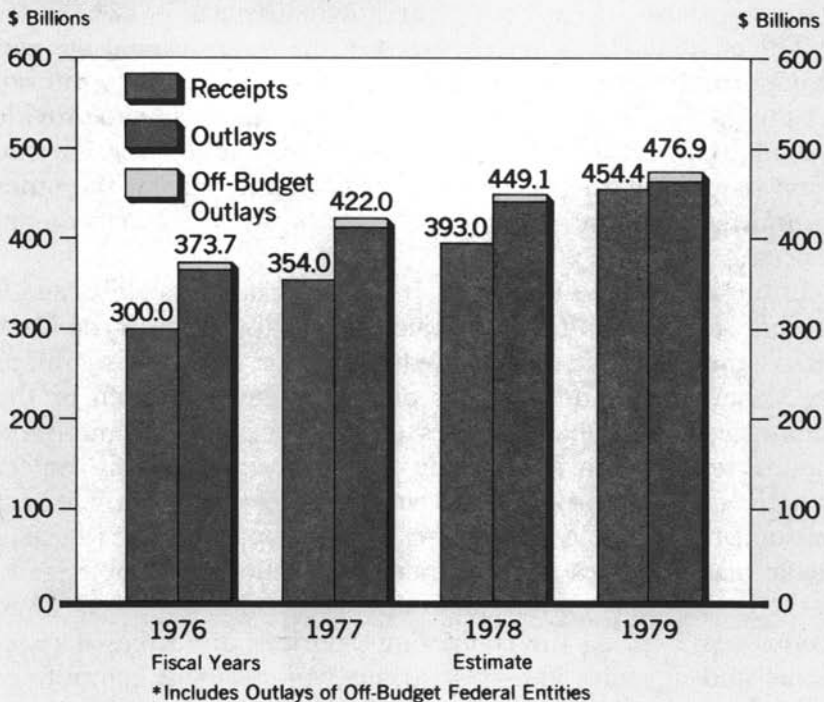
But more progress is needed. Just as the budget process cannot do the whole job in the executive branch, it cannot in the Congress either. No matter how streamlined and properly organized the departments and agencies of the executive branch or the committees and subcommittees of the Congress become—and there is surely room for substantial improvement in this respect at both ends of Pennsylvania Avenue—the executive branch must continue to refine and the Congress must adopt processes whereby recommendations to the President or to the House or Senate, as the case may be, on major issues are developed by task force groups representing the competing priorities of various departments and agencies and the various congressional committees and subcommittees. The reason is simply that most major issues cut across jurisdictional lines, no matter how well drawn—energy, international affairs, and welfare reform, to name but a few examples. I urge the new Administration to build on what has been accomplished in this regard in the executive branch. I urge the Congress promptly to put into place the necessary counterpart mechanisms. Such improvements in process, coupled with further progress in the development of the budget process, will help substantially in addressing and meeting our problems and attaining the goals we have set for our Nation.

The last thirty budgets record a turbulent period in our history: wars, domestic strife, and serious economic problems. In the last two years, we have laid the foundation for a positive future. We have stabilized international relationships and created the framework for global progress. At home, we have restored confidence in government while reversing the trends of inflation and unemployment. Building on this solid base, the policies and programs contained in this budget can help us to fulfill the promise of America.

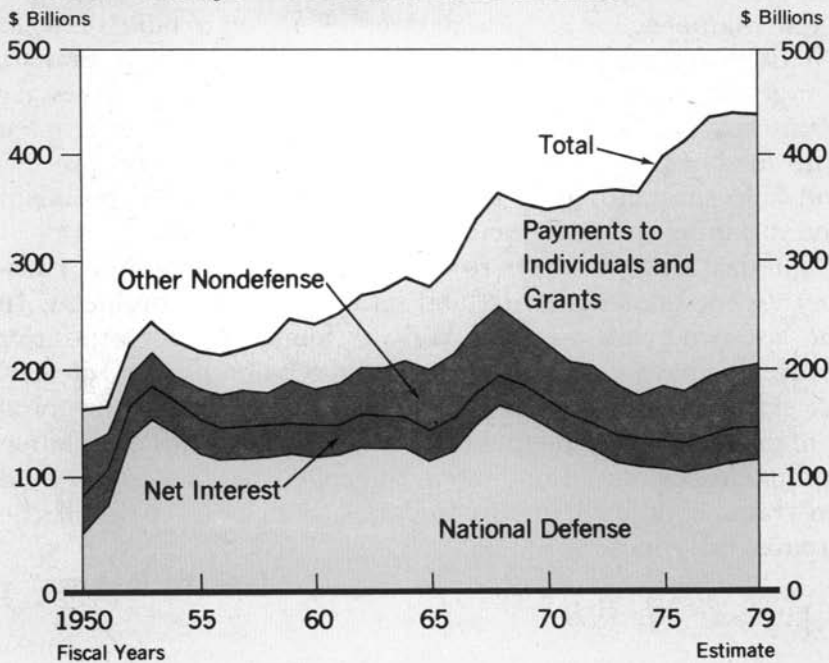
GERALD R. FORD

JANUARY 17, 1977.

Budget Totals Since 1976*



Federal Outlays - Constant 1978 Dollars



Part I

BUDGET OVERVIEW

The budget is designed to serve several purposes.

- It is an *economic document* that reflects the taxing and spending policies of the Government for promoting economic growth, high employment, relative price stability, and a strong balance-of-payments position.
- It proposes an *allocation of resources* between the private and public sectors and within the public sector. Through its impact on consumption and investment decisions and the distribution of income it also affects allocation decisions within the private sector.
- It sets forth the *President's request to Congress* for appropriation action on existing or new programs and for changes in tax legislation.
- It is a *report to the Congress and the people* on how the Government has spent the funds entrusted to it in past years.

It tells us where we have been, where we are, and where the President recommends that we go.

The budget totals.—The President's budget recommendations call for outlays of \$440 billion in 1978, an increase of 7.0% from this year, and \$466 billion in 1979, an increase of 5.9% from 1978. In the 10 years through 1977 increases in budget outlays average 10% a year. A number of program restraints and reforms, resulting in \$12.4 billion in savings in 1978 and \$22.4 billion in 1979 will be necessary to hold the increase in Federal spending to the amounts in this budget. These spending restraints and reforms make it possible to provide added funds for high-priority programs, to reduce income taxes in 1977 and again in future years and, at the same time, to reduce the deficit to near balance in 1979. Most of the savings from spending restraints and program reforms will require congressional agreement.

The President proposes a reduction in income taxes, retroactive to January 1, 1977, that will provide \$7.2 billion of tax relief in 1977 and \$14.7 billion in 1978 relative to extension of current tax law. He also proposes further income tax cuts of \$7.3 billion in 1980, \$19.6 billion in 1981, and \$30.6 billion in 1982 to offset the rise in effective tax rates that would other-

wise occur as inflation and real growth move taxpayers into higher tax brackets.

Major changes are also proposed in the structure of the income tax system, such as integration of individual and corporation income taxes to eliminate double taxation of corporate dividends. An increase in social security tax rates is necessary to maintain the financial integrity of the system. Taking these tax proposals into account, total anticipated receipts are \$393.0 billion for 1978, an increase of 11.0% from this year, and \$454.4 billion for 1979, an increase of 15.6% from 1978.

Off-budget outlays.—Not all budget authority and outlays of Federal agencies are included within the budget totals; some fiscal entities (most of which carry out loan programs) are required under provisions of law to be excluded from the budget. Such “off-budget” spending does not differ in nature, in effect, or in concept from spending under similar programs included in the budget; financing of this spending adds to Federal borrowing requirements and to the Federal debt. The President recommends legislation to include the transactions of off-budget Federal entities in the budget beginning with next year’s budget.

Additional focus on out-years.—In an effort to focus more attention on the crucial “outyear” effects of current proposals, last year’s budget discussion of the Federal program by function noted the next year’s effects of major proposals. This budget goes further. Most tables and charts in this document display

THE BUDGET MARGIN, 1977-82

[In billions of dollars]

	1977	1978	1979	1980	1981	1982
Receipts under current law and tax proposals and adjustments	354.0	393.0	454.4	510.0	553.1	587.3
Outlays under current and proposed programs	411.2	440.0	466.0	496.6	527.0	558.7
Margin under current law and proposed changes	-57.2	-47.0	-11.6	13.4	26.1	28.6
Deficit of off-budget Federal entities	-10.8	-9.2	-10.9	-12.1	-13.1	-14.3
Margin including off-budget Federal entities ¹	-68.0	-56.1	-22.5	1.4	13.0	14.3

For possible kinds of uses of the margins, see text following next table.

1979 amounts in addition to amounts for the budget year 1978. These 1979 figures reflect, insofar as practicable, not only the 1979 effects of the 1978 budget, but anticipated 1979 initiatives as well.

The need to look ahead is well demonstrated by the tables showing the budget margin to 1982 with and without Presidential budget proposals. The first table, The Budget Margin, 1977-82, shows the longer term implications of this budget. The following table, The Margin, 1977-82, Without the President's Proposals, is intended to indicate what such margins in the outyears might look like if the President's proposed spending restraints and reforms and proposed tax changes were not adopted.

THE MARGIN, 1977-82 WITHOUT THE PRESIDENT'S PROPOSALS

[In billions of dollars]

	1977	1978	1979	1980	1981	1982
Receipts under current tax law, extended.....	360.9	407.6	465.0	526.4	584.6	634.8
Outlays without proposed increases or restraints.....	411.2	445.4	472.7	502.1	531.5	564.8
Margin, without the President's proposals.....	-50.3	-37.8	-7.7	24.3	53.0	70.0
Deficit of off-budget Federal entities..	-10.8	-9.2	-10.9	-12.1	-13.1	-14.3
Margin, including off-budget Federal entities.....	-61.1	-46.9	-18.6	12.2	40.0	55.7

MEMORANDUM

Examples of possible use of the margin:¹

The President's tax program (net) exclusive of next line item.....	-6.9	-14.9	-10.6	-9.1	-11.9	-16.9
The President's proposal to reduce the average individual income tax rate to 1979 level.....				-7.3	-19.6	-30.6
Further reduction of the average individual income tax rate to 1977 level.....				-16.7	-26.9	-29.0
Inflation adjustments ²		-2.1	-4.7	-7.1	-9.4	-11.5
Costs of renewal of antirecession financial assistance and other temporary programs.....		-2.0	-2.8	-2.0	-.7	-.5
Debt reduction (up to ½% of GNP).....				-12.6	-13.7	-14.6
New programs and program growth.....				(3)	(3)	(3)
Other tax relief for individuals and tax incentives for business.....				(3)	(3)	(3)

¹ It is obvious that some of these alternatives are mutually exclusive if the budget is to remain in balance in 1980-82.

² This outlay adjustment is for inflation only in programs that were not so adjusted in arriving at the outlays shown in the table. See text.

³ Amounts are dependent on costs of the particular initiatives undertaken.

The first table illustrates that the President's program yields a margin of \$14.3 billion in 1982 after taking into account the off-budget outlays. However, the only reason there is a margin is the automatic increase in the ratio of tax liabilities to per-

sonal income that occurs between 1977 and 1979 as inflation and real growth push taxpayers into higher tax brackets after 1977. (The President's proposed tax cuts for 1980-82 mentioned earlier would prevent such increases after 1979). Additional personal income tax cuts of \$16.7 billion in 1980, \$26.9 billion in 1981, and \$29.0 billion in 1982 would be required to reduce the tax burden to the proposed 1977 level.

The second table shows the budget margin using current tax law extended to determine receipts and using a current services concept to determine outlays. Under that concept, the outlay estimates reflect the anticipated cost of continuing Federal programs without the policy changes proposed by the President. Even though outlays on a current services basis are considerably higher than under the President's program, the margin is larger because the tax burden is very much higher without the President's recommendations. His recommended personal income tax reductions and social security tax increases provide a net reduction in the tax burden of \$47.5 billion by 1982.

Even though the margins in the second table are larger than the margins implied by the President's program, it can easily be shown that in either case there are competing uses of resources in the 1980's, which could far exceed the margin. The memorandum section of the table clearly illustrates this point. First, the only reason that there is any margin at all is that automatic increases occur in the average personal income tax rate as inflation and real growth push taxpayers into higher tax brackets after 1977. The first two line items in the memorandum section illustrate the net effect on such margin of the President's tax proposals. Since the outlays in the table do not reflect the President's outlay constraints, the President's tax proposals would more than absorb the margin in 1980, but do leave some margin in 1981 and 1982. The third line item shows the additional tax cut that would be necessary to reduce the ratio of individual income tax liabilities to personal income in the outyears back down to the 1977 ratio that results from the President's proposals. This would more than absorb the remaining 1981 and 1982 margins.

Current services outlay estimates only adjust indexed programs and major capital purchases for inflation, and, therefore, imply that the level of other programs in constant dollars erodes through time. The fourth line item shows the inflation adjustment necessary to prevent such erosion in program levels. The

fifth line item shows the impact of limited renewal of anti-recession programs enacted as temporary programs. The sixth line item shows the amount that would be required to reduce the national debt by one-half of 1 percent of GNP. Obviously, to attain this level of debt reduction in 1980 there would have to be some cut in outlays from current services levels. New programs, program growth, or other tax cuts are also possible uses of the margin, the cost of which would be dependent on the particular initiatives.

It is recommended, as a useful next step in the improvement of the Government's budget process, that next year's budget also give such additional attention to the second year beyond the budget year rather than just the first. It would also be useful for congressional budget data consistently to reflect the longer range impact of budget year data at each step in the congressional budget process.

Changes in the budget over time.—Notwithstanding every effort to refine and apply the best estimating techniques available, the estimates set forth in the budget will turn out to be different from the actual figures recorded at the end of 1978—1 year and 8 months from the time they are submitted to the Congress. There will be many reasons for the differences. Economic assumptions underlying the budget estimates are never completely accurate. Differences between actual economic conditions and those assumed can materially affect both outlays and receipts. Furthermore, the rate at which individuals or States and localities apply for benefits to which they are automatically entitled under law can have a major effect on the level of Federal spending. Finally, congressional rejection of Presidential decisions and other factors can also cause substantial changes to the budget estimates. These points are well illustrated by what happened to the budget for 1976 and the transition quarter, now completed, and what has happened thus far to the 1977 budget.

Budget proposals.—In his budget message last year, the President stated that an important dimension of the budget is the way it sorts out priorities and that in formulating the 1977 budget he 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.

The President's 1978 budget decisions were made on the same basis. This budget proposes increases for those areas that must have high priority, such as basic programs that meet essential human needs, defense and energy. At the same time, to permit these high-priority increases and yet slow the rate of growth of total Federal spending to a rate that is compatible with tax relief and sustainable over time, spending for many programs has been restrained—in some cases slightly, and, in others, substantially.

Among the major program expansions and new programs proposed in the 1978 budget are defense modernization, increases in education and health programs, several important energy initiatives, increases in research and development programs, and the Bicentennial land heritage program.

A responsive government adjusts its activities to changing national needs. Some programs prove to be ineffective, become obsolete or outmoded, achieve their purposes, or decline in relative priority. Further, there is a need for continuing evaluation of the proper Federal role in all program areas.

Unless vigorous and determined efforts are made, programs that should be restructured, reduced, or terminated continue—and their costs grow. In so doing, they can prevent otherwise efficient governments from operating within the limits of sound fiscal policy. The 1978 budget incorporates the results of an intensive effort to identify programs that should be reduced, terminated, or reformed. A detailed listing is provided in Part 2 of the *Budget* document.

The budget and the economy.—There is a two-way relationship between the economy and the budget. Both the tax structure and budget outlays can have a substantial effect on national out-

put, employment, and inflation. At the same time, outlays for many Federal programs are directly linked to developments in the economy, and this linkage has become increasingly strong in recent years. For example, most retirement and other social insurance benefit payments are now tied by law to cost-of-living indexes. Medicare outlays are affected directly by the price of medical services. Interest on the debt is linked to general market interest rates and the size of the budget surplus or deficit, which in turn are influenced by economic conditions. Of course, to the extent that outlays rise automatically in response to inflation the budget is less effective in counteracting inflationary pressures than it would be if these linkages did not exist.

Another type of linkage to economic events is outlays for unemployment and certain other benefits, which vary with the unemployment rate. In addition, budget receipts vary in accordance with individual and corporate incomes and the wage base, all of which respond to both real economic growth and inflation. Thus, receipts and some benefit payments serve as "automatic stabilizers" for the economy by both restraining inflation and cushioning economic downturns.

The following table presents the underlying economic assumptions that have been used for purposes of developing budget estimates. In keeping with most economic data series, these assumptions are presented on a calendar year basis, whereas the budget estimates are presented on a fiscal year basis. These assumptions are forecasts of probable economic conditions during 1976, 1977, and 1978, and are presented to provide the Congress and the public with information that may be helpful in understanding and assessing the budget estimates.

Budget trends.—Over the past two decades, there has been a significant shift in the distribution of Federal resources. Table 5 in Part VI illustrates this shift. Nondefense spending on pay-

SHORT-RANGE ECONOMIC FORECAST

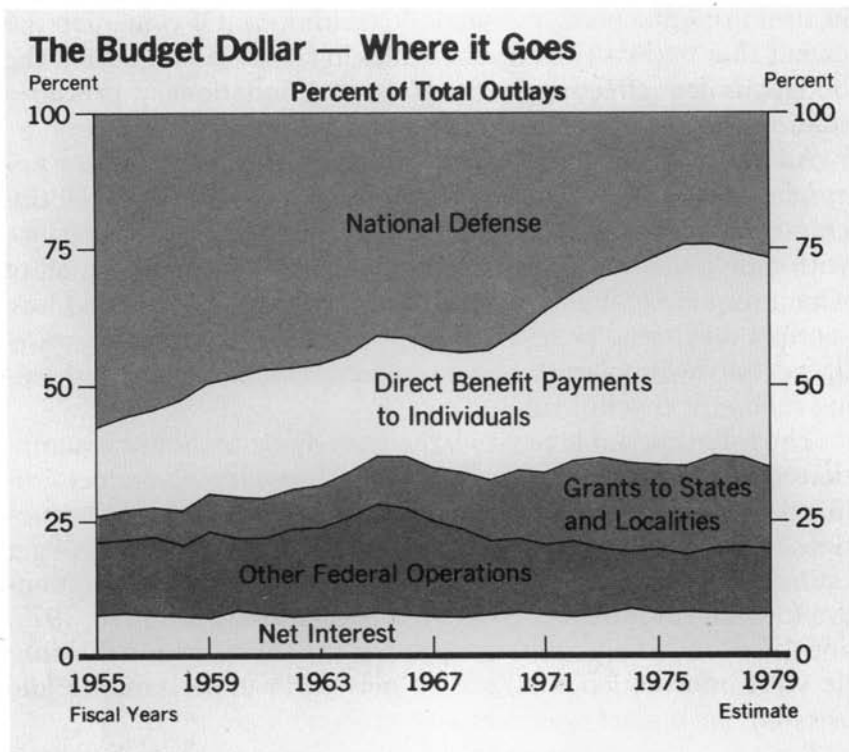
[Calendar years; dollar amounts in billions]

Item	1975 actual	Forecast		
		1976	1977	1978
Gross national product:				
Current dollars.....	\$1, 499	\$1, 693	\$1, 880	\$2, 092
Constant (1972) dollars:				
Amount.....	\$1, 186	\$1, 265	\$1, 331	\$1, 398
Percent change.....	-2. 0	6. 2	5. 2	5. 1
Prices (percent change):				
GNP deflator ¹	7. 1	4. 7	5. 9	5. 7
Consumer Price Index ²	7. 0	4. 8	5. 3	5. 2
Unemployment rate.....	8. 5	7. 7	7. 3	6. 6

¹ Percent change, fourth quarter over fourth quarter.

² Percent change, December over December.

ments to individuals and grants to State and local governments rose on an average 9.5% per year, and a total of more than 500%, even when adjusted for inflation, over the 20-year period ending in 1976. Before adjustment for inflation, the increase was almost 14% per year, or over 1,000%. As the addendum to table 5 shows, the largest increases were for direct nondefense payments to individuals, for programs such as social security and medicare.



During the same period, spending for defense with a comparable adjustment for inflation declined a total of 11%, although it increased 126% before adjustment for inflation. In the 1976 and 1977 budgets, the President initiated a reversal of this trend toward erosion of the defense budget. He has again proposed a real increase this year.

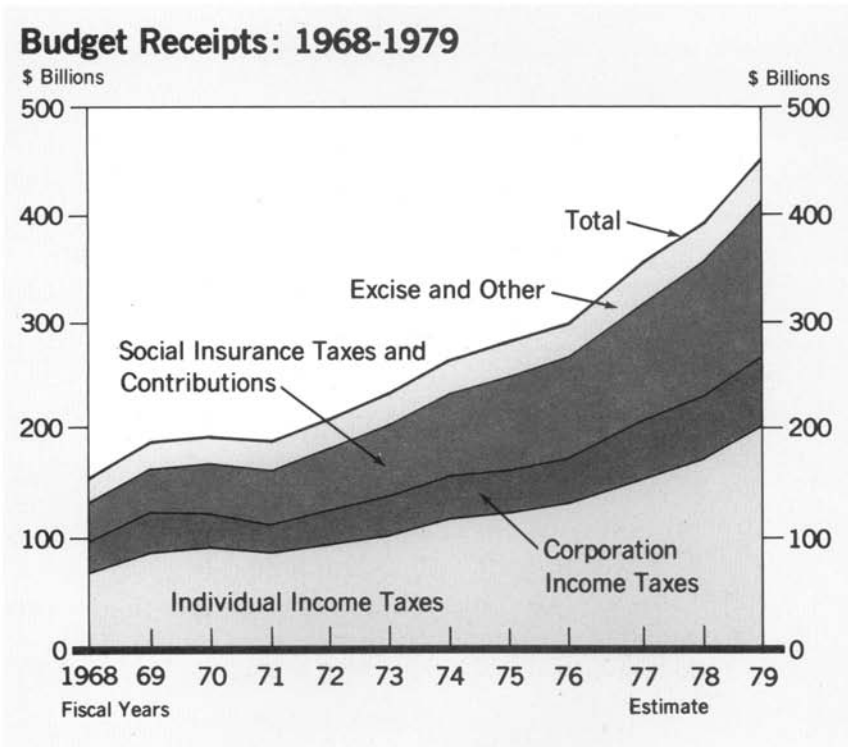
The composition of Federal Government receipts has also changed significantly. The most significant shift has been the increase in relative importance of social insurance taxes and contributions from 22.6% of total receipts in 1968 to 32.1% in 1978. By 1982, this percentage is expected to increase further to 33.6%.

PART II

BUDGET RECEIPTS

This section describes the major sources of budget receipts for 1976 to 1979 and discusses the legislative proposals affecting them. The economic forecast underlying the estimates through calendar year 1978 are presented in Part I. Longer range economic assumptions and estimates of receipts are presented in Part III.

Total budget receipts in 1978 are estimated at \$393 billion, 11% more than the \$354 billion estimated for 1977. Receipts in 1979 are estimated at \$454 billion. 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

In the last 2 years, three major laws have changed individual and corporation income taxes. First, the Tax Reduction Act of 1975 provided a partial rebate of calendar year 1974 individual income taxes, a number of temporary reductions in individual and corporation income tax liabilities, generally applicable to calendar year 1975, and a few permanent changes in the tax structure. The Revenue Adjustment Act of 1975, enacted later the same year, provided tax reductions for the first 6 months of calendar year 1976. For corporations, the act extended the temporary rate reductions enacted in the Tax Reduction Act. For individuals, however, larger temporary reductions were enacted. The third major act affecting individual and corporation income taxes (as well as estate and gift taxes) was the Tax Reform Act of 1976. This act extended some temporary provisions scheduled to expire and made others permanent. It also enacted a number of major tax reforms and other changes. The table below shows the effect on budget receipts of these acts for 1975-79.

EFFECT OF ENACTED LEGISLATION

[In billions of dollars]

Legislation	1975	1976	TQ	1977	1978	1979
Tax Reduction Act of 1975....	-10.2	-9.9	-.2	.4	2.8	3.2
Revenue Adjustment Act of 1975.....		-6.0	-.5	-1.3	.....	.....
Tax Reform Act of 1976 ¹.....		.....	-2.8	-15.3	-11.9	-7.1
Total	-10.2	-15.8	-3.5	-16.2	-9.2	-3.9
Individual income tax.....	-9.4	-13.2	-3.0	-14.3	-7.9	-3.9
Corporation income tax.....	-.8	-2.6	-.4	-1.9	-.5	1.0
Other (largely estate and gift).....	.....	.....	.....	*	-.7	-1.0

*Less than \$50 million.

¹ Includes the effect of interim legislation that extended individual income tax withholding rates and corporation income tax rate reductions from July 1, 1976 to October 4, 1976, when the Tax Reform Act of 1976 was enacted.

The budget reflects the President's proposal for permanent income tax reductions to become effective retroactive to January 1977. These reductions—which include replacement of some temporary provisions of the Tax Reform Act—would reduce receipts by \$7.2 billion in 1977, by \$22.6 billion in 1978, and by \$27.3 billion in 1979. In comparison to the receipts that would result from extending the temporary provisions of the Tax Reform Act, the reductions in receipts are \$7.2 billion in 1977, \$14.7 billion in 1978, and \$13.7 billion in 1979.

In addition to these income tax reduction proposals, the President is making a number of other tax proposals.

He is repeating his proposal for corporation income tax integration. Under the current system of taxation, the Federal Government taxes income earned by corporations twice: first when it is earned by the corporation and again when it is distributed to the shareholder as a dividend. This double taxation would be eliminated in six phases, beginning in January 1978, and would reduce receipts by \$1.1 billion in 1978 and \$3.1 billion in 1979.

The President is again proposing increases in the social security tax rate. Under current law, this rate increases from 11.7% to 12.1% in January 1978. The proposal increases rates to 12.3% in January 1978, to 12.9% in January 1979, and to 13.2% in January 1980. The 0.5 percentage point increase scheduled to occur in January 1981 under current law would increase this rate to 13.7%. These rate increases, which raise receipts by \$1.3 billion in 1978 and \$6.4 billion in 1979, are needed to place the social security trust fund on a sound financial basis. In their absence, the social security system could use up the trust fund's resources by 1982.

The President is proposing a number of other tax proposals, including: a tax incentive to encourage investment in high unemployment areas and to thereby stimulate employment; a 15% income tax credit applicable to the cost of energy-saving home improvements; a taxable municipal bond option with a 30% subsidy to improve the efficiency of the municipal market; and repeal of the inequitable employee stock ownership plans (ESOP's) recently enacted by the Congress.

EFFECT OF PROPOSED LEGISLATION ON RECEIPTS

[In billions of dollars]

	1977	1978	1979
In comparison to current law:			
Individual income tax.....	-6.0	-19.2	-22.5
Corporation income tax.....	-1.1	-4.7	-8.3
Social insurance taxes.....		1.3	6.4
Other.....	.2	.1	.1
Total.....	-6.9	-22.5	-24.3
In comparison to extension of temporary tax reductions:			
Individual income tax.....	-6.0	-12.4	-11.2
Corporation income tax.....	-1.1	-3.6	-5.9
Social insurance taxes.....		1.3	6.4
Other.....	.2	.1	.1
Total.....	-6.9	-14.6	-10.6

In addition, the President is proposing further income tax cuts in 1980-82 to offset the rise in effective tax rates that would

otherwise occur as inflation and real growth move taxpayers into higher tax brackets. In the absence of legislated tax reductions, this rate rises over time as inflation and real growth move taxpayers into higher tax brackets. Even with this proposal the effective tax rate would be higher during 1979 to 1982 than in 1977 because of the rise in the effective rate from 1977 to 1979.

The preceding table shows the effects of the President's tax proposals both in comparison to present law, under which a number of temporary provisions of the Tax Reform Act of 1976 would expire December 31, 1977, and in comparison to extension of such temporary income tax reductions.

RECEIPTS BY SOURCE

The table below shows budget receipts by source for 1976 to 1979; the estimates reflect recent changes in the tax structure and the President's tax proposals discussed above.

Individual income tax receipts are estimated at \$153.1 billion in 1977, \$171.2 billion in 1978, and \$205.3 billion in 1979. Corporation income tax receipts are estimated at \$56.6 billion in 1977, \$58.9 billion in 1978, and \$63.7 billion in 1979. Social insurance taxes and contributions are estimated at \$92.7 billion in 1977, \$108.9 billion in 1978, and \$126.1 billion in 1979. Excise taxes and other receipts are estimated at \$17.0 billion in 1977, \$17.5 billion in 1978, and \$19.1 billion in 1979.

BUDGET RECEIPTS BY SOURCE

[In billions of dollars]

Source	1976 actual	TQ actual	1977 estimate	1978 estimate	1979 estimate
Individual income tax.....	131.6	38.8	153.1	171.2	205.3
Corporation income tax.....	41.4	8.5	56.6	58.9	63.7
Social insurance taxes and contributions..	92.7	25.8	108.9	126.1	146.2
Excise taxes.....	17.0	4.5	17.9	18.5	19.1
Other receipts.....	17.3	4.3	17.5	18.3	20.1
Total.....	300.0	81.8	354.0	393.0	454.4

Receipts from social insurance taxes and contributions are expected to total \$126.1 billion in 1978, up by \$17.2 billion from 1977, and are estimated at \$146.2 billion in 1979. These receipts include social security and other payroll taxes, unemployment insurance taxes, Federal employee retirement contributions and premium payments for supplementary medical insurance.

Excise taxes and other receipts, consisting of estate and gift taxes, customs, and miscellaneous receipts, are estimated to increase steadily, rising from a combined total of \$35.5 billion in 1977 to \$39.1 billion in 1979.

PART III

The Long-Range Outlook

The effects of current decisions extend beyond the budget year. They establish program trends that have important influences on the size and composition of budgets for years into the future. Just as the composition and level of the 1978 budget have been largely determined by past decisions, the decisions and proposals it embodies can strongly affect subsequent budgets. Thus, major program decisions in the 1978 budget significantly affect the swing from an estimated \$47 billion deficit in 1978 to a budget that could be balanced within 2 years.

The long-range estimates in the 1978 budget depart significantly from those developed in previous years, with increased emphasis on the so-called "out years." First, budget figures for the "budget year plus-one," in this case 1979, were reviewed by the President in far greater detail than has been the case in the past, and many decisions for 1978 were based on 1979 budget implications. Second, general policy assumptions are reflected in 1980-82 estimates. For example, individual income tax cuts are proposed in 1980-82 to offset the rise in effective tax rates that would otherwise occur as inflation and real economic growth move taxpayers into higher tax brackets.

Economic assumptions.—Economic conditions significantly affect spending programs and receipts. Decisions on spending programs and taxes, in turn, significantly influence economic conditions. The increasingly strong linkages between the economy and the budget mean that any projection of budget receipts and outlays is in large part determined by the economic assumptions that underlie it.

The following table presents the economic assumptions that underlie the long-range budget projections. These assumptions are derived quite differently from those presented in the short-range economic forecast in Part I. *The longer range assumptions are not forecasts of probable economic conditions, but rather projections consistent with moving gradually toward a relatively stable price level and a lower level of unemployment. Any*

economic forecast is subject to substantial error. Even the 1977 forecast involves considerable uncertainty, but the degree of uncertainty rises rapidly in attempting to foresee economic activity in 1978. Beyond 1978, it is impossible to make a forecast with any degree of reliability. It is for this reason that the data in the following table are projections rather than predictions. They are generated in order to provide a consistent set of budget estimates. There is no intent to imply that the economy will follow the exact path derived from these assumptions. Nor do they represent a blueprint for economic policy.

LONG-RANGE ECONOMIC ASSUMPTIONS

[Calendar years; dollar amounts in billions]

Item	1979	1980	1981	1982
Gross national product:				
Current dollars.....	\$2,334	\$2,579	\$2,784	\$2,963
Constant (1972) dollars:				
Amount.....	1,480	1,562	1,623	1,680
Percent change.....	5.9	5.5	3.9	3.5
Price level (percent change):				
GNP deflator ¹	5.2	4.4	3.5	2.5
Consumer Price Index ²	4.9	4.3	3.4	2.4
Unemployment rate (percent).....	5.7	4.9	4.8	4.7

¹ Percent change, fourth quarter over fourth quarter.

² Percent change, December over December.

Other basic assumptions.—The receipts projections are consistent with the foregoing economic assumptions, and with continuation of current tax laws as modified by the proposals contained in this budget. The outlay and budget authority projections 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, 1978, and 1979. The projections are not *forecasts* of future receipts, outlays, or budget authority, though explicit decisions were in fact made regarding receipts in the period 1979–82, and in so far as practicable, for initiatives affecting 1979 outlays and budget authority.

These projections provide for future cost-of-living adjustments to most benefit levels, Federal pay raises, and other built-in cost increases (such as interest). They also provide for growth in real terms for certain programs, including the health and education block grants, defense procurement, construction, and related activities. The remaining programs are held level in current

dollars except where there is an explicit budget recommendation to increase or decrease program levels over time.

The fiscal outlook.—Under the assumptions used above, receipts are expected to rise 10.6% per year from 1978 to 1982. Over the same period, outlays are projected to rise 6.2% per year. By 1982, a budget margin of \$29 billion is projected. After including outlays of off-budget Federal entities, this margin is cut in half.

It is sometimes assumed that such a budget margin is automatically available for new outlay programs. However, this conclusion is not warranted. For many spending programs, such as veterans benefits and a number of grant programs, the projections assume that there will be no outlay increases due to inflation. An adjustment to hold these programs constant in real terms would further reduce the 1982 margin. Finally, the attainment of our national economic goals in the 1980's will require enormous amounts of capital. Most economists would argue that in an economy that is fully employed the Federal Government should run a surplus to help foster this increase in capital.

The tables in Part 1 show the budget margin that results in 1980–82 with and without the President's proposals. Possible uses of that margin are also shown. If the tax burden were to be reduced to the calendar year 1977 level, instead of the calendar year 1979 level as assumed here, the margin would be fully absorbed. Similarly, a modest surplus equivalent to one-half of 1% of 1982 GNP to foster needed capital accumulation would also fully absorb the 1982 margin.

Receipts.—Receipts are projected to increase by 49% from 1978 to 1982. This increase is attributable largely to growth in tax bases and enacted and proposed increases in social security taxes.

The President's budget includes major tax proposals, a number of which would become effective retroactive to January 1, 1977. In addition, the President is proposing a longer range policy of individual income tax "adjustments" to offset the tendency for such taxes to rise as a share of personal income as rising real incomes and inflation move people into higher tax brackets. Over the past two decades, legislated tax reductions have offset implicit increases of this nature. Without these reductions, total Federal receipts would have risen to a much larger percentage of GNP than they now claim.

PROJECTED RECEIPTS BY SOURCE

[In billions of dollars]

	1978	1979	1980	1981	1982
Individual income tax.	171.2	205.3	234.1	252.3	267.7
Corporation income tax.	58.9	63.7	69.7	74.7	78.0
Social insurance taxes and contributions.	126.1	146.2	164.8	182.6	196.5
Excise taxes.	18.5	19.1	19.6	20.0	20.1
Other.	18.3	20.1	21.9	23.5	25.0
Total budget receipts.	393.0	454.4	510.0	553.1	587.3

Individual income taxes rise from \$171.2 billion in 1978 to \$267.7 billion in 1982. Corporation income taxes rise by 32% over this same period, from \$58.9 billion to \$78.0 billion. In comparison to receipts that would result from extending the temporary provisions of the tax reform act, tax proposals included in this budget reduce individual and corporation income taxes by \$16.0 billion in 1978 and \$61.9 billion by 1982. For a more detailed discussion of these and other tax proposals, see Part 4 of the budget.

Social insurance taxes and contributions, which have increased from only 12.5% of receipts in 1956 to almost 31% two decades later, are projected to increase by 56% between 1978 and 1982. This results from scheduled rate increases, proposed supplemental increases, and an expected increase in the taxable earnings base under current law.

Estate and gift taxes, customs, excise taxes, and miscellaneous receipts are projected at \$45.2 billion in 1982, an increase of \$8.4 billion from 1978. These estimates assume continuation of the 4 cents per gallon Federal excise tax on gasoline and other highway trust fund taxes, which are scheduled to decline or expire on September 30, 1979, under current law.

Budget outlay trends.—As shown in the table on the budget margin, outlays are projected to rise from \$440 billion in 1978, and \$466 billion in 1979, to \$559 billion in 1982. The major trend in the composition of the budget outlays over the last 20 years has been the rapid growth of domestic assistance programs and the corresponding relative decline in spending for direct Federal operations, particularly (until recently) defense. Direct Federal operations include Federal purchases of goods and services for use in Government programs such as defense and space explorations,

compensation of Federal employees, payment of interest on the public debt, and energy research and development. Domestic assistance programs, in contrast, include payments to retired, disabled, unemployed workers, to lower income families and individuals, and aid to State and local governments.

Over the past two decades, outlays for domestic assistance have been growing much more rapidly than national output, and more rapidly than total Federal outlays. As the table below shows, the projections of 1982 indicate that the proposals in this budget reverse the latter trend.

BUDGET COMPOSITION

[Percent of total outlays]

Description	Actual					Projected	
	1956	1960	1964	1968	1972	1978	1982
Domestic assistance.....	22.3	29.4	30.6	32.5	45.7	54.4	53.7
Payments for individuals:							
Direct ¹	(17.0)	(21.8)	(22.1)	(22.1)	(30.2)	(38.2)	(39.9)
Indirect (grants-in-aid).....	(2.5)	(2.7)	(3.0)	(3.4)	(6.3)	(5.8)	(6.1)
All other grants-in-aid ¹	(2.8)	(4.9)	(5.5)	(7.0)	(9.2)	(10.4)	(7.7)
Direct Federal operations...	77.7	70.5	69.4	67.5	54.4	45.6	46.4
National defense.....	(56.4)	(49.0)	(44.5)	(44.4)	(33.4)	(25.5)	(28.5)
Net interest.....	(7.2)	(7.5)	(6.9)	(6.2)	(6.7)	(7.1)	(6.2)
Other.....	(14.1)	(14.0)	(18.0)	(16.9)	(14.3)	(13.0)	(11.6)
Total budget 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 and budget authority by major function and agency is shown in Part 3 of the *Budget*. While total budget outlays increase by 27% from 1978 to 1982, outlays for health, income security, and national defense increase faster than total outlays. Health and income security outlays rise by 36% and 34% respectively. The 5-year national defense projection is calculated on the basis of a significant real increase and rises by 42%.

The recent large increases and additions to domestic assistance programs have, until recently, 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 1982, compared to 33% in 1971—indicates an increased response to human needs, but also 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 or increase defense and other direct Federal activities unless the Federal Government assumes an ever-increasing portion of GNP through increased taxes or continued large deficits.

Controllability.—Some Federal programs—primarily in the area of domestic assistance—create a legal entitlement to benefits for all eligible recipients. These payments, termed “open-ended programs and fixed costs,” amounted to 36% of the budget in 1967. By 1973 they were more than 50% of the budget and in 1978 they are expected to be 58%. By 1982 they are projected to be 62% of the budget. In addition, outlays for “prior-year contracts and obligations” amount to an additional 15% to 20% of the budget and are considered relatively uncontrollable in the short run. The relatively uncontrollable portion of the budget thus amounts to 75% to 80% of the total in the short run.

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. The President has proposed legislation to restrain the growth of some of the relatively uncontrollable programs.

PART IV

THE FEDERAL PROGRAM BY FUNCTION

This section discusses the budget in terms of the major functions or purposes that Federal policies and programs are intended to serve, regardless of which agencies are carrying them out.

While budget outlays are the most obvious measure of the Federal Government's effect on resource allocation and income distribution, various fiscal activities outside the Federal budget also have large economic effects, and can generally be viewed as alternative means of pursuing policy objectives. These activities include spending of off-budget Federal entities, spending of privately owned, Government-sponsored enterprises, guaranteed loans, and tax expenditures. Major activities in these categories are discussed in the functional sections that follow. More detailed discussions are provided in Part 2 of the budget and in the Special Analyses volume of the budget under "Federal Credit Programs" and "Tax Expenditures."

Off-budget Federal entities are federally owned and controlled, but their transactions have been excluded from the budget totals under provisions of law. Therefore, their spending is not reflected in budget outlays or in the budget surplus or deficit, though Treasury borrowing to finance their outlays does add to the Federal debt. Spending by these entities (primarily loans) does not differ in nature or effect from spending of other Federal programs. Since they are outside the budget, however, these entities are not subject to the full budget review and control process. The administration is proposing legislation to include off-budget Federal entities within the budget, thus telling the public more accurately what the Government is spending and extending the full budget control process to these Federal activities.

Government-sponsored enterprises are privately owned organizations that have been established and chartered by the Federal Government to carry out special functions. They primarily support housing but also support agriculture and higher education.

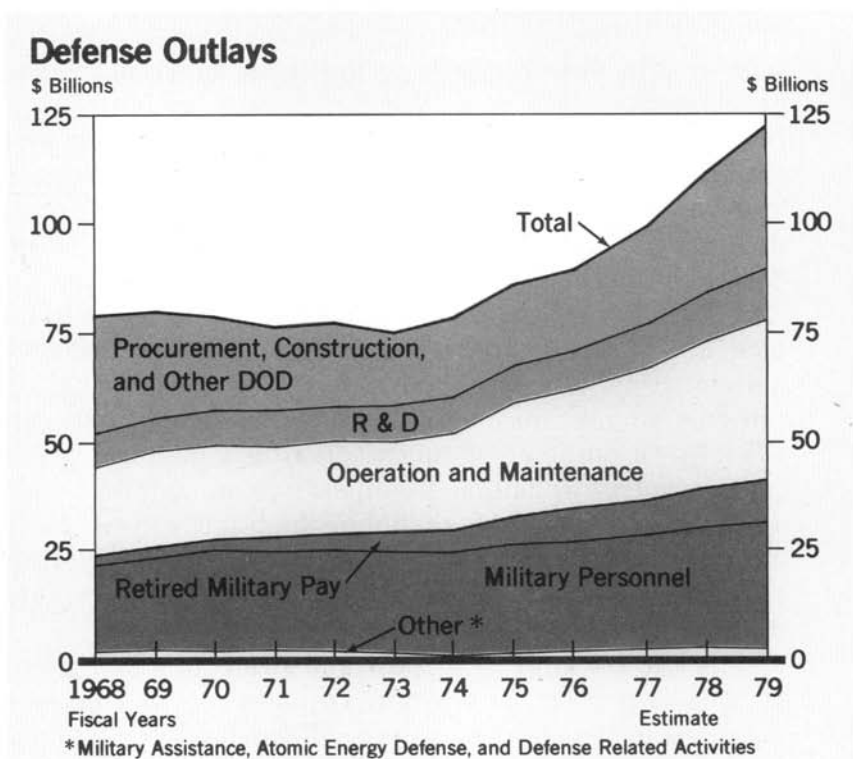
Guaranteed (or insured) loans are loans made by persons or institutions outside the Government for which the Government guarantees the payment of the principal or interest in whole or in part. Loan guarantees may significantly affect resource allocation in the economy by diverting private credit from one activity to another. Most guarantees support housing, although in recent years they have been used increasingly for other purposes. Loan guarantees do not result in outlays unless a default occurs, and are not subjected to the same review and control as budget outlays. It is imperative that the Congress and the Executive reach early agreement on an effective control mechanism.

Tax expenditures are those revenue losses attributable to provisions of the individual and corporation income tax laws that allow a special exclusion, deduction, or exemption from income, a preferential rate of tax, a special credit, or a deferral of tax liability. Nearly all tax expenditures are intended either to encourage particular economic activities or to reduce the taxes of persons in special circumstances. Among the economic activities encouraged are investment, homeownership, spending by State and local governments, and support of charities. Among the persons whose tax burdens are lightened are the aged, the unemployed, and those with large medical expenses. Taxes other than income taxes also affect the economy, as do tax rates, personal exemptions, and other characteristics of income taxes that are not defined as resulting in tax expenditures.

National Defense

A major determinant of United States defense policy is the challenge to American security and a stable world order that is presented by the military capabilities of the Soviet Union and its allies. Over the past decade the Soviet Union has continued to maintain a high rate of growth in defense spending, modernizing every major component of Soviet forces. This includes new-generation intercontinental and submarine-launched nuclear missiles, advanced ground and air combat equipment, and dramatically strengthened naval forces. During this same period, U.S. defense budgets declined in real terms and modernization proceeded slowly. Beginning with a Presidential initiative in the 1976 budget, however, U.S. defense spending has been increased in real terms each year over amounts needed to offset inflation.

Following a major review of defense policy, the President has decided to recommend a continued steady growth in real defense spending to maintain American military strength relative to that of the Soviet Union.



During the past year the President also directed a comprehensive study of Navy missions and forces. This review resulted in a decision to accelerate naval force modernization, building toward a fleet of about 600 combat ships. Emphasis is to be placed on smaller aircraft carriers and increased numbers of lower cost combat ships.

Consistent with these decisions, the major program initiatives reflected in the budget recommendation for 1978 are to:

- continue to modernize each component of the strategic deterrent forces and initiate full-scale development of an intercontinental ballistic missile to replace the Minuteman missile;
- increase the capability of general purpose combat forces to fight a high-intensity war by increasing supplies of munitions

and other equipment and by reducing maintenance and overhaul backlogs;

- improve U.S. capability to respond rapidly to the outbreak of a European conflict by increasing the readiness of troops deployed in forward areas through better training, increased prepositioning of equipment, and improved in-theater mobility;
- enhance the mobility of U.S. forces by increasing airlift capabilities;
- continue the modernization of general purpose ground and air forces that are primarily oriented toward deterring a major war in Europe. In this context, the number of Army divisions has been increased from 14 to 16. They will be equipped with new tanks, helicopters, and antitank missiles. The Air Force will procure new aircraft to fully equip its 26 tactical wings. Navy force modernization will emphasize requirements for control of the seas;
- continue to maximize combined force effectiveness with allies by encouraging standardization of equipment, joint training and coordination of support systems, and the build-up of allied capabilities to sustain high-intensity conflict;
- increase research and development funding in 1978 to protect against technological surprise by adversaries and ensure the deterrent capability of future defense systems;
- update the stockpile of critical and strategic materials to be able to provide for wartime requirements of vital raw materials in the event of a major disruption in traditional overseas supplies; and
- conduct a study to determine the number and type of domestic installations required. A partial construction moratorium is proposed in 1978 pending the results of this review.

The proposed 1978 defense budget, together with projections for the following 4 years will provide for the modernization and change needed to maintain the effectiveness of national defense programs. To provide this effectiveness, outlays are proposed to increase from \$100.1 billion in 1977 to \$112.3 billion in 1978 and to \$123.8 billion in 1979.

In order to accomplish the improvements proposed for 1978, while staying within constrained budget levels, additional efficiencies will be required. Reductions are proposed in personnel costs and support activities judged marginal to defense capabilities.

Proposed nuclear weapons activities are higher than 1977 levels primarily because of greater emphasis on advanced research to provide new nuclear weapons for future military needs. Additional funds are also proposed for safety, environmental, and physical security improvements.

Military assistance programs are discussed in the international affairs section.

International Affairs

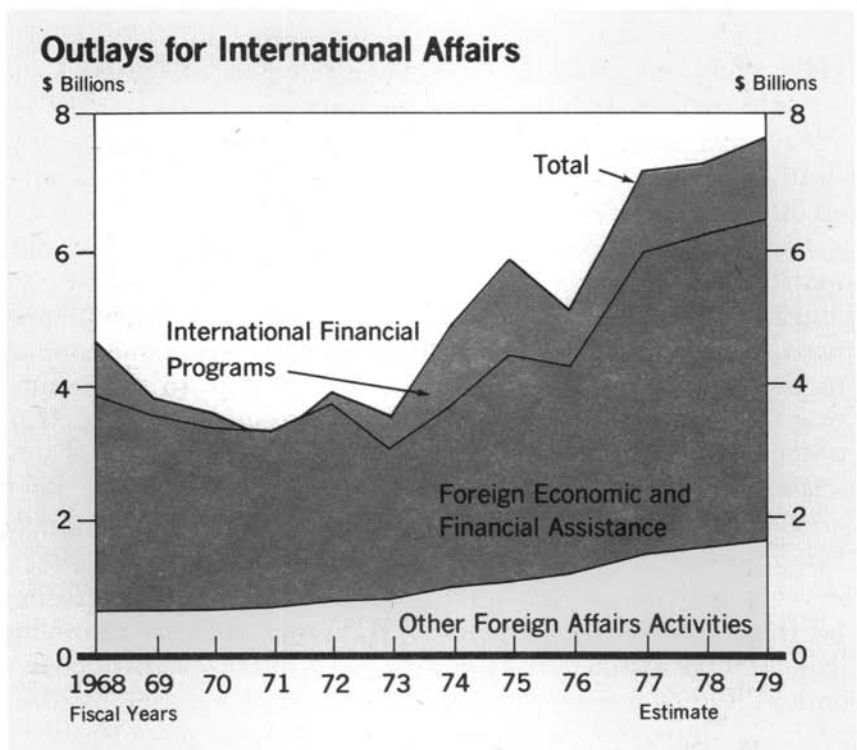
The goals of peace and worldwide economic improvement continue to be the focus of the international affairs activities of the United States. Outlays for the international affairs function are estimated to increase \$131 million to \$7.3 billion for 1978, and to \$7.6 billion for 1979. Additional outlays for military assistance, included in the national defense functional totals, are estimated to decrease from \$577 million in 1978 to \$494 million in 1979.

Under the military assistance program, the United States provides loans and grants to finance the purchase of materiel and services to help friendly countries improve their capacity for self-defense and collective security. The budget continues the shift from grant military assistance to foreign military sales credits, thus increasing the self-reliance of recipients.

Outlays for foreign economic and financial assistance are estimated to increase from \$5.1 billion in 1977 to \$5.2 billion in 1978 and \$5.4 billion in 1979. *Security supporting assistance*, with proposed outlays of \$1.4 billion in 1978, provides economic support to countries of particular strategic importance to the United States, principally in the Middle East and southern Africa. *Multilateral development assistance* takes the form of capital subscriptions to international institutions such as the World Bank and voluntary contributions to the United Nations Development Program. Outlays of \$1.3 billion are proposed for 1978. *Bilateral development assistance* is administered principally by the Agency for International Development (AID) and focuses on improving living standards and overcoming development problems in poorer nations. Other foreign assistance programs include the food for peace program, which is expected to supply worldwide over 6 million tons of food to needy countries. The number of Peace Corps volunteers will decline by over 950 from 1977 to 1978 as the number of fillable requests for volunteers declines.

Support for foreign information and exchange programs is estimated to require outlays of \$422 million in 1978 and \$446 million in 1979. Estimated outlays for the conduct of U.S. foreign affairs activities are \$1.1 billion in 1978 and \$1.2 billion in 1979.

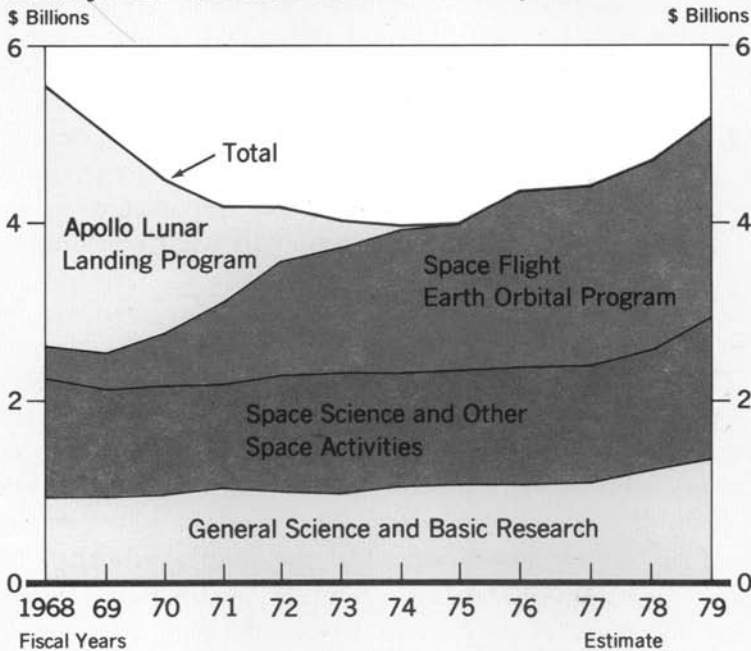
Outlays for international financial programs are estimated to be \$1.1 billion in 1978, and \$1.2 billion in 1979. These programs include primarily the loan, insurance, and guarantee programs of the Export-Import Bank, which promotes U.S. exports. Outlays to support the Bank's activities are estimated at \$1 billion for 1978. Proposed participation in an international consortium loan to help meet Portugal's temporary balance-of-payments needs is estimated to require outlays of \$300 million in 1977, \$130 million in 1978, and \$120 million in 1979. Additional stimulus to U.S. exporting is provided by the favorable tax treatment of domestic international sales corporations, with an estimated tax expenditure of \$1.2 billion in 1978.



General Science, Space, and Technology

This function includes primarily programs in space research and technology and for the expansion of basic scientific knowledge. Estimated outlays are \$4.7 billion in 1978 and \$5.2 billion in 1979. In the space program, proposed NASA 1978 outlays of \$3.5 billion, an increase of \$153 million over 1977, provide for continued work on the manned space shuttle, a reusable space vehicle for more economic manned access to space in the 1980's and beyond, and for activities in space science and applications. Included in 1978 are funds for the further development and testing of two prototype shuttle orbiters and for initial procurement of three additional orbiters, providing a national fleet of five for civilian and military missions. In space science two major projects are proposed for initiation in 1978—the Earth orbiting space telescope to study the universe and an orbiter/probe mission to study the planet Jupiter. Development of Landsat-D is proposed to evaluate further the use of satellites for global crop forecasting and other space applications.

Outlays for General Science and Space



Outlays for general science and basic research programs in the National Science Foundation (NSF) and the Energy Research and Development Administration (ERDA) are estimated at \$1.2 billion in 1978, an increase of \$139 million over 1977.

Proposed funding of basic research by the NSF will be increased substantially as part of a Government-wide effort to assure 3% real growth in Federal support of basic research. The NSF also proposes to double its funding of earthquake research as part of a joint program with the Geological Survey.

Basic research programs of ERDA are proposed to be strengthened to support fundamental research with potential for application to energy technologies.

Natural Resources, Environment, and Energy

Programs in this area promote the use, management, and preservation of our natural resources and environment. Estimated 1978 outlays are \$19.7 billion, and for 1979, \$20.6 billion.

The oil embargo of 1973 and the subsequent sharp price increases established by foreign producers highlighted the fact that the United States no longer had abundant supplies of oil. Development of domestic energy sources became a high priority. The increased use of coal, nuclear power and renewable power sources was encouraged, as was a reduction in the rate of growth of energy consumption. The Federal Energy Administration (FEA) and the Energy Research and Development Administration (ERDA) were established to provide initial capability to plan and execute national energy policy, coordinated by the Energy Resources Council. New proposals must continue these efforts.

The energy policy proposed in this budget is a comprehensive program directed toward decreasing the Nation's energy dependence on foreign producers. A major step in this process is the proposed consolidation of the FEA, ERDA, and other energy-related organizations into a cabinet level Department of Energy, permitting a more effective coordination and execution of the Nation's energy policy. Also supported are: establishment of the \$100 billion Energy Independence Authority (EIA) to encourage domestic energy resource development; deregulation of the price of new natural gas; phaseout of controls on petroleum; development of a strategic petroleum reserve; pro-

duction of the Naval Petroleum Reserves; and resource assessment of the National Petroleum Reserve in Alaska.

Projected 1978 budget outlays for energy programs are estimated to be \$6.1 billion, rising to \$6.9 billion in 1979. Including off-budget Federal entities, outlays are estimated to be \$6.7 billion in 1978 and \$8.3 billion in 1979.

The proposed EIA would have resources of \$100 billion over a 10-year period and would provide loans, loan guarantees, and other assistance to domestic energy projects of critical importance. The Authority would supplement and encourage private capital investment across a broad spectrum of energy supply, conservation and energy-related environmental projects and also work to shorten the time required for energy projects to obtain clearances and permits from Federal regulatory agencies.

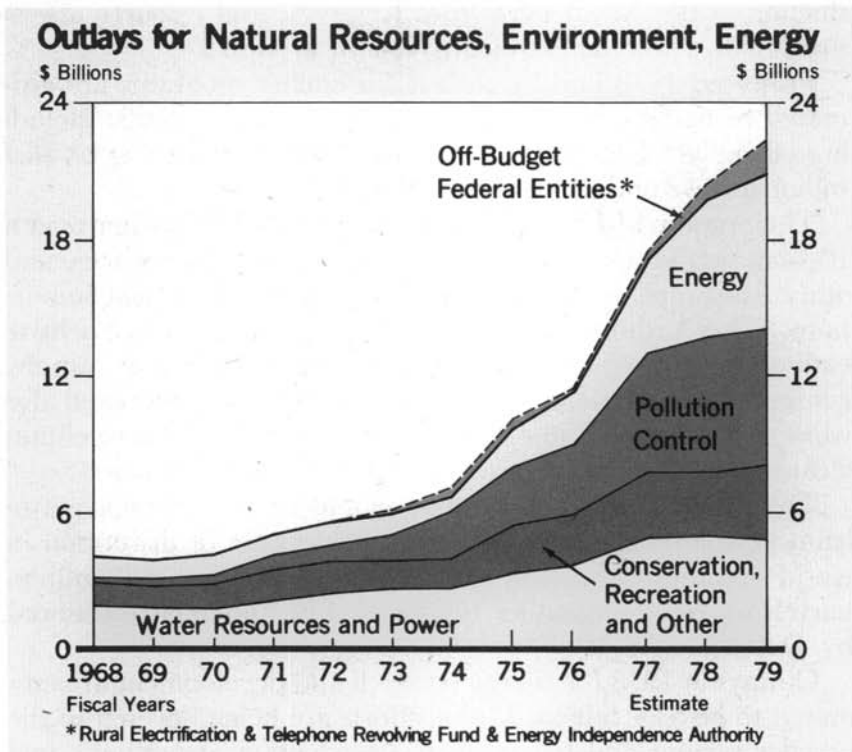
The budget provides for the development of a strategic petroleum reserve to minimize the potential impact of disruption in world supplies. The proposed reserve would be 500 million barrels stored by December 1982, with 150 million barrels stored by December 1978.

Outlays in 1978 for energy research and development are estimated to be \$3.4 billion. Major efforts are being devoted to the breeder reactor and fusion, to the production of synthetic fuel from coal, and to solar, geothermal, and conservation technologies. High priority is given to implementing the President's nuclear energy and nuclear nonproliferation policies.

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

Projected outlays for pollution control and abatement programs increase 14% to \$5.9 billion in 1978, primarily reflecting prior-year commitments for construction of municipal sewage plants. Proposed 1978 budget authority for this construction grant program of \$4.5 billion is contingent upon enactment of reforms that ensure the use of the funds for high priority projects only. This would reduce the 10-year Federal liability for waste treatment plant construction from \$330 billion to \$45 billion.

Outlays for water resources and power programs are estimated to increase slightly from \$4.8 billion in 1977 to \$4.9 billion



in 1978. Most projects are being funded to meet orderly construction schedules for ongoing work. To avoid excessive growth in future spending, no new projects are recommended in 1978.

Conservation and land management outlays are estimated to be \$1.4 billion in 1978, supporting the management of 1 million square miles of public lands to provide for current development of resources and for conservation.

The land and water conservation fund is proposed to be fully funded with \$600 million for acquisition of recreation land both by the Federal Government and through grants to States. Also proposed is a 1977 supplemental for the Bicentennial Land Heritage Act, a 10-year, \$1.5 billion program proposed by the President to expand and improve national parks and wildlife refuges. Outlays for recreational programs are expected to increase from \$1.4 billion in 1978 to \$1.5 billion in 1979.

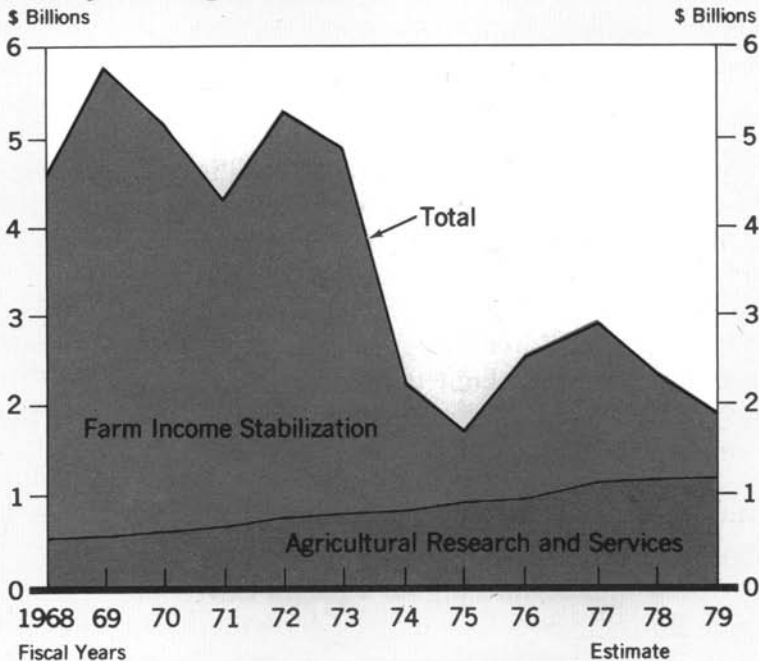
Outlays for other natural resource programs in 1978 are estimated to be \$1.1 billion. These funds include support for the Geological Survey's resource surveys and mapping and for the National Oceanic and Atmospheric Administration's weather forecasting and marine and coastal programs.

Agriculture

The administration's agricultural policy is to minimize Government restrictions on crop production, and provide producers with protection against severe price declines while permitting market forces to work. Where this policy has not been followed—in crops such as peanuts and tobacco—the resulting cumbersome mandatory programs have produced increasing prices and surpluses acquired at Federal expense. This budget proposes to substitute an expanded crop insurance program for disaster payments, to continue the present price support program for grains and cotton, and to reform the peanut price support program. Projected 1978 outlays for farm income stabilization programs are \$1.2 billion.

Outlays for the agriculture function are estimated to decline from \$2.3 billion in 1978 to \$1.9 billion in 1979. Proposed increases for research to improve production efficiency, for pest and disease eradication and for marketing services are more than offset by decreases in outlays for price support and related programs. This budget provides additional funds for a new program that would award research grants on a competitive basis.

Outlays for Agriculture



Commerce and Transportation

Programs for commerce and transportation include development and support of several modes of transportation, support of the housing mortgage market, subsidies to the Postal Service, aids to business, and regulatory activities. Budget outlays for commerce and transportation programs are estimated to increase 20% to \$9.3 billion in 1978 and then decrease to \$18.6 billion in 1979. Total outlays for this function, including off-budget Federal entities, are estimated to be \$21.8 billion in 1978 and 1979.

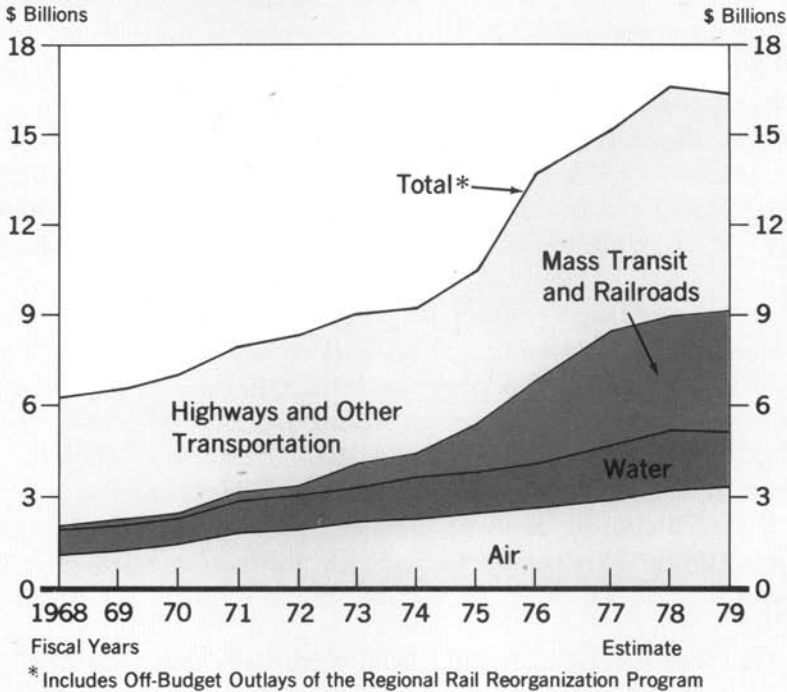
Outlays for Federal-aid highways are estimated to be \$6.9 billion in 1978 and \$6.7 billion in 1979. A \$6.5 billion obligation ceiling is proposed for Federal-aid highways in 1978. This is a moderate budget expansion from the average \$6.1 billion obligation level achieved in 1976 and 1977. This level recognizes that States require stable assistance to permit orderly highway planning and phased construction of interstate and other highways.

Outlays for mass transit are estimated to increase to \$2.3 billion in 1978 and \$2.4 billion in 1979. Major mass transit projects, already supported by the Federal Government, will be fully funded under existing authorizations, even though some funds will not be obligated until after 1980. An additional \$1.1 billion of budget authority will be needed for mass transit programs in 1979 and 1980. The budget assumes that no new costly heavy rapid rail projects will be initiated through 1979. Federal assistance will aid ConRail by providing \$2.1 billion of loans through 1981 while subsidies to Amtrak for rail passenger service will be restrained in order to promote cost effective practices in those programs.

Coast Guard outlays are proposed to increase to an estimated \$1.3 billion in 1978, reflecting fisheries enforcement of the 200-mile territorial water limit along with the Coast Guard's continued responsibilities for emergency services and protection of the marine environment. The budget proposes decreased subsidies for operation and construction of the Nation's merchant marine fleet from \$682 million in 1977 to an estimated \$634 million in 1978.

The most important thing the Federal Government can do for housing is to control inflation through sound fiscal and monetary policies. The Administration is proposing major reforms of Fed-

Outlays for Transportation



eral mortgage insurance programs run by the 43-year-old Federal Housing Administration. These reforms will encourage the development of private insurers while continuing to assure that credit worthy families have access to insurance for their mortgage loans. Lower downpayment requirements will make homeownership possible for more families.

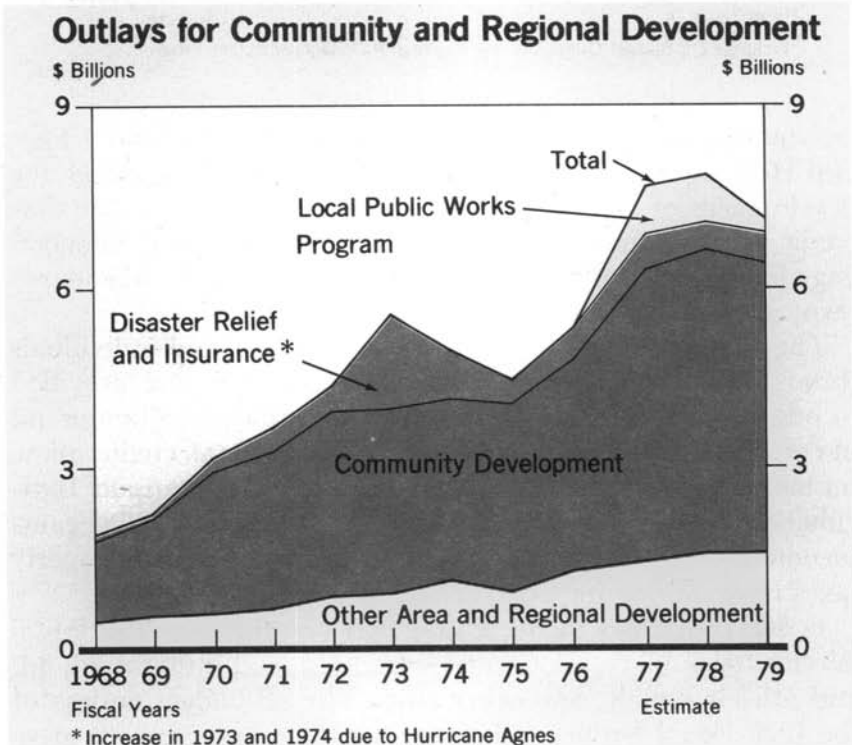
The Federal Government also aids business and individuals through several tax expenditures. Major benefits are provided to business by preferential tax rates on the initial \$50 thousand of corporate earnings subject to tax. Investment tax credits allow businesses to retain additional money for capital expansion. Individuals receive benefits by favorable tax rates on capital gains income and by the deduction of mortgage interest and property taxes from income for Federal tax purposes.

Federal subsidies to the Postal Service reimburse the Postal Service for public service costs; subsidized mail rates for 2d, 3d, and 4th class mail; and other costs. The off-budget outlays of the U.S. Postal Service reflect the net difference between gross postal expenditures and gross postal receipts.

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 increase \$173 million to \$7.9 billion in 1978. Projected outlays then decline to \$7.1 billion in 1979, as temporary countercyclical programs and others replaced by community development block grants are phased out.

New commitments under the community development grant program are estimated to be \$3.5 billion in 1978 and \$3.4 billion in 1979. Outlays for this program reflect the rate at which communities carry out their projects and are expected to be \$2.3 billion in 1977 and \$3.1 billion in 1978. Under the block grant program, localities have the option of funding a wide range of activities, including land acquisition, public construction, and rehabilitation of structures. The administration strongly supports continuation of this program, which requires reauthoriza-



tion in 1978. The budget proposes a change in the way funds are allocated under this program. Entitlements would be calculated under both the current formula (population, poverty, and housing overcrowding), and an alternative formula (poverty, loss of population, age of housing), with each community receiving the higher of the two amounts.

The budget proposes phasing out Vista and University Year for ACTION. These programs have operated long enough to enable communities and universities to decide whether to support them locally. The ACTION older Americans volunteer programs are proposed to continue in 1978 and 1979 with the same numbers of volunteers as at the end of 1977. The Community Services Administration, through its community action agencies, will primarily coordinate assistance provided through other Federal agencies aimed at meeting the needs of the economically disadvantaged. Redevelopment of Pennsylvania Avenue in the National Capital will begin.

Area and regional development outlays are estimated to be \$2.3 billion in 1978. Programs in this category provide support primarily for economic and rural development, American Indian tribal governments, and Appalachian development.

The newly authorized local public works employment program provides \$2.0 billion to assist State and local governments in areas of high unemployment for improvement of public facilities. The administration believes that this program finances low-priority projects and creates only temporary jobs, and is therefore an inappropriate means to try to decrease unemployment. No new budget authority for these grants is recommended. Outlays are projected to be \$0.8 billion in 1977 and 1978.

Assisting American Indian communities in their development is a continuing concern. Outlays for Indian development programs in this function are estimated to be \$712 million in 1978.

Outlays for disaster relief and insurance are estimated to be \$457 million in 1978. Insurance against losses brought about by natural disasters is primarily the responsibility of individuals and businesses, with State and local governments responsible for promoting recovery. However, Federal aid is available through the national flood insurance program and the Disaster Relief Act. By the end of 1978, flood insurance is expected to be available in approximately 17,000 communities.

Training, Employment, and Social Services

This section describes three types of Federal programs, primarily grants-in-aid: those that are designed to help individuals get jobs, through training, employment services, or as needed, temporary jobs; those that enforce the minimum wage and other workplace standards; and those that provide social services.

Estimated outlays for employment and training programs will decline from \$6.8 billion in 1977 to \$5.3 billion in 1978, and \$4.3 billion in 1979 because of anticipated improvements in the economy. The largest decrease results from the proposed phase-out of the program providing temporary employment assistance to States and localities. Approximately 260,000 jobs have been funded under this program each year between 1975 and 1976. A requested 1977 supplemental appropriation will maintain these jobs through 1977, and phase them out by the end of 1978. In addition, another temporary employment program—the job opportunities program—is not proposed to be funded in either 1977 or 1978.

Outlays in 1978 and 1979 for regular State and local programs under the Comprehensive Employment and Training Act (CETA) are estimated at \$2.1 billion, the 1977 program level. Approximately 490,000 training or work opportunities are expected to be provided in each year. Outlays for special summer youth employment are estimated to be \$525 million for 882,000 jobs in 1978 and \$450 million for 756,000 jobs in 1979. The Job Corps is estimated to support 22,700 training opportunities in 1978 and 1979. An additional 22,600 part-time public service job opportunities for older workers, now authorized by the Older Americans Community Service Employment Act, will continue to be provided at a cost of \$91 million in 1978 and 1979, using increased CETA funds in the latter year.

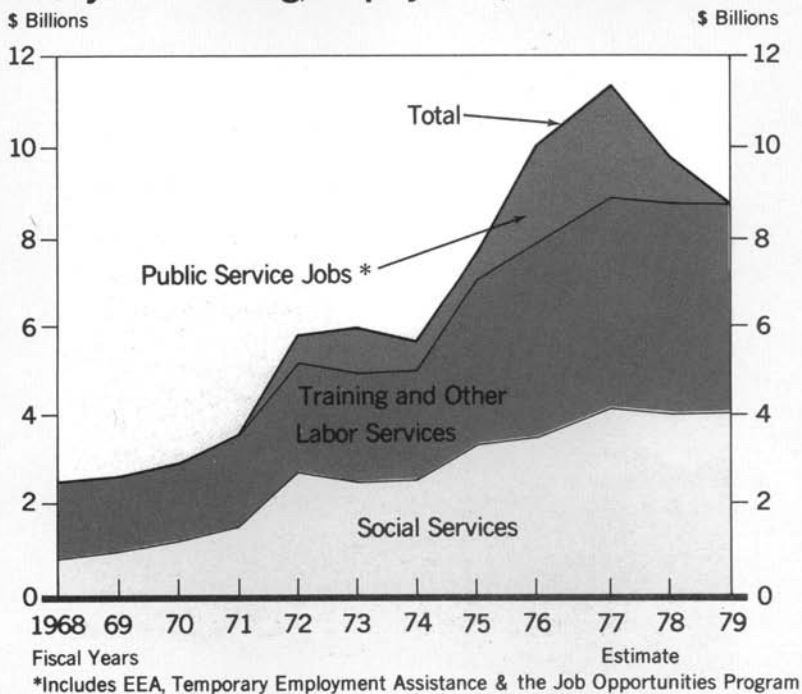
The work incentive (WIN) program helps those receiving aid to families with dependent children (AFDC) to find jobs. Legislation is proposed to extend the WIN job search requirements to applicants as well as recipients of AFDC and to restrict supportive services to 30 instead of 90 days after job placement. The outlay estimates of \$344 million in 1978 and 1979 reflect the legislation and will support the level of employment services attained in the last quarter of 1976.

The current level of Federal-State employment service operations will be maintained with 1978 and 1979 outlays of \$693 million until an evaluation of its effectiveness can be completed.

The Federal Government sets and enforces standards for wages, overtime, and other employer-employee relationships, including collective bargaining, and publishes employment and price statistics. Outlays for these programs are estimated at \$380 million in 1977, \$415 million in 1978, and \$424 million in 1979.

Grants to States for local services provide a broad range of services for people with the goal of reducing their dependency. Federal outlays for this program are estimated at \$2.5 billion in 1978, and \$2.6 billion in 1979. Outlays for vocational rehabilitation are estimated to be \$839 million in 1978 and 1979, and outlays for services to the elderly and other special groups are estimated to be \$625 million in 1978. In addition, an Allied Services Act is proposed to demonstrate how to integrate the delivery of different kinds of social services at the local level.

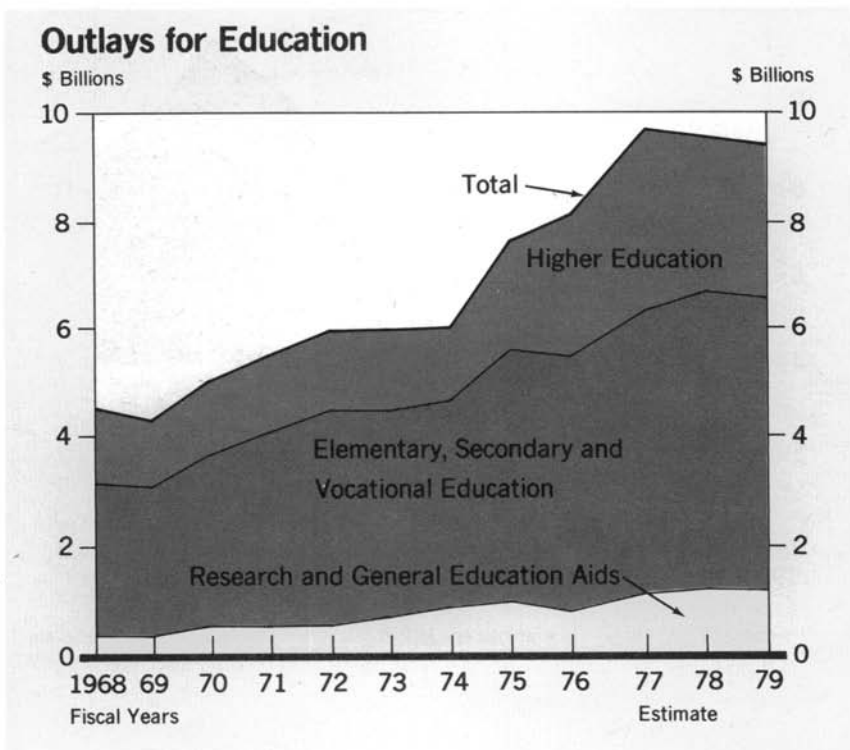
Outlays for Training, Employment, and Social Services



Education

Public education is primarily a State and local responsibility. Federal Government programs help to ensure equal access to educational opportunity and provide funds for special educational services for the handicapped and disadvantaged. Federal outlays for educational programs are estimated to be \$9.6 billion in 1978 and \$9.4 billion in 1979.

Federal programs for elementary and secondary education provide assistance to State and local educational agencies through both formula grants and discretionary project grants. Federal outlays for elementary, secondary and vocational education programs are estimated to be \$5.5 billion in 1978 and \$5.4 billion in 1979. This budget proposes a Financial Assistance for Elementary and Secondary Education Act, consolidating 23 of the present Federal aid programs into a block grant program that would enable State and local educational agencies to make the decisions on programs necessary to solve their local educational problems while continuing the emphasis on better education for the disadvantaged and handicapped. The funding for this proposal



would continue to provide support at the 1977 level for the various programs proposed for consolidation.

The impact aid program historically has provided funds to school districts in areas affected by the presence of the Federal Government. The budget is again proposing to limit such support to those situations where Federal activities result in an economic hardship for a school district. Under this proposal, an estimated \$317 million in 1978 would be saved.

The budget proposes that Federal funds for higher education continue to emphasize direct aid to needy students to help them afford a postsecondary education. Proposed budget authority of \$1.8 billion in 1978 and 1979 will provide basic opportunity grants of up to \$1,400 for 2.1 million undergraduates in each year. In addition, 1978 budget authority of \$44 million is requested for the State student incentive grant program and \$250 million is requested for the work study program. The budget does not request funds for most institutional assistance or other activities where benefits do not flow directly to students.

Proposed outlays in 1978 are \$94 million for the National Institute of Education, \$351 million for the National Foundation on the Arts and the Humanities and \$120 million for the Smithsonian Institution. Estimated tax expenditures of more than \$2 billion in 1978 will significantly help both students and nonprofit educational institutions by not including scholarships in taxable income and by allowing tax deductions for contributions to nonprofit educational institutions and other deductions.

Health

Federal health programs finance and provide health services, primarily for the aged and poor. In addition, they pay for health research, preventive health activities, and training of health personnel. Health outlays are expected to reach \$43.2 billion in 1978, an increase of 10% over 1977, and \$46.7 billion in 1979, an increase of 8% over 1978.

The 1978 budget proposes to consolidate medicaid and 19 other health programs into a health block grant program, with estimated 1978 budget authority of \$13.2 billion and outlays of \$12.3 billion. Medicaid provides assistance to States in paying for medical services for low-income persons. Federal medicaid payments have, however, been inequitably distributed among the States. Moreover, Federal medicaid spending has risen sharply

from \$2.7 billion in 1970 to \$10.2 billion in 1977—an increase of 278% in 7 years. The proposed legislation would overcome inequities in the distribution of Federal funds, eliminate categorical programs that are unnecessarily narrow, and hold down projected increases in Federal spending. Block grant funds would be allocated to the States under a formula based on the number of poor people in the State, overall State tax effort, and average State per capita income. Funds would be used primarily to meet the priority health needs of low-income persons. Budget authority for the new program would increase by 5% annually after 1978.

Medicare finances health insurance coverage for an estimated 26 million aged and disabled Americans. The budget proposes legislation that would protect beneficiaries against catastrophic expense by removing limits on the length of stay in non-psychiatric hospitals and nursing homes and by limiting beneficiaries' annual spending for covered expenses to \$500 per year for hospital and nursing home care and \$250 per year for physicians' services. The recommended legislation would also increase beneficiaries' cost-sharing for the initial part of hospital stays, would increase the deductible on physicians' charges, and would place ceilings on medicare payments for hospital costs and doctors' charges. In total, these legislative proposals would reduce the growth of medicare outlays by \$1.8 billion, to \$24.3 billion, in 1978 and by \$3.7 billion, to \$26.7 billion, in 1979.

In 1977, medicare and medicaid outlays will constitute about 82% of total Federal health outlays; in 1978, medicare and the health block grant outlays would represent 85% of the total. Tax expenditures of \$8.7 billion in 1978 will continue to provide incentives for the purchase of health insurance and reduce the out-of-pocket costs of large medical expenses.

Estimated outlays for health planning and construction increase from \$947 million in 1977 to \$1.3 billion in 1978 and 1979. This increase is largely the result of transferring salaries and expenses of most Federal health program employees to give the Assistant Secretary for Health greater management control.

Estimated outlays of \$436 million will be spent in 1978 on the provision of medical services to American Indians and Alaska Natives. This will amount to \$775 per eligible beneficiary, or over \$3,000 for an eligible family of four. Outlays of \$33 million for the national health service corps would allow placement of physicians and dentists in 453 areas in the United States with shortages of such personnel. By the end of 1978, the final year

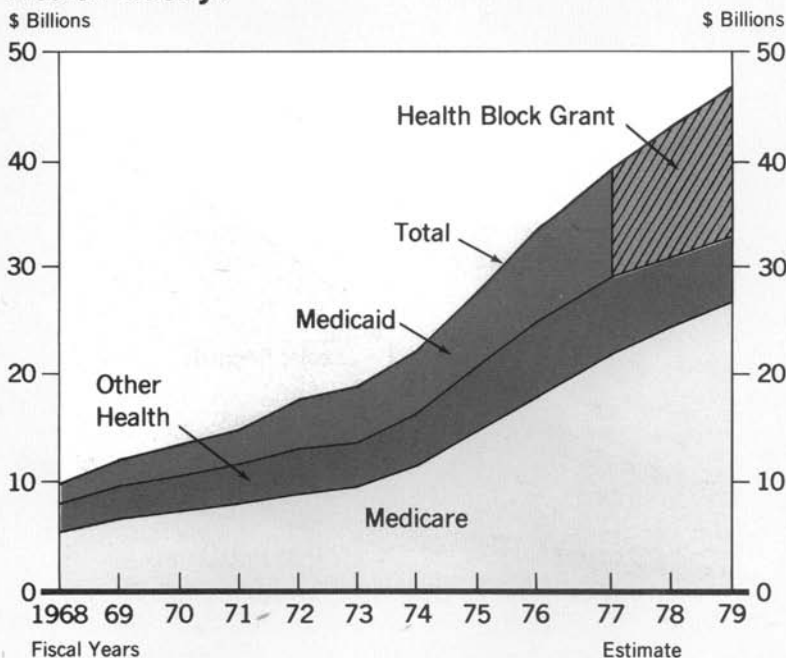
of Federal grant support, more than 100 health maintenance organizations (HMOs) will have received Federal funds to demonstrate this alternative form of health care delivery.

With funds requested for 1978, professional standards review organizations (PSROs) will continue to review medicare hospital admissions in all parts of the country to assure that care is medically necessary and rendered in an appropriate setting.

Health research outlays are estimated to be \$2.0 billion in 1978 and 1979. These research programs support biomedical and behavioral research related to a broad spectrum of health problems. Outlays for training health personnel, estimated at \$574 million in 1978, will emphasize programs that encourage doctors to practice in areas with critical manpower shortages and improve the specialty distribution of physicians and dentists. A recently authorized \$500 million federally insured loan program for graduate health professions students will be established.

Estimated outlays for the prevention and control of health problems are \$945 million in 1978 and \$947 million in 1979. Funds also increase to assure the safety of medical devices.

Health Outlays



Income Security

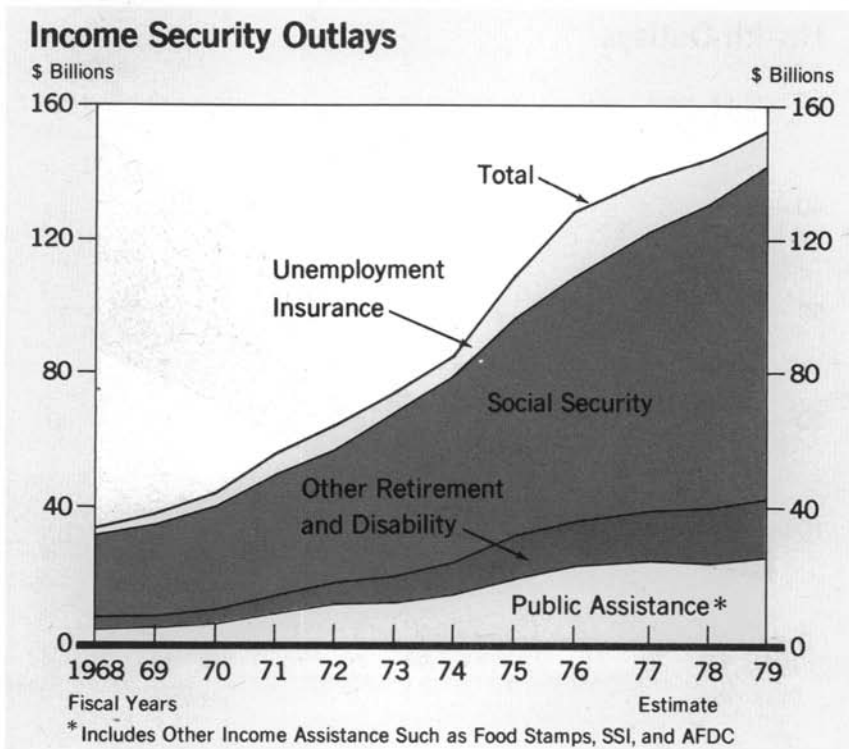
Income security programs provide cash payments and benefits in-kind to maintain living standards for Americans in need. Outlays for income security programs are estimated to increase \$5.8 billion to a total of \$143.9 billion in 1978, and to \$152.8 billion in 1979. About 32.7% of the 1978 budget is for income assistance.

There are four types of Federal income security programs:

1. *Retirement programs*, including social security, railroad retirement and Federal employees retirement programs, that support retired and disabled citizens. It is estimated that 35 million persons will receive benefits in 1978.

2. *Unemployment insurance programs*, including State and Federal programs that provide income for unemployed persons. It is estimated that an average of 3.2 million persons will receive benefits each week in 1978.

3. *Other benefits paid in cash* provide income for the needy, including aid to dependent children.



4. *Other benefits provided in-kind*, including food and shelter programs that provide support to the needy.

In addition, income security benefits are generally excluded from the definition of income in personal income tax computations. This exclusion results in little or no loss of tax revenue from the needy, whose income generally is not high enough to be taxable. However, substantial amounts of income security benefits go to persons with incomes above the poverty line, and significant tax expenditures result from these exclusions.

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

Social security, the world's largest retirement, survivors and disability insurance program, will provide an estimated average annuity of \$242 per month to retired workers in 1978. Total 1978 beneficiaries, including dependents and survivors, are projected to be 32 million. Outlays for social security increase to \$90.8 billion in 1978 and \$99.7 billion in 1979. To restore the financial integrity of the social security trust fund, increases in social security taxes and certain program reforms are proposed.

Under recently enacted legislation, the unemployment insurance system is being expanded to provide coverage to 9 million more employees, including State and local government workers. The legislation also raised Federal unemployment taxes to speed repayment of advances to the trust fund made to pay the Federal share of extended benefit programs. Two temporary programs, enacted in 1974 and amended in 1975 to extend the maximum eligibility from 39 to 65 weeks and to pay benefits for 39 weeks to workers who lacked coverage, will expire in 1977. A commission to evaluate the system's performance and plan for the future of unemployment insurance will begin work early in 1977.

Federal employees have a comprehensive retirement and disability system that provides benefits for 1.6 million individuals in 1978. However, the full costs of this system are not now covered by employee and agency (employer) contributions. Changes in this system are planned for inclusion in the 1979 budget. They would result in larger outlays from each operating agency that would be transferred to the retirement trust fund. The current annual lump sum payment from the Treasury could be phased out. Proposals are made for administrative and legislative changes to speed benefit payments and curb abuses in the Federal

employees compensation program, which pays monthly benefits, medical bills, and rehabilitation costs for Federal workers hurt on the job.

Aid to families with dependent children (AFDC) assists States and localities in providing public assistance benefits to this needy group. Federal outlays estimated at \$6.6 billion will help provide AFDC benefits to 11.3 million persons in 1978. Legislation is recommended to provide a standardized calculation of work-related expenses in determining AFDC benefits.

The supplemental security income (SSI) program will provide about \$5.0 billion in Federal benefits to an estimated 3.9 million aged, blind and disabled recipients in 1978; this is an increase of \$0.3 billion over 1977 Federal benefit payments. The combined effect of the requirements for determining eligibility and computing prospective benefits every 3 months generates an intolerable payment error rate. The Department of Health, Education, and Welfare—by intensively reviewing current management practices, statutes, and regulations—is moving to reduce the number of errors and to ensure program integrity without sacrificing equity or incurring substantial new program costs.

The administration is again requesting 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.

The budget reflects repropoals of major reforms of the food stamp program and the consolidation of 15 existing categorical child nutrition programs into a single consolidated block grant to States. The 15 child nutrition programs have many conflicting, arbitrary and costly regulations. Also, they provide substantial Federal subsidies to children regardless of income. The new program would replace the current programs and target aid on the needy, including 700,000 children not now receiving program benefits. The reform of the food stamp program would permit a more equitable distribution of benefits and would restrict participation to those in need.

Housing subsidies will be approved for an estimated 500,000 dwelling units in 1978, obligating the Government to subsidy

payments of up to \$26.7 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.

Beginning in 1977 and continuing until 1981, the Cuban refugee program will be gradually phased out. The Cuban refugees are becoming increasingly integrated into American society and its economy and are ceasing to represent a special burden on the resources of States and localities.

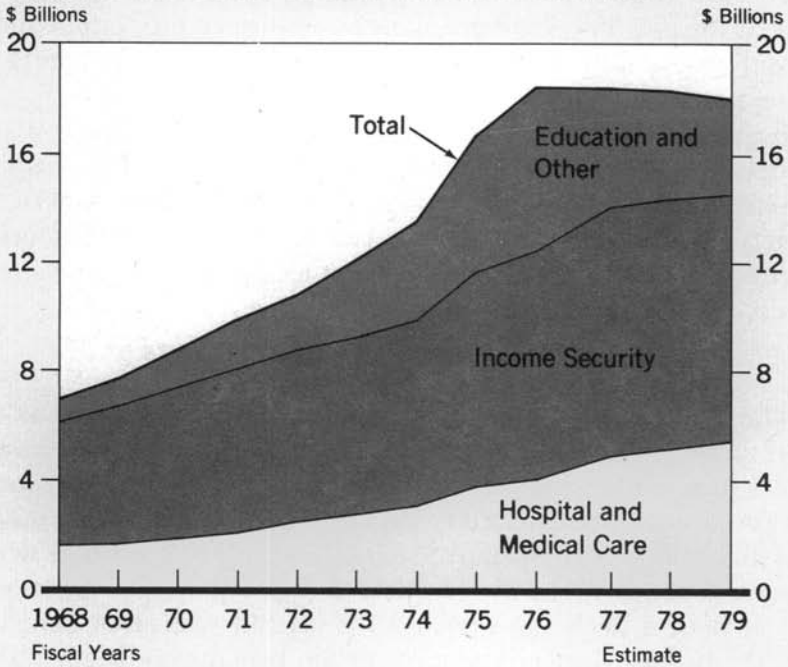
Veterans Benefits and Services

The Federal Government operates programs for veterans to help them adjust to civilian life and to compensate them for sacrifices they made while in the military service. Outlays for veterans programs are estimated to decline from \$18.4 billion in 1977 to \$18.3 billion in 1978 and \$18.0 billion in 1979, with growth in some program areas offset by decreases in others. The decreases reflect both a declining demand for GI bill education benefits and the proposed curtailment of certain benefits no longer justified with all-voluntary armed forces.

Compensation benefits, provided to veterans with service-connected disabilities, are estimated to be \$5.7 billion in both 1978 and in 1979. Non-service-connected pensions are provided to needy wartime-service veterans who are either aged or have become disabled subsequent to their military service. An estimated 2.3 million such veterans and their survivors will receive \$3.2 billion in pension benefits in 1978 and \$3.1 billion in 1979.

GI bill educational benefits assist veterans making the transition to civilian life by helping them get the education delayed by their military service. The number of trainees is expected to continue to drop as the number of eligible veterans becomes smaller. As a result, outlays are estimated to decline to \$3.3 billion in 1978 and \$3.0 billion in 1979. The estimates reflect proposals to end new enrollments in marginally effective courses, to reduce eligibility for GI bill benefits from 10 years to 8 years, and to discontinue the VA education loan program. A new education program has been enacted for recruits entering service after 1976, with VA providing double the amount that these veterans elect to have withheld from their military wages.

Outlays for Veterans Benefits and Services



The Veterans Administration (VA) operates the largest medical care system in the Nation. Outlays for VA medical programs will reach an estimated \$5.1 billion in 1978 and \$5.4 billion in 1979. Legislation is proposed again to seek reimbursement from health insurers for treatment of insured veterans' non-service-connected disabilities. In 1978, medical care will be improved through increased direct care staff, new and expanded special medical programs, and the addition of over 350 nursing home beds. Construction of four replacement hospitals is expected to begin in 1978 and 1979.

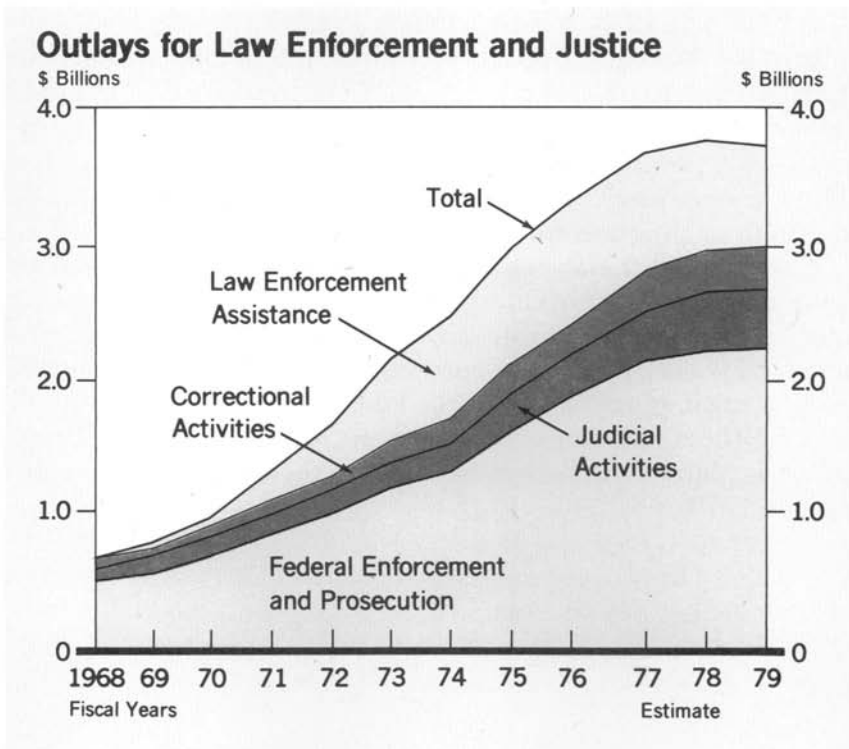
Other services for veterans provided by the Federal Government include life insurance, mortgage loan guarantees, job placement, burial payments, and the national veterans cemetery system. The budget proposes to terminate entitlement to the VA housing programs for people joining the Armed Services after October 1, 1977, because the military pay scales have been made competitive, and these benefits are therefore no longer justifiable.

Law Enforcement and Justice

Proposed outlays for Federal law enforcement and justice programs are \$3.8 billion in 1978 and 1979. The Federal Government will provide \$827 million in 1978 for criminal justice assistance to State and local governments. This represents a decrease of 9%, as these governments are encouraged to assume responsibility for financing successful programs.

The Customs Service is expected to expand programs directed at the smuggling of narcotics, and new personnel are requested to handle increased imports. Additional funds and personnel are proposed for the Customs Service and the Immigration and Naturalization Service to staff new ports of entry.

To improve the effectiveness of programs directed at high level traffickers in narcotics, new staff and funds are proposed for the Drug Enforcement Administration (DEA) to expand its national drug intelligence system. The cooperative Federal-State-local drug task forces are proposed for DEA funding in 1978.



The FBI is shifting resources to focus on white collar and organized crime activities. FBI employment is declining in 1977, but in 1978, modest staff increases are proposed to develop an automated fingerprint identification system. The Bureau of Alcohol, Tobacco and Firearms will evaluate the experimental program to curtail illegal trade in firearms and decide if expansion is warranted in 1978.

Additional prison construction is proposed to relieve overcrowding. Construction of new adult facilities in the south central and west coast areas is planned, while continuing progress is made on youth facilities in Alabama, California, New York and the New Jersey-Philadelphia area; on an adult institution in New York; and on a metropolitan correctional center in Detroit.

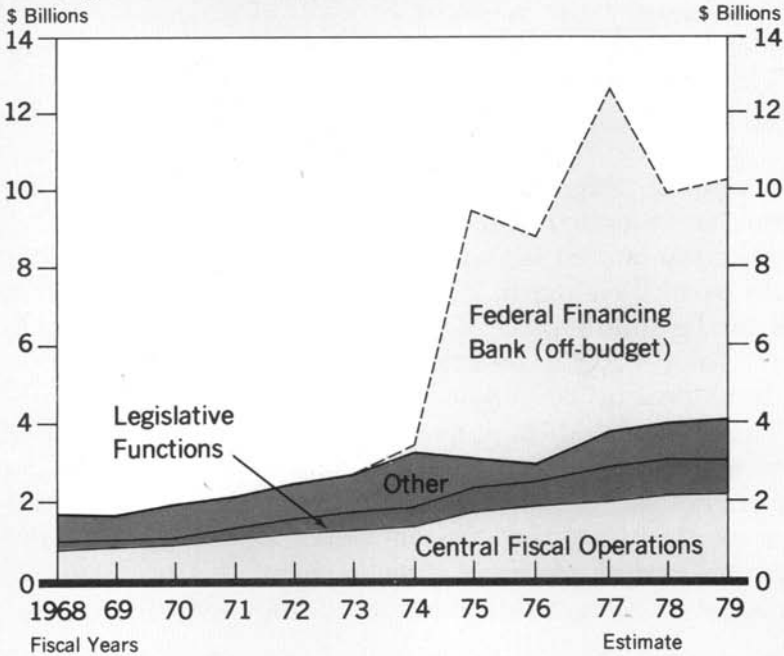
General Government

General government programs encompass many basic Federal activities including those of the legislative branch, the Executive Office of the President and administrative activities that serve many programs. Estimated outlays in this function are \$3.9 billion in 1978 and \$4.0 billion in 1979.

Internal Revenue Service programs account for more than 45% of the outlays in this function. An expanded effort to apply tax laws to high level drug traffickers will be part of the Government-wide program to reduce the drug problem in this country. The General Services Administration will expand its repair and alternations program for Federal buildings.

The Federal Financing Bank (FFB) has become a major source of financing for Government agencies by purchasing certain loans made or guaranteed by other Government agencies. Since FFB outlays are not currently included in budget totals, by law, their purchases have the effect of reducing budget outlays for those agencies which sell their loans to the FFB. Legislation is planned to include the FFB in the budget totals beginning in 1979.

Outlays for General Government



Revenue Sharing and General Purpose Fiscal Assistance

General revenue sharing outlays will be \$6.8 billion in 1978 and \$6.9 billion in 1979, reflecting the recent renewal of the program through 1980. These payments are made to States and municipalities for purposes that they deem necessary.

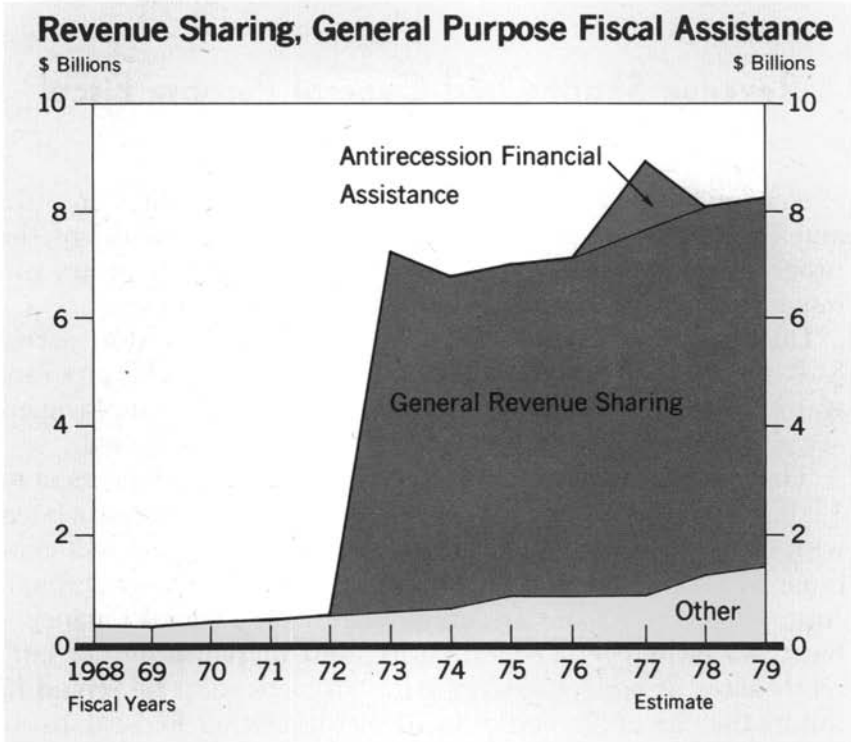
During 1977, States and local governments will also receive \$1.2 billion of antirecession fiscal assistance grants. This program was enacted to assist those jurisdictions in high unemployment areas. No renewal of this temporary program is proposed.

The District of Columbia will receive an estimated payment of \$298 million in 1978 to compensate that city for costs associated with supporting the Federal presence. New York City will continue to receive up to \$2.3 billion in loans each year through June 1978. These loans are purchased by the Federal Financing Bank, an off-budget Federal entity, and therefore do not currently show as budget outlays. All such loans must be repaid in full by the city at the end of its fiscal year. Other Federal assist-

ance payments will be disbursed to jurisdictions under provisions of law that allow payments in lieu of taxes on Federal lands and property, shared revenues on leases of Federal lands, and a return of portions of receipts from timber and mineral sales.

Tax expenditures also provide financial assistance to State and local governments. The exemption from taxable income of interest received on State and local securities has a two-fold effect. States and local governments can borrow at lower interest rates, saving an estimated \$3.6 billion in 1978, while individuals can exclude the interest income from their Federal taxes. Estimated losses to the Treasury in 1978 under existing legislation are \$5.0 billion. In addition, the deductibility of most State and local taxes from Federal taxable income is estimated to cost the Federal Treasury approximately \$13.5 billion.

The Administration proposes the establishment of a taxable bond option for State and local governments. Under this program, the Federal Government would pay a percentage of the interest costs of those jurisdictions that agree to issue taxable rather than tax-exempt securities. Enactment of this program would reduce the tax expenditure for tax-exempt securities.



Interest

Budget outlays for the interest function are estimated to rise by \$1.7 billion in 1978 to a level of \$39.7 billion. By 1979, these costs are estimated to be \$42.4 billion. These increases result primarily from financing unified budget deficits of \$57 billion in 1977, \$47 billion in 1978, and \$12 billion in 1979. Interest outlays also include costs of borrowing attributable to the outlays of off-budget Federal entities.

[In billions of dollars]

Item	Actual		Estimate		
	1976	TQ	1977	1978	1979
Outlays for the interest function...	34.6	7.2	38.0	39.7	42.4
Less: Interest received by trust funds.....	7.8	.3	8.2	8.7	9.7
Net interest.....	26.8	7.0	29.8	31.1	32.7
Less: Deposit of earnings, Federal Reserve System (budget receipts).....	5.5	1.5	6.0	6.4	6.8
Net impact.....	21.3	5.5	23.8	24.7	25.9

Interest paid on Government securities held by certain trust funds is included in outlays for this function, but is deducted in calculating budget totals, since these payments are within the Government and do not reflect transactions with the public. As the table above shows, this deduction reduces interest outlays by \$8.7 billion in 1978 and \$9.7 billion in 1979 to a net interest total of \$31.1 billion in 1978 and \$32.7 billion in 1979. In addition, the Federal Reserve banks hold Government securities as part of their monetary responsibilities. These banks return most of the interest income on these securities to the Treasury as budget receipts. The estimated amounts of the receipts are \$6.4 billion in 1978 and \$6.8 in 1979. If these payments are deducted from net interest outlays, the net impact—the amount of interest that must be paid to the public from receipts or additional borrowing—will be an estimated \$24.7 billion in 1978 and \$25.9 billion in 1979.

One tax expenditure in this function is the optional deferral of taxes on interest income from U.S. savings bonds. Associated revenue losses are estimated to be \$0.6 billion in 1978.

Other

Allowances.—Allowances are included in the budget for probable civilian agency pay raises and unforeseen contingencies.

By law, Federal pay is annually adjusted on the basis of comparability with the private sector. Last year, the President's Panel on Federal Compensation recommended major improvements in the system of Federal pay comparability. These changes included the use of survey data on secretaries and computer operators and provided for weighting the survey data to arrive at average increases. Based on recent private sector earnings data and economic assumptions consistent with this budget, the October 1977 and October 1978 Federal pay increases for white collar employees are estimated to average 6.5% and 6.25%, respectively. The President may, however, propose an alternative plan or increase.

The President recently received the Report of the Commission on Executive, Legislative and Judicial Salaries. The Commission's report recommended salary increases for Cabinet officers, judges, Congressmen, and other high level Federal employees in order to recruit and retain top quality personnel. Pursuant to statute requiring such a quadrennial review, the President has made his recommendations in the budget.

Undistributed Offsetting Receipts.—In general, offsetting receipts are deducted from specific budget items. Exceptions are made where it would be misleading to make the deduction against a particular function. These exceptions are:

- employer share, employee retirement, composed of payments by Federal agencies to retirement funds of its employees. These payments are estimated to be \$4.7 billion in 1978 and \$5.1 billion in 1979.
- interest on some trust fund balances (discussed in the interest function).
- rents and royalties on the Outer Continental Shelf paid to the Government on leases of Federal lands expected to contain oil and natural gas. The budget projections assume six new sales of leases in both 1978 and 1979, on the assumption that the stringent requirements of the National Environmental Protection Act will be met within the planned time period. These new sales, and receipts from existing activities, are estimated to total \$3.1 billion in 1978 and \$2.5 billion in 1979.

PART V

THE BUDGET PROCESS

The budget sets forth the President's proposed financial plan of operation for the Federal Government for the upcoming fiscal year. In raising tax revenues and spending them, the Federal Government allocates resources between the private and public sectors of the economy. Within the public sector, the distribution of outlays among individual programs reflects the priorities that are determined through the interaction of the President, the executive branch agencies, and the Congress. The budget process is thus a crucial focus for the determination of national priorities. This section describes that process, and its four inter-related phases: (1) executive formulation and transmittal, (2) congressional action, (3) budget execution and control, and (4) review and audit.

Executive formulation and transmittal.—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 1977, began in the spring of 1976. 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 in the light of the economic outlook, 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. The budget transmitted to Congress thus reflects the President's recommendations for individual programs, as well as total outlays 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 of 1974, the President must update this budget on or before April 10 and July 15, taking into account newly enacted legislation, new executive branch recommendations, and new economic assumptions. The act also requires him to transmit by November 10 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 can act as it wishes on the President's budget proposals, begins its formal review of the budget when the President transmits 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 procedures mandated by the Congressional Budget Act of 1974, the Congress considers budget totals prior to completing action on individual appropriations. The act requires that the House and Senate Budget Committees receive reports on budget estimates from all other congressional committees by March 15, and a fiscal policy report from the 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 congressional timetable is presented on the following page.

CONGRESSIONAL BUDGET TIMETABLE

On or before:	Action to be completed:
November 10_____	President transmits current services budget.
15th day after Congress convenes_____	President transmits 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 on reconciliation bill or resolution, or both, implementing second concurrent resolution.
October 1_____	Fiscal year begins.

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 designed to assure the effective and orderly use of available authority.

The Impoundment Control Act of 1974 provides that the executive branch, in regulating the rate of spending, must report to the Congress any deferrals or proposed rescissions of budget authority. 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.

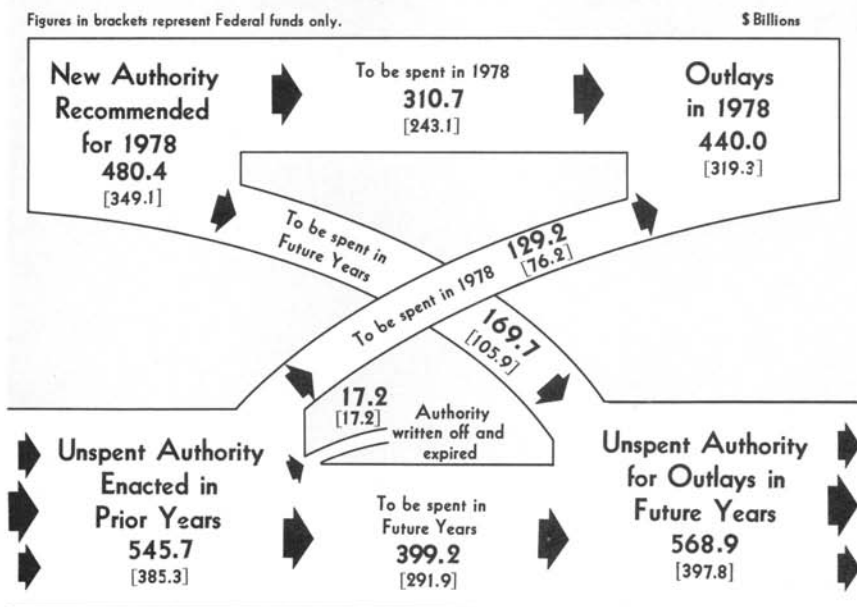
Relation of Budget Authority to Outlays

Not all of the new budget authority for 1978 will be obligated or spent in that year.

- Budget authority for trust funds represents mainly receipts from special taxes, which are used as needed over a period of years for purposes specified by law.
- Budget authority for many construction and procurement programs covers the estimated full cost of projects at the time they are started, although the outlays will occur over a number of years as work on the projects progresses.
- Budget authority for subsidized housing programs equals the maximum Federal payment expected under new authority to make contracts, which extend up to 40 years.
- Budget authority for many loan and guarantee or insurance programs also provides financing for a period of years or represents a contingency backup.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs.

Relation of Budget Authority to Outlays—1978 Budget



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 9 of the *Budget of the United States Government, 1978*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1969-78 (in billions of dollars)

Description	Actual									Estimate	
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978
Receipts and outlays:											
Receipts:											
Federal funds.....	143.3	143.2	133.8	148.8	161.4	181.2	187.5	201.1	54.1	237.4	258.9
Trust funds.....	52.0	59.4	66.2	73.0	92.2	104.8	118.6	133.7	32.1	153.6	170.5
Interfund transactions.....	-7.5	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.9	-36.4
Total budget receipts.....	187.8	193.7	188.4	208.6	232.2	264.9	281.0	300.0	81.8	354.0	393.0
Outlays:											
Federal funds.....	148.8	156.3	163.7	178.1	187.0	199.9	240.0	270.0	65.1	303.1	319.3
Trust funds.....	43.3	49.1	59.4	67.1	81.4	90.8	111.2	131.3	34.0	145.0	157.1
Interfund transactions.....	-7.5	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.9	-36.4
Total budget outlays.....	184.5	196.6	211.4	232.0	247.1	269.6	326.1	366.5	94.7	411.2	440.0
Outlays, off-budget Federal entities.....	(.....)	(.....)	(.....)	(.....)	(.1)	(1.4)	(8.0)	(7.2)	(1.8)	(10.8)	(9.2)
Outlays including off-budget entities.....	(184.5)	(196.6)	(211.4)	(232.0)	(247.1)	(271.1)	(334.1)	(373.7)	(96.5)	(422.0)	(449.1)
Surplus or deficit (-):											
Federal funds.....	-5.5	-13.1	-29.9	-29.3	-25.6	-18.7	-52.5	-68.9	-11.0	-65.7	-60.4
Trust funds.....	8.7	10.3	6.8	5.9	10.7	14.0	7.4	2.4	-2.0	8.5	13.5
Total surplus or deficit (-).....	3.2	-2.8	-23.0	-23.4	-14.8	-4.7	-45.1	-66.5	-13.0	-57.2	-47.0
Surplus or deficit (-), off-budget Federal entities.....	(.....)	(.....)	(.....)	(.....)	(-.1)	(-1.4)	(-8.0)	(-7.2)	(-1.8)	(-10.8)	(-9.2)
Surplus or deficit (-) including off-budget entities.....	(3.2)	(-2.8)	(-23.0)	(-23.4)	(-14.8)	(-6.1)	(-53.1)	(-73.7)	(-14.7)	(-68.0)	(-56.1)
Outstanding debt, end of year:											
Gross Federal debt.....	367.1	382.6	409.5	437.3	468.4	486.2	544.1	631.9	646.4	716.7	785.0
Held by:											
Government agencies.....	87.7	97.7	105.1	113.6	125.4	140.2	147.2	151.6	148.1	156.4	169.1
The public.....	279.5	284.9	304.3	323.8	343.0	346.1	396.9	480.3	498.3	560.3	615.8
Federal Reserve System.....	54.1	57.7	65.5	71.4	75.2	80.6	85.0	94.7	96.7	NA	NA
Others.....	225.4	227.2	238.8	252.3	267.9	265.4	311.9	385.6	401.6	NA	NA

NA=Not available.

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1970-79 (in billions of dollars)

Description	Actual								Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
RECEIPTS BY SOURCE											
Individual income taxes.....	90.4	86.2	94.7	103.2	119.0	122.4	131.6	38.8	153.1	171.2	205.3
Corporation income taxes.....	32.8	26.8	32.2	36.2	38.6	40.6	41.4	8.5	56.6	58.9	63.7
Social insurance taxes and contributions.....	45.3	48.6	53.9	64.5	76.8	86.4	92.7	25.8	108.9	126.1	146.2
Excise taxes.....	15.7	16.6	15.5	16.3	16.8	16.6	17.0	4.5	17.9	18.5	19.1
Estate and gift taxes.....	3.6	3.7	5.4	4.9	5.0	4.6	5.2	1.5	5.9	5.8	6.3
Customs duties.....	2.4	2.6	3.3	3.2	3.3	3.7	4.1	1.2	4.7	5.3	5.9
Miscellaneous receipts.....	3.4	3.9	3.6	3.9	5.4	6.7	8.0	1.6	6.9	7.2	7.9
Total budget receipts.....	193.7	188.4	208.6	232.2	264.9	281.0	300.0	81.8	354.0	393.0	454.4
OUTLAYS BY FUNCTION											
National defense ¹	79.3	76.8	77.4	75.1	78.6	86.6	90.0	22.5	100.1	112.3	122.8
International affairs.....	3.6	3.1	3.9	3.5	4.8	5.9	5.1	2.0	7.1	7.3	7.6
General science, space, and technology.....	4.5	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.4	4.7	5.2
Natural resources, environment, and energy..	4.0	4.9	5.5	5.9	6.6	9.5	11.3	3.3	17.1	19.7	20.6
Agriculture.....	5.2	4.3	5.3	4.9	2.2	1.7	2.5	.6	2.9	2.3	1.9
Commerce and transportation.....	9.1	10.4	10.6	9.9	13.1	16.0	17.2	4.7	16.1	19.3	18.6
Community and regional development.....	3.2	3.6	4.3	5.5	4.9	4.4	5.3	1.5	7.7	7.9	7.1
Education, training, employment, and social services.....	7.9	9.0	11.7	11.9	11.6	15.2	18.2	5.0	21.1	19.4	18.1
Health.....	13.1	14.7	17.5	18.8	22.1	27.6	33.4	8.7	39.3	43.2	46.7

Income security.....	43.1	55.4	63.9	73.0	84.4	108.6	127.4	32.8	138.1	143.9	152.8
Veterans benefits and services.....	8.7	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.4	18.3	18.0
Law enforcement and justice.....	1.0	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.7	3.8	3.8
General government.....	1.9	2.2	2.5	2.7	3.3	3.1	2.9	.9	3.7	3.9	4.0
Revenue sharing and general purpose fiscal assistance.....	.5	.5	.5	7.2	6.7	7.0	7.1	2.0	8.9	8.1	8.3
Interest.....	18.3	19.6	20.6	22.8	28.1	31.0	34.6	7.2	38.0	39.7	42.4
Allowances ²										2.7	4.3
Undistributed offsetting receipts.....	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.4	-16.4	-17.3
Total budget outlays.....	196.6	211.4	232.0	247.1	269.6	326.1	366.5	94.7	411.2	440.0	466.0

Outlays of off-budget Federal entities:

<i>International affairs.....</i>							- .1	-*	- .1	- .1	- .1
<i>Natural resources, environment, and energy.....</i>				.1	.5	.5	.2	- .1	.5	.6	1.4
<i>Commerce and transportation.....</i>					.8	1.1	1.1	- .7	1.6	2.6	3.2
<i>Community and regional development.....</i>				*	.1	.1	.1	*	.1	.1	.1
<i>Income security.....</i>							-*	-*	-*	-*	-*
<i>General government.....</i>					.1	6.4	5.9	2.6	8.7	5.9	6.2

<i>Outlays of off-budget Federal entities.....</i>				.1	1.4	8.0	7.2	1.8	10.8	9.2	10.9
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Outlays including off-budget Federal entities.....	196.6	211.4	232.0	247.1	271.1	334.1	373.7	96.5	422.0	449.1	476.9
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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.

*\$50 million or less.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-79 (in billions of dollars)

Function and subfunction	Actual								Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
National defense:											
Department of Defense—Military:											
Military personnel.....	23.0	22.6	23.0	23.2	23.7	25.0	25.1	6.4	26.2	26.0	26.2
Retired military personnel.....	2.8	3.4	3.9	4.4	5.1	6.2	7.3	1.9	8.2	9.0	9.7
Operation and maintenance.....	21.6	20.9	21.7	21.1	22.5	26.3	27.9	7.3	31.1	33.5	35.2
Procurement.....	21.6	18.9	17.1	15.7	15.2	16.0	16.0	3.8	18.7	23.8	28.8
Research and development.....	7.2	7.3	7.9	8.2	8.6	8.9	8.9	2.2	10.0	11.4	12.5
Military construction and other ¹	1.1	1.6	1.7	.9	2.6	2.8	3.0	.4	3.9	6.0	8.4
Deductions for offsetting receipts.....	-.1	-.1	-.1	-.1	-.2	-.2	-.2	*	-.2	-.2	-.1
Subtotal, Department of Defense—											
Military.....	77.2	74.5	75.2	73.3	77.6	85.0	88.0	21.9	98.0	109.5	120.8
Military assistance.....	.7	1.0	.8	.5	.8	1.0	.5	.2	.2	.6	.5
Atomic energy defense activities.....	1.4	1.4	1.4	1.4	1.5	1.5	1.6	.4	.8	2.2	2.5
Defense-related activities.....	—*	-.1	*	-.2	-1.3	-.9	-.1	—*	-.1	*	.1
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*
Total national defense.....	79.3	76.8	77.4	75.1	78.6	86.6	90.0	22.5	100.1	122.3	123.8
International affairs:											
Foreign economic and financial assistance..	2.9	2.9	3.2	2.9	2.9	3.7	3.6	1.5	5.1	5.2	5.4
Conduct of foreign affairs.....	.4	.4	.5	.5	.6	.7	.7	.3	1.0	1.1	1.2
Foreign information and exchange activities..	.2	.2	.3	.3	.3	.3	.4	.1	.4	.4	.4
International financial programs.....	.2	-.2	.2	.5	1.2	1.5	.8	.3	1.2	1.1	1.2
Deductions for offsetting receipts.....	-.2	-.3	-.3	-.6	-.2	-.3	-.4	-.2	-.5	-.5	-.6
Total international affairs.....	3.6	3.1	3.9	3.5	4.8	5.9	5.1	2.0	7.1	7.3	7.6
General science, space, and technology:											
General science and basic research.....	.9	1.0	1.0	1.0	1.0	1.0	1.0	.3	1.1	1.2	1.3
Space flight.....	2.3	2.0	1.9	1.7	1.7	1.7	2.0	.5	2.0	2.2	2.2
Space science, applications, and technology..	.9	.8	1.0	1.0	.9	1.0	1.0	.3	1.0	1.0	1.2

Supporting space activities.....	.4	.4	.3	.3	.3	.3	.4	.1	.4	.4	.4
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology.....	4.5	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.4	4.7	5.2
Natural resources, environment, and energy:											
Water resources and power.....	1.7	2.1	2.3	2.5	2.5	3.3	3.6	1.0	4.8	4.9	4.7
Conservation and land management.....	.7	.9	.8	.7	.7	1.3	1.2	.5	1.5	1.4	1.4
Recreational resources.....	.4	.5	.5	.6	.7	.8	.9	.3	1.2	1.4	1.5
Pollution control and abatement.....	.4	.7	.8	1.1	2.0	2.5	3.1	1.1	5.2	5.9	6.0
Energy.....	.9	.8	1.0	1.0	.6	1.6	2.4	.6	4.1	6.1	6.9
Other natural resources.....	.4	.5	.6	.6	.7	.8	.9	.2	1.0	1.1	1.1
Deductions for offsetting receipts.....	—5	—5	—5	—5	—7	—8	—8	—4	—8	—1.0	—1.0
Total natural resources, environment, and energy.....	4.0	4.9	5.5	5.9	6.6	9.5	11.3	3.3	17.1	19.7	20.6
Agriculture:											
Farm income stabilization.....	4.6	3.7	4.6	4.1	1.5	.8	1.6	.3	1.8	1.2	.7
Agricultural research and services.....	.6	.6	.7	.8	.8	.9	.9	.2	1.1	1.1	1.2
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	*	*	—*	—*	—*
Total agriculture.....	5.2	4.3	5.3	4.9	2.2	1.7	2.5	.6	2.9	2.3	1.9
Commerce and transportation:											
Mortgage credit and thrift insurance.....	.1	—3	—*	—1.2	1.5	2.8	1.2	.3	—2.1	.2	—6
Postal Service.....	1.5	2.2	1.8	1.6	1.7	1.9	1.7	.9	2.3	1.5	1.4
Other advancement and regulation of commerce.....	.5	.5	.5	.6	.7	.9	.9	.2	1.0	1.1	1.3
Ground transportation.....	4.7	5.2	5.4	5.6	5.6	6.5	9.3	2.3	10.1	11.3	11.3
Air transportation.....	1.2	1.8	1.9	2.2	2.2	2.4	2.6	.6	2.8	3.2	3.3
Water transportation.....	.9	1.1	1.1	1.2	1.4	1.5	1.6	.4	1.9	2.0	1.8
Other transportation.....	*	*	*	.1	.1	.1	.1	*	.1	.1	.1
Deductions for offsetting receipts.....	—*	—1	—*	—1	—1	—1	—1	—*	—*	—1	—1
Total commerce and transportation..	9.1	10.4	10.6	9.9	13.1	16.0	17.2	4.7	16.1	19.3	18.6

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-79 (in billions of dollars)—Continued

Function and subfunction	Actual								Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
Community and regional development:											
Community development.....	2.3	2.6	3.1	3.1	3.0	3.1	3.5	1.1	4.9	5.1	4.9
Area and regional development.....	.6	.7	.8	.9	1.1	.9	1.3	.3	2.2	2.3	1.8
Disaster relief and insurance.....	.3	.4	.4	1.6	.8	.4	.5	.1	.6	.5	.5
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional development.....	3.2	3.6	4.3	5.5	4.9	4.4	5.3	1.5	7.7	7.9	7.1
Education, training, employment, and social services:											
Elementary, secondary, and vocational education.....	3.1	3.5	4.0	3.7	3.8	4.7	4.7	1.2	5.2	5.5	5.4
Higher education.....	1.4	1.4	1.4	1.5	1.3	2.1	2.7	.7	3.4	2.9	2.9
Research and general education aids.....	.5	.5	.5	.7	.9	.9	.8	.2	1.1	1.2	1.2
Training and employment.....	1.6	2.0	2.9	3.3	2.9	4.1	6.3	1.9	6.8	5.3	4.3
Other labor services.....	.1	.2	.2	.2	.2	.3	.3	.1	.4	.4	.4
Social services.....	1.1	1.4	2.7	2.5	2.5	3.3	3.5	.9	4.1	4.0	4.0
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total education, training, employment, and social services.....	7.9	9.0	11.7	11.9	11.6	15.2	18.2	5.0	21.1	19.4	18.1
Health:											
Health care services.....	10.6	12.1	14.5	15.5	18.5	23.4	28.7	7.6	34.5	26.0	28.2
Health research and education.....	1.6	1.7	2.0	2.3	2.3	2.7	3.1	.9	2.8	2.6	2.5
Prevention and control of health problems..	.4	.5	.5	.6	.8	.9	1.0	.3	1.1	.9	.9
Health planning and construction.....	.5	.5	.4	.4	.5	.7	.8	—*	.9	1.3	1.3
General health financial assistance.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	12.3	13.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total health.....	13.1	14.7	17.5	18.8	22.1	27.6	33.4	8.7	39.3	43.2	46.7

Income security:

General retirement and disability insurance.	31.3	37.5	42.0	51.7	58.6	69.4	77.2	20.9	88.1	95.7	104.7
Federal employee retirement and disability..	2.7	3.2	3.8	4.5	5.6	7.0	8.2	2.3	9.7	11.1	12.5
Unemployment insurance.....	3.4	6.2	7.1	5.4	6.1	13.5	19.5	4.0	16.4	13.9	11.0
Public assistance and other income supplements.....	5.7	8.6	11.1	11.4	14.1	18.8	22.6	5.6	24.0	23.2	24.7
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total income security.....	43.1	55.4	63.9	73.0	84.4	108.6	127.4	32.8	138.1	143.9	152.8

Veterans benefits and services:

Income security for veterans.....	5.5	6.0	6.3	6.5	6.8	7.9	8.4	2.1	9.1	9.2	9.1
Veterans education, training, and rehabilitation.....	1.0	1.7	2.0	2.8	3.2	4.6	5.5	.8	4.1	3.3	3.0
Hospital and medical care for veterans....	1.8	2.0	2.4	2.7	3.0	3.7	4.0	1.0	4.9	5.1	5.4
Veterans housing.....	.1	—2	—3	—4	—*	*	—1	—1	—3	*	—2
Other veterans benefits and services.....	.3	.3	.3	.4	.4	.5	.6	.1	.6	.6	.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services..	8.7	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.4	18.3	18.0

Law enforcement and justice:

Federal law enforcement and prosecution...	.7	.8	1.0	1.2	1.3	1.6	1.9	.5	2.1	2.2	2.2
Federal judicial activities.....	.1	.1	.2	.2	.2	.3	.3	.1	.4	.4	.4
Federal correctional and rehabilitative activities.....	.1	.1	.1	.2	.2	.2	.2	.1	.3	.3	.4
Law enforcement assistance.....	.1	.2	.4	.6	.8	.9	.9	.2	.9	.8	.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total law enforcement and justice....	1.0	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.7	3.8	3.8

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-79 (in billions of dollars)—Continued

Function and subfunction	Actual								Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
General government:											
Legislative functions.....	.3	.3	.4	.4	.5	.6	.7	.2	.9	.9	.9
Executive direction and management.....	*	*	.1	.1	.1	.1	.1	*	.1	.1	.1
Central fiscal operations.....	.9	1.0	1.2	1.2	1.3	1.8	1.8	.4	2.0	2.1	2.1
General property and records management.....	.6	.6	.7	.9	1.0	.4	.1	.1	.3	.4	.4
Central personnel management.....	*	.1	.1	.1	.1	.1	.1	*	.1	.1	.1
Other general government.....	.2	.2	.2	.2	.4	.5	.5	.2	.5	.5	.6
Deductions for offsetting receipts.....	-.1	-.1	-.1	-.2	-.2	-.3	-.3	-.1	-.2	-.2	-.2
Total general government.....	1.9	2.2	2.5	2.7	3.3	3.1	2.9	.9	3.7	3.9	4.0
Revenue sharing and general purpose fiscal assistance:											
General revenue sharing.....	.....	.....	.....	6.6	6.1	6.1	6.2	1.6	6.8	6.8	6.9
Other general purpose fiscal assistance.....	.5	.5	.5	.6	.6	.9	.9	.4	2.1	1.3	1.4
Total revenue sharing and general purpose fiscal assistance.....	.5	.5	.5	7.2	6.7	7.0	7.1	2.0	8.9	8.1	8.3
Interest:											
Interest on the public debt.....	19.3	21.0	21.8	24.2	29.3	32.7	37.1	8.1	42.0	44.6	47.3
Other interest.....	-1.0	-1.4	-1.3	-1.4	-1.2	-1.7	-2.5	-0.9	-4.0	-4.9	-4.9
Total interest.....	18.3	19.6	20.6	22.8	28.1	31.0	34.6	7.2	38.0	39.7	42.4
Allowances:											
Civilian agency pay raises.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.2	2.3
Contingencies for:	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Relatively uncontrollable programs.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0	0
Other requirements.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.5	2.0
Total allowances.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.7	4.3

Undistributed offsetting receipts:											
Employer share, employee retirement.....	-2.4	-2.6	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.6	-4.7	-5.1
Interest received by trust funds.....	-3.9	-4.8	-5.1	-5.4	-6.6	-7.7	-7.8	-.3	-8.2	-8.7	-9.7
Rents and royalties on the Outer Continental Shelf.....	-.2	-1.1	-.3	-4.0	-6.7	-2.4	-2.7	-1.3	-2.6	-3.1	-2.5
Total undistributed offsetting receipts.....	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.4	-16.4	-17.3
Total budget outlays.....	196.6	211.4	232.0	247.1	269.6	326.1	366.5	94.7	411.2	440.0	466.0
<i>Outlays of off-budget Federal entities: ²</i>											
<i>International affairs: International financial programs.....</i>								<i>-.1</i>	<i>-*</i>	<i>-.1</i>	<i>-.1</i>
<i>Natural resources, environment, and energy: Energy.....</i>				<i>.1</i>	<i>.5</i>	<i>.5</i>	<i>.2</i>	<i>-.1</i>	<i>.5</i>	<i>.6</i>	<i>1.4</i>
<i>Commerce and transportation:</i>											
<i>Mortgage credit and thrift institutions.....</i>						<i>-*</i>	<i>-*</i>	<i>-*</i>	<i>.3</i>	<i>.7</i>	<i>.8</i>
<i>Postal Service.....</i>					<i>.8</i>	<i>1.1</i>	<i>1.1</i>	<i>-.7</i>	<i>1.0</i>	<i>1.8</i>	<i>2.5</i>
<i>Ground transportation.....</i>						<i>*</i>	<i>.1</i>	<i>*</i>	<i>.3</i>	<i>.....</i>	<i>-.1</i>
<i>Total commerce and transportation.....</i>					<i>.8</i>	<i>1.1</i>	<i>1.1</i>	<i>-.7</i>	<i>1.6</i>	<i>2.6</i>	<i>3.2</i>
<i>Community and regional development: Area and regional development.....</i>				<i>*</i>	<i>.1</i>	<i>.1</i>	<i>.1</i>	<i>*</i>	<i>.1</i>	<i>.1</i>	<i>.1</i>
<i>Income security: General retirement and disability insurance.....</i>						<i>-*</i>	<i>-*</i>	<i>-*</i>	<i>-*</i>	<i>-*</i>	<i>-*</i>
<i>General government: Federal Financing Bank....</i>					<i>.1</i>	<i>6.4</i>	<i>5.9</i>	<i>2.6</i>	<i>8.7</i>	<i>5.9</i>	<i>6.2</i>
<i>Outlays off-budget Federal entities.....</i>				<i>.1</i>	<i>1.4</i>	<i>8.0</i>	<i>7.2</i>	<i>1.8</i>	<i>10.8</i>	<i>9.2</i>	<i>10.9</i>
<i>Outlays including off-budget Federal entities.</i>	<i>196.6</i>	<i>211.4</i>	<i>232.0</i>	<i>247.1</i>	<i>271.1</i>	<i>334.1</i>	<i>373.7</i>	<i>96.5</i>	<i>422.0</i>	<i>449.1</i>	<i>476.9</i>

*\$50 million or less.

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

² Off-budget Federal entities begin in 1973.

Table 4. Budget Authority and Outlays by Agency (in millions of dollars)

Department or other unit	Budget authority					Outlays				
	1976 actual	TQ actual	1977 estimate	1978 estimate	1979 estimate	1976 actual	TQ actual	1977 estimate	1978 estimate	1979 estimate
Legislative branch.....	923	224	971	1,051	1,211	775	224	1,016	1,102	1,252
The Judiciary.....	345	87	422	441	467	325	85	398	440	465
Executive Office of the President.....	69	18	75	72	72	79	16	81	72	72
Funds appropriated to the President.....	10,566	-921	3,411	4,083	3,846	3,525	1,221	4,467	5,149	4,729
Agriculture.....	15,002	2,956	13,173	12,443	12,935	12,796	3,850	13,691	12,761	12,477
<i>Off-budget Federal entities.....</i>	<i>(1,089)</i>	<i>(17)</i>	<i>(161)</i>	<i>(125)</i>	<i>(116)</i>	<i>(307)</i>	<i>(-64)</i>	<i>(550)</i>	<i>(92)</i>	<i>(89)</i>
<i>Subtotal incl. off-budget..</i>	<i>(16,091)</i>	<i>(2,973)</i>	<i>(13,334)</i>	<i>(12,568)</i>	<i>(13,050)</i>	<i>(13,102)</i>	<i>(3,786)</i>	<i>(14,241)</i>	<i>(12,853)</i>	<i>(12,566)</i>
Commerce.....	2,252	466	4,032	1,907	1,919	2,020	534	3,040	2,931	2,336
Defense—Military (including pay raises).....	95,712	23,089	108,260	121,704	134,272	88,036	21,926	98,050	109,523	120,795
Defense—Civil.....	2,196	659	2,495	2,645	2,642	2,124	583	2,469	2,628	2,628
Health, Education, and Welfare.....	128,244	34,248	146,494	161,106	181,225	128,785	34,341	147,927	159,385	171,903
Housing and Urban Development.....	28,498	403	20,516	29,677	29,569	7,079	1,397	7,673	8,722	9,070
<i>Off-budget Federal entities.....</i>	<i>(750)</i>	<i>(.....)</i>	<i>(750)</i>	<i>(750)</i>	<i>(750)</i>	<i>(-15)</i>	<i>(-3)</i>	<i>(262)</i>	<i>(738)</i>	<i>(778)</i>
<i>Subtotal, incl. off-budget..</i>	<i>(29,248)</i>	<i>(403)</i>	<i>(21,266)</i>	<i>(30,427)</i>	<i>(30,319)</i>	<i>(7,064)</i>	<i>(1,394)</i>	<i>(7,935)</i>	<i>(9,460)</i>	<i>(9,849)</i>
Interior.....	2,541	1,012	4,230	3,646	3,858	2,293	788	3,491	3,498	3,717
Justice.....	2,175	534	2,328	2,345	2,403	2,242	551	2,436	2,445	2,401
Labor.....	20,379	3,654	24,403	20,654	19,207	25,727	5,905	23,468	19,619	15,702
<i>Off-budget Federal entities.....</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(-22)</i>	<i>(-*)</i>	<i>(-14)</i>	<i>(-16)</i>	<i>(-16)</i>
<i>Subtotal, incl. off-budget..</i>	<i>(20,379)</i>	<i>(3,654)</i>	<i>(24,403)</i>	<i>(20,654)</i>	<i>(19,207)</i>	<i>(25,705)</i>	<i>(5,905)</i>	<i>(23,454)</i>	<i>(19,603)</i>	<i>(15,686)</i>
State.....	931	372	1,273	1,377	1,440	1,062	316	1,199	1,255	1,364
Transportation.....	10,276	4,969	9,126	13,045	14,387	11,936	3,003	12,774	14,590	15,178
Treasury.....	46,772	10,135	49,600	50,989	53,245	44,335	9,699	50,020	49,983	52,743
<i>Off-budget Federal entities.....</i>	<i>(8,946)</i>	<i>(3,471)</i>	<i>(12,154)</i>	<i>(9,963)</i>	<i>(10,461)</i>	<i>(5,789)</i>	<i>(2,549)</i>	<i>(8,682)</i>	<i>(5,878)</i>	<i>(6,174)</i>
<i>Subtotal, incl. off-budget..</i>	<i>(55,718)</i>	<i>(13,606)</i>	<i>(61,754)</i>	<i>(60,952)</i>	<i>(63,706)</i>	<i>(50,124)</i>	<i>(12,248)</i>	<i>(58,702)</i>	<i>(55,861)</i>	<i>(58,918)</i>
Energy Research and Development Administration.....	4,515	1,264	6,389	7,840	8,321	3,759	1,051	5,375	6,458	7,771
Environmental Protection Agency.....	771	189	1,860	5,303	5,303	3,118	1,108	5,295	6,006	6,135
General Services Administration.....	161	-12	203	248	290	-92	3	176	263	303

National Aeronautics and Space Administration.....	3,550	932	3,723	4,018	4,387	3,670	953	3,706	3,901	4,331
Veterans Administration.....	19,651	4,523	19,047	18,172	18,553	18,415	3,957	18,370	18,259	17,938
Other independent agencies...	34,510	5,177	29,286	31,151	32,060	19,160	5,801	21,515	24,755	25,653
Off-budget Federal entities.....	(-1,225)	(.....)	(120)	(83,000)	(.....)	(1,137)	(-715)	(1,304)	(2,465)	(3,873)
Subtotal, incl. off-budget..	(33,285)	(5,177)	(29,406)	(114,151)	(32,060)	(20,297)	(5,086)	(22,819)	(27,220)	(29,526)
Allowances ¹				2,949	4,311				2,651	4,311
Undistributed offsetting receipts:										
Employer share, employee retirement.....	-4,242	-985	-4,592	-4,670	-5,107	-4,242	-985	-4,592	-4,670	-5,107
Interest received by trust funds.....	-7,800	-270	-8,201	-8,659	-9,700	-7,800	-270	-8,201	-8,659	-9,700
Rents and royalties on the Outer Continental Shelf..	-2,662	-1,311	-2,600	-3,100	-2,500	-2,662	-1,311	-2,600	-3,100	-2,500
Total.....	415,336	91,409	435,925	480,440	518,615	366,466	94,746	411,243	439,967	465,967
Total, off-budget Federal entities.....	(9,561)	(3,488)	(13,186)	(93,838)	(11,327)	(7,196)	(1,767)	(10,785)	(9,156)	(10,899)
Total incl. off-budget Federal entities.....	(424,896)	(94,897)	(449,111)	(574,278)	(529,942)	(373,662)	(96,513)	(422,028)	(449,124)	(476,866)

MEMORANDUM

	1976	TQ	1977	1978	1976	TQ	1977	1978
Portion available through current action by Congress..	266,933	55,276	287,748	312,873	158,321	30,077	190,490	193,791
Portion available without current action by Congress..	201,724	46,677	207,635	228,659	117,871	16,542	136,895	153,353
Outlays from obligated balances ²					71,952	34,952	84,053	102,182
Outlays from nonobligated balances ²					71,644	23,719	59,264	51,732
Deductions for offsetting receipts:								
Intragovernmental transactions.....	-39,424	-5,272	-43,316	-43,843	-39,424	-5,272	-43,316	-43,843
Proprietary receipts from the public.....	-13,898	-5,271	-16,142	-17,249	-13,898	-5,271	-16,142	-17,249
Total budget authority and budget outlays..	415,336	91,409	435,925	480,440	366,466	94,746	411,243	439,967

*\$500 thousand or less.

¹ Includes allowances for civilian agency pay raises and contingencies.

² Outlays from appropriations to liquidate contract authority are included as outlays from balances.

Table 5. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1972) PRICES: 1955-79

(In billions of dollars)

Fiscal year	Current prices						Constant (fiscal year 1972) prices					
	Total outlays	National defense	Nondefense				Total outlays	National defense	Nondefense			
			Total non-defense	Payments for individuals	Net interest	All other			Total non-defense	Payments for individuals	Net interest	All other
1955.....	68.5	39.9	28.6	13.0	4.8	10.8	134.3	75.9	58.5	19.9	17.7	20.9
1956.....	70.5	39.8	30.7	13.8	5.1	11.8	133.0	73.0	60.0	21.2	16.9	22.0
1957.....	76.7	42.3	34.5	15.6	5.4	13.5	137.2	74.0	63.2	23.2	16.1	23.9
1958.....	82.6	43.8	38.8	19.4	5.6	13.7	141.9	74.1	67.7	28.0	16.2	23.6
1959.....	92.1	45.9	46.2	21.2	5.8	19.2	153.9	75.3	78.7	30.1	16.5	32.1
1960.....	92.2	45.2	47.0	22.9	6.9	17.2	150.8	73.9	76.9	32.1	16.3	28.5
1961.....	97.8	46.6	51.2	25.9	6.7	18.6	157.1	74.8	82.3	35.8	16.2	30.3
1962.....	106.8	50.4	56.4	27.1	6.9	22.4	168.7	79.3	89.4	37.1	16.7	35.7
1963.....	111.3	51.5	59.8	28.7	7.7	23.4	170.7	79.0	91.7	38.7	16.8	36.2
1964.....	118.6	52.7	65.8	29.7	8.2	27.9	177.4	78.8	98.6	39.7	16.8	42.2
1965.....	118.4	48.6	69.8	30.4	8.6	30.8	173.3	71.0	102.3	40.1	16.7	45.5
1966.....	134.7	55.9	78.8	34.3	9.4	35.1	187.9	77.7	110.2	44.2	16.5	49.6
1967.....	158.3	69.1	89.2	40.1	10.3	38.8	212.1	93.2	118.9	50.1	16.1	52.7
1968.....	178.8	79.4	99.4	45.9	11.1	42.4	229.5	102.2	127.3	55.6	16.9	54.8
1969.....	184.5	80.2	104.3	52.8	12.7	38.9	223.1	98.8	124.3	60.9	15.5	47.8
1970.....	196.6	79.3	117.3	59.8	14.4	43.1	220.8	91.1	129.7	65.1	15.0	49.6
1971.....	211.4	76.8	134.6	74.5	14.8	45.2	223.0	82.3	140.8	77.2	15.2	48.3
1972.....	232.0	77.4	154.7	85.3	15.5	53.9	232.0	77.4	154.7	85.3	15.5	53.9
1973.....	247.1	75.1	172.0	95.9	17.4	58.7	233.2	70.5	162.7	92.2	15.4	55.1
1974.....	269.6	78.6	191.1	111.1	21.5	58.5	231.4	68.3	163.1	98.0	14.3	50.7
1975.....	326.1	86.6	239.5	142.6	23.3	73.6	251.9	67.0	184.8	113.3	14.6	57.0
1976.....	366.5	90.0	276.5	167.3	26.8	82.3	264.4	64.6	199.8	124.1	16.4	59.3
TQ.....	94.7	22.5	72.2	42.7	7.0	22.5	66.1	15.7	50.4	30.7	4.1	15.6
1977 estimate.....	411.2	100.1	311.2	183.7	29.8	97.7	278.0	67.0	211.0	128.0	17.7	65.3
1978 estimate.....	440.0	112.3	327.7	193.6	31.1	103.0	281.0	70.2	210.8	128.1	18.3	64.5
1979 estimate.....	466.0	123.8	342.2	206.2	32.7	103.3	281.0	72.5	208.5	129.7	18.1	60.6

	Current prices						Constant 1972 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			
	National defense	Nondefense	Direct		Indirect (grants in-aid) ²	All other grants ³		National defense	Nondefense	Direct		Indirect (grants in-aid) ²	All other grants ³
National defense			Nondefense	National defense			Nondefense						
1955.....	.4	14.4	.4	11.2	1.8	1.4	.7	22.9	.6	17.2	2.7	3.0	
1956.....	.5	15.7	.5	12.0	1.8	1.9	.8	24.9	.7	18.3	2.8	3.7	
1957.....	.5	17.7	.5	13.6	2.0	2.1	.8	27.1	.8	20.3	3.0	3.9	
1958.....	.6	22.0	.6	17.1	2.3	2.6	.8	32.7	.8	24.6	3.4	4.7	
1959.....	.7	25.0	.6	18.6	2.6	3.9	.9	36.9	.9	26.4	3.7	6.9	
1960.....	.7	27.2	.7	20.2	2.7	4.3	1.0	39.5	1.0	28.2	3.8	7.4	
1961.....	.8	30.1	.8	23.0	2.9	4.2	1.1	42.9	1.1	31.8	4.0	7.1	
1962.....	.9	31.7	.9	23.8	3.3	4.6	1.3	44.6	1.2	32.6	4.5	7.5	
1963.....	1.1	33.7	1.0	25.1	3.5	5.1	1.4	46.8	1.4	34.0	4.7	8.1	
1964.....	1.2	36.0	1.2	25.9	3.8	6.3	1.7	49.4	1.6	34.6	5.1	9.8	
1965.....	1.4	37.4	1.4	26.5	4.0	7.0	1.9	50.6	1.8	34.9	5.2	10.5	
1966.....	1.6	42.6	1.6	29.7	4.6	8.4	2.1	56.4	2.1	38.3	5.9	12.2	
1967.....	1.9	50.2	1.8	35.0	5.1	10.2	2.3	64.1	2.3	43.7	6.4	14.0	
1968.....	2.1	58.2	2.1	39.6	6.3	12.3	2.6	71.5	2.5	47.9	7.6	16.0	
1969.....	2.5	65.6	2.4	45.4	7.4	12.9	2.9	76.6	2.8	52.4	8.5	15.7	
1970.....	2.9	74.9	2.8	50.9	8.9	15.2	3.1	82.4	3.1	55.5	9.7	17.3	
1971.....	3.4	91.8	3.4	63.7	10.8	17.3	3.5	95.5	3.5	66.0	11.2	18.4	
1972.....	3.9	106.2	3.9	71.9	13.4	21.0	3.9	106.2	3.9	71.9	13.4	21.0	
1973.....	4.4	124.6	4.4	82.8	13.1	28.7	4.3	119.1	4.2	79.6	12.6	22.7	
1974.....	5.2	140.3	5.1	97.1	14.0	29.3	4.6	123.3	4.5	85.6	12.4	25.3	
1975.....	6.3	176.2	6.2	126.5	16.1	33.6	5.0	139.4	5.0	100.5	12.8	26.1	
1976.....	7.4	206.8	7.3	147.8	19.5	39.5	5.5	152.7	5.4	109.7	14.5	28.6	
TQ.....	2.0	53.5	1.9	37.6	5.1	10.8	1.4	38.1	1.4	27.0	3.7	7.5	
1977 estimate.....	8.3	230.5	8.2	160.1	23.5	46.9	5.8	159.4	5.7	111.6	16.4	31.4	
1978 estimate.....	9.1	239.7	9.1	168.1	25.5	46.1	6.0	157.1	6.0	111.2	16.8	29.1	
1979 estimate.....	9.9	250.1	9.9	178.4	27.8	44.1	6.2	155.9	6.2	112.3	17.5	26.2	

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

Description	Outlays				Receipts			
	1976 actual	TQ actual	1977 estimate	1978 estimate	1976 actual	TQ actual	1977 estimate	1978 estimate
Federal old-age, and survivors, and disability insurance trust funds.	73,903	19,763	84,669	92,374	70,682	18,358	81,005	90,172
Health insurance trust funds.	17,779	4,805	21,773	24,297	18,525	4,937	22,998	28,583
State and local government fiscal assistance trust fund.	6,243	1,588	6,776	6,814	6,355	1,664	6,655	6,855
Unemployment trust fund.	17,920	3,544	15,400	13,300	16,215	3,378	15,700	17,200
Railroad employees retirement funds.	3,475	921	3,727	3,896	3,253	337	3,664	3,919
Federal employees retirement funds.	8,352	2,284	9,855	11,276	13,197	1,486	16,665	16,646
Airport and airway trust funds.	547	92	849	1,088	1,084	278	1,371	1,491
Highway trust funds.	6,521	1,758	6,053	7,165	6,000	1,689	7,265	7,520
Foreign military sales trust fund.	6,657	1,813	8,335	8,800	7,257	2,539	8,800	8,800
Veterans life insurance trust funds.	704	148	696	759	889	157	964	1,031
Other trust funds (nonrevolving).	547	200	533	708	622	201	702	835
Trust revolving funds.	-978	62	-1,409	-884	.....	.....	.....	.....
Subtotal.	141,669	36,977	157,256	169,593	144,078	35,025	165,788	183,051
Intrafund transactions.	-1,244	-2	-1,330	-1,578	-1,244	-2	-1,330	-1,578
Proprietary receipts from the public.	-8,131	-2,857	-9,715	-9,845	-8,131	-2,857	-9,715	-9,845
Receipts from off-budget Federal entities.	-1,009	-95	-1,185	-1,113	-1,009	-95	-1,185	-1,113
Total.	131,286	34,023	145,026	157,057	133,695	32,071	153,558	170,515

Table 7. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1954-79

(Dollar amounts in billions)

Year	Gross national product	Budget receipts		Outlays ¹						Federal debt, end of year			
		Amount	Percent of GNP	Unified budget		Off-budget Federal entities		Total		Total		Held by the public	
				Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1954.....	363.6	\$69.7	19.2	\$70.9	19.4	.....	.....	\$70.9	19.4	\$270.8	74.5	\$224.5	61.7
1955.....	380.0	65.5	17.2	68.5	18.0	.....	.....	68.5	18.0	274.4	72.2	226.6	59.6
1956.....	411.0	74.5	18.1	70.5	17.1	.....	.....	70.5	17.1	272.8	66.4	222.2	54.1
1957.....	432.7	80.0	18.5	76.7	17.7	.....	.....	76.7	17.7	272.4	63.0	219.4	50.7
1958.....	442.1	79.6	18.0	82.6	18.7	.....	.....	82.6	18.7	279.7	63.3	226.4	51.2
1959.....	473.3	79.2	16.7	92.1	19.5	.....	.....	92.1	19.5	287.8	60.8	235.0	49.7
1960.....	497.3	92.5	18.6	92.2	18.5	.....	.....	92.2	18.5	290.9	58.5	237.2	47.7
1961.....	508.3	94.4	18.6	97.8	19.2	.....	.....	97.8	19.2	292.9	57.6	238.6	46.9
1962.....	546.9	99.7	18.2	106.8	19.5	.....	.....	106.8	19.5	303.3	55.5	248.4	45.4
1963.....	576.3	106.6	18.5	111.3	19.3	.....	.....	111.3	19.3	310.8	53.9	254.5	44.2
1964.....	616.2	112.7	18.3	118.6	19.2	.....	.....	118.6	19.2	316.8	51.4	257.6	41.8
1965.....	657.1	116.8	17.8	118.4	18.0	.....	.....	118.4	18.0	323.2	49.2	261.6	39.8
1966.....	721.1	130.9	18.1	134.7	18.7	.....	.....	134.7	18.7	329.5	45.7	264.7	36.7
1967.....	774.4	149.6	19.3	158.3	20.4	.....	.....	158.3	20.4	341.3	44.1	267.5	34.5
1968.....	829.9	153.7	18.5	178.8	21.5	.....	.....	178.8	21.5	369.8	44.6	290.6	35.0
1969.....	903.7	187.8	20.8	184.5	20.4	.....	.....	184.5	20.4	367.1	40.6	279.5	30.9
1970.....	959.0	193.7	20.2	196.6	20.5	.....	.....	196.6	20.5	382.6	39.9	284.9	29.7
1971.....	1,019.3	188.4	18.5	211.4	20.7	.....	.....	211.4	20.7	409.5	40.2	304.3	29.9
1972.....	1,110.5	208.6	18.8	232.0	20.9	.....	.....	232.0	20.9	437.3	39.4	323.8	29.2
1973.....	1,237.5	232.2	18.8	247.1	19.9	.....	.....	247.1	20.0	468.4	37.9	343.0	27.7
1974.....	1,360.9	264.9	19.5	269.6	19.8	1.4	.....	271.1	19.9	486.2	35.7	346.1	25.4
1975.....	1,450.6	281.0	19.8	326.1	22.4	8.0	.....	334.1	23.0	544.1	37.5	396.9	27.4
1976.....	1,609.5	300.0	18.6	366.5	22.8	7.2	.....	373.7	23.2	631.9	39.3	480.3	29.8
1977 est.....	1,827.6	354.0	18.3	411.2	22.5	10.8	.....	422.0	23.1	716.7	39.2	560.3	30.7
1978 est.....	2,038.4	393.0	19.3	440.0	21.6	9.2	.....	449.1	22.0	785.0	38.5	615.8	30.2
1979 est.....	2,268.3	454.4	20.0	466.0	20.5	10.9	.....	476.9	21.0	NA	NA	NA	NA

* .05% or less.

NA = Not available.

¹ The 1972-76 data have been revised to include the Export-Import Bank in the unified budget instead of with the off-budget Federal entities. The Exchange Stabilization Fund is included as an off-budget Federal entity from 1976.

**Table 8. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT
IN THE EXECUTIVE BRANCH¹**

Agency	June 30, 1976 actual	Sept. 30		Change 1977-78
		1977 estimate	1978 estimate	
Agriculture.....	80, 413	83, 500	84, 200	700
Commerce.....	28, 823	29, 500	29, 400	-100
Defense—military functions.....	922, 386	928, 000	921, 200	-6, 800
Defense—civil functions.....	28, 648	29, 000	28, 900	-100
Health, Education, and Welfare....	136, 462	142, 300	142, 400	100
Housing and Urban Development..	14, 942	15, 600	16, 500	900
Interior.....	59, 130	62, 000	62, 400	400
Justice.....	51, 201	52, 400	53, 800	1, 400
Labor.....	14, 471	16, 200	16, 200	100
State.....	22, 634	22, 800	22, 900	100
Transportation.....	71, 593	72, 800	74, 000	1, 200
Treasury.....	107, 877	112, 100	112, 600	500
Energy Research and Development Administration.....	8, 283	8, 700	9, 000	300
Environmental Protection Agency..	9, 481	9, 700	9, 700	.....
General Services Administration....	35, 679	36, 000	36, 200	200
National Aeronautics and Space Administration.....	24, 039	23, 800	23, 700	-100
Veterans Administration.....	192, 453	201, 700	205, 500	3, 800
Other:				
Agency for International Develop- ment.....	5, 751	6, 100	6, 100	.....
Civil Service Commission.....	6, 740	7, 000	7, 100	100
Federal Energy Administration...	3, 349	3, 900	3, 700	-200
Nuclear Regulatory Commission..	2, 289	2, 500	2, 700	200
Panama Canal.....	12, 978	13, 500	13, 500	.....
Small Business Administration...	4, 136	4, 400	4, 600	200
Tennessee Valley Authority.....	15, 100	17, 400	17, 900	500
United States Information Agency	8, 559	8, 700	8, 700	.....
Miscellaneous.....	39, 432	41, 700	41, 900	200
Subtotal.....	1, 906, 849	1, 951, 300	1, 954, 800	3, 500
Contingencies ².....	.....	2, 000	5, 000	3, 000
Subtotal.....	1, 906, 849	1, 953, 300	1, 959, 800	6, 500
Postal Service.....	541, 499	536, 400	540, 000	3, 600
Total.....	2, 448, 348	2, 489, 700	2, 499, 800	10, 100

¹ Excludes developmental positions under the worker trainee opportunity program (WTOP) as well as certain statutory exemptions.

² Subject to later distribution.

Table 9. BUDGET RECEIPTS AND OUTLAYS, 1789-1979 (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	1948.....	41, 774	29, 773	+12, 001
1850-1900.	14, 462	15, 453	-991	1949.....	39, 437	38, 834	+603
1901-1905.	2, 767	2, 678	+119	1950.....	39, 485	42, 597	-3, 112
1906-1910.	3, 143	3, 196	-52	1951.....	51, 646	45, 546	+6, 100
1911-1915.	3, 517	3, 568	-49	1952.....	66, 204	67, 721	-1, 517
1916-1920.	17, 286	40, 195	-22, 909	1953.....	69, 574	76, 107	-6, 533
1921.....	5, 571	5, 062	+509	1954.....	69, 719	70, 890	-1, 170
1922.....	4, 026	3, 289	+736	1955.....	65, 469	68, 509	-3, 041
1923.....	3, 853	3, 140	+713	1956.....	74, 547	70, 460	+4, 087
1924.....	3, 871	2, 908	+963	1957.....	79, 990	76, 741	+3, 249
1925.....	3, 641	2, 924	+717	1958.....	79, 636	82, 575	-2, 939
1926.....	3, 795	2, 930	+865	1959.....	79, 249	92, 104	-12, 855
1927.....	4, 013	2, 857	+1, 155	1960.....	92, 492	92, 223	+269
1928.....	3, 900	2, 961	+939	1961.....	94, 389	97, 795	-3, 406
1929.....	3, 862	3, 127	+734	1962.....	99, 676	106, 813	-7, 137
1930.....	4, 058	3, 320	+738	1963.....	106, 560	111, 311	-4, 751
1931.....	3, 116	3, 577	-462	1964.....	112, 662	118, 584	-5, 922
1932.....	1, 924	4, 659	-2, 735	1965.....	116, 833	118, 430	-1, 596
1933.....	1, 997	4, 598	-2, 602	1966.....	130, 856	134, 652	-3, 796
1934.....	3, 015	6, 645	-3, 630	1967.....	149, 552	158, 254	-8, 702
1935.....	3, 706	6, 497	-2, 791	1968.....	153, 671	178, 833	-25, 161
1936.....	3, 997	8, 422	-4, 425	1969.....	187, 784	184, 548	+3, 236
1937.....	4, 956	7, 733	-2, 777	1970.....	193, 743	196, 588	-2, 845
1938.....	5, 588	6, 765	-1, 177	1971.....	188, 392	211, 425	-23, 033
1939.....	4, 979	8, 841	-3, 862	1972.....	208, 649	232, 021	-23, 372
1940.....	6, 361	9, 456	-3, 095	1973.....	232, 225	247, 074	-14, 849
1941.....	8, 621	13, 634	-5, 013	1974.....	264, 932	269, 620	-4, 688
1942.....	14, 350	35, 114	-20, 764	1975.....	280, 997	326, 105	-45, 108
1943.....	23, 649	78, 533	-54, 884	1976.....	300, 005	366, 466	-66, 461
1944.....	44, 276	91, 280	-47, 004	TQ.....	81, 773	94, 746	-12, 973
1945.....	45, 216	92, 690	-47, 474	1977 est...	354, 045	411, 243	-57, 198
1946.....	39, 327	55, 183	-15, 856	1978 est...	393, 017	439, 967	-46, 950
1947.....	38, 394	34, 532	+3, 862	1979 est...	454, 360	465, 967	-11, 607

Totals, including outlays of off-budget Federal entities

Fiscal year	Outlays of off- budget Federal entities	Total outlays	Total deficit	Fiscal year	Outlays of off- budget Federal entities	Total outlays	Total deficit
1973.....	60	247, 134	-14, 909	TQ.....	1, 767	96, 513	-14, 740
1974.....	1, 447	271, 067	-6, 135	1977 est...	10, 785	422, 028	-67, 983
1975.....	8, 041	334, 146	-53, 149	1978 est...	9, 156	449, 124	-56, 107
1976.....	7, 196	373, 662	-73, 657	1979 est...	10, 899	476, 866	-22, 506

*\$500 thousand or less.

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

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

Data for 1789-1939 are for the administrative budget; 1940-1979 are for the unified budget.

In calendar year 1976, the Federal fiscal year was converted from a July 1-June 30 basis to an Oct. 1-Sept. 30 basis. The TQ refers to the transition quarter from July 1 to Sept. 30, 1976.

Off-budget Federal entity outlays begin in 1973.

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 appropriation 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: the General fund, 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—The yearly accounting period for the Federal Government. Beginning with fiscal year 1977, fiscal years for the Federal Government begin on October 1 and end on September 30. Prior to fiscal year 1977, the fiscal year began on July 1 and ended on June 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).

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 ENTITIES—Organizational entities, 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. These transactions are not included in the budget totals, but are presented separately in the budget documents.

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.

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.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1978 are published in six documents.

(1) *The Budget of the United States Government, 1978* 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, 1978—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 \$13.00.)

(3) *Special Analyses, Budget of the United States Government, 1978* 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, 1978* provides a more concise, less technical overview of the 1978 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.)

(5) *Issues '78* provides greater background information than any other general executive branch document on major budget and program decisions reflected in the President's Budget and on certain major issues confronting the Nation this year and in the future. Published for the first time with the 1977 budget (as "Seventy Issues"), this document is intended for a general audience rather than those with particular interests. (Price—not available at time of publication.)

(6) *The Budget of the United States Government, 1978—Supplement* contains the President's recommendations on executive, legislative, and judicial salaries and is transmitted pursuant to section 225 of Public Law 90-206 (2 U.S.C. 351 et seq.). (Price not available at time of publication.)