



# THE UNITED STATES BUDGET IN BRIEF

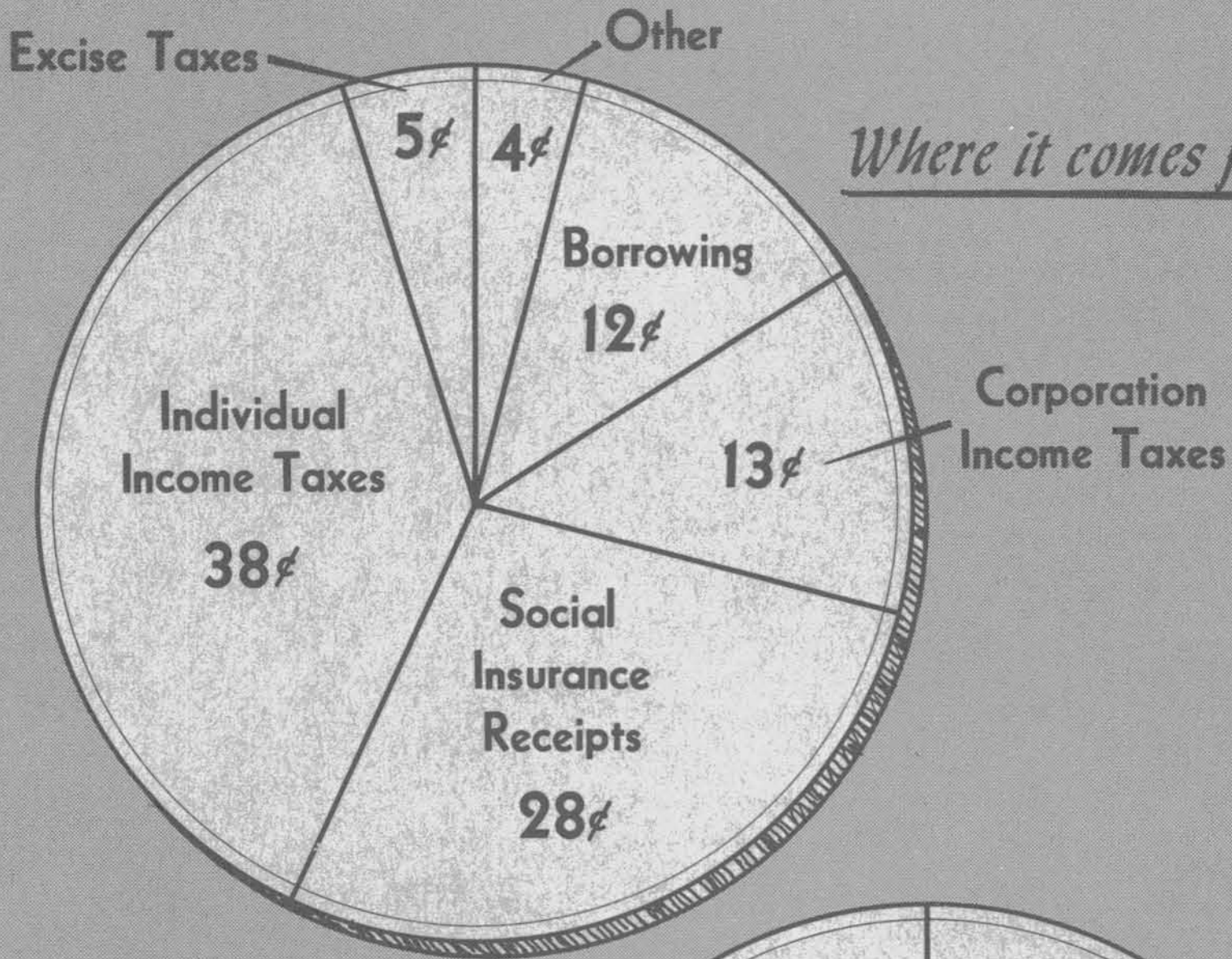
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FISCAL YEAR **1979**

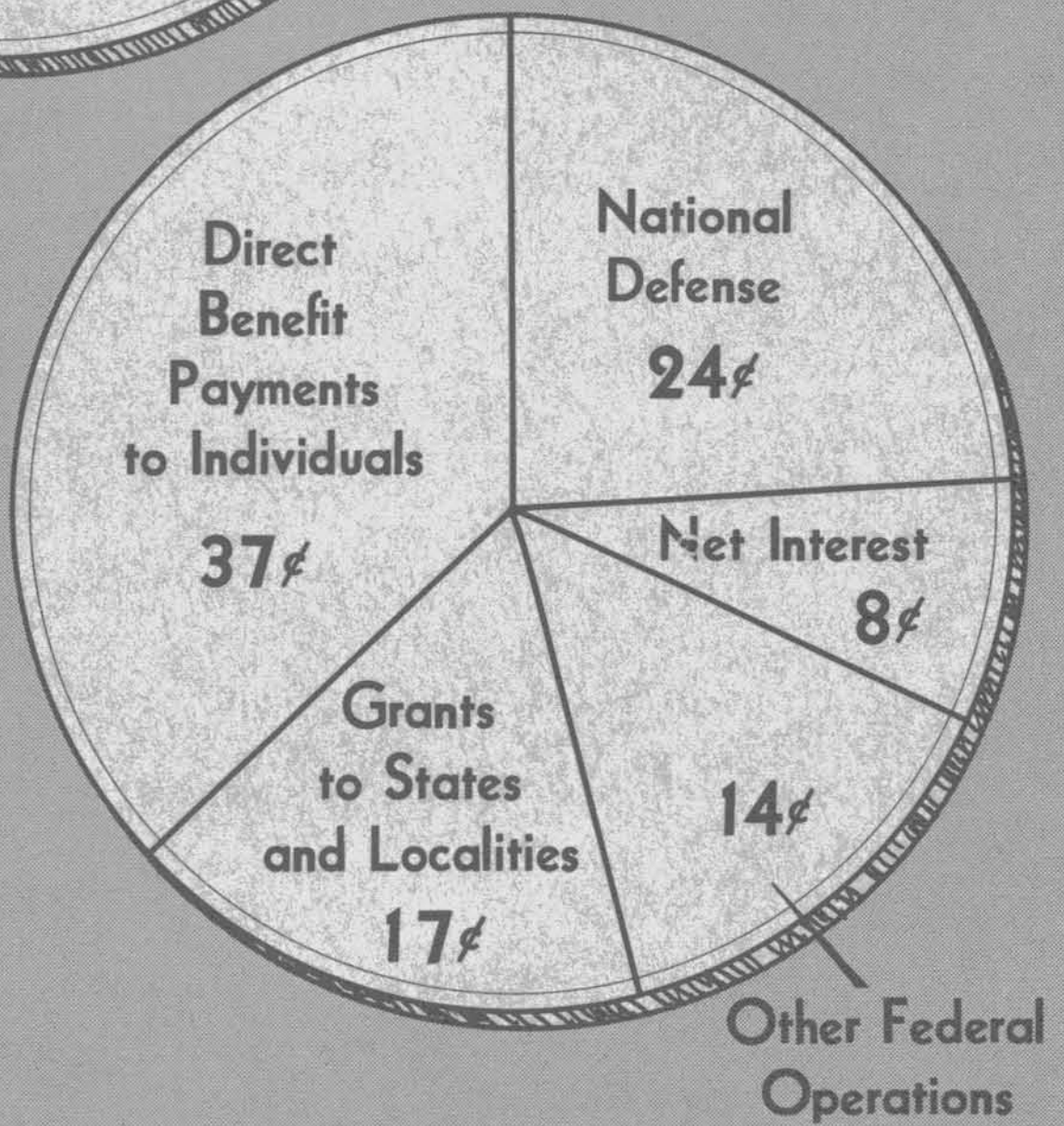


# THE BUDGET DOLLAR

Fiscal Year 1979 Estimate



*Where it goes...*





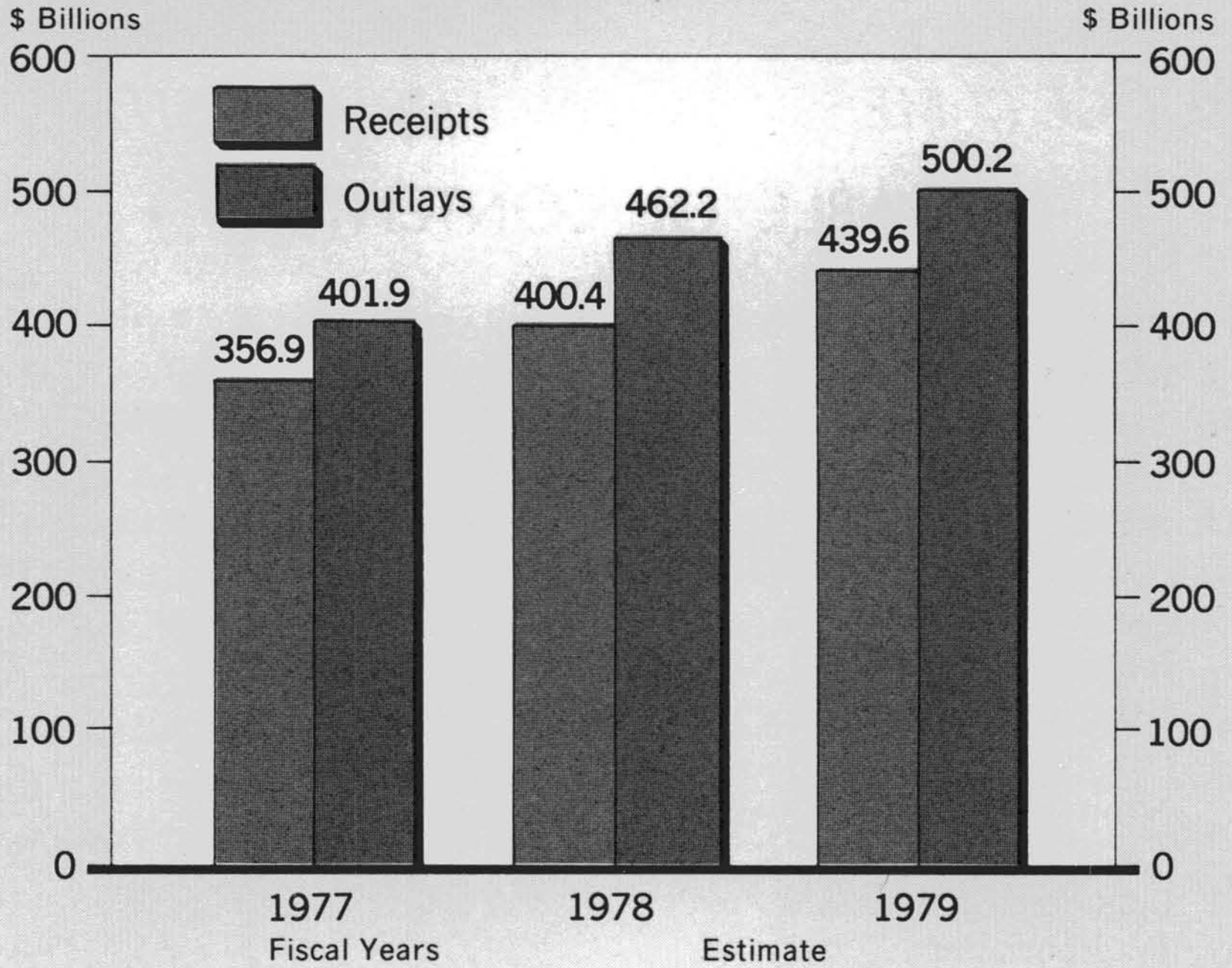
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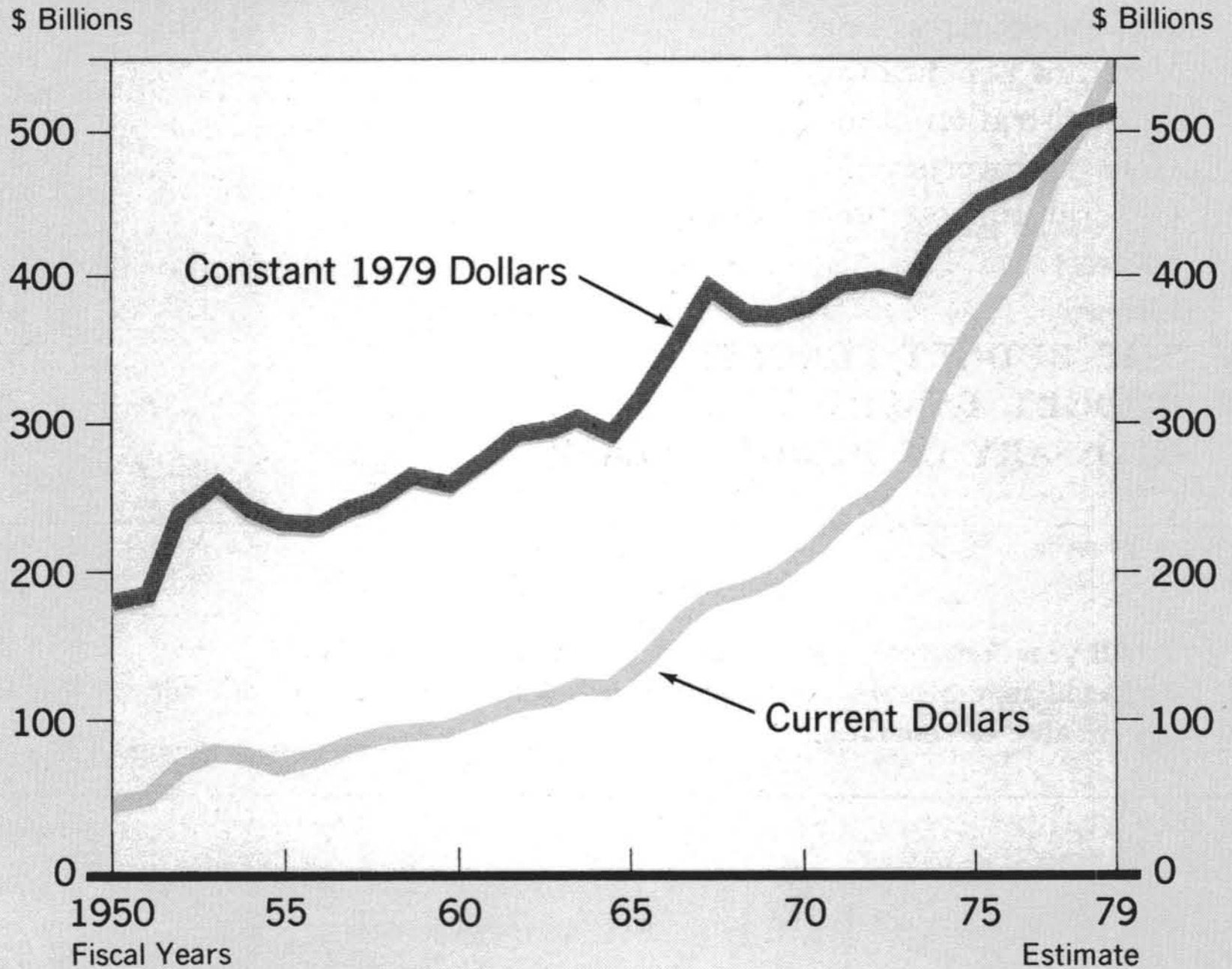
## GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in the tables, text, and charts of this volume may not add to the totals because of rounding.

## Budget Totals Since 1977



## Federal Budget Outlays, 1950 - 1979





# BUDGET MESSAGE OF THE PRESIDENT

*To the Congress of the United States:*

The first complete budget of any new administration is its most important. It is the administration's first full statement of its priorities, policies, and proposals for meeting our national needs. Last February, after just one month in office, I submitted a revised budget to the Congress. That revision changed the direction of the prior administration's budget, but was—of necessity—based upon a review of limited scope. I promised then that future budgets would reflect detailed, zero-based reviews of Federal spending programs, reform of the tax system, and reorganization of the Government. This budget is my first major step in meeting that promise. It reflects, I believe, a determination to face and make difficult decisions in a manner that places the common good above that of any particular interest.

This budget represents a careful balancing of several considerations:

- The importance of a fiscal policy that provides for a continuing recovery of the Nation's economy;
- The obligation of the Government to meet the critical needs of the Nation and its people;
- The fact that resources are limited and that Government must discipline its choices and its scope; and
- The need for careful and prudent management of the taxpayers' resources.

## THE BUDGET TOTALS

[In billions of dollars]

	1977 actual	1978 estimate	1979 estimate
Budget receipts.....	357	400	440
Budget outlays.....	402	462	500
Deficit (—).....	—45	—62	—61
Budget authority.....	465.2	502.9	568.2

My budget provides for total outlays of \$500 billion, an increase of \$38 billion, or 8%, over the 1978 budget, and receipts of \$440 billion. This budget total is a restrained one that:



- Meets essential national needs;
- Places careful priorities upon Federal expenditures; and
- Decreases the share of the Nation's gross national product taken by the Federal Government from 22.6% to 22.0%.

This budget places us on a path that will permit a balanced budget in the future if the private economy continues its recovery over the coming years.

At the same time, my budget embodies a fiscal policy that will strengthen the economic recovery. I propose a progressive tax reduction of \$25 billion to help assure continued economic recovery and reduction in unemployment. An integral part of this tax reduction proposal is a set of recommendations for tax reform that will make the tax system simpler and more equitable.

Without the reduction, I would have been able to announce a decline in the deficit of \$15 to \$20 billion between 1978 and 1979. With the reduction, the budget deficit will still decline slightly, because of careful restraints on expenditures. But I judged that the most important priority this year was to reduce the burdens on taxpayers. Only in this way can we ensure a vigorous economy, a declining unemployment rate, a strong expansion of private investment, and a stable budget balance in future years.

While the expenditures I recommend in this budget are restrained, they are, nevertheless, directed toward overcoming our Nation's crucial problems. I have looked carefully at existing approaches to these problems and improved those approaches where possible. The spending priorities of the past are now being shifted toward long-neglected areas. These new priorities are based on the following judgments:

- An effective national energy plan is essential to reduce our increasingly critical dependence upon diminishing supplies of oil and gas, to encourage conservation of scarce energy resources, to stimulate conversion to more abundant fuels, and to reduce our large trade deficit.*

The national energy plan I proposed last spring defined these goals. This budget includes the programs and initiatives designed to meet those objectives. Included are increased emphases on conservation and nonnuclear research and development, energy grants and technical assistance to States and localities, accelerated acquisition of the strategic petroleum reserve, and greater emphasis on nuclear waste management. I continue in the unswerving belief that the Nation's leaders have the obligation



to plan for the future, and that the national energy plan is essential to the future health and vigor of the American economy. The United States also must take the lead in minimizing the risks of nuclear weapons proliferation as we advance nuclear power technology. Thus, this budget increases research and development funding for systems that present fewer risks than the plutonium-fueled liquid metal fast breeder reactor.

—*The essential human needs of our citizens must be given high priority.*

In the spring of 1977 I proposed a long-overdue reform of the Nation's welfare system. This reform recognizes that this is a Nation of men and women who do not wish to be wards of the Government but who want to work and to be self-sufficient. It includes a combination of employment opportunities and incentives for those who should work, and a basic income for those who cannot. This budget anticipates that Congress will pass the program for better jobs and income, and begins the process of careful planning for the implementation of an efficient and equitable system.

The budget also recognizes that ensuring the opportunity to compete and excel remains very important to our people. To give all children the healthiest possible start in life, I propose a major expansion of medical care and nutritional supplements for low-income expectant mothers and infants. In addition, I propose major increases in educational assistance at all levels. Because of the continued high level of unemployment, particularly among minorities, I believe public employment programs should be continued at high levels for another year. Major increases in programs stressing employment for unemployed youth are recommended. A new effort will be mounted to place more disadvantaged persons in private sector jobs by increasing the involvement of the business community in local employment and training programs.

I view a workable urban strategy as an important link in a well-articulated domestic program and essential to the continuing recovery of the national economy. This budget includes increases for many programs benefiting urban areas and supports several efforts to improve these programs. I anticipate sending to the Congress early in the spring a set of further proposals dealing with the Nation's urban problems.



*—The Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security.*

My request for defense provides for the steady modernization of our strategic forces, and for substantial improvements in the combat readiness of our tactical forces. To parallel commitments made by our European allies, I am proposing significant increases in our overall defense effort, with special emphasis on those forces and capabilities most directly related to our NATO commitments. The defense budget I recommend also emphasizes modernization and research and development to meet future challenges to our security. But at the same time, I am restraining defense expenditures by introducing important efficiencies and by placing careful priorities upon our defense needs. The 1979 defense budget is prudent and tight, but consists of a real growth in outlays of three percent above the current year's budget. It is \$8 billion below the defense budget projected for 1979 by the previous administration.

*—The Federal Government has an obligation to nurture and protect our environment—the common resource, birthright and sustenance of the American people.*

This budget provides for substantially increased emphasis on protection of all our environmental resources, for new attention to our common heritage, and for substantial additions to our system of public lands. Planned use of our natural resources has been designed so that the most important of our unspoiled areas can remain forever in the hands of the people.

*—The Federal Government must lead the way in investing in the Nation's technological future.*

Shortly after taking office, I determined that investment in basic research on the part of the Federal Government had fallen far too low over the past decade. Accordingly, I directed that a careful review be undertaken of appropriate basic research opportunities. As a result of that review, this budget proposes a real rate of growth of almost 5% for basic research in 1979. I believe this emphasis is important to the continued vitality of our economy.

*This budget also reflects this Administration's commitment to two important approaches to making government work more efficiently and responsively: reorganization and zero-base budgeting.*

The reorganization effort I have launched seeks more than just a streamlining of organization structure and the elimination of



overlaps and duplication. It seeks to make our Government more responsive, more efficient, and more clearly focussed on the most pressing needs of our society. In 1977 I proposed—and the Congress accepted—a Cabinet-level Department of Energy, a streamlined Executive Office of the President, and a consolidation of our international information activities. In 1978 I will propose further reorganizations in such areas as the Federal Government's civil rights activities and the Federal civil service system to make it more responsive and effective.

As I promised during my campaign, zero-base budgeting systems have been applied throughout the Federal Government. This budget is the product of a comprehensive zero-base review of all Federal programs, both existing and new programs. In reviewing each agency's proposals, I have used zero-base budget alternatives and agency rankings to compare and evaluate the many requests competing for resources. As a result of the first year's effort, we have gained a better understanding of Federal programs and have made better, more even-handed judgments. Because of this system the budget includes significant dollar savings and improvements in the way programs are operated. With experience, zero-base budgeting should be even more effective in future years.

Other significant changes in the budget process are reflected in this document. First: I have directed the Office of Management and Budget to establish a multi-year budget planning system using long-range budget projections. This will ensure that budget decisions are made with full awareness of their longer range implications. Second: we are using better techniques for estimating outlays so as to avoid the chronic "shortfalls" of recent years. Third: we have explicitly related the classification of the budget in terms of functions performed by Government programs to the national needs and agency missions served, as called for in the Congressional Budget Act of 1974.

In formulating this budget I have been made acutely aware once more of the overwhelming number of demands upon the budget and of the finite nature of our resources. Public needs are critically important; but private needs are equally valid, and the only resources the Government has are those it collects from the taxpayer. The competition for these resources and my belief and commitment that we must firmly limit what the Government taxes and expends have led me to the premises on which my first budget is based.



- Critical national needs exist—particularly human and social ones—to which resources must be directed.
- Government resources are scarce; their use must be planned with the full awareness that they come from the earnings of workers and profits of business firms.
- The span of government is not infinite. Priorities must be set and some priorities reordered. If we are to meet adequately the most critical needs, some demands must also be deferred. Government action must be limited to those areas where its intervention is more likely to solve problems than to compound them.
- We have an obligation to manage with excellence, and to maintain proper priorities within the \$500 billion proposed in this budget. We all know that in a budget of this scale—larger than the gross national product of all but three nations in the world—there are dollars wasted and dollars misspent. These must be minimal.

These premises are unexceptionable in general, but difficult and controversial to apply. They have guided my actions in formulating this budget and they will continue to do so in the future. But to be successful I will need, and will work for, the help and cooperation of the Congress. Both the Congress and the Executive have a clear, joint interest in an approach that helps us to meet the demands of the future. In recent years the Congress has taken important steps—through the establishment of the congressional budget process—to improve its own means of establishing priorities. This administration has worked closely with the congressional appropriations and budget committees and has found them invaluable sources of advice. We will continue in this spirit of cooperation, and I look forward to working with the Congress and its leadership to obtain adoption of my budget for fiscal year 1979.

JIMMY CARTER

JANUARY 20, 1978.



## PART I

# BUDGET RECEIPTS

This section discusses the major sources of budget receipts for 1977 to 1980 and the legislative proposals affecting them. The economic forecast underlying the estimates through calendar year 1979 is presented in Part II. Longer range economic assumptions and estimates of receipts are also presented in Part II.

Budget receipts in 1979 are estimated to be \$440 billion, 10% more than the \$400 billion estimated for 1978. Almost 90% of these receipts result from individual and corporation income taxes and from payroll taxes levied on wages and salaries.

### Enacted Tax Changes

*Individual and corporation income taxes.*—In the last 3 years, four major laws have changed individual and corporation income taxes. The first was the Tax Reduction Act of 1975, which provided a partial rebate of calendar year 1974 individual income tax liabilities, 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 included a number of major tax reforms and other changes. Finally, the Tax Reduction and Simplification Act of 1977 extended for 1 year the temporary provisions of the Tax Reform Act that were scheduled to expire December 31, 1977. In addition, it made two major tax changes and a number of other reforms and simplifications. The major changes were:



- Replacing the minimum standard deduction and the percentage standard deduction with a flat standard deduction.
- Enactment of a temporary jobs tax credit applicable to calendar years 1977 and 1978 to stimulate private sector employment.

The following table shows the effect of these four acts on receipts for the years 1975–80. It also shows the effect on receipts in 1979 and 1980 of extending most of the temporary features of the 1977 act.

### EFFECT OF ENACTED INCOME TAX LEGISLATION

[In billions of dollars]

Legislation	1975	1976	TQ	1977	1978	1979	1980
Tax Reduction Act of 1975...	-10.2	-10.8	-.3	.4	2.8	3.2	3.4
Revenue Adjustment Act of 1975 .....	.....	-6.0	-.5	-1.8	-*	-*	.....
Tax Reform Act of 1976 <sup>1</sup> ....	.....	.....	-2.8	-14.4	-13.2	-7.4	-8.0
Tax Reduction and Simplification Act of 1977.....	.....	.....	.....	-2.6	-17.8	-13.7	-5.8
<b>Total</b> .....	<b>-10.2</b>	<b>-16.7</b>	<b>-3.6</b>	<b>-18.5</b>	<b>-28.2</b>	<b>-17.9</b>	<b>-10.3</b>
Individual income taxes.....	-9.4	-14.1	-3.2	-17.4	-24.2	-15.3	-9.6
Corporation income taxes....	-.8	-2.6	-.4	-2.5	-3.1	-1.4	.9
Other.....	.....	.....	.....	1.4	-1.0	-1.2	-1.6

#### Addendum

Extension of temporary features of 1977 act: <sup>2</sup>							
Individual income taxes....	.....	.....	.....	.....	.....	-7.2	-12.8
Corporation income taxes..	.....	.....	.....	.....	.....	-1.1	-2.6
<b>Total</b> .....	.....	.....	.....	.....	.....	<b>-8.3</b>	<b>-15.4</b>

\*\$50 million or less.

<sup>1</sup> 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.

<sup>2</sup> Excludes extension of the jobs tax credit, which is a short-term countercyclical provision.

**Social security taxes.**—The recently enacted Social Security Amendments of 1977 will raise social security taxes significantly. These increases, which are in addition to increases already scheduled under prior law, were designed to place the social security system on a sound financial basis.

The table below shows the social security tax rate and taxable earnings base scheduled under prior law and the corresponding figures under the 1977 act. By 1981, the new legislation increases the combined employer-employee tax rate by 0.7 percentage points above what it otherwise would have been and increases the taxable earnings base by \$7,800. The 1977 act increases receipts by \$3.2 billion in 1979 and \$8.8 billion in 1980.



## SOCIAL SECURITY TAX RATE AND TAXABLE EARNINGS BASE

	Calendar years				
	1977	1978	1979	1980	1981
<b>Before 1977 legislation:</b>					
Tax rate (percent).....	11.7	12.1	12.1	12.1	12.6
Taxable earnings base (dollars).....	16,500	17,700	18,900	20,400	21,900
<b>After 1977 legislation:</b>					
Tax rate (percent).....	11.7	12.1	12.26	12.26	13.3
Taxable earnings base (dollars).....	16,500	17,700	22,900	25,900	29,700

## Proposed Tax Changes

*Income tax reductions and reforms.*—The administration is proposing major tax reductions, generally effective October 1, 1978, and tax reforms, generally effective January 1, 1979. These proposals provide the economic stimulus to help maintain the momentum of the current economic recovery. They take significant steps toward developing a simpler, more efficient, and more equitable system and will reduce taxes for nearly all taxpayers, particularly for low and moderate income families.

Major tax reductions for individuals will result from substitution of a \$240 personal tax credit for the current \$35 credit and \$750 exemption, and from reducing rates from the current range of 14–70% to 12–68%. A number of proposed simplifications will increase receipts, partially offsetting these reductions. They include:

- Eliminating the deductions for State and local sales, gasoline, personal property, and miscellaneous taxes.
- Combining the separate deductions for medical expenses and uninsured casualty losses into a new “extraordinary expense” deduction available only to the extent that these items together exceed 10% of adjusted gross income.
- Including unemployment compensation benefits in the adjusted gross income of taxpayers with incomes above specified levels.
- Restricting tax shelter investments.
- Increasing the tax base to which the minimum tax applies.

Major reductions in corporation income taxes will result from proposed rate reductions and liberalization of the investment tax credit. The corporation income tax rate would be reduced effective October 1, 1978, from 20% to 18% on the first \$25,000 of corporate income, from 22% to 20% on the second \$25,000, and from 48% to 45% on income above \$50,000. Effective January 1,



1980, the maximum corporate rate would be reduced to 44%. The investment tax credit, which currently applies only to equipment, would be extended to structures (retroactively to January 1, 1978) and made permanent at the current 10% rate. The credit would be allowed to offset up to 90% of the tax liability otherwise owed. Currently, the limit is 100% of the first \$25,000 of tax liability and 50% of liability above \$25,000.

Partially offsetting the revenue losses from these provisions are reform proposals that include:

- Phasing out the tax benefits for Domestic International Sales Corporations over 3 years.
- Reducing by 50% the otherwise allowable deductions for business meals and disallowing business deductions for tickets to entertainment events, membership dues in clubs, and the excess of first-class air tickets over the cost of coach or second-class air tickets.
- Phasing out over 3 years the tax deferral for the income of foreign subsidiaries of corporations controlled by U.S. taxpayers.

*Energy tax proposals.*—The President's national energy plan submitted to the Congress last spring contains tax proposals that would provide incentives to conserve energy and to convert energy use away from oil and natural gas toward greater use of non-petroleum-based fuels. The major proposals include:

- A crude oil equalization tax on existing domestic production in order to raise the price of petroleum products to their replacement value. Tax revenues would be refunded to individuals on a per capita basis, either in the form of tax refunds or direct payments.
- An oil and natural gas consumption tax on certain industrial and utility use to accelerate the conversion to facilities that use non-petroleum fuels.
- An auto efficiency (“gas guzzler”) tax, which would be refunded as subsidies for the purchase of fuel efficient vehicles.
- Residential and business tax credits to promote investment in more energy-efficient equipment and materials.

Tax receipts generated from these proposals would generally be returned to the economy through tax refunds and increased Federal spending. The energy proposals reduce estimated receipts by \$0.1 billion in 1978 and increase receipts by \$1.1 billion and



\$2.9 billion in 1979 and 1980, respectively. The administration expects that the Congress will enact energy legislation early in 1978. Changes from the administration's proposals could significantly change the estimates of receipts.

**Other tax proposals.**—A number of other tax proposals are reflected in estimated receipts. These proposals include:

- repeal of the tax on telephone services, effective October 1, 1978;
- a reduction in the Federal unemployment insurance tax rate from 0.7% to 0.5%, effective January 1, 1979;
- user fees on commercial users of inland waterways to pay for a substantial share of the costs of the facilities from which they directly bear;
- a 2 percentage point reduction in the 8% passenger ticket tax and the 5% tax on airfreight;
- payments by the Federal Reserve System of interest on member bank deposits, which will reduce miscellaneous receipts; and
- an excise tax on imported oil to create a fund to pay damages and cleanup costs resulting from oil pollution.

The effect of proposed legislation on receipts, both in comparison to current law and in comparison to extension of temporary tax provisions is shown in the following table.

#### EFFECT OF TAX PROPOSALS ON RECEIPTS

[In billions of dollars]

Source	1978	1979	1980
<b>In comparison to current law:</b>			
Individual income taxes.....	-1.7	-31.1	-39.3
Corporation income taxes.....	-.6	-7.5	-11.2
Social insurance taxes <sup>1</sup> .....	.....	-.6	.2
Excise taxes.....	1.8	6.8	16.6
Other receipts.....	.....	-.2	-.5
Total <sup>1</sup> .....	-.4	-32.6	-34.2
<b>In comparison to extension of temporary tax provisions:<sup>2</sup></b>			
Individual income taxes.....	-1.7	-23.9	-26.5
Corporation income taxes.....	-.6	-6.4	-8.6
Social insurance taxes <sup>1</sup> .....	.....	-.6	.2
Excise taxes.....	1.8	6.8	12.1
Other receipts.....	.....	-.2	-.5
Total <sup>1</sup> .....	-.4	-24.3	-23.3

<sup>1</sup> The 1980 estimate includes the effect of acceleration of State and local deposits of social security taxes, which can be accomplished by administrative action.

<sup>2</sup> Excludes extension of the jobs tax credit, which is a short-term countercyclical provision.

## RECEIPTS BY SOURCE

The table below shows budget receipts by source for 1977 to 1980; the estimates reflect recent changes in the tax structure and the President's tax proposals discussed above.

Individual income tax receipts are estimated to be \$190.1 billion in 1979, an increase of 6% from the 1978 estimate of \$178.8 billion. Corporation income taxes are estimated to be \$62.5 billion in 1979, compared to \$58.9 billion in 1978. Together, these receipts are 57% of total receipts in 1979.

Social insurance taxes and contributions are estimated to be \$141.9 billion in 1979, an increase of 14% from the \$124.1 billion estimated for 1978. These receipts include social security taxes, unemployment insurance taxes, Federal employee retirement contributions, and premium payments for supplementary medical insurance.

Excise taxes are estimated to be \$25.5 billion in 1979, an increase of \$5.3 billion from the 1978 estimate of \$20.2 billion. This large increase is due to the administration's energy proposals. Other receipts, consisting of estate and gift taxes, customs, and miscellaneous receipts, are estimated to be \$19.7 billion in 1979.

### BUDGET RECEIPTS BY SOURCE

[In billions of dollars]

Source	1977 actual	1978 estimate	1979 estimate	1980 estimate
Individual income taxes.....	156.7	178.8	190.1	223.9
Corporation income taxes.....	54.9	58.9	62.5	69.1
Social insurance taxes and contributions.....	108.7	124.1	141.9	160.1
Excise taxes.....	17.5	20.2	25.5	31.1
Other receipts.....	19.0	18.3	19.7	21.1
Total.....	356.9	400.4	439.6	505.4



## PART II

# The Long-Range Outlook and Current Services Estimates

This section discusses the long-range budget outlook and the economic assumptions underlying that outlook. Current services estimates, which are based on the same economic assumptions, are also discussed.

### ECONOMIC ASSUMPTIONS

Economic conditions significantly affect the budget, and the budget, in turn, influences economic conditions. Both budget outlays and the tax structure have substantial effects on national output, employment, and inflation. At the same time, outlays for many Federal programs, such as unemployment compensation and interest on the debt, are directly linked to developments in the economy. In addition, budget receipts vary with individual and corporate incomes and wages and salaries, all of which respond to both real economic growth and inflation.

Because of these complex interrelationships between the budget and the economy, budget estimates depend significantly upon assumptions made about the economy. Therefore, the administration's economic assumptions are presented to assist in understanding the budget estimates and long-range projections and the fiscal strategy planned by the President.

The short-range economic assumptions for calendar years 1977 (for which only three-quarters of actual data were available when the forecast was made), 1978, and 1979 are forecasts of the probable economic conditions consistent with the administration's budget proposals. In contrast, the longer range assumptions, for the period 1980 to 1983, are not forecasts of probable economic conditions. Instead, they are projections that assume progress in moving toward the administration's goals of a more fully employed economy and greater price level stability.

## SHORT-RANGE ECONOMIC FORECAST

[Calendar years; dollar amounts in billions]

Item	Actual 1976	Forecast		
		1977	1978	1979
<b>Gross national product:</b>				
Current dollars.....	1, 706	1, 890	2, 099	2, 335
Constant (1972) dollars:				
Amount.....	1, 275	1, 337	1, 400	1, 467
Percent change.....	6. 0	4. 9	4. 7	4. 8
<b>Price level (percent change):</b>				
GNP deflator <sup>1</sup> .....	4. 7	5. 9	6. 3	6. 0
Consumer Price Index <sup>2</sup> .....	4. 8	6. 9	6. 1	6. 0
Unemployment rate (percent).....	7. 7	7. 0	6. 3	5. 9

<sup>1</sup> Percent change, fourth quarter over fourth quarter.

<sup>2</sup> Percent change, December over December.

The administration will propose further fiscal actions—in particular, further tax reductions—during the 1980–83 period if such actions are required to sustain the progress of the economy toward these important goals.

### LONG-RANGE BUDGET PROJECTIONS

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 in the future. Just as the composition and level of the 1979 budget have been largely determined by past decisions, the decisions and proposals it embodies will affect subsequent budgets strongly.

**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 projections indicate the degree to which resources would be committed during 1980–83 by the continuation of program levels recommended for 1978 and 1979. Therefore, these projections are not forecasts. Nor are the projections intended as recommendations as to future budget levels. Instead, they are most accurately read as indications of the degree to which this and previous years' budget decisions commit us in the future. However, in coming years, under the multiyear budget planning system now being established by the administration, this need no longer be the case. Future budget projections can in fact represent tentative plans for the long-term scheduling of major



new initiatives, program reductions or terminations, and major tax law changes.

### LONG-RANGE ECONOMIC ASSUMPTIONS

[Calendar years; dollar amounts in billions]

Item	Assumptions			
	1980	1981	1982	1983
Gross national product:				
Current dollars.....	2, 587	2, 858	3, 133	3, 400
Constant (1972) dollars:				
Amount.....	1, 537	1, 614	1, 690	1, 761
Percent change.....	4. 8	5. 0	4. 7	4. 2
Price level (percent change):				
GNP deflator <sup>1</sup> .....	5. 5	5. 0	4. 5	4. 0
Consumer Price Index <sup>2</sup> .....	5. 5	5. 0	4. 5	4. 0
Unemployment rate (percent).....	5. 4	5. 0	4. 5	4. 1

<sup>1</sup> Percent change, fourth quarter over fourth quarter.

<sup>2</sup> Percent change, December over December.

These projections provide for future cost-of-living adjustments to most benefit programs, for Federal pay raises, and for other built-in cost increases (such as interest) consistent with the economic assumptions outlined above. In general, the outlay projections assume that programs remain level in dollar terms except where there is a change in the number of people due to receive payments or where there is an explicit budget plan to change program levels over time.

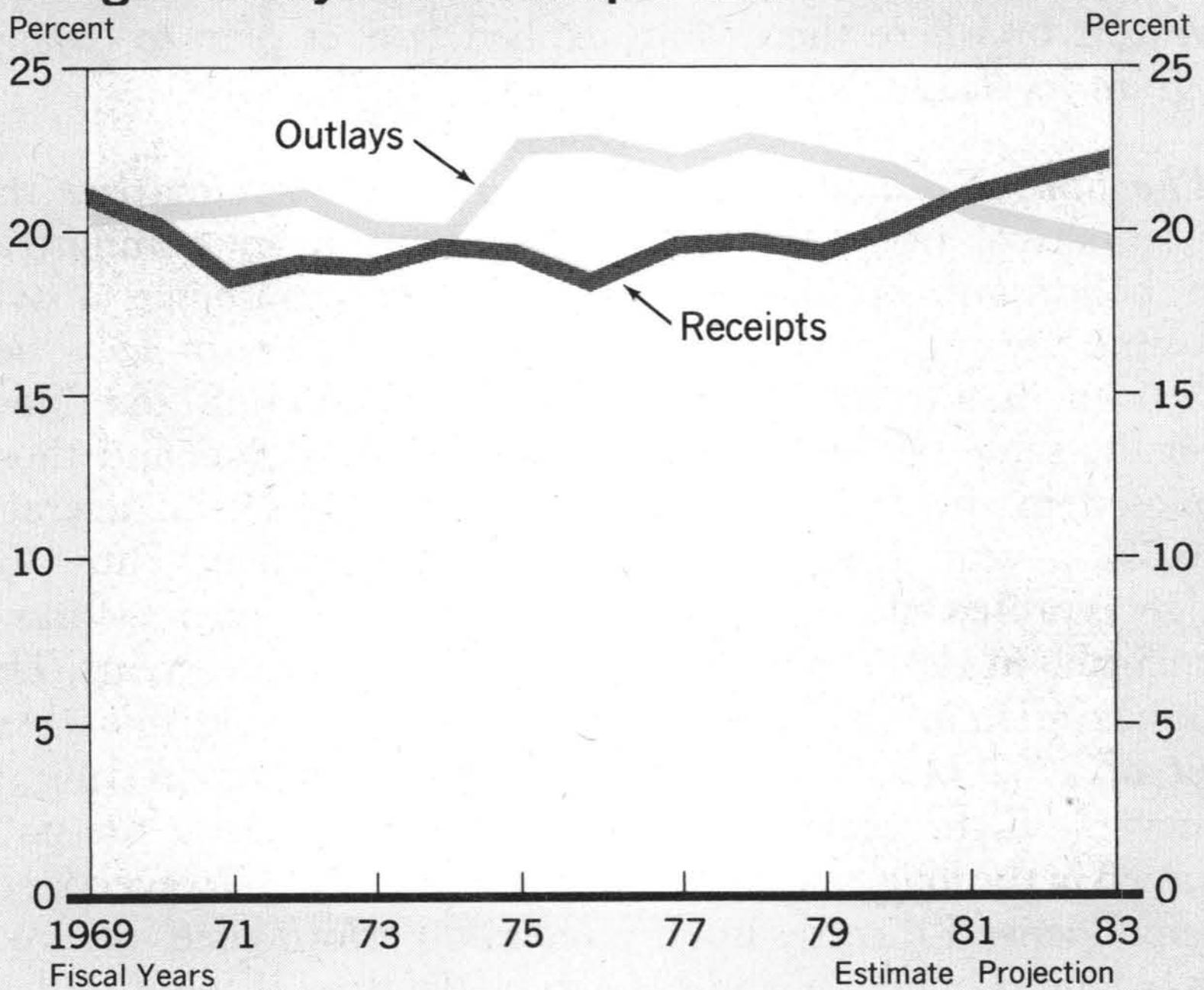
*The budget outlook.*—The following table summarizes the budget outlook from 1977 to 1983 based on current administration policy and on the economic assumptions shown above. Receipts are projected to increase by an average of 13% per year from 1979 to 1983, rising from \$440 billion to \$726 billion. Over the same period, outlays for current programs and those proposed in this budget are projected to rise by an average of 6.8% a year, from \$500 billion to \$650 billion. Thus, the budget is projected under current administration policies to move into surplus in 1981 with larger surpluses in subsequent years. The administration intends to restrain outlays to the President's stated limit of 21% of GNP so that a balanced budget in 1981 is achievable if the economy continues to recover along the path assumed in the long-range economic assumptions. However, since receipts depend directly upon economic performance, the goal of a balanced budget would have to be deferred if the President determined that the economy required further tax reductions.

**THE BUDGET OUTLOOK, 1977-83 (in billions of dollars)**

	1977	1978	1979	1980	1981	1982	1983
Outlays under current programs.....	401.9	461.5	499.6	541.0	569.1	604.2	641.5
Outlays under proposed legislation.....	.....	0.7	0.5	1.9	6.3	8.2	8.4
<b>Total outlays.....</b>	<b>401.9</b>	<b>462.2</b>	<b>500.2</b>	<b>542.9</b>	<b>575.4</b>	<b>612.4</b>	<b>650.0</b>
Receipts under current law..	356.9	400.7	472.2	539.6	619.8	700.7	774.8
Effects of tax proposals.....	.....	-.4	-32.6	-34.2	-35.9	-43.1	-48.7
<b>Total receipts.....</b>	<b>356.9</b>	<b>400.4</b>	<b>439.6</b>	<b>505.4</b>	<b>583.9</b>	<b>657.6</b>	<b>726.1</b>
<b>Budget surplus or deficit (-).</b>	<b>-45.0</b>	<b>-61.8</b>	<b>-60.6</b>	<b>-37.5</b>	<b>8.6</b>	<b>45.2</b>	<b>76.2</b>

**Receipts.**—Projected increases in receipts from 1979 to 1983 are attributable largely to growth in incomes and increases in social security taxes scheduled under current law, offset in part by proposed tax reductions. The tax reductions proposed by the administration cause receipts as a percentage of GNP to fall to 19.3% in 1979. But, because of the progressive nature of

**Budget Outlays and Receipts as a Percent of GNP**





the tax system, and because of scheduled increases in social security taxes, this percentage rises in subsequent years and, in 1981, is at about the 21% ceiling the President has established. The prospect that the tax burden imposed by the Government may exceed this limit, as currently projected for 1982 and 1983, would be another reason to consider further tax reductions.

### BUDGET RECEIPTS BY SOURCE

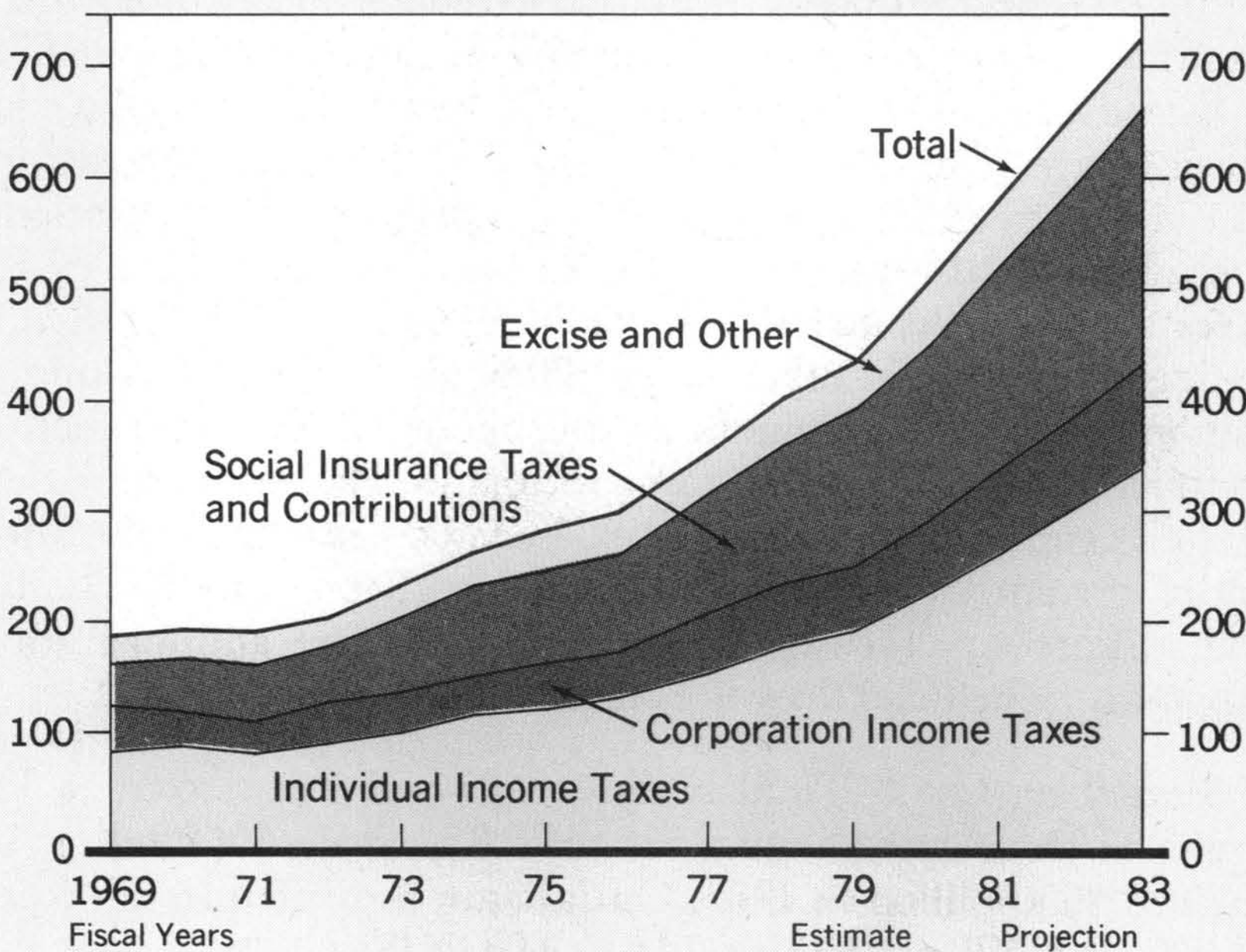
[In billions of dollars]

	1977	1978	1979	1980	1981	1982	1983
Individual income taxes.....	156.7	178.8	190.1	223.9	262.9	301.7	339.9
Corporation income taxes....	54.9	58.9	62.5	69.1	77.7	86.5	94.6
Social insurance taxes and contributions.....	108.7	124.1	141.9	160.1	186.3	208.4	225.9
Excise taxes.....	17.5	20.2	25.5	31.1	34.7	36.7	39.5
Other.....	19.0	18.3	19.7	21.1	22.4	24.3	26.4
<b>Total.....</b>	<b>356.9</b>	<b>400.4</b>	<b>439.6</b>	<b>505.4</b>	<b>583.9</b>	<b>657.6</b>	<b>726.1</b>

### Budget Receipts: 1969 - 1983

\$ Billions

\$ Billions



Individual income taxes are projected to rise from \$190 billion in 1979 to \$340 billion in 1983. Corporation income taxes rise by 51% over this same period from \$62 billion to \$95 billion. In comparison to extension of temporary tax provisions, tax proposals included in the budget reduce individual and corporation income taxes by \$30 billion in 1979 and by \$50 billion by 1983. The largest such reductions result from tax reductions proposed to become effective October 1, 1978. The estimates also include refunds of the proposed wellhead tax on crude oil as part of the administration's energy proposals. For a more detailed discussion of these and other tax proposals, see Part I of the Budget in Brief.

Social insurance taxes and contributions, which increased from only 12.5% of receipts in 1957 to almost 30.5% two decades later, are projected to increase to 31.1% of total receipts in 1983. The social security tax rate, which increased from 11.7% to 12.1% on January 1, 1978, is scheduled to increase to 12.26% on January 1, 1979, and 13.3% on January 1, 1981. The taxable earnings base is scheduled to increase annually, rising from its current level of \$17,700 to a projected \$34,800 by 1983. The estimates reflect proposed legislation to reduce the unemployment insurance tax rate from 0.7% to 0.5% effective January 1, 1979.

Estate and gift taxes, customs, excise taxes, and miscellaneous receipts are projected at \$66 billion in 1983, an increase of \$21 billion from 1979. The estimates reflect the administration's energy proposals announced last spring, which increase excise taxes significantly, together with increased spending and offsetting reductions in other taxes. They also reflect an administration proposal to eliminate the telephone excise tax (effective October 1, 1978). Finally, these estimates assume continuation of the 4 cents per gallon Federal excise tax on gasoline (scheduled under current law to decline or expire on September 30, 1980) and airport and airway taxes, as amended by administration proposals (scheduled to expire on June 30, 1980).

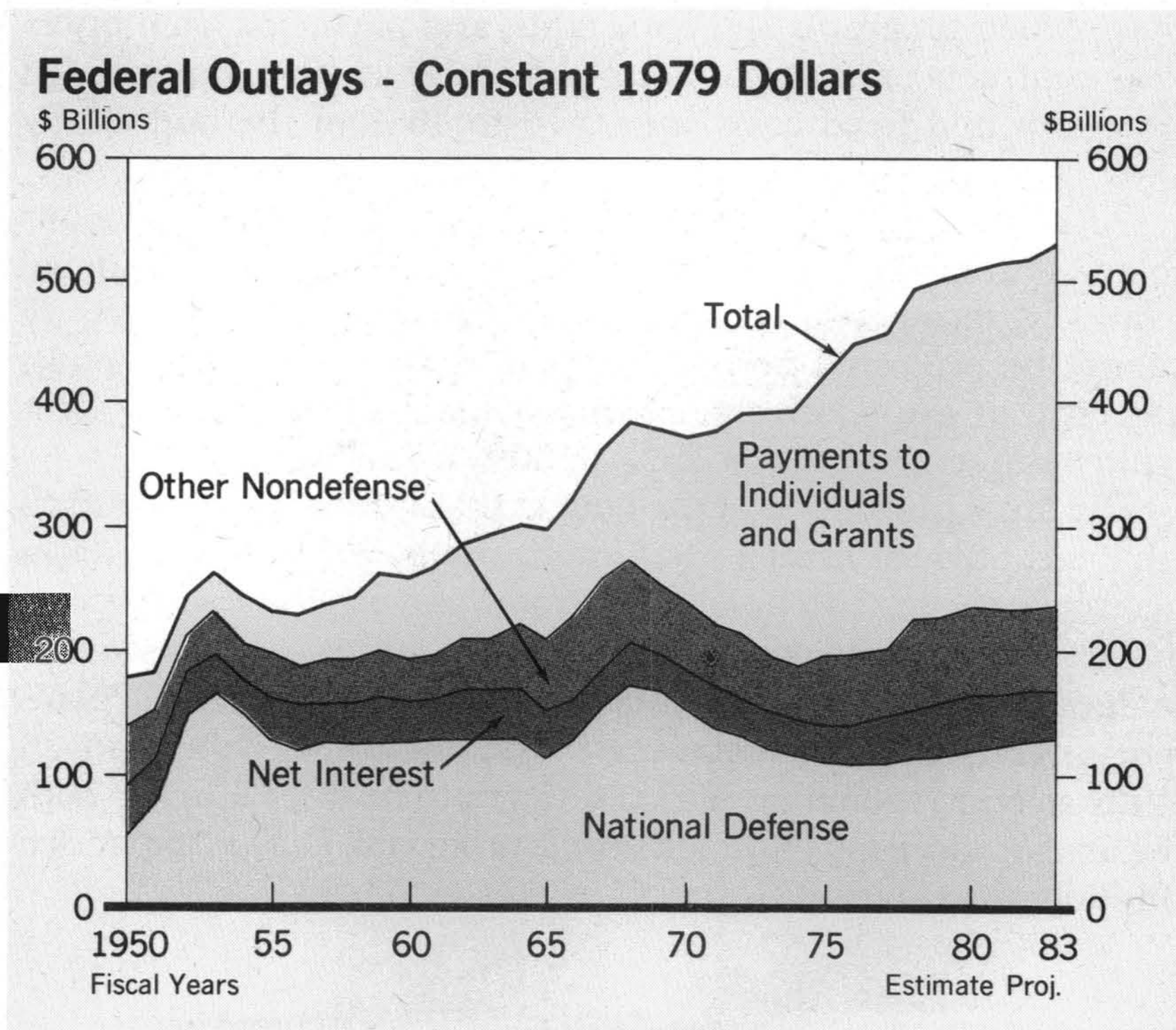
***Budget outlays.***—Total budget outlays are projected to increase at an average annual rate of 6.8%, from \$500 billion in 1979 to \$650 billion in 1983. Outlays are projected to fall from 22.6% of GNP in 1978 to 20.6% of GNP in 1981, below the President's ceiling of 21%.



## PERCENTAGE COMPOSITION OF BUDGET OUTLAYS

Description	Actual			Estimate		Projection		
	1969	1973	1977	1979	1980	1981	1982	1983
<b>National defense:</b>								
Direct Federal payments to individuals.....	1.3	1.8	2.0	2.0	2.1	2.1	2.1	2.1
Grants to States and localities.....	*	*	*	*	*	*	*	*
Other.....	41.7	28.4	22.2	21.5	21.6	22.1	22.5	22.8
Subtotal, national defense.....	<u>43.0</u>	<u>30.2</u>	<u>24.3</u>	<u>23.5</u>	<u>23.7</u>	<u>24.2</u>	<u>24.6</u>	<u>24.9</u>
<b>Nondefense:</b>								
Direct Federal payments to individuals.....	24.6	33.5	39.5	37.4	37.5	38.6	39.2	39.9
Payments for individuals through States and localities.....	4.0	5.3	5.7	5.4	5.4	5.5	5.5	5.5
All other grants to States and localities.....	6.9	11.6	11.3	11.5	11.1	10.8	10.7	10.3
Net interest.....	6.9	7.0	7.5	8.0	8.0	7.8	7.3	6.7
Other.....	14.5	12.4	11.8	14.0	14.2	13.1	12.8	12.6
Subtotal, nondefense...	<u>57.0</u>	<u>69.8</u>	<u>75.7</u>	<u>76.5</u>	<u>76.3</u>	<u>75.8</u>	<u>75.4</u>	<u>75.1</u>
Total.....	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

\* Less than 0.1%.





The major change in the composition of budget outlays over the last 10 years has been the rapid growth in payments for individuals and the corresponding relative decline in resources devoted to other programs. Over the past decade, outlays for such payments have been growing more rapidly than the national output, and more rapidly than total Federal outlays. Until recently, spending for national defense (in constant dollars) was declining. This trend has been reversed and defense spending is projected to increase modestly (in constant dollars) through 1983.

While total outlays are projected to increase by 30% from 1979 to 1983, projected outlays for international affairs, health, income security, and national defense increase faster. Outlays for these functions rise by 45%, 39%, 38%, and 38%, respectively. In comparison, GNP is projected to rise by 47% from 1979 to 1983.

**Controllability.**—Outlays in any one year are considered to be relatively uncontrollable by the President when the spending level is determined by existing statutes or prior contracts. Relatively uncontrollable outlays consist of two major categories: open-ended programs and fixed costs, and payments from prior-year contracts and obligations. As recently as 1967, open-ended programs and fixed costs amounted to 36% of the budget. By 1983 they are projected to reach 59%.

Outlays from “prior-year contracts and obligations” amount to an additional 15% to 20% of the budget, and are considered relatively uncontrollable in the short run. Though this category cannot be projected beyond the budget year, current amounts suggest that the relatively uncontrollable portion of the budget will continue to represent 75% to 80% of the total.

The large proportion of the budget that is relatively uncontrollable has obvious fiscal policy implications. Without legislation to restrain the growth in such programs, attempts to control total budget outlays fall on an increasingly smaller portion of the budget. The President has instituted a multi-year budget planning system to provide greater control of the Federal budget. With a longer planning horizon, the options for changing both the scope and direction of Federal programs can be expanded substantially.



## Current Services Estimates

Current services estimates are projections of the costs of existing programs and receipts under existing law into future years—unchanged by either congressional or Presidential actions. They include outlay increases that result from, for example, increased numbers of beneficiaries entitled to receive payments or, where required by law, increased benefits due to higher costs of living. They do not take into account any future policy changes either proposed by the President or contemplated by the Congress.

### EFFECTS OF BUDGET PROPOSALS

[In billions of dollars]

	1977 actual	Estimate			Projection		
		1978	1979	1980	1981	1982	1983
<b>Receipts:</b>							
Current services . . . . .	356.9	400.7	463.8	528.7	607.7	685.5	758.7
Income tax reductions and reforms . . . . .	.....	-.2	-23.5	-24.7	-27.0	-29.6	-33.8
Energy proposals . . . . .	.....	-.1	1.1	2.9	4.3	5.5	7.9
Other proposals . . . . .	.....	.....	-1.9	-1.5	-1.0	-3.8	-6.6
Budget receipts . . . . .	356.9	400.4	439.6	505.4	583.9	657.6	726.1
<b>Outlays:</b>							
Current services . . . . .	401.9	460.4	492.4	528.9	552.1	581.7	612.9
Proposed legislation and discretionary changes . . . . .	.....	1.8	7.8	14.0	23.3	30.7	37.1
Budget outlays . . . . .	401.9	462.2	500.2	542.9	575.4	612.4	650.0
<b>Surplus or deficit (-):</b>							
Under current services . . . . .	-45.0	-59.7	-28.5	-.2	55.6	103.8	145.8
Under budget proposals . . . . .	-45.0	-61.8	-60.6	-37.5	8.6	45.2	76.2

Current services estimates, therefore, provide a basis of comparison that highlights policy changes and recommendations in the President's budget for discretionary increases or decreases in program levels. Special Analysis A, which accompanies the budget, includes a detailed comparison of the President's budget for 1979 with current services estimates. It also explains more fully the basis on which the estimates are made.

The President's outlay recommendations for 1979 are \$500 billion, \$8 billion higher than the current services level. On a current services basis, total outlays are projected to increase from \$492 billion in 1979 to \$613 billion in 1983. By 1983

the program changes recommended for 1979 in this budget would result in projected total outlays of \$650 billion, \$37 billion higher than the projected current services level for 1983.

Receipts under the President's tax proposals are expected to be \$440 billion in 1979, a decrease of \$24 billion from the current services level. This reflects the tax reduction and reform and energy tax proposals in the budget. Without changes in the tax law beyond those proposed in the budget, receipts of \$726 billion are projected for 1983, \$33 billion below the current services level of \$759 billion. However, since tax receipts tend to grow more rapidly than the economy as a whole, the President will carefully consider proposing further reductions between now and 1983 in keeping with his stated policy of restraining the Federal budget to approximately 21% of the gross national product and letting our citizens share the benefits of expenditure restraint in the form of reduced tax burdens.

The tax proposals in this budget are intended to increase the fairness of the tax system and to support the continued recovery of the economy. In the absence of these reductions, unemployment might not continue to decline in 1979. The spending proposals are intended to direct our resources toward critical national needs and to place us on a path permitting a stable budget balance.

It must be emphasized that the budget surpluses projected beyond 1980 on either a Presidential or a current services basis are not meant to indicate that such budget surpluses will in fact occur. The desirability of achieving these surpluses depends both on economic conditions too far in the future to forecast, and on the need for new or expanded programs or for further tax cuts. More than anything else, these nominal surpluses indicate the resources available to the Federal Government for discretionary fiscal and budgetary policy actions in the years ahead.



## PART III

# MEETING NATIONAL NEEDS: THE FEDERAL PROGRAM BY FUNCTION

This section discusses the budget in terms of national needs, agency missions and major programs.<sup>1</sup> National needs are defined in 16 broad areas that provide a coherent and comprehensive basis for analyzing and understanding the budget. The budget resources devoted toward meeting these national needs are classified by budget functions, and the subfunctions that make up each function generally represent the resources devoted to agency missions. Because of the relationship of national needs to major functions, and missions to subfunctions, the functional structure was revised during the past year as follows:

- Energy* has been established as a function separate from *natural resources and environment*.
- Transportation* has been established as a function separate from *commerce and housing credit*.
- Military assistance* has been reclassified from the *national defense* function to the *international affairs* function.
- The *health* function has undergone a restructuring of the subfunctions to identify more clearly the major missions of the Federal Government in the health area.
- Several functional and subfunctional titles were changed to simplify or clarify the major needs or missions being served by these programs.

While budget outlays are the most obvious measure of the Federal Government's allocation of resources toward meeting national needs, resources are also allocated through various fiscal activities outside the Federal budget. These activities include outlays of off-budget Federal entities, guaranteed loans, tax expenditures, and outlays of privately owned, Government-sponsored enterprises. Major activities in these categories are discussed in the national needs sections that follow. More detailed discussions are provided in Parts 2 and 6 of the Budget and in the Special

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<sup>1</sup> See Part 7 of the Budget for a discussion of this requirement.

## 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. Their spending is not reflected in budget outlays or in the budget surplus or deficit, although 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.

*Guaranteed (or insured) loans* are loans 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. In general, loan guarantees do not result in outlays unless a default occurs. They are not subject to the same review and control process as those programs that result in budget outlays. The administration is proposing a process that would subject both direct loans and loan guarantees to greater budget discipline.

*Tax expenditures* are 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. Tax expenditures are all classified into the same functional categories as spending programs.

*Government-sponsored enterprises* are privately owned organizations that have been established and chartered by the Federal Government to carry out special functions. Because they are privately owned, their outlays are excluded from the budget totals. They primarily support housing but also support agriculture and higher education.

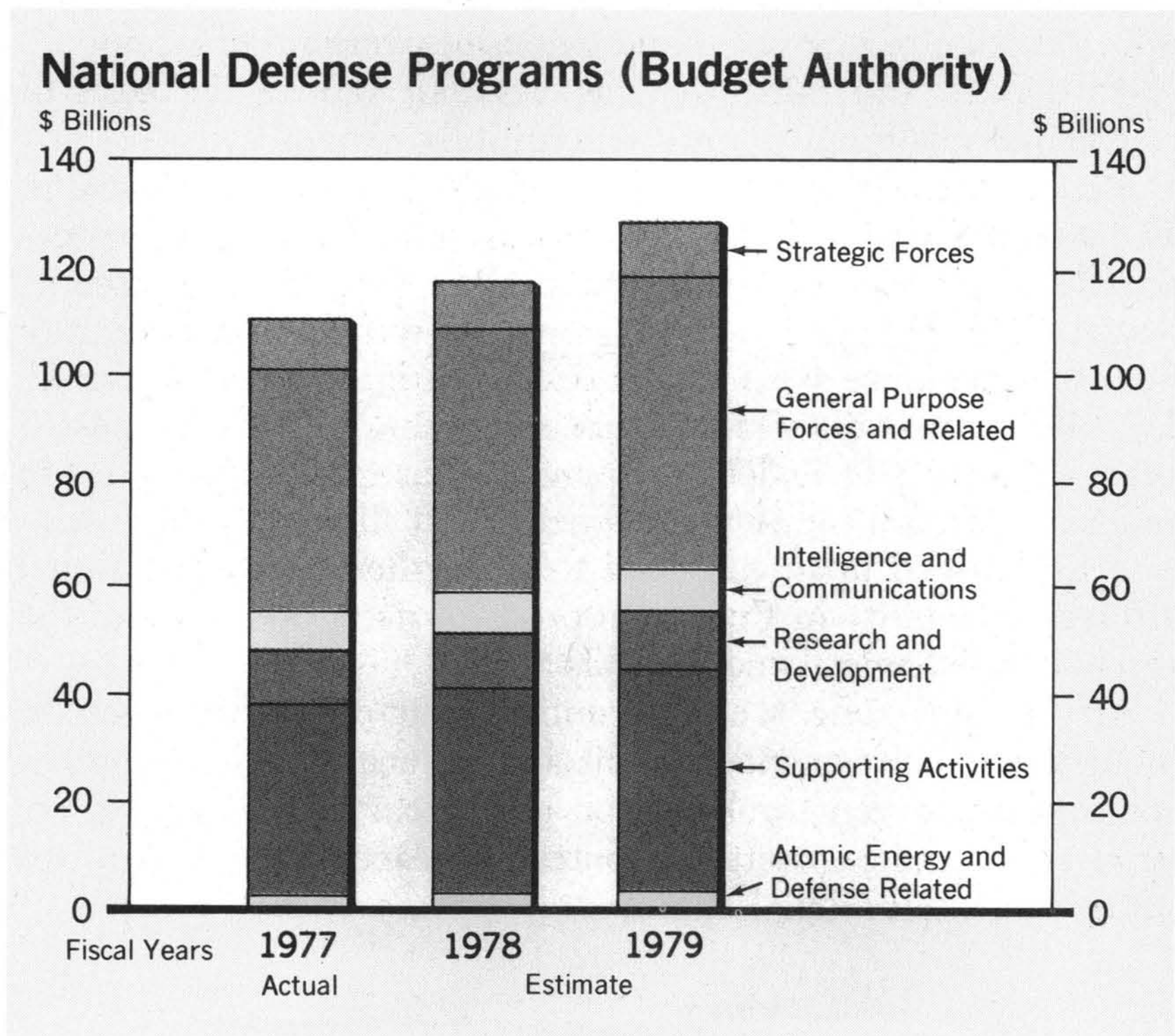


# National Defense

The *national needs* for defense are: to protect America's people, its institutions, and its lands; to preserve overall military balance between the United States and its allies and the Soviet Union and its allies; and to promote peace and security through arms limitations, more stable relationships among countries, and negotiated settlements of disputes.

The major programs supporting these national needs are:

- strategic forces, which include bombers and both land-based and submarine-launched nuclear missiles;
- general purpose forces and related programs, which include our air, naval, and ground conventional combat forces;
- intelligence and communication;
- research and development;
- supporting activities in the Defense Department;
- atomic energy defense activities, which include nuclear weapons development and production and naval reactor development; and
- other defense-related activities of nondefense agencies.





The budget proposes \$128.4 billion in budget authority for these activities for 1979. Total outlays for national defense are estimated at \$117.8 billion for 1979, an increase of 9.4% over 1978.

To carry out the missions addressed to national defense needs, the budget makes the following proposals:

- Maintain the current basic force structure and increase real defense spending to offset Soviet force improvements.
- Continue to modernize the strategic forces in order to maintain the effectiveness and credibility of the U.S. deterrent against nuclear attack.
- Upgrade and improve conventional forces and general military capabilities.
- Strengthen our ability, in conjunction with allied forces, to repel any attack launched against NATO nations.
- Maintain supply levels for U.S. forces sufficient to sustain them in combat at least as long as opposing forces can be sustained.
- Increase the firepower and mobility of the Army and Marine infantry divisions to provide greater flexibility to respond to threats outside the NATO area.
- Continue efforts to modernize naval forces through the construction of new ships and extensive overhaul of others.
- Identify and pursue efficiencies that reduce the costs of defense without diminishing military capability.

A major determinant of U.S. defense policy is the challenge to U.S. and Western European security presented by the military capabilities of the Soviet Union and its allies. Over the past decade, Soviet defense spending has grown as major components of Soviet forces have been modernized. During this same period, U.S. defense modernization proceeded slowly. For the past 2 years, however, U.S. defense spending has grown somewhat in real terms. In consultation with our NATO allies, the administration has agreed upon the need to strengthen our conventional military capability in Europe in order to deter and counter the forces of the Soviet Union and its allies.

At the same time, we will continue our efforts to negotiate international agreements to limit and reduce all armaments, to control and prevent proliferation of nuclear technology, to restrict arms trade, to settle disputes by peaceful means, and to strengthen international stability.



Legislation is being proposed to shift military retired pay to an accrual basis, operating through a trust fund as Federal civilian retirement systems do. As a result, subsequent budgets would reflect the future retirement costs of present military personnel. In view of the complex accounting changes involved, this proposal is not reflected in the budget schedules.

Outlays for atomic energy defense activities will increase by 10% between 1978 and 1979.

Military assistance, previously classified in this function, is now included in international affairs.

## International Affairs

*National needs* in the area of international affairs include the development of a stable international environment that will reduce conflicts, the encouragement of worldwide economic growth with equity, and the promotion of respect for human rights. To meet these needs the Federal Government undertakes the following major missions: foreign economic and financial assistance, military assistance, the conduct of foreign affairs, foreign information and exchange activities, and international financial programs. Total outlays for these missions are estimated at \$6.7 billion in 1978 and \$7.7 billion in 1979. Foreign economic and financial assistance is concentrated on poor people in the poorest countries, and outlays are estimated to increase from \$5.3 billion in 1978 to \$5.4 billion in 1979. The administration is firmly committed to increasing economic aid levels substantially over the next 5 years while significantly improving the effectiveness of the aid, particularly by assuring that the growth directly benefits the poor.

Multilateral development assistance is provided through U.S. contributions to international financial institutions such as the World Bank, and regional banks and to United Nations organizations to support their development programs. Budget authority of \$3.5 billion in 1979 is proposed for paying both past and present subscriptions which the United States has pledged to provide to international financial institutions. Additional budget authority of \$282 million in 1979 is proposed for voluntary contributions to 19 international organizations and programs.

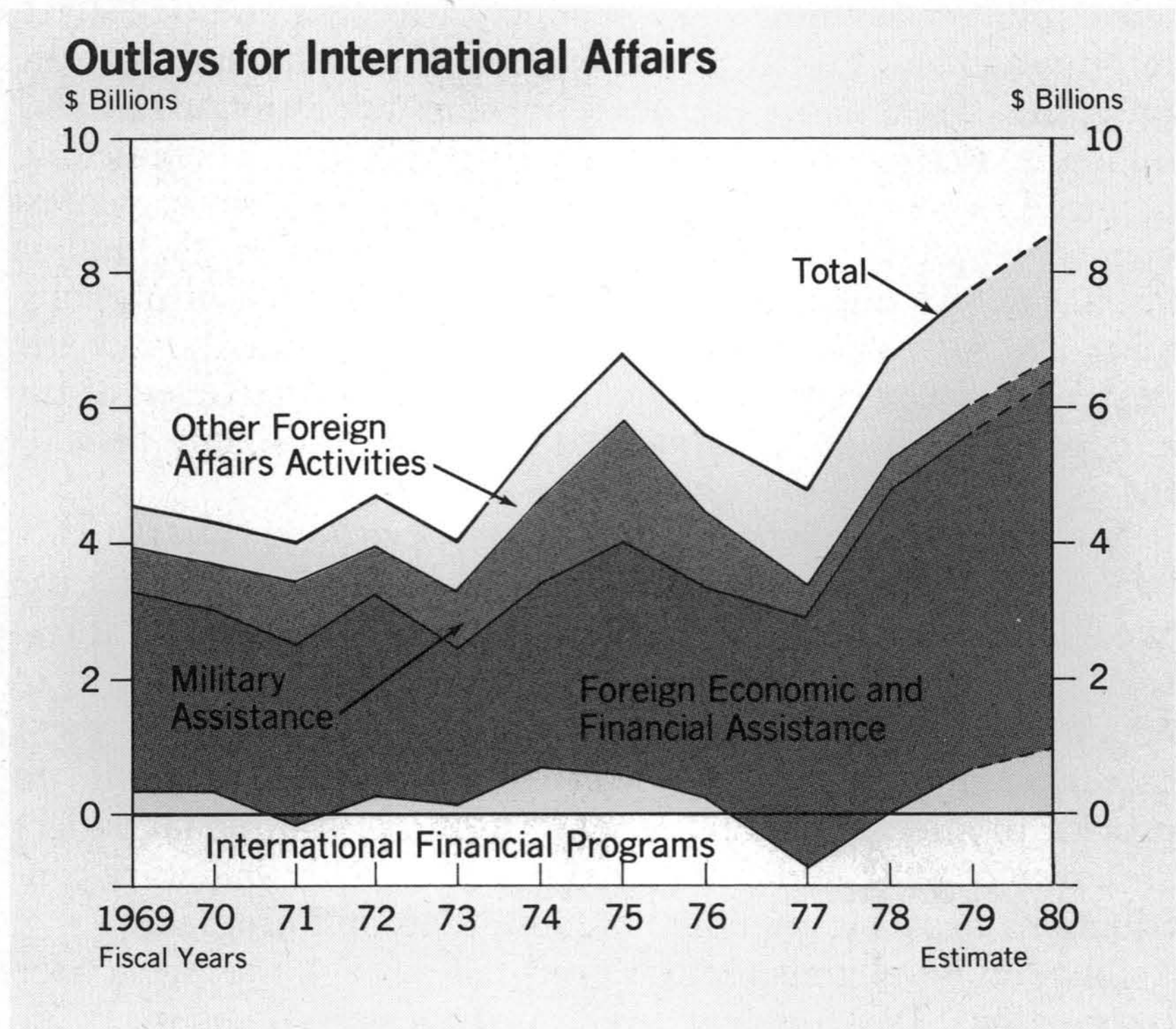
Bilateral development aid is provided through the Agency for International Development (AID) programs, the Food for Peace



program, and through security supporting assistance. The AID programs assist poorer developing countries with projects primarily in the sectors of food production, health, population and education. Budget authority for the AID programs is proposed to increase from \$1.3 billion in 1978 to \$1.7 billion in 1979, although outlays are estimated to rise more gradually.

The Food for Peace program fulfills a range of objectives including humanitarian and security assistance goals. In the future the food aid program will place increasing emphasis on developmental objectives. Outlays are estimated to be \$1.1 billion in both 1978 and 1979. This will permit the shipment of 6.7 million tons of food overseas, about two-thirds of the worldwide target set by the UN for all donors.

Security supporting assistance programs provide economic aid to selected countries of particular political importance. More than 95% of the funds go to the Middle East to improve the chances of a lasting peace. Outlays for other countries will decline slightly, so total outlays for supporting assistance are estimated to fall from \$1.8 billion in 1978 to \$1.7 billion in 1979.





The United States provides defense materiel and services to allies and friendly governments for their internal security, self-defense, and participation in collective security arrangements. The budget proposes budget authority of \$134 million for grant military assistance in 1979, \$672 million for foreign military credit sales and \$32 million for international military education and training.

The mission of supporting American interests throughout the world is largely carried out by the Department of State and 132 embassies and 119 consulates overseas. Outlays for this mission are estimated to rise from \$674 million in 1978 to \$766 million in 1979. In addition, outlays for U.S. assessments as a member of 47 international organizations are estimated to remain constant at \$385 million.

The creation of the International Communication Agency will strengthen the mission of improving understanding between the United States and foreign nations. The new agency will incorporate activities of the U.S. Information Agency and the exchange programs of the Department of State. Outlays are estimated to increase from \$365 million in 1978 to \$393 million in 1979. Outlays to support Radio Free Europe and Radio Liberty are estimated to be \$73 million in 1978 and \$79 million in 1979.

There are several major international financial programs designed to facilitate exports and improve the international monetary system. The Export-Import Bank helps finance the export of U.S. goods and services by direct loans, loan guarantees and insurance and refinancing of export credits. To encourage exports, the Bank's direct credits should increase by 30% in 1979 from the estimated 1978 level and larger guarantee and insurance authorizations are also expected. Outlays, net of loan repayments and other receipts, are estimated to be \$196 million in 1978 and \$404 million in 1979.

For 1978, \$200 million is proposed as budget authority to cover any requirements for the \$1.7 billion U.S. share in the Supplementary Financial Facility of the International Monetary Fund (IMF), designed to increase the ability of the IMF to help countries with balance of payments problems.

The Foreign military sales trust fund is the vehicle through which sales of certain U.S. military equipment to foreign governments are made. In 1979, the fund is expected to have net budget authority of \$3.1 billion and net outlays of \$0.3 billion. The major tax expenditure item is the deferral of tax on the profits

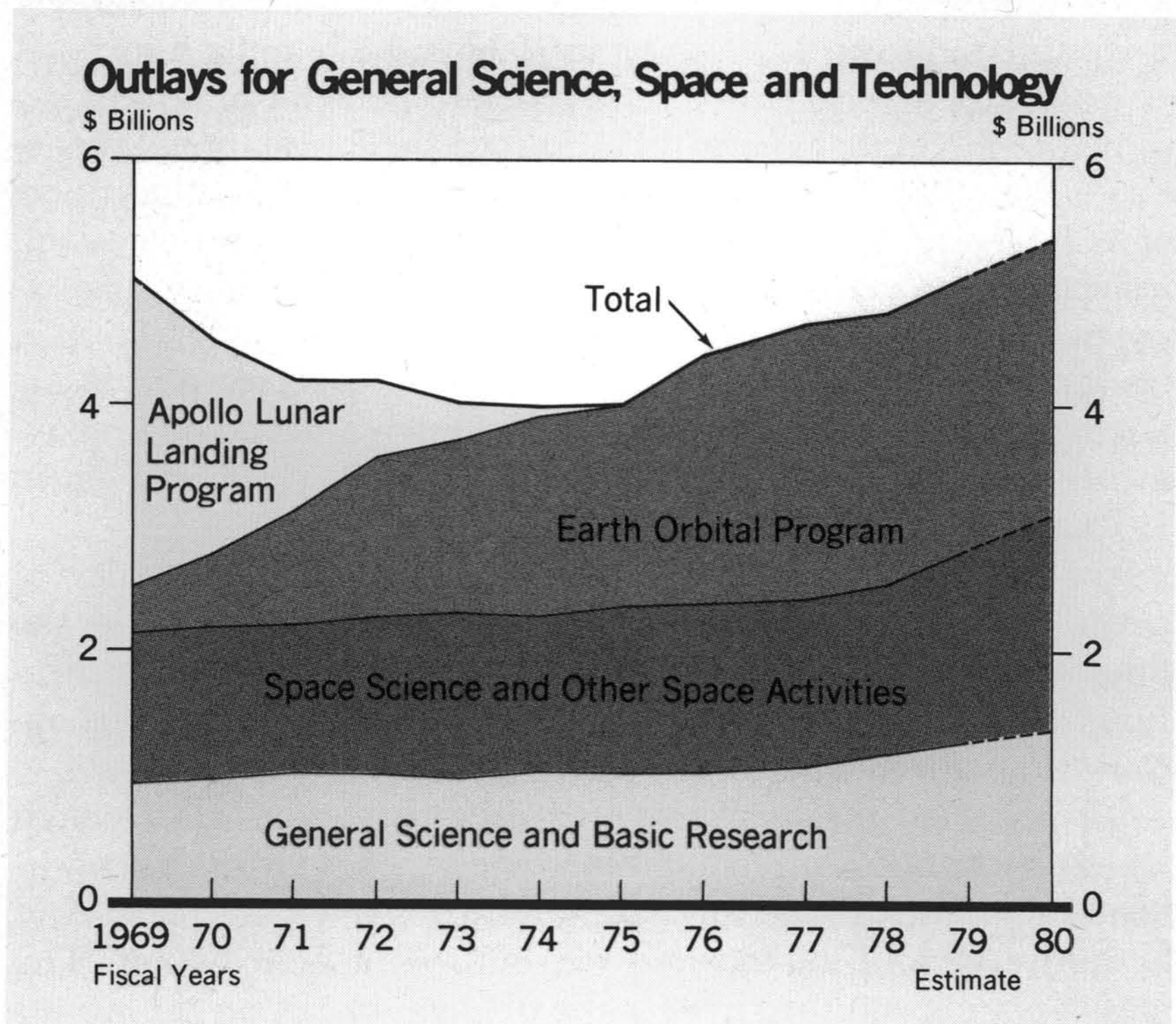


of domestic international sales corporations (DISCs). More flexible exchange rates in the international economic environment have weakened the rationale for DISC, and therefore the President is recommending that it be phased out over the next 3 years.

## General Science, Space, and Technology

Our *national needs* in general science, space, and technology include expanding basic scientific knowledge, gaining a better understanding of the Earth and space through space research and exploration, and developing practical applications of space technology. The missions and programs that meet these national needs are only a part of the Federal Government's support for research and development, most of which is funded in other functional categories of the budget, such as energy, health, and defense.

To help address these national needs, the Federal Government undertakes the following major missions: general science and





basic research; space flight; space science, applications, and technology; and supporting space activities. Outlays are estimated to increase from \$4.8 billion in 1978 to \$5.1 billion in 1979.

For general science and basic research, the 1979 budget recommends continued real growth in the funding of basic research with emphasis on critical national problems. This recommendation is a reflection of the administration's strong support for basic research. Total obligations for the conduct of basic research across all Federal programs, including basic research funded in other functional categories, are estimated at over \$3.6 billion in 1979. This represents growth of 10.9% over 1978, about 5% above expected inflation. Key programs that directly support this mission are administered by the National Science Foundation (NSF) and the Department of Energy. NSF intends to emphasize work in the causes of variations in the climate and earthquake-related basic and engineering research in 1979. The Department of Energy will continue to support research in high-energy and nuclear physics, as well as the life sciences.

Total outlays for the major missions related to space are expected to rise from \$3.6 billion in 1978 to \$3.8 billion in 1979. Outlays of \$1.4 billion are recommended for continued development and production of the space shuttle. Only four shuttle orbiters are now planned to meet civilian and military needs as opposed to the five orbiters recommended in the 1978 budget.

A new mission to explore the Sun's polar regions is proposed for 1979 in order to improve our understanding of the effects of the Sun on the Earth. As part of the administration's initiative to accelerate climate research, a satellite system to study the amount of radiation absorbed and reflected by the Earth is also recommended.

## Energy

*National needs* for energy are to: reduce dependence on foreign oil in the near term, prepare the U.S. economy to withstand better the effects of high energy prices, and develop renewable and essentially inexhaustible sources of energy for sustained economic growth through the next century. In so doing, advanced nuclear power systems must be developed that limit the potential for international proliferation of nuclear weapons. In addition, solutions that meet our energy national needs must



protect the environment and be fair, equitable, and fiscally sound.

The national energy plan submitted to the Congress last April is designed to encourage energy conservation, to promote a shift to more plentiful and permanent energy supplies, to provide greater investment certainty, to encourage greater production of energy in the United States, and to develop renewable energy resources. The plan also protects the Federal budget from unreasonable burdens and gives balanced consideration to the concerns of both consumers and producers.

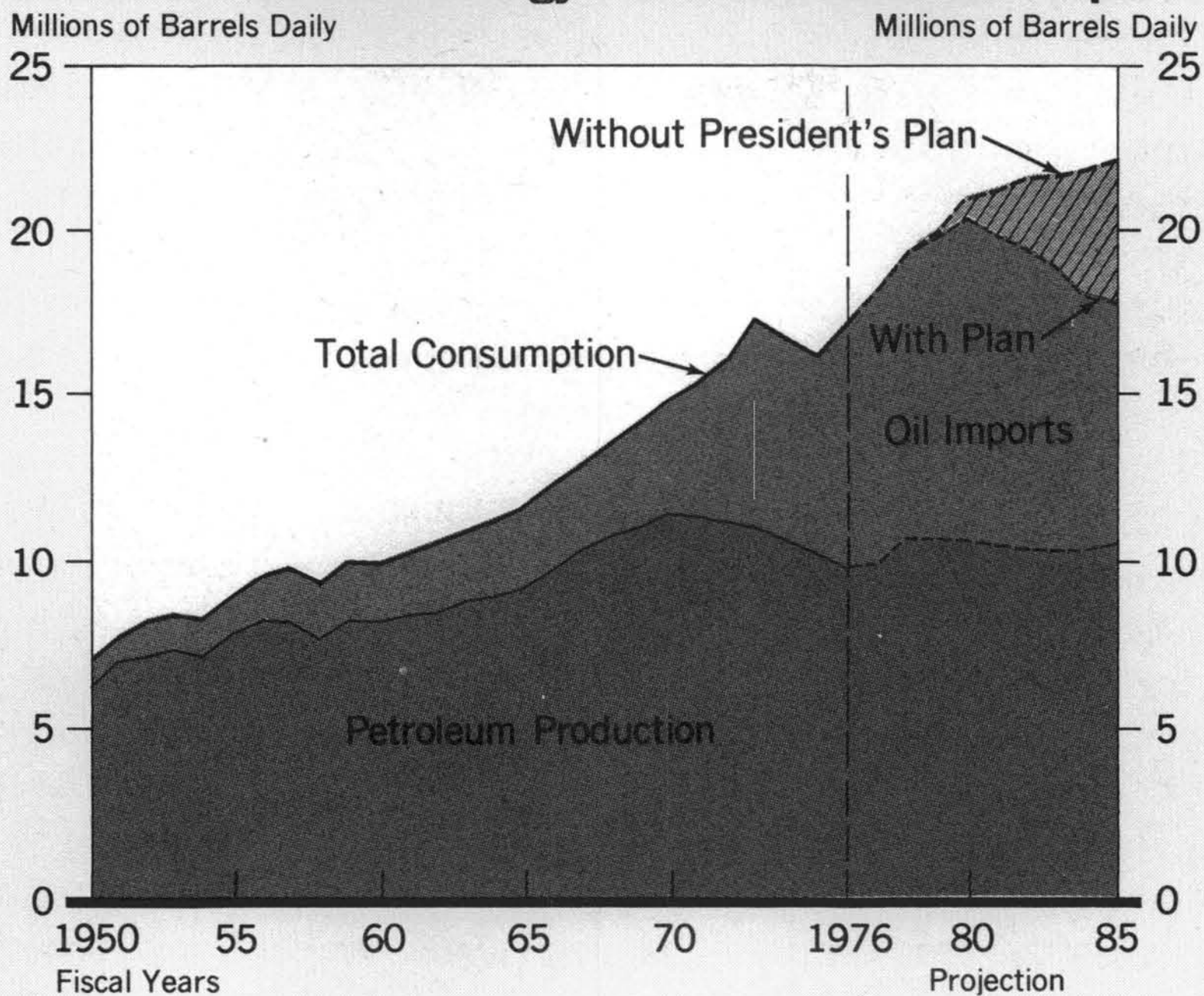
The legislative initiatives that were submitted with the national energy plan would provide the pricing and tax incentives to promote conservation, greater production from existing domestic resources, and the conversion from the use of oil and natural gas to a greater use of more abundant fuels. The budget programs presented in this section support the national energy plan. The plan also proposes taxes such as the crude oil equalization tax, an automobile fuel-efficiency tax ("gas guzzler")—both these taxes to be refunded in their entirety—and a tax on the use of oil and natural gas in business and utilities. New regulatory measures are recommended, such as a new oil and natural gas pricing policy that would encourage the development of new domestic supplies and eliminate the distinction between interstate and intrastate natural gas markets. The taxes are discussed in Part I, Budget Receipts.

The budget proposals that address our national needs in energy are distributed among the following major missions: energy conservation, energy supply, emergency energy preparedness, and energy information, policy, and regulation. Total outlays for these missions are estimated at \$9.6 billion in 1979, up from \$7.8 billion in 1978.

The major mission of energy conservation incorporates several major programs. Outlays are expected to increase to \$1,402 million, as compared to \$601 million in 1978. Programs in technology development and applications are primarily aimed at conducting research and developing new technologies to make more efficient use of energy. In addition, they also emphasize the development of techniques to substitute for oil and natural gas. The recommended increase in outlays will permit greater emphasis on building performance standards, and a 66% increase in funds



## Effect of National Energy Plan on Petroleum Imports

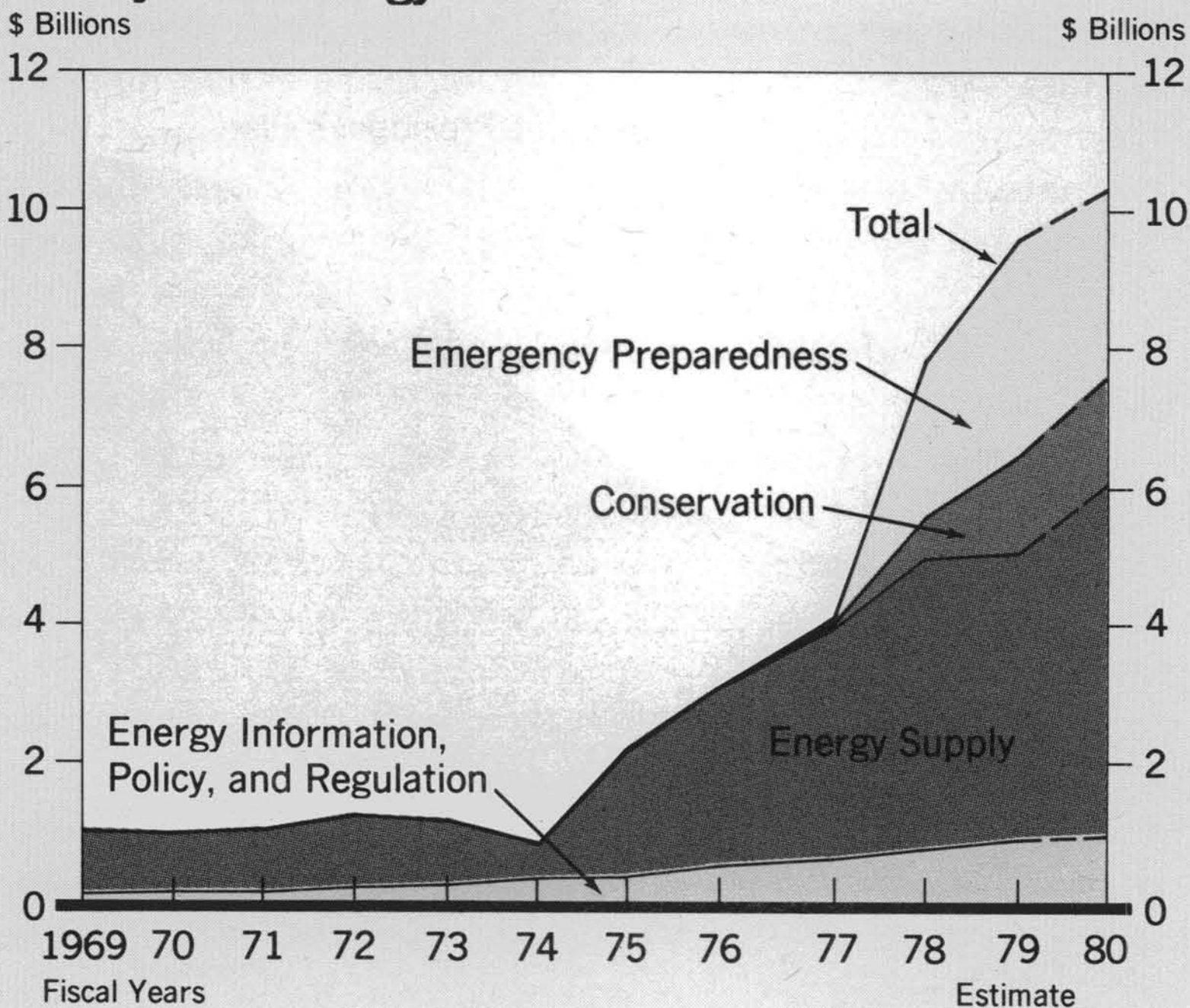


for cogeneration (production of electricity and steam simultaneously), waste heat utilization, and substitution for oil and natural gas.

Programs in efficiency standards, grants, and technical assistance are designed to encourage energy conservation activities by individuals, businesses, nonprofit institutions, and government entities. Outlays for energy conservation grants to States are proposed to increase 188% from 1978, in keeping with the national energy plan. Legislation to improve the State grants program will be proposed after completion of a study in the spring on the role of State governments in energy policy. Major emphasis will be placed on the funding of energy conservation improvements for schools, hospitals, and the homes of low-income individuals. The energy extension service, which provides energy information to individuals, farmers, and small businesses, is recommended for nationwide expansion. Funding is also proposed for other national energy plan initiatives such as utility rate reforms and the development of minimum efficiency standards for home appliances. The national energy plan includes an automobile fuel-efficiency tax ("gas guzzler") with all revenues to be refunded as subsidies for the purchase of fuel-efficient vehicles.



## Outlays for Energy



The national energy plan contains several important tax incentives for energy conservation and conversion from oil and natural gas to other fuels. They include tax credits for residential insulation and business tax credits for thermal efficiency, cogeneration, and coal conversion; both businesses and individuals can receive tax credits for the use of solar equipment.

The programs that constitute energy supply are designed to encourage the development of additional energy resources and technology that will increase production from domestic energy resources, especially those that can substitute for increasingly scarce oil and natural gas. Proposed outlays for energy supply are \$4.1 billion in 1979, as compared to \$4.2 billion in 1978.

Research, development, and demonstration programs figure prominently in fulfilling energy supply. The Federal Government subsidizes research and development when circumstances such as the uncertainty or the inability to capture future benefits inhibit private industry efforts.



The advanced nuclear fission research and development program has been redirected from its former primary emphasis on early commercial introduction of the plutonium fueled liquid metal fast breeder reactor. The program objective now is the development of advanced nuclear systems that minimize the risks of international nuclear weapons proliferation. The maintenance of a strong, but reduced base technology effort for the liquid metal fast breeder reactor is proposed; cancellation of the demonstration plant at Clinch River, Tennessee, an unnecessarily expensive project based on outdated technology, is again recommended.

The administration believes that providing for the permanent disposal of nuclear wastes is necessary to ensure the continued use of current generation nuclear power plants. The proposed budget for commercial nuclear waste management programs provides the resources needed to develop and demonstrate by the earliest possible date, 1985, an effective means for permanently disposing of nuclear wastes.

Outlays for fossil research (coal, natural gas, and petroleum) are divided among coal utilization (including environmental control technology), coal conversion, enhanced oil and natural gas recovery, oil shale technology, and coal mining technology. A solvent refined coal demonstration plant (which will eliminate many of the pollutants present in coal) is proposed and the previously initiated coal gasification demonstration plants are continued. Programs for research in inexhaustible and renewable resources develop and demonstrate new technologies in the following areas: solar (including power from wind and ocean sources), geothermal, small hydropower, biomass (use of organic waste products and crops for fuel), and fusion. Increased research is planned in photovoltaics (technologies designed to generate electricity directly from the Sun), and wind and geothermal energy. Finally, research is conducted on the environmental problems created by the production of energy. Total outlays for research, development, and demonstrations in energy supply are estimated at \$3.0 billion in 1979.

The emergency energy preparedness mission consists of contingency planning and the development of the strategic petroleum reserve. In combination, these programs will increase the ability of the United States to withstand the effects of major disruptions in world petroleum markets. The administration is



committed to completing storage of 500 million barrels by December 1980, and to developing a 1 billion barrel reserve by 1985. Outlays for this major mission are estimated at \$3.3 billion in 1979, as compared to \$2.3 billion in 1978.

Outlays for energy information, policy, and regulation are expected to total \$930 million in 1979, as compared to \$799 million in 1978. Federal Government regulation of the energy area includes control over prices, commodity flows, and safety aspects of the energy industry. The Federal Energy Regulatory Commission, formerly the Federal Power Commission, and now an autonomous unit of the Department of Energy, is responsible, among other things, for regulating the sale of wholesale electricity in interstate commerce and approving interstate natural gas prices. The Economic Regulatory Administration, also in the Department of Energy, is responsible for pricing and allocating petroleum products, as well as enforcing compliance with these regulations. No major increases in outlays are expected, but several proposed internal changes include concentrating on auditing major refiners, and reducing personnel in petroleum product pricing on account of planned gasoline decontrol. The Nuclear Regulatory Commission (NRC) regulates all civilian users of nuclear materials and nuclear energy. As part of the national energy plan NRC is changing its inspection program to improve the effectiveness of its regulatory activities by providing a full-time inspector at nuclear reactor sites.

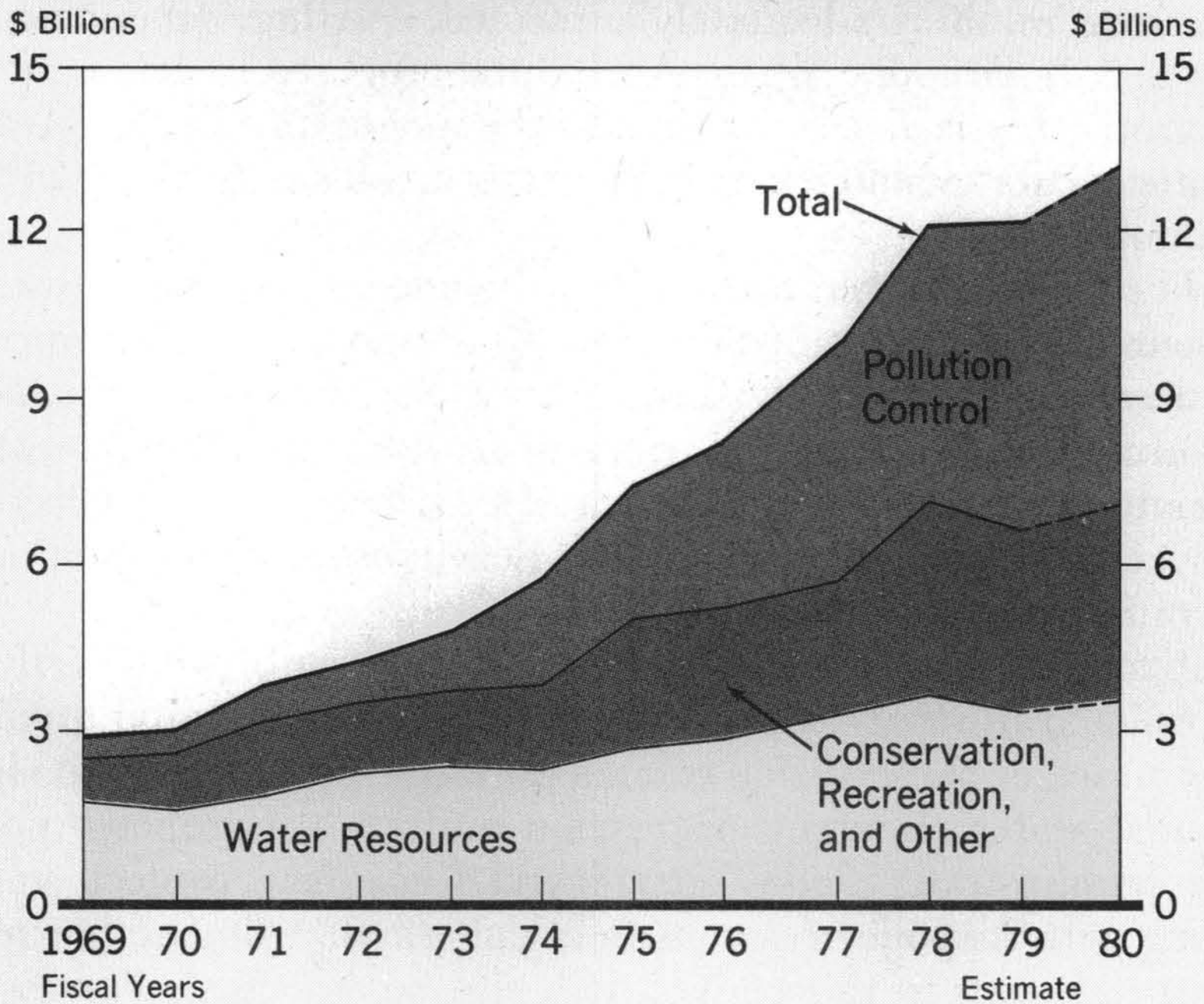
Considerable improvements in the collection of energy data and its analysis are anticipated from the merger of Federal energy data collection efforts in the Department of Energy's Energy Information Administration. A major survey of residential energy use is proposed to improve substantially the accuracy and reliability of energy consumption data.

## Natural Resources and Environment

Our *national needs* for natural resources and the environment are to protect public health by assuring a clean environment; to conserve and develop our natural resources and improve our understanding of them; and to preserve our recreational facilities and historical sites. To achieve these national needs the Federal



## Outlays for Natural Resources and Environment



Government undertakes the following major missions: pollution control and abatement, water resources, conservation and land management, recreational resources, and other natural resources. Outlays for these missions are estimated to be \$12.1 billion in 1978 and \$12.2 billion in 1979.

The Federal Government controls and reduces air, water, and land pollution both directly and through State and local governments who are supported by Federal financial and technical assistance. Outlays for pollution control and abatement are estimated to increase from \$4.9 billion in 1978 to \$5.6 billion in 1979. The Federal Government provides grants to State and local agencies for 75% of the cost of planning, designing, and constructing municipal wastewater treatment facilities. With over 11,295 projects currently underway, nearly all of the \$18 billion authorized under the Federal Water Pollution Control Act of 1972 has been obligated. The administration is committed to an additional \$45 billion over the next 10 years to assure that the construction of wastewater treatment facilities meets our national water quality goals.



The administration is proposing a substantial increase in both funds and personnel to guarantee that the quality of the Nation's drinking water is adequately protected. Further, amendments to the Safe Drinking Water Act will be proposed to define more precisely the respective responsibilities among the Federal Government, States, and localities in protecting local drinking water supplies.

The Federal Government seeks to balance the benefits of water resources projects against the need to preserve the environment. Federal programs involved in carrying out this mission include flood control, irrigation and water conservation, development and maintenance of inland waterways and harbors, hydroelectric power development, water supply development, recreation and wildlife preservation, and erosion control.

A major policy study is now underway to improve the effectiveness, consistency, and contribution to environmental quality and to water conservation of Federal water programs. Although no new water resource construction projects are proposed now, the administration may recommend some new project starts along with its policy recommendations. At that time, other recommendations in this budget may also be amended. For high-priority projects now under construction—mainly hydroelectric power, urban flood damage, and municipal and industrial water supply projects—the same schedule as in the 1978 budget is recommended. Slightly reduced work levels and completion delays for some other projects are proposed.

The major mission of conservation and land management is carried out through a program of Federal land management that strives for an optimal balance among various uses: the conservation and development of natural resources, including timber, minerals, and wildlife habitat, and the provision of recreation opportunities.

To meet the need for recreational resources, the Federal Government, either directly or through grants to States, acquires, develops, and operates parks, recreation areas, historic sites, visitor facilities, and wildlife refuges. The national heritage program is a new program proposed by the administration to conserve the best of the Nation's natural and historic heritage. State and local governments will be encouraged through grants and technical assistance to preserve outstanding and unique areas of scenic, wild, geological, ecological, and historic importance. Appropriations for the Land and water conservation fund are recommended

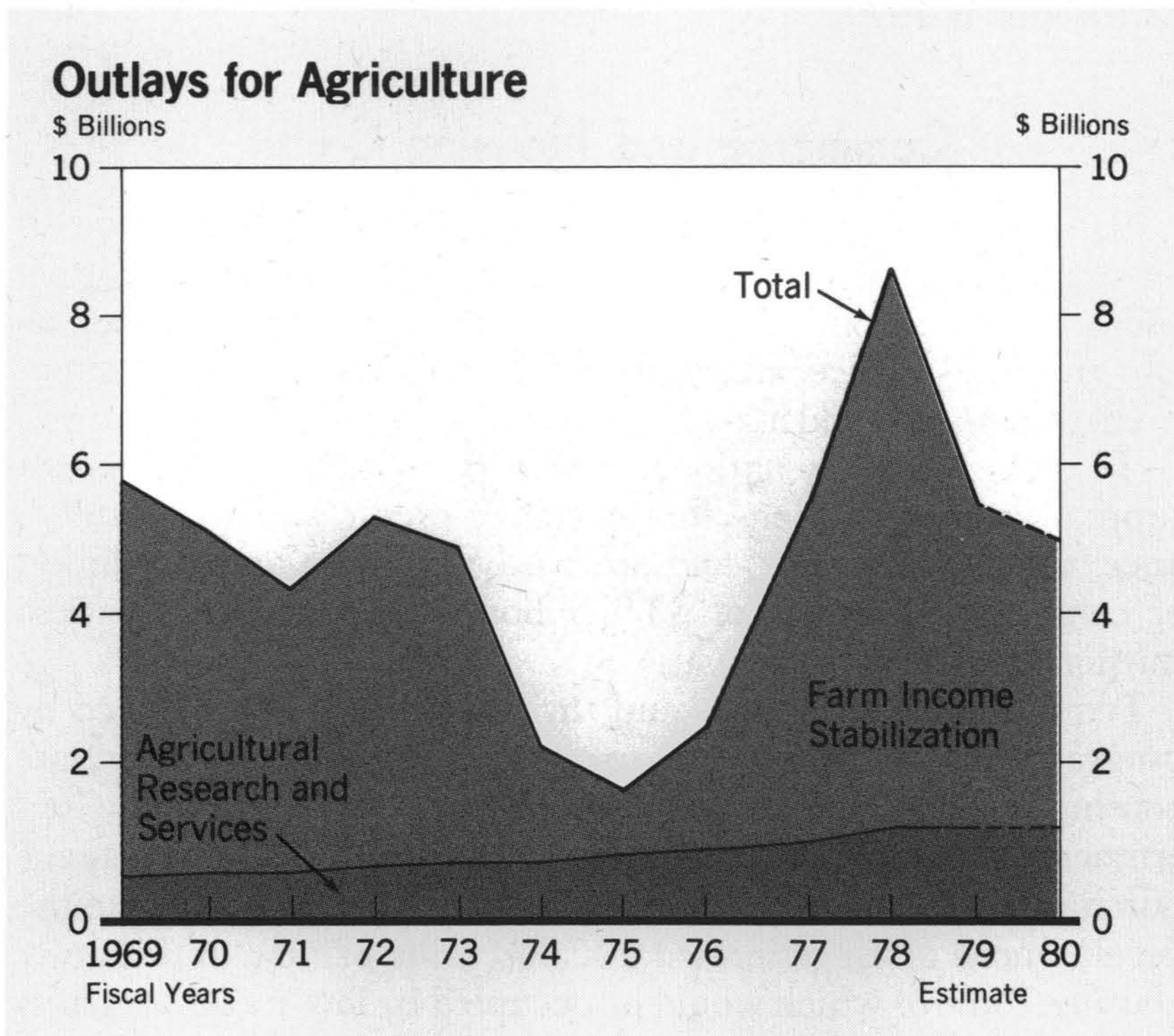


at a record level of \$725 million in budget authority in 1979, not only to help fund the national heritage program but also to eliminate almost completely the backlog of land acquisitions at those areas specifically authorized by the Congress for purchase. The administration has also proposed more than doubling the nationwide acreage set aside for national parks and wildlife refuges through the designation of 92 million acres in Alaska for these purposes.

An expanded effort is proposed to understand better and to anticipate climatic fluctuations so the Nation will be better prepared for the effects of climatic anomalies.

## Agriculture

*National needs* for agriculture include provision of adequate returns to farmers based on the cost of production, assurance of sufficient productive capacity to meet both domestic needs and international competition, and improved technology. To achieve these national needs, the Federal Government undertakes the





major missions of farm income stabilization and agricultural research and services. Outlays for these missions are estimated at \$5.4 billion in 1979.

Outlays for farm income stabilization are estimated to decrease substantially from \$7.9 billion in 1978 to \$4.2 billion in 1979. Grain reserves are being established in 1978, and acreage set-asides are expected to bring supplies of feed grains and wheat more nearly into balance with demand. The Food and Agricultural Act of 1977 has committed the Federal Government to support the prices to producers of major crops based on the average cost of production. Net outlays for the Agricultural Credit Insurance Fund and the Federal Crop Insurance Corporation are expected to decline because it is assumed that there will be normal weather in 1979. Agricultural production and marketing efficiency are improved, in part, through research and extension activities aimed at developing and applying new technology. Outlays of \$774 million are estimated for these activities in 1979, which is about the same level as in 1978. Animal and plant health services, marketing services and information gathering bring total outlays for agricultural research and services to a recommended \$1.3 billion in 1979.

## Commerce and Housing Credit

*National needs* for commerce and housing credit include an adequate national supply of mortgage credit, special credit assistance for economically distressed urban and rural areas, an effective mail service, and oversight of, and assistance to business to encourage jobs and a sound economy.

To achieve these national needs the Federal Government supports major missions for mortgage credit and thrift insurance, the postal service, and other advancement and regulation of commerce. Outlays of \$3.0 billion are estimated for these missions in 1979.

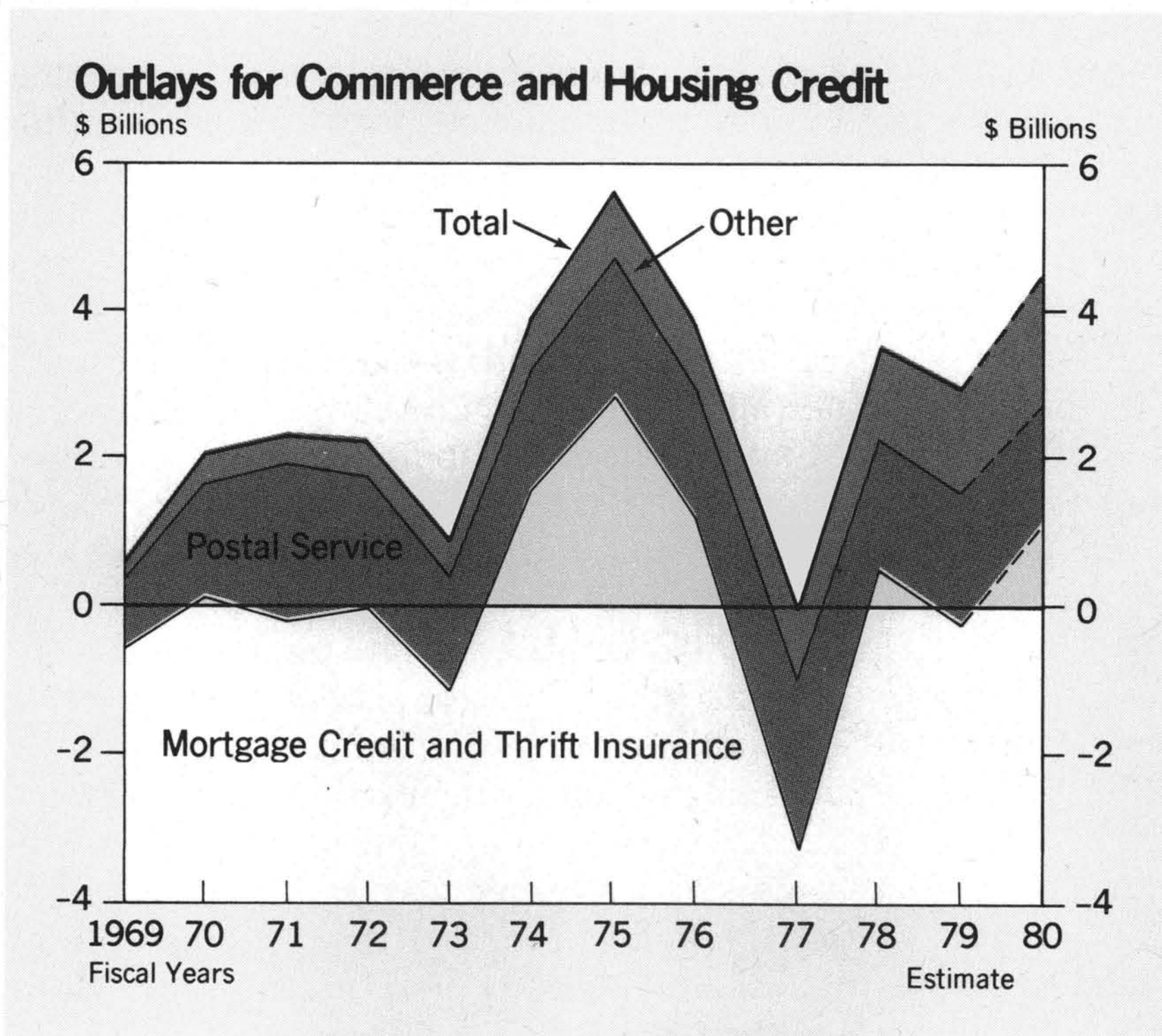
Federal mortgage credit and thrift insurance is supported by programs that promote the growth and stability of the private housing market. The 1979 budget proposes \$4.0 billion in Government National Mortgage Association (GNMA) mortgage purchase commitments. These commitments would facilitate the development of an estimated 235,000 units of new multifamily housing, some of which would be occupied by low-income tenants



and others by middle-income households in selected distressed central cities. The effort to facilitate new middle-class housing in distressed central cities is a new initiative of this administration to aid the revitalization of urban areas.

The Federal Housing Administration's (FHA) mortgage and loan insurance programs provide assistance to families who are not adequately served by the private market. Recently enacted legislation expanded the availability of mortgage credit to a large number of families. The administration is also proposing an operating subsidy program for subsidized FHA insured projects in financial trouble. This program and the continued improvement in general economic conditions should substantially reduce the number of project defaults in the future. Outlays for the FHA are estimated at \$221 million in 1979.

The Farmers Home Administration (FmHA) provides housing loan and grant assistance to low- and moderate-income families in rural communities. Outlays for the FmHA housing programs are estimated to be \$455 million in 1978 and to decrease to -\$99 million in 1979 because of increased asset sales. These





estimates assume enactment of proposed legislation that will provide assistance to low-income families who occupy inadequate rural housing.

The Postal Service is an independent Federal Government entity subsidized by the Federal Government. Proposed payments to the Postal Service amount to \$1.8 billion in 1979.

To meet the growing financial needs of small businesses, the Small Business Administration will increase its loan assistance program to \$3.3 billion in 1979.

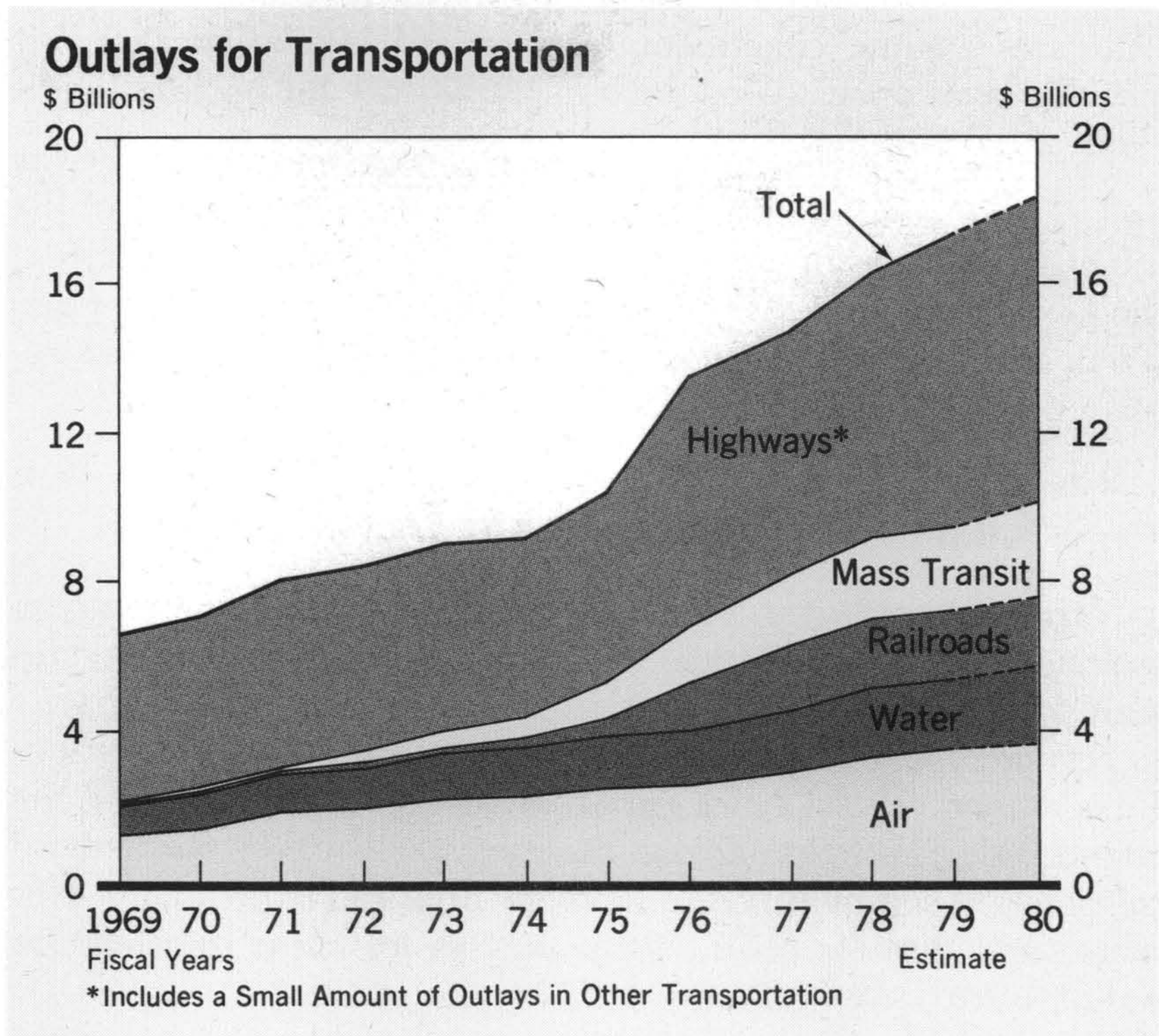
The Federal Government also aids business and individuals through several tax expenditures. The investment tax credit on equipment and preferential tax rates on the initial \$50,000 of corporate income aid business. Individuals receive benefits through favorable tax rates on capital gains income and through Federal income tax deductions of mortgage interest payments and property taxes.

## Transportation

The *national needs* for transportation are the promotion of a safe, efficient, and responsive transportation system that meets the needs of the people and commerce and that assists in meeting the Nation's energy and environmental goals. To achieve this national need, the 1979 budget proposes to spend \$17.4 billion for ground, air, water, and other transportation programs. This amount is necessary to continue existing programs while initiating new efforts designed to improve transportation programs.

A major multiyear highway and mass transit bill is proposed. The bill consolidates and simplifies many categorical programs and allows greater State and local flexibility in setting priorities and carrying out programs. Under the bill, more mass transit assistance will be provided on a formula basis. The new bill also proposes to adopt uniform share levels for Federal highway and mass transit assistance: 90% for all Interstate projects and highway and transit projects substituted for withdrawn Interstate segments, and 80% for all other highway and transit projects. By 1982 States must make firm commitments to either construct their unbuilt Interstate segments or transfer the Interstate funds to alternative mass transit or highway projects. The adoption of the uniform funding proposal should allow local decisionmakers to evaluate highway and mass transit projects on their merits rather than funding differences.





An increased emphasis on ground transportation safety is proposed. Significant increases in budget authority are provided for bridge replacement and rehabilitation and for programs that encourage safety, such as the 55-mile-per-hour speed limit.

Service and fare adjustments may be necessary in 1979 for Amtrak passenger routes since the budget is proposing to hold Amtrak operating subsidies at the 1978 levels.

Additional air traffic controllers and improved weather and navigation services are proposed to fulfill the Government's responsibilities to air transportation programs. The Civil Aeronautics Board is establishing new policies that should result in lower air fares for the public by increasing competition among carriers.

The budget proposes additional ship construction subsidies for a variety of new commercial vessels. Operating subsidies, however, are increasing only slightly in 1979 since the demand for certain U.S. ships in the domestic market is rising. Both of these



subsidies are necessary to offset higher labor, operating, construction, and material costs of U.S.-flag ships that give foreign ships competitive advantages in our foreign trade.

The administration strongly supports enactment of waterway user charge legislation that will establish charges to users of the inland waterways in amounts to recover a substantial portion of the Government's costs of building and maintaining the system. Users currently pay nothing towards those costs which now approach \$500 million per year.

## Community and Regional Development

*National needs* for community and regional development include: urban neighborhoods and rural areas that are economically and socially viable; strengthened State and local capacity to revitalize distressed areas; and mutually supportive relationships among central cities, suburban areas, rural towns, and the countryside. To help achieve these national needs, the Federal missions are community development, area and regional development, and disaster relief. Total outlays for these missions are estimated to be \$8.7 billion in 1979.

The Federal Government currently provides a substantial amount of assistance to urban areas through a vast array of programs. These programs are included not only in the community and regional development function, but several others as well. While a precise accounting is difficult, it is possible to obtain a minimum estimate of Federal urban assistance by combining the outlays for the following major urban programs:

- most of the HUD programs;
- the urban portion of the Department of Labor's employment and training programs;
- many of the Economic Development Administration (EDA) programs of the Commerce Department; and
- the urban highway and mass transit programs of the Department of Transportation.

Estimated outlays in the budget for these major direct urban programs total \$16.1 billion in 1979, an increase of \$2.6 billion or 19% over 1978. Outlay estimates in this category increase to \$20.0 billion in 1980.

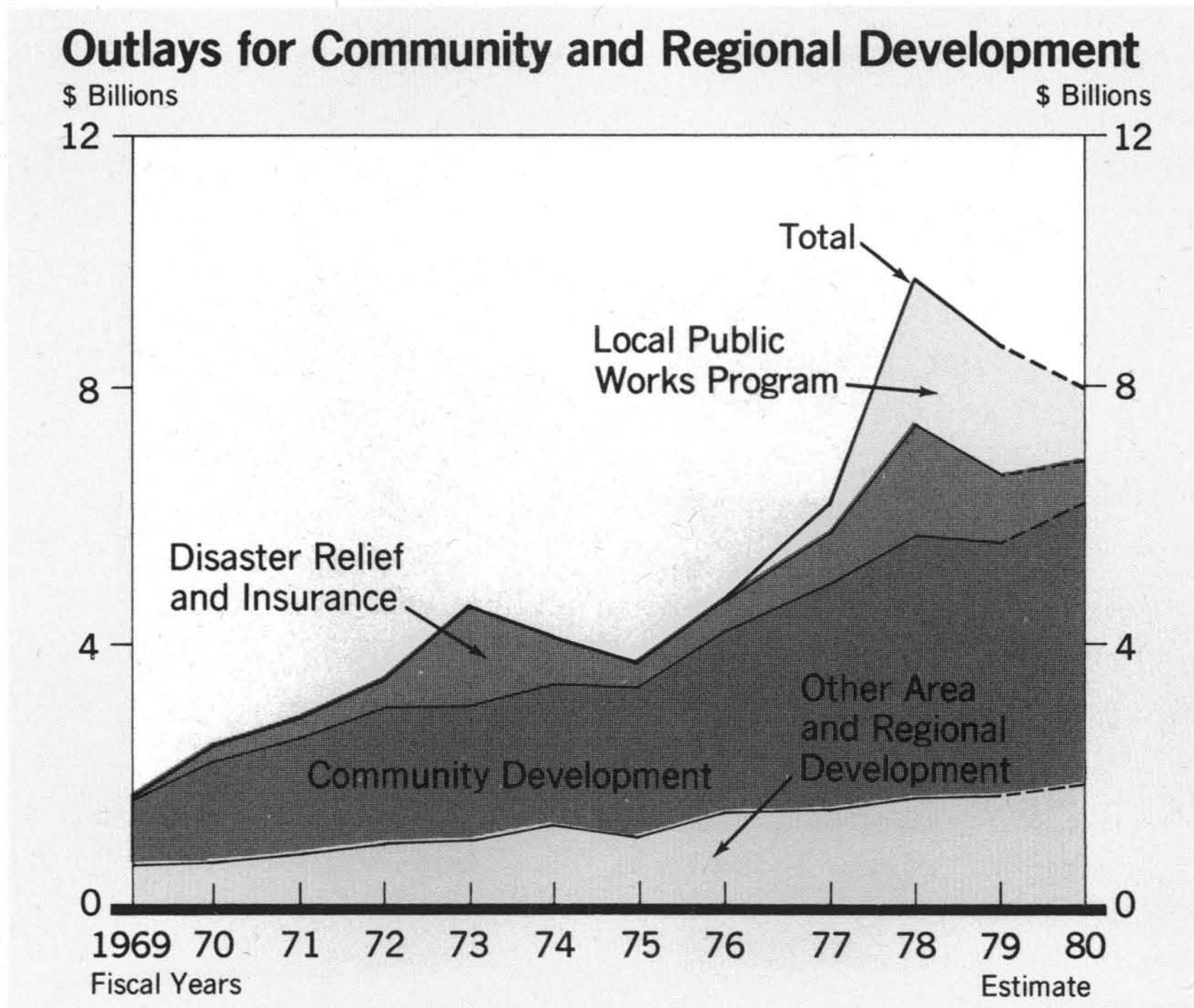


An alternative estimate of Federal assistance to urban areas, based on the amount of Federal grants expected to go to SMSA's (including both central cities and suburban areas), also shows an upward trend. Outlays for grants to SMSA's are estimated to increase from \$44 billion in 1977 to \$55 billion in 1979.

A number of significant improvements are proposed in the budget to increase the efficiency of existing programs. These proposals represent the first phase of the administration's program to support local efforts to improve and revitalize distressed urban areas.

New commitments under the community development block grant programs are estimated to be \$4.1 billion in 1979, resulting in total estimated outlays of \$2.8 billion. The two major elements are: basic community development block grants, which provide communities the option of funding a range of activities, including site acquisitions, public construction, and the rehabilitation of structures; and urban development action grants, which offer discretionary grants to distressed cities and urban counties to supplement other local resources in redeveloping deteriorated urban neighborhoods.

The rehabilitation loan program offers direct loans to homeowners, tenants, and businesses in distressed areas with subsidized





interest rates as low as 3%. In 1979, about 10,000 direct rehabilitation loans will be made, resulting in net outlays of \$85 million.

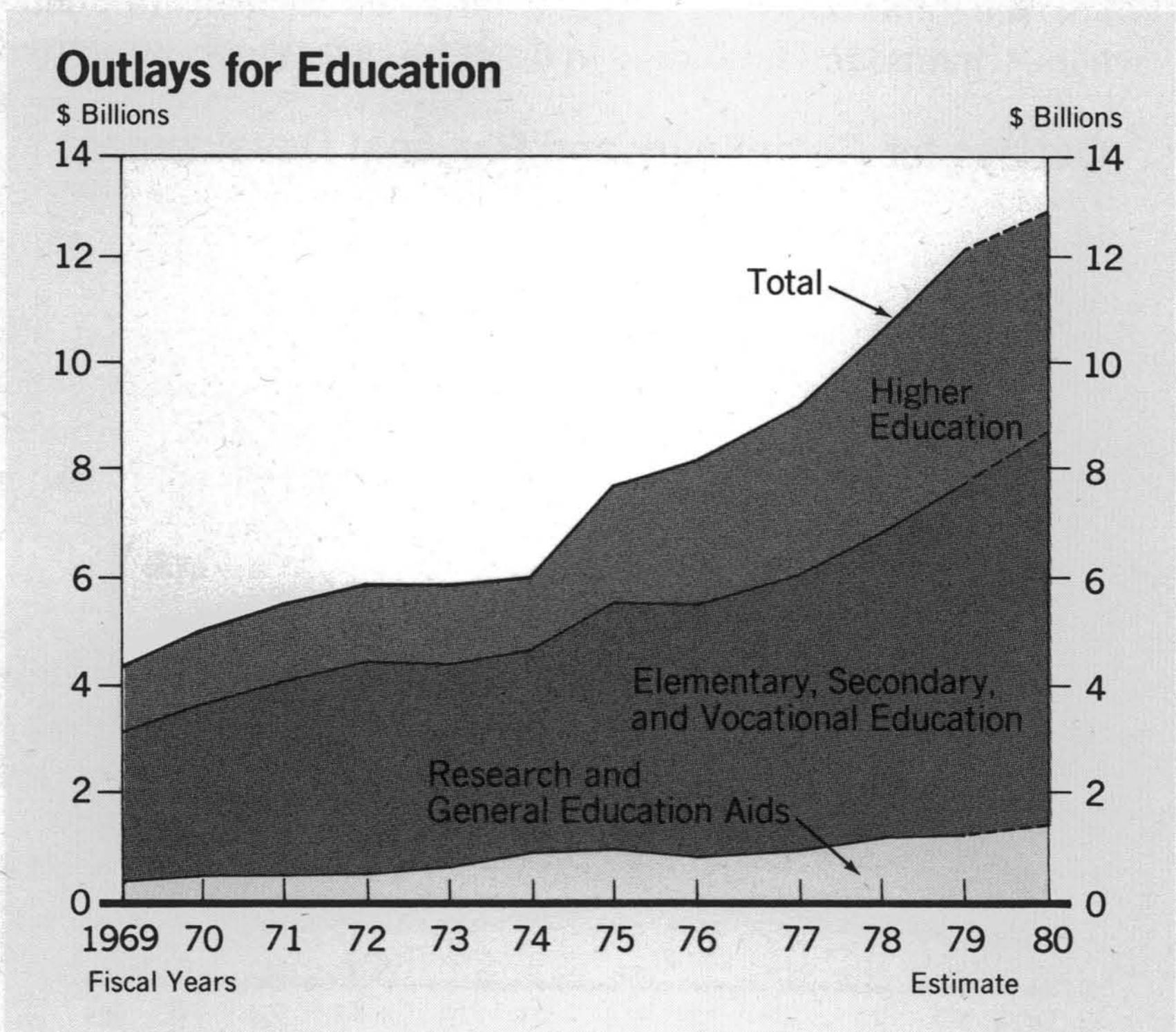
Economically depressed areas will continue to receive assistance through the Economic Development Administration, which will expand its field offices to all 10 Federal regions in 1979. Budget authority for rural economic development districts and counties will increase from \$171 million to \$213 million in 1979, while budget authority for cities increases from \$127 million to \$205 million.

Rural areas will get additional assistance from the Department of Agriculture in the form of rural development grants, water, sewer, and community facility insured loans, and industrial development loan guarantees.

Outlays for disaster relief and insurance are estimated to be \$1.0 billion in 1979.

## Education

The *national needs* for education are the extension of knowledge, equal access to education for all Americans, and special





educational services for the handicapped and disadvantaged. To achieve our national needs in education, the Federal Government undertakes major missions in higher education, elementary, secondary and vocational education, and in research. Federal outlays for these missions are estimated to be \$12.0 billion in 1979 and \$13.2 billion in 1980.

The Federal Government provides assistance for elementary, secondary and vocational education through formula and discretionary grants to State and local education agencies. The largest share of these funds provide supplementary educational services to low-income/low-achieving students through Title I of the Elementary and Secondary Education Act. To help alleviate special educational problems faced by school districts, substantial increases are requested in 1979. Emphasis will be placed on improving basic skills, especially reading. Outlays for this mission are estimated to be \$6.5 billion in 1979 and \$7.3 billion in 1980. Legislation is proposed to reform the impact aid program which provides aid to school districts affected by the presence of the Federal Government. This proposal would allow the impact aid program more accurately to reflect the financial burden imposed on local educational agencies by the Federal presence. In 1979, the Head Start program will be expanded. Additional support is also requested for programs aimed at reducing child abuse and neglect. The capacity of local schools to deliver educational services to children with limited English language skills will be strengthened by additional teacher training and curriculum development.

In support of higher education, the 1979 budget recommends \$2.1 billion in budget authority for the basic opportunity grant program. Grants of up to \$1,800 for 2 million undergraduate students in the 1978-79 school year are being proposed. In order to increase middle-income participation in the basic grant program, the asset reserve will be raised to \$25,000. Budget authority of \$77 million and \$450 million is requested for the state student incentive grant program and the college work study program, respectively. The administration will be developing proposals to assist families of middle-income college students meet the costs of higher education. These proposals will be offered as alternatives to currently discussed tax credits. Funds are also requested to enable higher education institutions to renovate and construct facilities to aid handicapped individuals.



Research and general education aids are provided through programs that promote education research and development and cultural affairs. Recommended outlays for these programs are estimated to be \$1.2 billion in 1979. The National Institute of Education will focus its support for research and development on activities aimed at improving the educational performance of disadvantaged students.

## Training, Employment, and Social Services

The Federal Government helps individuals—especially the unemployed, disadvantaged, and disabled—get jobs and increase earnings through training, employment services, and, as needed, temporary public service jobs. To achieve these *national needs*, the Federal Government undertakes the major missions of training and employment, social services, and other labor services. Outlays for these missions are estimated to be \$18.4 billion in 1979.

Although the economy is improving, unacceptably high unemployment rates persist and continued special employment programs are required. Therefore, the 1979 budget requests funding for the 725,000 public service jobs, the same level as in 1978.

As part of the proposed Better Jobs and Income Act, improved employment assistance will be provided to welfare recipients. If there is a shortage of private sector jobs, the Government will make available subsidized minimum wage employment in the public sector. The jobs portion of this new act will begin in 1980 and demonstration projects will be started in 1979.

The 1979 budget proposes continuation of most activities under the Comprehensive Employment and Training Act (CETA) that is scheduled to expire in 1978. However, these programs will be redirected toward promoting permanent private sector employment. Grants to State and local governments in 1979 under CETA will provide outlays of approximately \$1.9 billion and produce about 430,000 training or job opportunities.

Outlays for programs designed specifically for youth, which does not include CETA Title I, are estimated to total \$2.3 billion in 1979. This includes \$376 million under the Job Corps program; \$740 million under the summer youth employment program to provide over 1 million job opportunities for disadvantaged youth; and \$1.2 billion for programs under the Youth

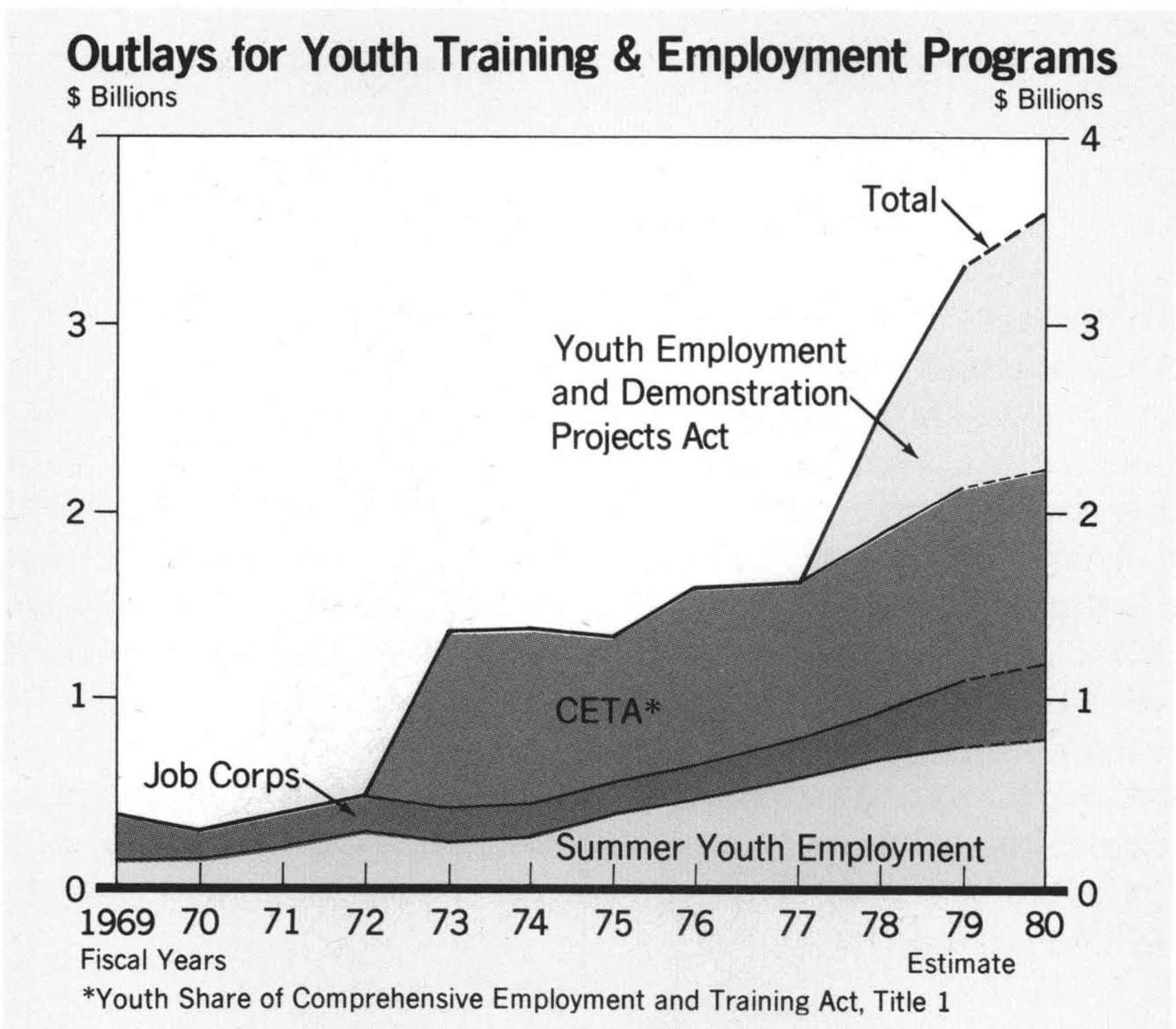


Employment and Demonstration Projects Act. In addition, a special \$400 million program to increase the involvement of businessmen in job training programs in order to increase the placement of the disadvantaged in private sector jobs, is expected to benefit a large number of minority youths.

The work incentive (WIN) program helps those receiving aid to families with dependent children (AFDC) to find jobs. Estimated outlays of \$365 million in 1979 will result in approximately 270,000 individuals being placed in unsubsidized jobs.

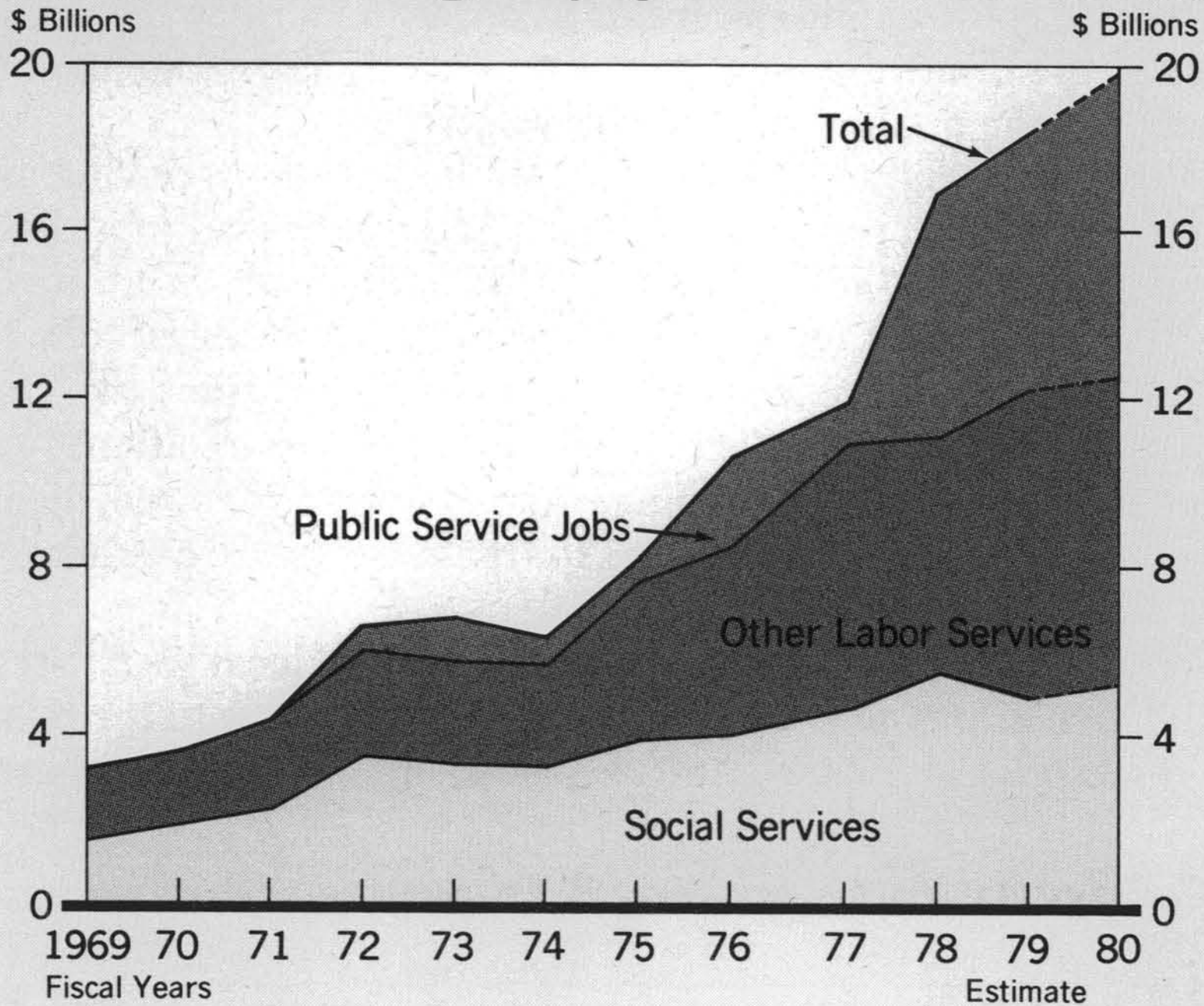
The Federal Government sets and enforces standards for wages, overtime, and other employer-employee relationships, including collective bargaining, and publishes employment, wage, and price statistics. Outlays for these services are estimated at \$477 million in 1979.

Social services grants finance the delivery of local social services. These grants provide a broad range of services to the poor, the disabled, the elderly, and neglected, homeless, and abused





## Outlays for Training, Employment and Social Services



children. Federal outlays for these programs are estimated to be \$5.1 billion in 1979.

The programs of the Community Services Administration finance local community action agencies that deliver services to low-income individuals; these agencies are funded primarily by other Federal agencies. The Community Services Administration also supports innovative demonstrations for new methods of delivering services to the poor. In addition, the voluntary programs of ACTION are being redirected to meet basic human needs. The Volunteers in Service to America program (VISTA) will increase by approximately 1,200 volunteers, primarily in the areas of health, community development, energy conservation, and basic human needs, while the university year for action program will be phased out.

## Health

*National health needs* are to: assure access to quality health care services with emphasis on the needs of the poor, the aged,

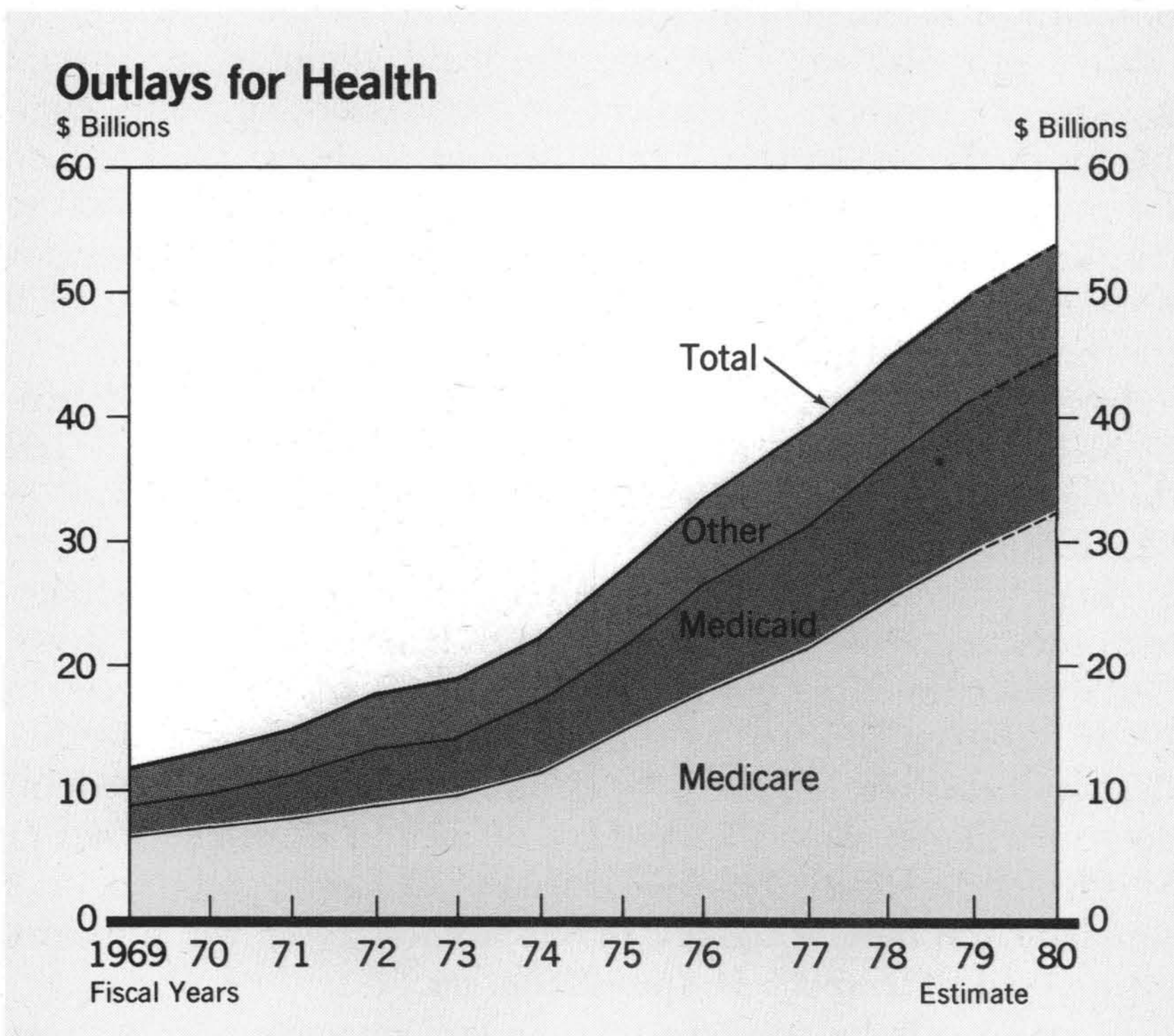


and the disabled; restrain inflationary growth in health care costs; acquire knowledge regarding the causes, prevention, and treatment of disease; support training and education of health workers; and assure consumer and workplace safety.

To achieve these national needs in health, the Federal Government supports the following major missions: health care services, health research, education and training of the health care workforce, and consumer and occupational health and safety. Federal outlays of \$49.7 billion are estimated for these missions in 1979. The President intends to submit national health insurance legislation to Congress in 1978. It will not affect Federal outlays in 1979 and, therefore, no funding is proposed in this budget.

The mission of financing and providing health care services represents the largest amount of Federal spending for health, with an estimated \$45.1 billion in outlays in 1979.

The availability and use of new medical services and an increasingly older population account in part for rising health





spending. Nevertheless, much of the increase has resulted from health cost inflation. Between 1979 and 1983 Federal spending for the two largest programs in the health care services mission, medicare and medicaid, would increase an estimated 60% without cost constraints. The administration has therefore proposed legislation to limit the growth of hospital revenues. This proposal would result in outlay savings of \$730 million for the Federal Government in 1979 and \$1.3 billion for non-Federal payers.

Outlays for health services for the 27 million aged and disabled medicare recipients are estimated to be \$25.6 billion in 1978 and \$29.4 billion in 1979, assuming enactment of the administration's proposed legislation. Legislation signed by the President in 1977 will provide for medicare and medicaid cost reimbursement for services rendered by physician assistants and nurse practitioners in rural health clinics.

Legislation to establish a child health assessment program would expand the medicaid program by extending early and periodic screening, diagnosis and treatment to an additional 1.7 million low-income children under 21 years of age. Another legislative proposal would extend medicaid eligibility to certain low-income mothers and expectant mothers not currently eligible for medicaid services. Outlay savings of almost \$400 million for medicaid are projected as a result of proposed legislation to permit enhanced quality control efforts. Total medicaid outlays are estimated to be \$11.0 billion in 1978 and \$12.1 billion in 1979 for the 21 million medicaid beneficiaries.

In addition to medicare and medicaid, the Federal Government funds 25 health care services programs, both directly and through grants and contracts, with estimated 1979 outlays of \$2.8 billion.

An estimated \$559 million in outlays will fund medical services to approximately 647,000 American Indians and Alaska natives. Outlays for the National Health Service Corps are estimated to be \$61 million in 1979 to support 1,725 physicians and other health workers in 743 sites. An estimated \$75 million in Federal outlays will subsidize the delivery of mental health services at St. Elizabeths Hospital in the District of Columbia, while a 1978 supplemental budget request of \$55 million in budget authority is proposed to renovate Hospital facilities.

A major administration initiative will improve and increase services to prevent unwanted adolescent pregnancies. In 1979,



budget authority of \$100 million is requested for this initiative. Flexible project grant funds would be used to assist State and local governments in improving, increasing, and coordinating family planning and other services to adolescents.

Federal tax laws help the private sector to finance health care by excluding health insurance premiums paid by employers from employees' taxable income and by permitting itemized deductions for health care expenses in excess of a certain level. The administration is proposing that deductibility of medical expenses in combination with uninsured casualty losses be limited to expenses in excess of 10% of income.

The mission of developing new knowledge about the causes, prevention, diagnosis and treatment of diseases is supported by Federal funding of biomedical, behavioral, and health services research. With estimated Federal outlays of \$3.8 million in 1979, the Federal Government currently funds more than 66% of all health research in this country.

Outlays in 1979 will include an estimated \$29 million for health services research and about \$199 million for research related to mental health, alcohol, and drug abuse, reflecting, in part, increases recommended by the President's Commission on Mental Health. The budget request maintains current levels of effort in major research areas such as cancer, heart disease, and diabetes, with increased emphasis on basic research overall.

Federal outlays for training health professionals are estimated to decline from \$836 million in 1978 to \$770 million in 1979. This reflects the gradual shift away from programs designed to increase the supply of health workers or to provide institutional operating subsidies to programs that emphasize geographic distribution of physicians and other health workers. Capitation grants, based on enrollment in health professions schools, will be phased out over a 3-year period starting in 1979. Federal support for health professions training will focus primarily on service commitment scholarships. The health professions guaranteed loan program represents a more equitable means of financing the training of individuals who have a high rate of return on their educational investment. An estimated \$120 million in loan guarantees will be supported in 1979.

To achieve the Federal Government's mission of protecting consumers from unsafe and defective products and workers from occupational health hazards, outlays of \$887 million are estimated for 1979.



In addition to the programs discussed above, there are a number of Federal programs that are health-related although their primary purpose is to meet other national needs, such as the health care systems operated for the military and for veterans.

## Income Security

There is a *national need* to assure a reasonable income for poor Americans and to insure against the loss of family income due to unemployment, retirement, disability or death. To achieve this need, the Federal Government undertakes the major missions of providing social security and Federal retirement, survivors and disability benefits; unemployment compensation to workers who have lost their jobs; and public assistance and other income supplements to the poor. Outlays for these missions in 1979 are estimated to be \$160.0 billion.

Social security is the largest single program in the budget. Outlays for this program are estimated to be \$93.0 billion in 1978 and \$103.1 billion in 1979. In 1977, more than 100 million workers paid \$77.8 billion in payroll taxes to finance the program and over 33 million people received benefits.

Rapid inflation and high unemployment in recent years, which raised benefit costs and reduced income to the social security funds, would have drained the funds' assets by the mid-1980's. The system was also inadequately financed for the long run. A technical error in the benefit formula, creating excessive benefit costs, was compounded by over-optimistic forecasts of population and economic growth, which underestimated long-range tax requirements. To remedy these problems, the Social Security Act was amended last year to correct the error in the benefit formula, to increase payroll taxes, and to make some benefit provisions more restrictive. Other benefits were liberalized to improve individual equity. More changes still need to be made. The administration is proposing new legislation to eliminate the windfall minimum benefit, place a 3-month limit on retroactive benefit payments, and limit the amount of student benefits paid to dependents. Studies will be made on extending social security coverage to some uncovered workers, and analyzing social security's relationships to other retirement systems.



In addition to social security, there are other retirement programs that provide income security. Outlays for railroad retirement, which are estimated to be \$4.3 billion in 1979, will go to an estimated 1 million retirees. The budget proposes to freeze initial windfall benefit amounts for new beneficiaries. Special benefits are distributed to coal miners who are totally disabled from black lung and to their survivors, at an estimated \$1.0 billion a year in outlays.

The major tax expenditure provisions for the aged are the exclusion from income subject to tax of all social security and almost all railroad retirement benefits, the extra exemption for taxpayers 65 and over and the tax credit for the elderly. The combined benefits for these tax expenditures are estimated to be \$6.2 billion in 1978 and \$6.8 billion in 1979.

The President has proposed that a commission be established to make a comprehensive study of the public and private retirement, survivors and disability issues. Outlays for Federal retirement and non-work-related disability are estimated to increase from \$10.5 billion in 1978 to \$11.8 billion in 1979. This program is estimated to have 1.6 million beneficiaries in 1979. Net outlays for benefits to Federal employees for job-related injuries, illnesses, and death are estimated to be \$292 million in 1978 and due to increased reimbursements from Federal agencies, \$228 million in 1979. It is estimated that an average of 3 million workers per week will receive unemployment benefits in 1979. As the economy improves, outlays for unemployment compensation are estimated to decline from \$12.4 billion in 1978 to \$11.8 billion in 1979.

The public assistance and other income supplements mission is supported by a series of programs that provide funds, food, and shelter for people in need. A major administration proposal—the program for better jobs and income—would consolidate the aid to families with dependent children program, supplemental security income and food stamp programs to make their administration more efficient and the benefits more equitable nationwide. The proposed program will encourage work through a benefit incentive structure, an expanded earned income tax credit, and improved job placement services. Up to 1.4 million public service jobs and training opportunities will be authorized. It will also provide fiscal relief to the States, and tax relief through the earned income tax credit to the poor and near poor. The cash



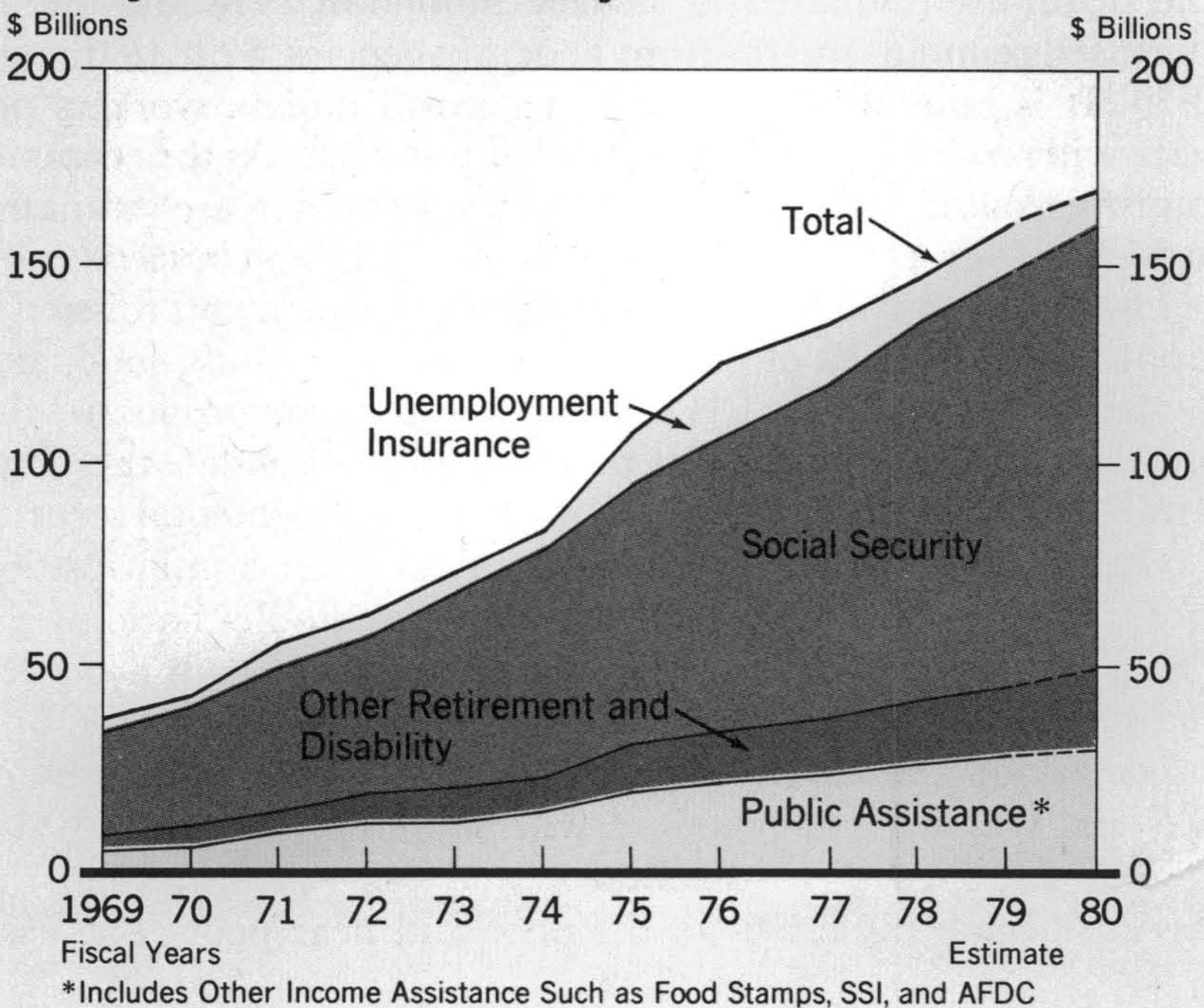
benefit portion of this program will become effective in July 1981. As part of the administration's energy legislation, people who do not pay income tax will receive a refund from the crude oil equalization tax, totaling an estimated \$1.3 billion in outlays in 1979.

Welfare benefits are provided to the aged and disabled through the supplemental security income program. Outlays for this program are estimated to be \$5.6 billion in 1979. The recipients of Federal benefits are estimated to be about 3.9 million in 1979.

The aid to families with dependent children program gives Federal grants to States for the State-administered public assistance programs. An estimated 11 million individuals or 3.6 million families are expected to receive benefits in 1979. Federal outlays are estimated to be \$6.7 billion in 1978 and \$6.8 billion in 1979.

The food stamp program was designed to assure the needy an opportunity to purchase food for an adequate diet and to strengthen the agricultural sector of the economy. Outlays for

### Outlays for Income Security





this program are estimated to be \$5.7 billion in 1979. Recently enacted legislation provided for improvements in the current programs such as eliminating the need to buy food stamps. The proposed program for better jobs and income would provide money instead of food stamps to welfare recipients.

Outlays for school lunch and other nutrition programs are estimated to be \$3.5 billion in 1979. Proposed legislation will seek to provide more resources for the women, infants, and children program by modifying the automatic cost-of-living increases in food subsidies for nonneedy children.

Subsidized housing programs help to provide low-income families an opportunity to secure decent housing. These programs provide rental subsidies, public housing, and homeownership assistance. The administration's proposal would assist an additional 450,000 low-income families in 1979, about 10% more than in 1978. In addition, a new operating subsidy for troubled FHA-insured multifamily projects is being proposed for 1979. Total outlays for all housing assistance programs are estimated to rise from \$3.0 billion in 1977 to \$3.8 billion in 1978 and \$4.4 billion in 1979. This is an annual rate of increase of 22%.

Low-income families with dependents are eligible for a tax credit equal to 10% of earned income with a maximum credit of \$400. This is a tax expenditure of \$1.2 billion in both 1978 and 1979. This credit will be substantially increased as a part of welfare reform. There are other programs that are income security related, but serve other missions and national needs. The most important of these programs are the veterans pension program and military retirement benefits.

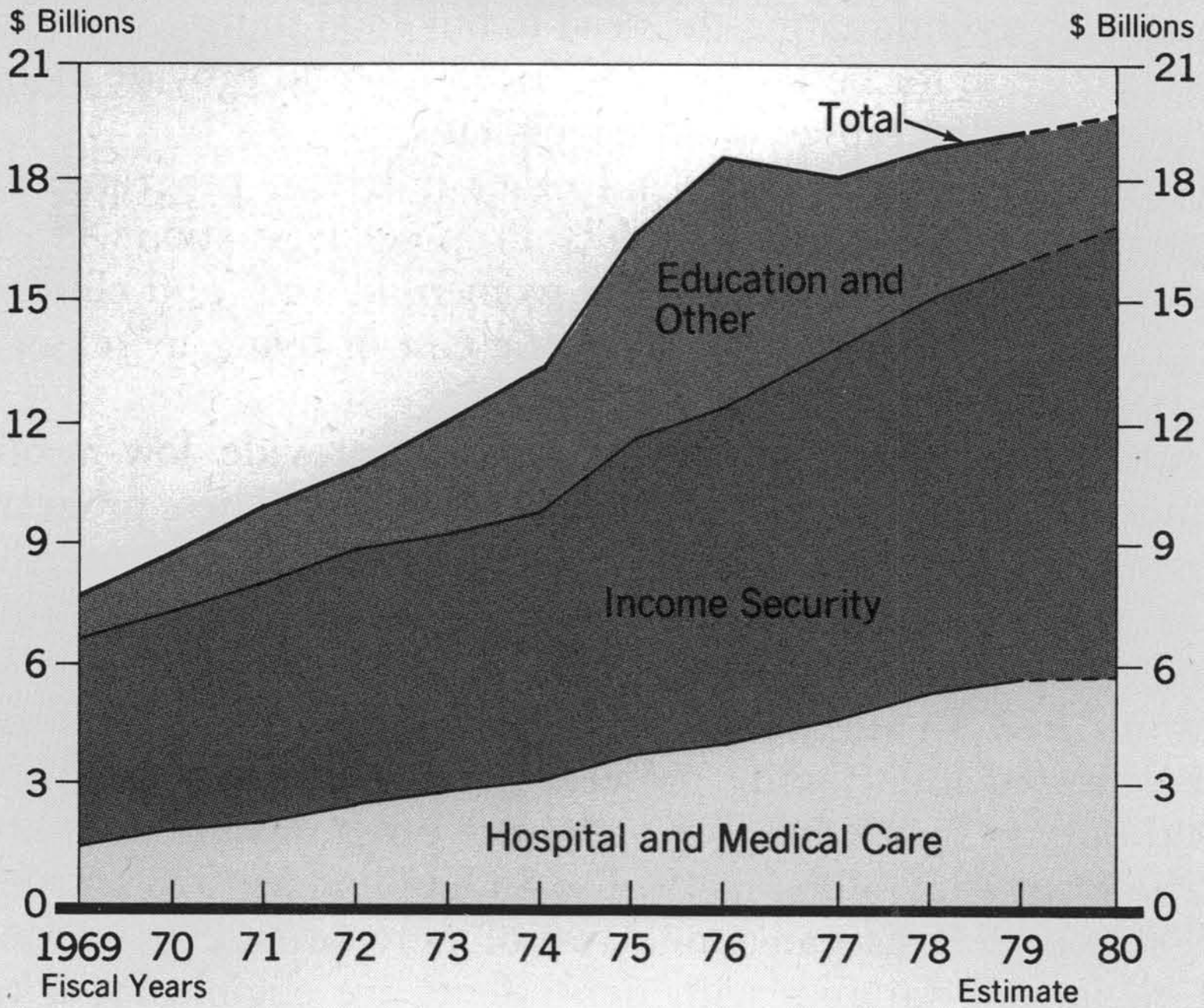
## **Veterans Benefits and Services**

The *national needs* for veterans of draft and wartime service are: to return to civilian life after separation from military service on a basis comparable with their peers who did not serve; to receive compensation and medical care for disabilities that result from military service; and, if in need, to receive financial assistance for themselves, their dependents, and their survivors.

To help meet these needs of veterans, the Federal Government provides income security; education, training, and rehabilitation; hospital and medical care; housing; and other benefits and serv-



## Outlays for Veterans Benefits and Services



ices. Outlays for these missions are estimated at \$19.3 billion in 1979.

The mission of income security for veterans is largely supported by veterans compensation and pension programs. Compensation benefits, provided to veterans with service-connected disabilities and their survivors, are estimated at \$6.5 billion for 2.6 million beneficiaries in 1979. Pensions are provided to needy wartime-service veterans, their dependents, and survivors. An estimated 2.3 million veterans and their survivors will receive \$3.3 billion in pension benefits in 1979.

The GI bill provides education benefits designed primarily to assist veterans who entered military service before 1977 readjust to civilian life. The demand for these benefits is expected to continue to decline as Vietnam veterans pass beyond the period of eligibility. Thus, outlays are estimated to decline from \$3.1 billion in 1978 to \$2.6 billion in 1979. These estimates assume enactment of proposed legislation to end enrollments in general flight training and correspondence courses, resulting in savings of \$100 million in 1979.



The Veterans Administration operates the largest nationwide medical care system. In 1979, the VA will increase its emphasis on the care of veterans with service-connected disabilities, Vietnam veterans and the rapidly growing population of elderly veterans. New initiatives in 1979, which include pilot programs for the treatment of drug and alcohol abuse and for mental and psychological services, will meet the special needs of veterans of Vietnam. Outlays for VA medical programs will reach an estimated \$5.8 billion in 1979.

## Administration of Justice

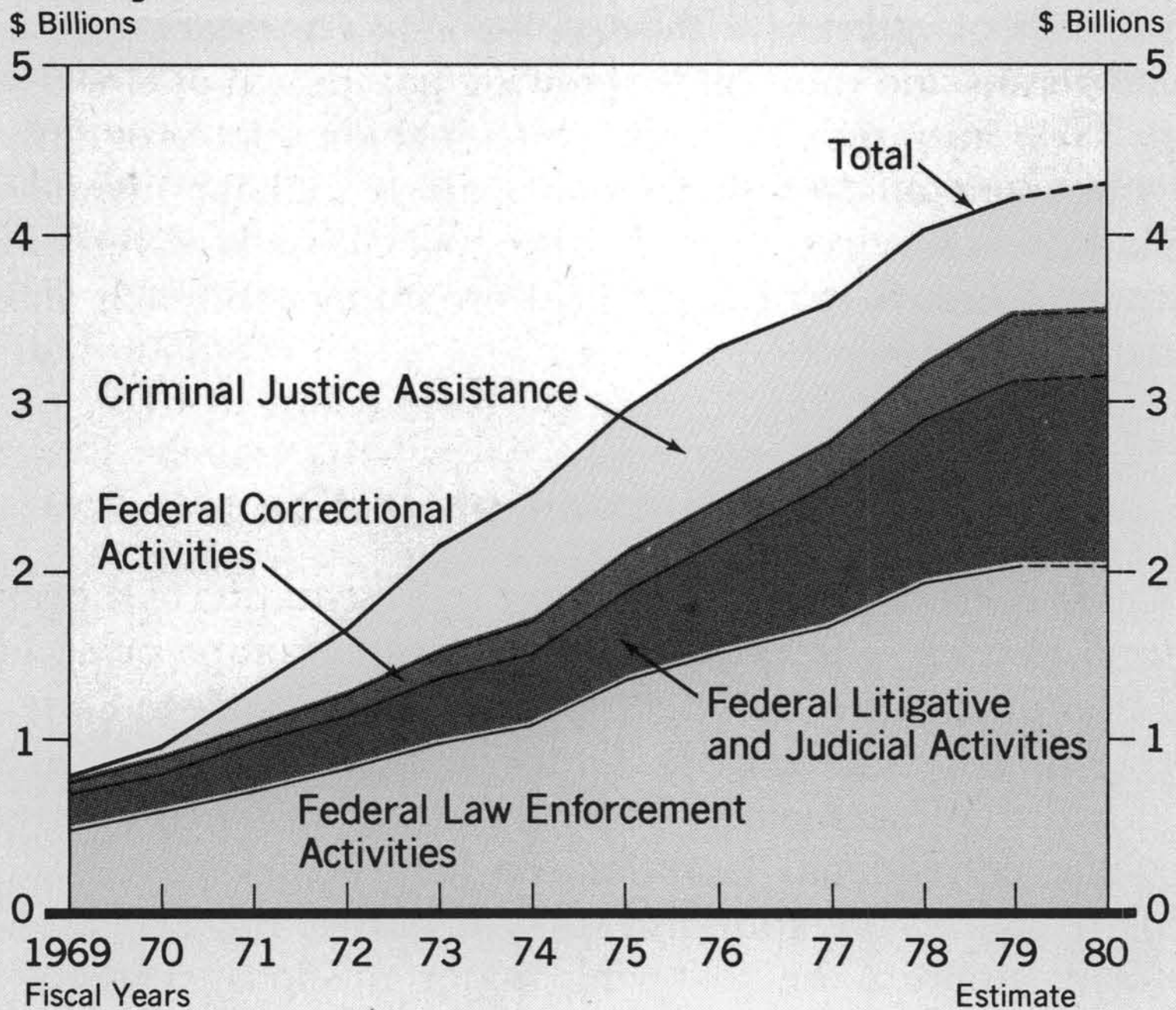
*National needs* for justice include: representation of the public in legal matters, the provision of fair and prompt prosecution and trial procedures, and the provision of assistance to State and local criminal justice systems. Other needs in this functional area include the enforcement of Federal statutes and the provision of adequate correctional facilities. To help achieve our national needs related to the administration of justice, the Federal Government supports the following major missions: Federal law enforcement activities, litigative and judicial activities, Federal correctional activities, and criminal justice assistance. Estimated outlays for these activities are \$4.2 billion in 1979.

Law enforcement activities represent the largest component of Federal expenditures for the administration of justice—an estimated \$2.0 billion in outlays in 1979. Efforts are being made to apprehend and to prosecute major offenders engaged in organized crime, public corruption, white collar crime, and drug trafficking—especially those who deal in heroin.

In August 1977, the President announced major policy initiatives designed to reduce the number of undocumented aliens and to provide equitable treatment of those undocumented aliens already in this country. The 1979 budget requests significant increases in budget authority for personnel and equipment for the U.S. Customs Service and for the Immigration and Naturalization Service—the two agencies principally responsible for border enforcement. A reorganization of the border management agencies is under consideration. Other requests in support of the President's program will be made upon enactment of the required authorizing legislation.



## Outlays for Administration of Justice



Staff increases are proposed to meet the increasingly complex and growing caseload in the U.S. attorneys' offices and in several of the legal divisions of the Department of Justice.

Two new Federal correctional facilities are proposed to relieve overcrowding in existing institutions and to permit the closing of an old, substandard prison. In addition, the use of minimum security facilities and community treatment centers will be emphasized to reduce costs and to relieve overcrowding.

The administration plans a major restructuring of law enforcement assistance programs and justice research activities; specific proposals will be presented in the next few months. Outlays for State and local criminal justice assistance will be \$0.7 billion in 1979, and funds will be reallocated from planning grants to program grants.

## General Government

Much of what is classified under general government may be considered as general support for other national needs. Yet in this



category, there are two *national needs* that can be clearly defined: the provision of a legislative system that reflects the views and preserves the rights of the people, and the provision of effective and efficient central executive policy development and management. To achieve these national needs in general government, the Federal Government undertakes the major missions of legislative functions, executive direction and management, central fiscal operations, general property and records management, central personnel management, and other general government. Outlays for these missions are estimated to be \$4.3 billion in 1979.

The President has been granted special authority by Congress in the Reorganization Act of 1977 to reorganize the Government in order to provide a more efficient and responsive executive branch. Various plans dealing with a wide range of Government functions will be submitted to Congress.

Outlays for the major mission of central fiscal operations are estimated at \$2.4 billion in 1979. These estimates reflect proposed staff increases in the Internal Revenue Service to improve taxpayer service and to audit and process an increasing number of tax returns.

In November 1977, the Federal personnel management project team completed a major study of the civil service system. As a result, proposals to reform the current civil service system will be sent to the Congress during 1978.

## **General Purpose Fiscal Assistance**

There are *national needs* to support the federal system by sharing Federal revenues with State and local jurisdictions and to reduce the impact of economic fluctuations on States and localities. To achieve these needs, the Federal Government carries out the major missions of general revenue sharing and other general purpose fiscal assistance. Estimated outlays of \$9.6 billion are requested for these missions in 1979.

Through general revenue sharing, the Federal Government provides funds to virtually every unit of general government below the Federal level. Each jurisdiction may spend the money for any purpose permissible under its own State and local laws, subject to minimal Federal controls. Outlays for revenue sharing are estimated at \$6.9 billion in 1979.

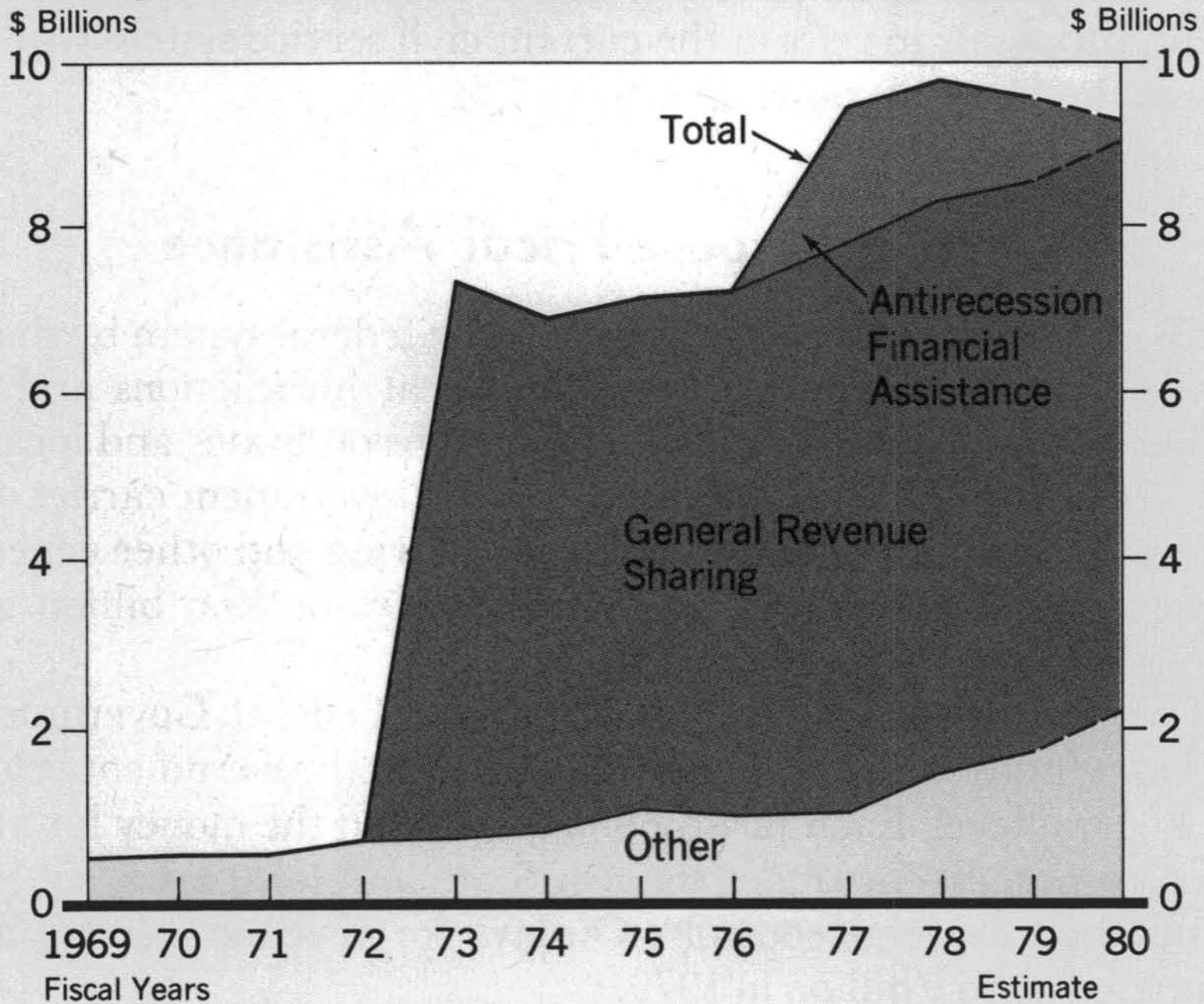


The antirecession fiscal assistance program, which was enacted to assist jurisdictions in counteracting the impact of recession, will apportion \$1.6 billion to States and localities in 1978. This program is presently authorized through September 30, 1978, the administration will request extension.

New York City is authorized to receive \$2.3 billion in loans through June 1978. These loans by the Treasury are purchased by the Federal Financing Bank, an off-budget Federal entity, and therefore do not show as budget outlays. All such loans must be repaid in full by the city at the end of its fiscal year. The administrative cost of servicing these loans is shown in the budget.

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 twofold effect: State and local governments can borrow at lower interest rates, saving an estimated \$6.0 billion in 1979, while individuals can exclude the interest income from their Federal taxes. Estimated losses to the Treasury in 1979 under existing legislation are \$5.0 billion. In addition, the deductibility of most State and local taxes

### Outlays for General Purpose Fiscal Assistance





from Federal taxable income is estimated to cost the Treasury approximately \$13.7 billion in 1979.

The administration proposes the introduction of a taxable bond option for State and local governments. Under this provision 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 provision would reduce the tax expenditure for tax-exempt securities. The President's tax reform proposals in 1978 include repealing the deductibility of State and local gasoline excise taxes, sales taxes, and certain miscellaneous taxes. These proposals, along with proposed lower tax rates, would reduce the tax expenditures associated with the deductibility of State and local taxes to \$9.0 billion in 1979.

## Interest

Budget outlays for the interest function are estimated to rise by \$5.7 billion in 1978 to a level of \$43.8 billion and by another \$5.2 billion in 1979, reaching a level of \$49.0 billion. These increases result primarily from financing unified budget deficits of \$62 billion in 1978 and \$61 billion in 1979. Interest outlays also include costs of borrowing attributable to the outlays of off-budget Federal entities.

[In billions of dollars]

	1977 actual	1978 estimate	1979 estimate
Outlays for the interest function.....	38.1	43.8	49.0
Less: Interest received by trust funds.....	8.1	8.6	9.1
Net interest.....	30.0	35.2	39.9
Less: Deposit of earnings, Federal Reserve System (budget receipts).....	5.9	6.2	6.3
Net impact.....	24.1	29.0	33.6

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 \$8.6 billion in 1978 and \$9.1 billion in 1979 to a net interest total of \$35.2 billion in 1978 and \$39.9 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 \$6.2 billion in 1978 and \$6.3 billion in 1979. If this deposit of earnings is 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 \$29.0 billion in 1978 and \$33.6 billion in 1979.

## Other

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

By law, Federal pay is annually adjusted on the basis of comparability with the private sector. The President has asked business and labor to cooperate in a voluntary program to decelerate wage and price increases. Every effort is to be made to hold wage and price increases in 1978 significantly below those in the prior year. The President intends to keep this criterion in mind when he reviews the October 1978 pay raise recommendations of the President's pay agent, the Federal Employees Pay Council, and the Advisory Committee on Federal Pay, and after a review of the economic situation at the time. The President's final decision will be made in late summer.

As part of the overall effort to hold down inflationary trends, Federal agencies will be required to limit additional funds requested to cover the pay increase to no more than 6%.

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

- Employer share, employee retirement, composed of payments by Federal agencies to retirement funds of their employees; estimated to be \$5.2 billion in 1979.
- 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 five new sales of leases in 1979, on the assumption that the stringent requirements of the National Environmental Policy Act will be met within the planned time period. These new sales, and receipts from existing activities, are estimated to total \$1.8 billion in 1979.



## PART IV

# THE BUDGET PROCESS

The budget sets forth the President's proposed financial plan of operation for the Federal Government for the coming 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 interrelated 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 1978, began in the spring of 1977. Each spring, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. Zero-base budgeting, a new management process, was used for the first time in preparing the 1979 budget.

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, and for 2 years beyond. Tentative policy determinations and planning ceilings are then given to the agencies for the preparation of their budgets.

In the summer, agencies formulate their proposed ZBB budgets, which are reviewed in detail in the fall 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 or for which sufficient planning was not completed 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 current services estimates for the coming 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, thereby providing a base to compare program initiatives against current spending levels. Current services estimates for fiscal year 1979 are being transmitted with the President's budget.

*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 budget in January. Before considering appropriations for a specific program, the Congress first enacts legislation that authorizes an agency to carry out that program. Such legislation authorizes budget authority for the program and frequently sets a limit on the amount.

Many programs are authorized for several years, or indefinitely; others require annual authorization. The granting of budget authority usually is a separate, subsequent action to program authorization. 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 bills. 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.



## CONGRESSIONAL BUDGET TIMETABLE

On or before:	<i>Action to be completed</i>
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 completes action on first concurrent resolution on the budget.
7th day after Labor Day-----	Congress completes action on bills providing budget authority.
September 15-----	Congress completes action on second 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 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. At the start of fiscal year 1978, Congress had not completed action on the regular appropriation in the



Labor-HEW and District of Columbia appropriations bills. The agencies affected by these bills had to operate under continuing resolutions.

*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—that is, any effort through administrative action to postpone or eliminate spending authorized by law. 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.

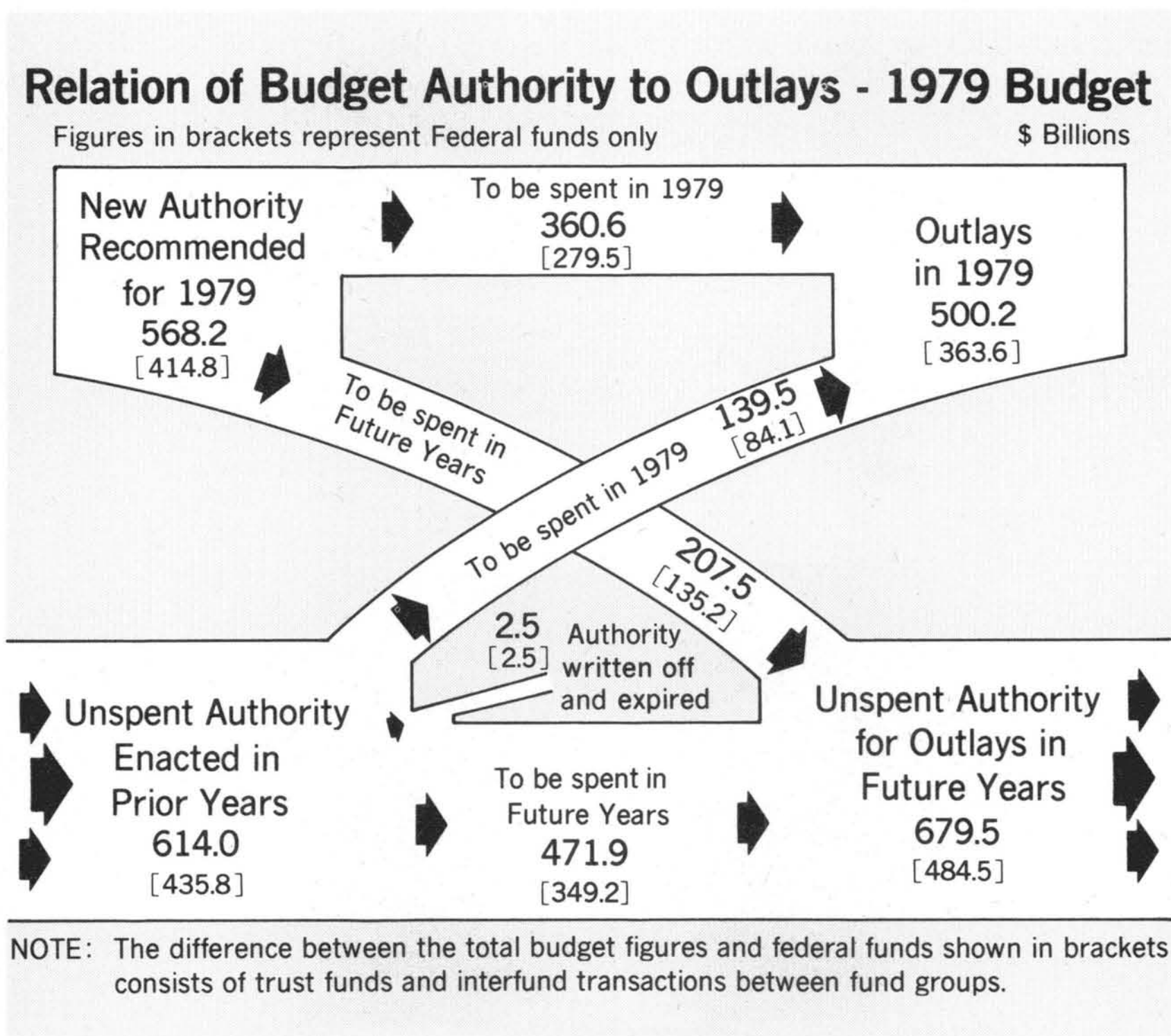


## Relation of Budget Authority to Outlays

Not all of the new budget authority for 1979 will be obligated or spent in that year.

- Budget authority for most major trust funds is equal to receipts and is used as needed 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 may extend up to 40 years.
- Budget authority for many loan and guaranteed 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 any other program.





## PART V

# 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, 1979*.



**Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1970-79 (in billions of dollars)**

Description	Actual								Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<b>Receipts and outlays: <sup>1 2</sup></b>											
<b>Receipts:</b>											
Federal funds.....	143.2	133.8	148.8	161.4	181.2	187.5	200.3	54.0	240.4	267.9	289.1
Trust funds.....	59.4	66.2	73.0	92.2	104.8	118.6	133.7	32.1	152.8	168.5	188.0
Interfund transactions.....	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.0	-37.5
<b>Total budget receipts.....</b>	<b>193.7</b>	<b>188.4</b>	<b>208.6</b>	<b>232.2</b>	<b>264.9</b>	<b>281.0</b>	<b>299.2</b>	<b>81.7</b>	<b>356.9</b>	<b>400.4</b>	<b>439.6</b>
<b>Outlays:</b>											
Federal funds.....	156.3	163.7	178.1	187.0	199.9	240.0	269.1	65.0	294.9	340.0	363.6
Trust funds.....	49.1	59.4	67.1	81.4	90.8	111.2	131.3	34.0	143.3	158.2	174.1
Interfund transactions.....	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.0	-37.5
<b>Total budget outlays.....</b>	<b>196.6</b>	<b>211.4</b>	<b>232.0</b>	<b>247.1</b>	<b>269.6</b>	<b>326.1</b>	<b>365.6</b>	<b>94.7</b>	<b>401.9</b>	<b>462.2</b>	<b>500.2</b>
<i>Outlays, off-budget Federal entities.....</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.1)</i>	<i>(1.4)</i>	<i>(8.1)</i>	<i>(7.2)</i>	<i>(1.8)</i>	<i>(8.7)</i>	<i>(11.5)</i>	<i>(12.5)</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>(372.9)</i>	<i>(96.4)</i>	<i>(410.6)</i>	<i>(473.7)</i>	<i>(512.7)</i>
<b>Surplus or deficit (-):</b>											
Federal funds.....	-13.1	-29.9	-29.3	-25.6	-18.7	-52.5	-68.9	-11.0	-54.5	-72.1	-74.5
Trust funds.....	10.3	6.8	5.9	10.7	14.0	7.4	2.4	-2.0	9.5	10.3	13.9
<b>Total surplus or deficit (-).....</b>	<b>-2.8</b>	<b>-23.0</b>	<b>-23.4</b>	<b>-14.8</b>	<b>-4.7</b>	<b>-45.1</b>	<b>-66.4</b>	<b>-13.0</b>	<b>-45.0</b>	<b>-61.8</b>	<b>-60.6</b>
<i>Surplus or deficit (-), off-budget Federal entities.....</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(-.1)</i>	<i>(-1.4)</i>	<i>(-8.1)</i>	<i>(-7.2)</i>	<i>(-1.8)</i>	<i>(-8.7)</i>	<i>(-11.5)</i>	<i>(-12.5)</i>
<i>Surplus or deficit (-) including off-budget Federal entities.....</i>	<i>(-2.8)</i>	<i>(-23.0)</i>	<i>(-23.4)</i>	<i>(-14.9)</i>	<i>(-6.1)</i>	<i>(-53.1)</i>	<i>(-73.7)</i>	<i>(-14.7)</i>	<i>(-53.7)</i>	<i>(-73.4)</i>	<i>(-73.1)</i>
<b>Outstanding debt, end of year:</b>											
Gross Federal debt.....	382.6	409.5	437.3	468.4	486.2	544.1	631.9	646.4	709.1	785.6	873.7
<b>Held by:</b>											
Government agencies.....	97.7	105.1	113.6	125.4	140.2	147.2	151.6	148.1	157.3	167.7	182.8
The public.....	284.9	304.3	323.8	343.0	346.1	396.9	480.3	498.3	551.8	617.8	690.8
Federal Reserve System.....	57.7	65.5	71.4	75.2	80.6	85.0	94.7	96.7	105.0	NA	NA
Others.....	227.2	238.8	252.3	267.9	265.4	311.9	385.6	401.6	446.8	NA	NA

NA=Not available.

<sup>1</sup> The amounts of earned income credit in excess of tax liabilities are shown as negative budget receipts rather than as budget outlays. Accordingly, the budget totals have been adjusted retroactively.

<sup>2</sup> The 1975-77 data have been revised retroactively to include the housing for the elderly or handicapped fund in the unified budget instead of with the off-budget Federal entities.



Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1969-79 (in billions of dollars)

Description	Actual									Estimate		
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<b>RECEIPTS BY SOURCE <sup>3</sup></b>												
Individual income taxes.....	87.2	90.4	86.2	94.7	103.2	119.0	122.4	130.8	38.7	156.7	178.8	190.1
Corporation income taxes.....	36.7	32.8	26.8	32.2	36.2	38.6	40.6	41.4	8.5	54.9	58.9	62.5
Social insurance taxes and contribu- tions.....	39.9	45.3	48.6	53.9	64.5	76.8	86.4	92.7	25.8	108.7	124.1	141.9
Excise taxes.....	15.2	15.7	16.6	15.5	16.3	16.8	16.6	17.0	4.5	17.5	20.2	25.5
Estate and gift taxes.....	3.5	3.6	3.7	5.4	4.9	5.0	4.6	5.2	1.5	7.3	5.6	6.1
Customs duties.....	2.3	2.4	2.6	3.3	3.2	3.3	3.7	4.1	1.2	5.2	5.8	6.4
Miscellaneous receipts.....	2.9	3.4	3.9	3.6	3.9	5.4	6.7	8.0	1.6	6.5	6.9	7.2
<b>Total budget receipts.....</b>	<b>187.8</b>	<b>193.7</b>	<b>188.4</b>	<b>208.6</b>	<b>232.2</b>	<b>264.9</b>	<b>281.0</b>	<b>299.2</b>	<b>81.7</b>	<b>356.9</b>	<b>400.4</b>	<b>439.6</b>
<b>OUTLAYS BY FUNCTION <sup>3 4</sup></b>												
National defense <sup>1</sup> .....	79.4	78.6	75.8	76.6	74.5	77.8	85.6	89.4	22.3	97.5	107.6	117.8
International affairs.....	4.6	4.3	4.1	4.7	4.0	5.6	6.9	5.6	2.2	4.8	6.7	7.7
General science, space, and tech- nology.....	5.0	4.5	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.8	5.1
Energy.....	1.0	1.0	1.0	1.3	1.2	.8	2.2	3.1	.8	4.2	7.8	9.6
Natural resources and environment..	2.8	3.0	3.9	4.2	4.7	5.7	7.3	8.1	2.5	10.0	12.1	12.2
Agriculture.....	5.8	5.2	4.3	5.3	4.9	2.2	1.7	2.5	.6	5.5	9.1	5.4
Commerce and housing credit.....	.5	2.1	2.3	2.2	.9	3.9	5.6	3.8	1.4	—*	3.5	3.0
Transportation.....	6.5	7.0	8.1	8.4	9.1	9.2	10.4	13.4	3.3	14.6	16.3	17.4
Community and regional develop- ment.....	1.5	2.4	2.8	3.4	4.6	4.1	3.7	4.7	1.3	6.3	9.7	8.7

Education, training, employment, and social services.....	7.5	8.6	9.8	12.5	12.7	12.3	15.9	18.7	5.2	21.0	27.5	30.4
Health.....	11.8	13.1	14.7	17.5	18.8	22.1	27.6	33.4	8.7	38.8	44.3	50.0
Income security.....	37.3	43.1	55.4	63.9	73.0	84.4	108.6	126.6	32.7	137.0	147.6	160.0
Veterans benefits and services.....	7.6	8.7	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.0	18.9	19.3
Administration of justice.....	.8	1.0	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.6	4.0	4.2
General government.....	1.6	1.9	2.2	2.5	2.7	3.3	3.1	2.9	.9	3.4	4.1	4.3
General purpose fiscal assistance.....	.4	.5	.5	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.9	9.6
Interest.....	15.8	18.3	19.6	20.6	22.8	28.1	31.0	34.6	7.2	38.1	43.8	49.0
Allowances <sup>2</sup> .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2.8
Undistributed offsetting receipts.....	-5.5	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.1	-15.6	-16.0
<b>Total budget outlays.....</b>	<b>184.5</b>	<b>196.6</b>	<b>211.4</b>	<b>232.0</b>	<b>247.1</b>	<b>269.6</b>	<b>326.1</b>	<b>365.6</b>	<b>94.7</b>	<b>401.9</b>	<b>462.2</b>	<b>500.2</b>

\* \$50 million or less.

<sup>1</sup> Includes civilian and military pay raises for the Department of Defense.

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

<sup>3</sup> The amounts of earned income credit in excess of tax liabilities are shown as negative budget receipts rather than as budget outlays. Accordingly, the budget totals have been adjusted retroactively.

<sup>4</sup> The 1975-77 data have been revised retroactively to include the housing for the elderly or handicapped fund in the unified budget instead of with the off-budget Federal entities.



Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1969-79 (in billions of dollars)

Function and subfunction	Actual									Estimate		
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<b>National defense:</b>												
Department of Defense—Military:												
Military personnel.....	21.4	23.0	22.6	23.0	23.2	23.7	25.0	25.1	6.4	25.7	26.8	26.9
Retired military personnel.....	2.4	2.8	3.4	3.9	4.4	5.1	6.2	7.3	1.9	8.2	9.2	10.1
Operation and maintenance....	22.2	21.6	20.9	21.7	21.1	22.5	26.3	27.8	7.2	30.6	33.5	36.5
Procurement.....	24.0	21.6	18.9	17.1	15.7	15.2	16.0	16.0	3.8	18.2	21.5	24.2
Research and development.....	7.5	7.2	7.3	7.9	8.2	8.6	8.9	8.9	2.2	9.8	10.7	11.9
Military construction and other <sup>1</sup>	.5	1.1	1.6	1.7	.9	2.6	2.8	3.0	.4	3.3	3.8	6.0
Deductions for offsetting receipts	-.1	-.1	-.1	-.1	-.1	-.2	-.2	-.2	*	-.2	-.3	-.3
Subtotal, Department of De- fense—Military.....	77.9	77.2	74.5	75.2	73.3	77.6	85.0	88.0	21.9	95.6	105.3	115.2
Atomic energy defense activities..	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.6	.4	1.9	2.3	2.5
Defense-related activities.....	.2	—*	-.1	*	-.2	-1.3	-.9	-.1	—*	-.1	*	*
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*
<b>Total national defense.....</b>	<b>79.4</b>	<b>78.6</b>	<b>75.8</b>	<b>76.6</b>	<b>74.5</b>	<b>77.8</b>	<b>85.6</b>	<b>89.4</b>	<b>22.3</b>	<b>97.5</b>	<b>107.6</b>	<b>117.8</b>
<b>International affairs:</b>												
Foreign economic and financial assistance.....	3.1	2.9	2.9	3.2	2.9	2.9	3.7	3.6	1.5	4.2	5.3	5.4
Military assistance.....	.7	.6	1.0	.7	.9	1.3	1.9	1.1	.9	.5	.5	.5
Conduct of foreign affairs.....	.4	.4	.4	.5	.5	.6	.7	.7	.3	1.0	1.1	1.2
Foreign information and exchange activities.....	.2	.2	.2	.3	.3	.3	.3	.4	.1	.4	.4	.5
International financial programs..	.4	.4	-.2	.3	.2	.7	.6	.2	-.5	-.8	—*	.7
Deductions for offsetting receipts..	-.2	-.2	-.3	-.3	-.6	-.2	-.3	-.4	-.2	-.4	-.5	-.6
<b>Total international affairs..</b>	<b>4.6</b>	<b>4.3</b>	<b>4.1</b>	<b>4.7</b>	<b>4.0</b>	<b>5.6</b>	<b>6.9</b>	<b>5.6</b>	<b>2.2</b>	<b>4.8</b>	<b>6.7</b>	<b>7.7</b>
<b>General science, space, and tech- nology:</b>												
General science and basic research.	.9	.9	1.0	1.0	1.0	1.0	1.0	1.0	.3	1.1	1.2	1.3
Space flight.....	2.9	2.3	2.0	1.9	1.7	1.7	1.7	2.0	.5	2.3	2.2	2.3

Space science, applications, and technology.....	.8	.9	.8	1.0	1.0	.9	1.0	1.0	.3	1.0	1.0	1.2
Supporting space activities.....	.4	.4	.4	.3	.3	.3	.3	.4	.1	.3	.4	.4
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
<b>Total general science, space, and technology.....</b>	<b>5.0</b>	<b>4.5</b>	<b>4.2</b>	<b>4.2</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>4.4</b>	<b>1.2</b>	<b>4.7</b>	<b>4.8</b>	<b>5.1</b>
<b>Energy:</b>												
Energy supply.....	.9	.8	.9	1.1	.9	.5	1.7	2.5	.6	3.3	4.2	4.1
Energy conservation.....	.....	.....	.....	.....	.....	*	*	.1	*	.1	.6	1.4
Emergency energy preparedness..	.....	.....	.....	.....	.....	.....	.....	.....	*	.1	2.3	3.3
Energy information, policy, and regulation.....	.1	.1	.2	.2	.2	.3	.4	.6	.1	.7	.8	.9
Deductions for offsetting receipts..	.....	.....	.....	.....	.....	.....	.....	.....	.....	—*	—*	—1
<b>Total energy.....</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.3</b>	<b>1.2</b>	<b>.8</b>	<b>2.2</b>	<b>3.1</b>	<b>.8</b>	<b>4.2</b>	<b>7.8</b>	<b>9.6</b>
<b>Natural resources and environment:</b>												
Water resources.....	1.6	1.6	1.8	2.0	2.3	2.3	2.7	2.8	.8	3.2	3.7	3.4
Conservation and land management.....	.6	.7	.9	.8	.7	.7	1.3	1.2	.5	1.3	2.1	1.6
Recreation resources.....	.4	.4	.5	.5	.6	.7	.8	.9	.3	1.0	1.3	1.5
Pollution control and abatement..	.3	.4	.7	.8	1.1	2.0	2.5	3.1	1.1	4.3	4.9	5.6
Other natural resources.....	.4	.4	.5	.6	.6	.7	.8	.9	.2	1.0	1.2	1.3
Deductions for offsetting receipts..	—4	—5	—5	—5	—5	—7	—8	—8	—4	—8	—1.1	—1.2
<b>Total natural resources and environment.....</b>	<b>2.8</b>	<b>3.0</b>	<b>3.9</b>	<b>4.2</b>	<b>4.7</b>	<b>5.7</b>	<b>7.3</b>	<b>8.1</b>	<b>2.5</b>	<b>10.0</b>	<b>12.1</b>	<b>12.2</b>
<b>Agriculture:</b>												
Farm income stabilization.....	5.3	4.6	3.7	4.6	4.1	1.5	.8	1.6	.3	4.5	7.9	4.2
Agricultural research and services..	.5	.6	.6	.7	.8	.8	.9	.9	.2	1.1	1.2	1.3
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
<b>Total agriculture.....</b>	<b>5.8</b>	<b>5.2</b>	<b>4.3</b>	<b>5.3</b>	<b>4.9</b>	<b>2.2</b>	<b>1.7</b>	<b>2.5</b>	<b>.6</b>	<b>5.5</b>	<b>9.1</b>	<b>5.4</b>

See footnotes at end of table.



Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1969-79 (in billions of dollars)—Continued

Function and subfunction	Actual									Estimate		
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<b>Commerce and housing credit:</b>												
Mortgage credit and thrift insurance.....	-.6	.1	-.3	—*	-1.2	1.5	2.8	1.2	.3	-3.3	.5	-.3
Postal Service.....	.9	1.5	2.2	1.8	1.6	1.7	1.9	1.7	.9	2.3	1.8	1.8
Federal Financing Bank.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	-.1	.....	.....
Other advancement and regulation of commerce.....	.2	.5	.5	.5	.6	.7	.9	.9	.2	1.1	1.3	1.4
Deductions for offsetting receipts..	—*	—*	-.1	—*	-.1	—*	—*	—*	—*	—*	—*	—*
<b>Total commerce and housing credit.....</b>	<b>.5</b>	<b>2.1</b>	<b>2.3</b>	<b>2.2</b>	<b>.9</b>	<b>3.9</b>	<b>5.6</b>	<b>3.8</b>	<b>1.4</b>	<b>—*</b>	<b>3.5</b>	<b>3.0</b>
<b>Transportation:</b>												
Ground transportation.....	4.4	4.7	5.2	5.4	5.6	5.6	6.5	9.3	2.3	10.0	11.1	12.0
Air transportation.....	1.2	1.4	1.8	1.9	2.2	2.2	2.4	2.6	.6	2.8	3.3	3.4
Water transportation.....	.9	.9	1.1	1.1	1.2	1.4	1.5	1.6	.4	1.7	1.9	2.0
Other transportation.....	*	*	*	*	.1	.1	.1	.1	*	.1	.1	.1
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	-.1	-.1	—*	—*	—*	-.1	-.1
<b>Total transportation.....</b>	<b>6.5</b>	<b>7.0</b>	<b>8.1</b>	<b>8.4</b>	<b>9.1</b>	<b>9.2</b>	<b>10.4</b>	<b>13.4</b>	<b>3.3</b>	<b>14.6</b>	<b>16.3</b>	<b>17.4</b>
<b>Community and regional development:</b>												
Community development.....	.9	1.5	1.8	2.1	2.1	2.1	2.3	2.8	.9	3.5	4.0	4.0
Area and regional development...	.6	.6	.7	.9	.9	1.2	1.0	1.4	.3	2.1	4.0	3.7
Disaster relief and insurance.....	*	.3	.4	.4	1.6	.8	.4	.5	.1	.6	1.7	1.0
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
<b>Total community and regional development.....</b>	<b>1.5</b>	<b>2.4</b>	<b>2.8</b>	<b>3.4</b>	<b>4.6</b>	<b>4.1</b>	<b>3.7</b>	<b>4.7</b>	<b>1.3</b>	<b>6.3</b>	<b>9.7</b>	<b>8.7</b>

**Education, training, employment,  
and social services:**

Elementary, secondary, and vocational education.....	2.7	3.1	3.5	4.0	3.7	3.8	4.6	4.7	1.2	5.1	5.7	6.5
Higher education.....	1.2	1.4	1.4	1.4	1.5	1.3	2.0	2.7	.7	3.1	3.8	4.3
Research and general education aids.....	.3	.5	.5	.5	.7	.9	.9	.8	.2	.9	1.2	1.2
Training and employment.....	1.6	1.6	2.0	2.9	3.3	2.9	4.1	6.3	1.9	6.9	10.9	12.8
Other labor services.....	.1	.1	.2	.2	.2	.2	.3	.3	.1	.4	.4	.5
Social services.....	1.6	1.9	2.2	3.5	3.3	3.2	3.9	4.0	1.0	4.6	5.5	5.1
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

**Total education, training,  
employment, and social  
services.....**

	<b>7.5</b>	<b>8.6</b>	<b>9.8</b>	<b>12.5</b>	<b>12.7</b>	<b>12.3</b>	<b>15.9</b>	<b>18.7</b>	<b>5.2</b>	<b>21.0</b>	<b>27.5</b>	<b>30.4</b>
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**Health:**

Health care services.....	10.0	11.1	12.6	15.0	16.0	19.1	24.2	29.4	7.7	34.5	39.9	45.1
Health research.....	1.0	1.1	1.1	1.3	1.6	1.7	1.9	2.3	.5	2.5	2.7	2.9
Education and training of health care work force.....	.6	.6	.7	.7	.9	.8	.9	1.0	.3	1.0	.8	.8
Consumer and occupational health and safety.....	.2	.2	.3	.4	.4	.5	.6	.7	.2	.7	.8	.9
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

**Total health.....**

	<b>11.8</b>	<b>13.1</b>	<b>14.7</b>	<b>17.5</b>	<b>18.8</b>	<b>22.1</b>	<b>27.6</b>	<b>33.4</b>	<b>8.7</b>	<b>38.8</b>	<b>44.3</b>	<b>49.7</b>
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**Income security:**

General retirement and disability insurance.....	28.3	31.3	37.5	42.0	51.7	58.6	69.4	77.2	20.9	88.6	98.2	108.4
Federal employee retirement and disability.....	1.7	2.7	3.2	3.8	4.5	5.6	7.0	8.2	2.3	9.5	10.8	12.0
Unemployment compensation....	2.6	3.4	6.2	7.1	5.4	6.1	13.5	19.5	4.0	15.3	12.4	11.8
Public assistance and other income supplements.....	4.7	5.7	8.6	11.1	11.4	14.1	18.8	21.8	5.5	23.6	26.3	27.8
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

**Total income security.....**

	<b>37.3</b>	<b>43.1</b>	<b>55.4</b>	<b>63.9</b>	<b>73.0</b>	<b>84.4</b>	<b>108.6</b>	<b>126.6</b>	<b>32.7</b>	<b>137.0</b>	<b>147.6</b>	<b>160.0</b>
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See footnotes at end of table.



Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1969-79 (in billions of dollars)—Continued

Function and subfunction	Actual									Estimate		
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<b>Veterans benefits and services:</b>												
Income security for veterans.....	5.0	5.5	6.0	6.3	6.5	6.8	7.9	8.4	2.1	9.2	9.7	10.3
Veterans education, training, and rehabilitation.....	.7	1.0	1.7	2.0	2.8	3.2	4.6	5.5	.8	3.7	3.1	2.6
Hospital and medical care for veterans.....	1.6	1.8	2.0	2.4	2.7	3.0	3.7	4.0	1.0	4.7	5.4	5.8
Veterans housing.....	.1	.1	-.2	-.3	-.4	—*	*	-.1	—*	-.1	—*	-.1
Other veterans benefits and services.....	.2	.3	.3	.3	.4	.4	.5	.6	.1	.5	.6	.7
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
<b>Total veterans benefits and services.....</b>	<b>7.6</b>	<b>8.7</b>	<b>9.8</b>	<b>10.7</b>	<b>12.0</b>	<b>13.4</b>	<b>16.6</b>	<b>18.4</b>	<b>4.0</b>	<b>18.0</b>	<b>18.9</b>	<b>19.3</b>
<b>Administration of justice:</b>												
Federal law enforcement activities.	.5	.6	.7	.8	1.0	1.1	1.3	1.5	.4	1.7	1.9	2.0
Federal litigative and judicial activities.....	.2	.2	.3	.3	.4	.4	.5	.7	.2	.8	1.0	1.1
Federal correctional activities.....	.1	.1	.1	.1	.2	.2	.2	.2	.1	.2	.3	.4
Criminal justice assistance.....	*	.1	.2	.4	.6	.8	.9	.9	.2	.8	.8	.7
Deductions for offsetting receipts..	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
<b>Total administration of justice.....</b>	<b>.8</b>	<b>1.0</b>	<b>1.3</b>	<b>1.6</b>	<b>2.1</b>	<b>2.5</b>	<b>2.9</b>	<b>3.3</b>	<b>.9</b>	<b>3.6</b>	<b>4.0</b>	<b>4.2</b>
<b>General government:</b>												
Legislative functions.....	.3	.3	.3	.4	.4	.5	.6	.7	.2	.8	.9	.9
Executive direction and management.....	*	*	*	.1	.1	.1	.1	.1	*	.1	.1	.1
Central fiscal operations.....	.8	.9	1.0	1.2	1.2	1.3	1.8	1.8	.4	1.9	2.2	2.4
General property and records management.....	.6	.6	.6	.7	.9	1.0	.4	.1	.1	.1	.4	.4
Central personnel management...	*	*	.1	.1	.1	.1	.1	.1	*	.1	.1	.1
Other general government.....	.1	.2	.2	.2	.2	.4	.5	.5	.2	.5	.6	.6

Deductions for offsetting receipts..	-.2	-.1	-.1	-.1	-.2	-.2	-.3	-.3	-.1	-.2	-.2	-.2
<b>Total general government..</b>	<b>1.6</b>	<b>1.9</b>	<b>2.2</b>	<b>2.5</b>	<b>2.7</b>	<b>3.3</b>	<b>3.1</b>	<b>2.9</b>	<b>.9</b>	<b>3.4</b>	<b>4.1</b>	<b>4.3</b>
<b>General purpose fiscal assistance:</b>												
General revenue sharing.....	.....	.....	.....	.....	6.6	6.1	6.1	6.2	1.6	6.8	6.8	6.9
Other general purpose fiscal assistance.....	.4	.5	.5	.7	.7	.8	1.1	1.0	.5	2.7	3.0	2.8
<b>Total general purpose fiscal assistance.....</b>	<b>.4</b>	<b>.5</b>	<b>.5</b>	<b>.7</b>	<b>7.4</b>	<b>6.9</b>	<b>7.2</b>	<b>7.2</b>	<b>2.1</b>	<b>9.5</b>	<b>9.9</b>	<b>9.6</b>
<b>Interest:</b>												
Interest on the public debt.....	16.6	19.3	21.0	21.8	24.2	29.3	32.7	37.1	8.1	41.9	48.6	55.4
Other interest.....	-.8	-1.0	-1.4	-1.3	-1.4	-1.2	-1.7	-2.5	-.9	-3.8	-4.8	-6.4
<b>Total interest.....</b>	<b>15.8</b>	<b>18.3</b>	<b>19.6</b>	<b>20.6</b>	<b>22.8</b>	<b>28.1</b>	<b>31.0</b>	<b>34.6</b>	<b>7.2</b>	<b>38.1</b>	<b>43.8</b>	<b>49.0</b>
<b>Allowances:</b>												
Civilian pay raises.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.1
Contingencies for:												
Relatively uncontrollable programs.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	1.7
Other requirements.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>Total allowances.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>2.8</b>
<b>Undistributed offsetting receipts:</b>												
Employer share, employee retirement.....	-2.0	-2.4	-2.6	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.5	-5.0	-5.2
Interest received by trust funds...	-3.1	-3.9	-4.8	-5.1	-5.4	-6.6	-7.7	-7.8	-.3	-8.1	-8.6	-9.1
Rents and royalties on the Outer Continental Shelf.....	-.4	-.2	-1.1	-.3	-4.0	-6.7	-2.4	-2.7	-1.3	-2.4	-2.0	-1.8
<b>Total undistributed offsetting receipts.....</b>	<b>-5.5</b>	<b>-6.6</b>	<b>-8.4</b>	<b>-8.1</b>	<b>-12.3</b>	<b>-16.7</b>	<b>-14.1</b>	<b>-14.7</b>	<b>-2.6</b>	<b>-15.1</b>	<b>-15.6</b>	<b>-16.0</b>
<b>Total budget outlays.....</b>	<b>184.5</b>	<b>196.6</b>	<b>211.4</b>	<b>232.0</b>	<b>247.1</b>	<b>269.6</b>	<b>326.1</b>	<b>365.6</b>	<b>94.7</b>	<b>401.9</b>	<b>462.2</b>	<b>500.2</b>

See footnotes at end of table.



Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1969-79 (in billions of dollars)—Continued

Function and subfunction	Actual										Estimate	
	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979
<i>Outlays of off-budget Federal entities:</i> <sup>2</sup>												
<i>International affairs: International financial programs</i> .....								-.1	-*	*	-.1	-.1
<i>Energy: Energy supply</i> .....					.1	.5	.5	.2	-.1	.4	.1	
<i>Commerce and housing credit:</i>												
<i>Postal Service</i> .....						.8	1.1	1.1	-.7	-.2	.8	-*
<i>Federal Financing Bank</i> .....						.1	6.4	5.9	2.6	8.2	10.6	12.5
<i>Total, commerce and housing credit</i> .....						.9	7.5	6.9	1.8	8.0	11.4	12.5
<i>Transportation: Ground transportation</i> .....								*	.1	*	.1	*
<i>Community and regional development:</i>												
<i>Area and regional development</i> ....						*	.1	.1	.1	*	.1	.1
<i>Income security: General retirement and disability insurance</i> .....								-*	-*	-*	-*	-*
<i>Outlays off-budget Federal entities</i> .....					.1	1.4	8.1	7.2	1.8	8.7	11.5	12.5
<i>Outlays including off-budget Federal entities</i> .....	184.5	196.6	211.4	232.0	247.1	271.1	334.1	372.9	96.4	410.6	473.7	512.7

\* \$50 million or less.

<sup>1</sup> Includes allowances for civilian and military pay raises for Department of Defense.<sup>2</sup> Off-budget Federal entities begin in 1973.

**Table 4. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1972) PRICES: 1956-79**  
(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
1956.....	70.5	39.7	30.7	13.8	5.1	11.8	133.0	72.9	60.1	21.2	16.9	22.0
1957.....	76.7	42.4	34.3	15.6	5.4	13.4	137.2	74.2	63.0	23.2	16.1	23.6
1958.....	82.6	43.7	38.9	19.4	5.6	13.8	141.9	74.0	67.9	28.0	16.2	23.7
1959.....	92.1	46.0	46.1	21.2	5.8	19.2	153.9	75.3	78.6	30.1	16.5	32.1
1960.....	92.2	45.2	47.1	22.9	6.9	17.2	150.8	73.8	77.0	32.1	16.3	28.6
1961.....	97.8	46.6	51.2	25.9	6.7	18.6	157.1	74.8	82.2	35.8	16.2	30.2
1962.....	106.8	49.0	57.8	27.1	6.9	23.8	168.7	77.2	91.5	37.1	16.7	37.8
1963.....	111.3	50.1	61.2	28.7	7.7	24.8	170.7	76.8	93.9	38.8	16.8	38.3
1964.....	118.6	51.5	67.1	29.8	8.2	29.1	177.4	77.0	100.4	39.7	16.8	43.9
1965.....	118.4	47.5	71.0	30.5	8.6	31.9	173.3	69.3	104.0	40.1	16.7	47.2
1966.....	134.7	54.9	79.8	34.3	9.4	36.1	187.9	76.3	111.6	44.2	16.5	50.9
1967.....	158.3	68.2	90.0	40.1	10.3	39.7	212.1	92.0	120.1	50.1	16.1	53.9
1968.....	178.8	78.8	100.1	46.0	11.1	43.0	229.5	101.4	128.1	55.6	16.9	55.6
1969.....	184.5	79.4	105.1	52.8	12.7	39.6	223.1	97.9	125.3	60.9	15.5	48.8
1970.....	196.6	78.6	118.0	59.8	14.4	43.9	220.8	90.3	130.5	65.1	15.0	50.4
1971.....	211.4	75.8	135.6	74.6	14.8	46.2	223.0	81.2	141.8	77.2	15.2	49.3
1972.....	232.0	76.6	155.5	85.3	15.5	54.7	232.0	76.5	155.5	85.3	15.5	54.7
1973.....	247.1	74.5	172.5	95.9	17.4	59.2	233.2	70.0	163.2	92.2	15.4	55.6
1974.....	269.6	77.8	191.9	111.1	21.5	59.3	231.9	67.9	164.0	98.0	14.4	51.5
1975.....	326.1	85.6	240.5	142.7	23.3	74.6	253.4	67.1	186.2	113.3	14.6	58.3
1976.....	365.6	89.4	276.2	166.6	26.8	82.9	265.8	65.5	200.3	123.6	16.4	60.4
TQ.....	94.7	22.3	72.4	42.7	7.0	22.7	66.7	15.9	50.8	30.6	4.1	16.1
1977.....	401.9	97.5	304.4	181.7	30.0	92.7	272.0	66.5	205.5	125.4	17.4	62.7
1978 estimate.....	462.2	107.6	354.6	196.9	35.2	122.4	293.0	68.9	224.1	128.2	18.2	77.7
1979 estimate.....	500.2	117.8	382.4	214.5	39.9	128.0	296.6	70.3	226.3	131.6	18.9	75.8



Table 5. BUDGET AUTHORITY AND OUTLAYS BY AGENCY (in millions of dollars)

Department or other unit	Budget authority			Outlays		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Legislative branch.....	1,043	1,076	1,161	976	1,057	1,175
The Judiciary.....	430	469	492	392	458	489
Executive Office of the President.....	78	76	79	73	78	78
Funds appropriated to the President.....	4,639	8,964	10,974	2,487	4,916	5,089
Agriculture.....	15,467	17,209	20,026	16,738	22,625	17,727
Commerce.....	8,204	2,370	2,722	2,606	4,524	4,385
Defense—Military <sup>1</sup> .....	108,425	115,264	125,567	95,650	105,300	115,200
Defense—Civil.....	2,495	2,744	2,457	2,280	2,536	2,547
Energy <sup>2</sup> .....	6,620	10,632	11,642	5,217	8,152	10,087
Health, Education, and Welfare.....	147,628	162,281	185,007	147,455	164,595	181,265
Housing and Urban Development.....	33,900	38,143	33,112	5,838	8,411	9,529
Interior.....	3,703	4,257	4,452	3,194	3,904	4,002
Justice.....	2,334	2,365	2,457	2,350	2,527	2,533
Labor.....	31,203	20,676	29,861	22,374	23,742	25,134
State.....	1,240	1,443	1,465	1,076	1,247	1,355
Transportation.....	9,298	13,560	17,355	12,514	14,395	15,798
Treasury.....	49,391	56,571	69,648	49,560	56,688	62,612
Environmental Protection Agency.....	2,763	5,503	5,627	4,365	5,063	5,679
General Services Administration.....	304	224	300	-31	289	306
National Aeronautics and Space Administration.....	3,818	4,063	4,370	3,944	3,982	4,269
Veterans Administration.....	19,042	19,042	19,048	18,019	18,898	19,238
Other independent agencies.....	28,253	31,596	32,220	19,878	24,467	24,899
Allowances <sup>3</sup> .....			4,150			2,800
Undistributed offsetting receipts:						
Employer share, employee retirement.....	-4,548	-5,024	-5,157	-4,548	-5,024	-5,157
Interest received by trust funds.....	-8,131	-8,595	-9,064	-8,131	-8,595	-9,064
Rents and royalties on the Outer Continental Shelf lands.....	-2,374	-2,000	-1,800	-2,374	-2,000	-1,800
<b>Total budget authority and outlays.....</b>	<b>465,231</b>	<b>502,907</b>	<b>568,172</b>	<b>401,902</b>	<b>462,234</b>	<b>500,174</b>

**MEMORANDUM**

Portion available through current action by Congress.....	317, 500	327, 377	366, 929	190, 864	196, 355	218, 015
Portion available without current action by Congress.....	206, 925	235, 337	264, 822	134, 434	157, 607	180, 109
Outlays from obligated balances <sup>4</sup> .....	.....	.....	.....	78, 889	107, 166	121, 814
Outlays from unobligated balances <sup>4</sup> .....	.....	.....	.....	56, 908	60, 914	43, 816
Deductions for offsetting receipts:						
Intragovernmental transactions.....	-42, 501	-43, 430	-46, 335	-42, 501	-43, 430	-46, 335
Proprietary receipts from the public.....	-16, 693	-16, 377	-17, 244	-16, 693	-16, 377	-17, 244
<b>Total budget authority and outlays.....</b>	<b>465, 231</b>	<b>502, 907</b>	<b>568, 172</b>	<b>401, 902</b>	<b>462, 234</b>	<b>500, 174</b>

<sup>1</sup> Includes allowances for civilian and military pay raises for Department of Defense.

<sup>2</sup> This agency assumes the energy activities previously performed by the Energy Research and Development Administration, the Federal Energy Administration, and several other agencies.

<sup>3</sup> Includes allowances for civilian agency pay raises and contingencies.

<sup>4</sup> Outlays from appropriations to liquidate contract authority are included as outlays from balances.



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

Description	Outlays			Receipts		
	1977 actual	1978 estimate	1979 estimate	1977 actual	1978 estimate	1979 estimate
Federal old-age, and survivors, and disability insurance trust funds . . . .	85,068	94,729	104,458	81,169	89,723	101,530
Railroad employees retirement funds . . . . .	3,800	4,094	4,280	3,597	3,973	3,902
Veterans life insurance trust funds . . . . .	769	764	819	950	1,010	1,000
Federal employees retirement funds . . . . .	9,652	10,999	12,283	16,692	17,873	19,457
Unemployment trust fund . . . . .	14,103	11,800	11,600	14,986	15,400	16,800
Health insurance trust funds . . . . .	21,549	25,571	29,410	22,757	27,482	31,703
Highway trust funds . . . . .	6,147	6,824	7,507	7,302	7,730	8,105
Airport and airway trust funds . . . . .	853	1,094	1,143	1,384	1,496	1,327
State and local government fiscal assistance trust fund . . . . .	6,760	6,827	6,852	6,655	6,855	6,855
Foreign military sales trust fund . . . . .	8,210	8,500	9,500	9,369	8,700	9,200
Other trust funds (nonrevolving) . . . . .	609	673	668	703	939	1,034
Trust revolving funds . . . . .	-1,450	-995	-1,507	.....	.....	.....
Subtotal . . . . .	156,069	170,881	187,015	165,565	181,181	200,913
Intrafund transactions . . . . .	-1,231	-1,687	-1,381	-1,231	-1,687	-1,381
Proprietary receipts from the public . . . . .	-10,386	-9,766	-10,300	-10,386	-9,766	-10,300
Receipts from off-budget Federal entities . . . . .	-1,186	-1,238	-1,242	-1,186	-1,238	-1,242
<b>Total . . . . .</b>	<b>143,267</b>	<b>158,190</b>	<b>174,092</b>	<b>152,763</b>	<b>168,490</b>	<b>187,991</b>

Table 7.—FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1956-79

(Dollar amounts in billions)

Year	Gross national product	Budget receipts <sup>1</sup>		Outlays <sup>1 2</sup>						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
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	62.9	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	20.0	.1	*	247.1	20.0	468.4	37.9	343.0	27.7
1974.....	1,359.2	264.9	19.5	269.6	19.8	1.4	.1	271.1	19.9	486.2	35.8	346.1	25.5
1975.....	1,454.6	281.0	19.3	326.1	22.4	8.0	.6	334.1	23.0	544.1	37.4	396.9	27.3
1976.....	1,625.4	299.2	18.4	365.6	22.5	7.2	.4	372.9	22.9	631.9	38.9	480.3	29.5
1977.....	1,838.0	356.9	19.4	401.9	21.9	8.7	.5	410.6	22.3	709.1	38.6	551.8	30.0
1978 est....	2,043.2	400.4	19.6	462.2	22.6	11.5	.6	473.7	23.2	785.6	38.4	617.8	30.2
1979 est....	2,274.6	439.6	19.3	500.2	22.0	12.5	.6	512.7	22.5	873.7	38.4	690.8	30.4

\*.05% or less.

Note.—Exchange stabilization fund included from 1976.

<sup>1</sup> The amounts of earned income credit in excess of tax liabilities are shown as negative budget receipts rather than as budget outlays. Accordingly, the budget totals have been adjusted retroactively.

<sup>2</sup> The 1975-1977 data have been revised retroactively to include the housing for the elderly or handicapped fund in the unified budget instead of with the off-budget Federal entities.



**Table 8. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT  
IN THE EXECUTIVE BRANCH <sup>1</sup>**

**[Excluding the Postal Service]**

Agency	Sept. 30		
	1977 actual	1978 estimate	1979 estimate
Agriculture.....	82,051	84,800	84,000
Commerce <sup>2</sup> .....	29,491	29,800	29,800
Defense—military functions <sup>2</sup> .....	911,637	912,100	904,900
Defense—civil functions.....	28,912	28,700	28,600
Energy <sup>2</sup> .....	18,078	19,500	19,100
Health, Education, and Welfare.....	140,389	144,300	145,100
Housing and Urban Development.....	15,261	16,000	17,400
Interior <sup>2</sup> .....	53,291	55,700	56,000
Justice.....	50,986	53,400	55,100
Labor <sup>2</sup> .....	18,948	20,800	20,800
State <sup>2</sup> .....	22,412	22,800	22,800
Transportation.....	71,550	72,800	73,100
Treasury.....	107,150	109,700	112,500
Environmental Protection Agency.....	9,779	10,200	10,800
General Services Administration.....	34,040	35,900	36,000
National Aeronautics and Space Administration.....	23,569	23,200	23,200
Veterans Administration.....	195,175	202,400	203,000
Other:			
Agency for International Development.....	5,712	5,900	5,900
Civil Service Commission.....	6,875	7,000	7,200
International Communication Agency <sup>2</sup> .....	8,519	8,600	8,600
Nuclear Regulatory Commission.....	2,499	2,700	2,800
Panama Canal.....	12,914	13,500	13,500
Small Business Administration.....	4,307	4,500	4,600
Tennessee Valley Authority.....	17,060	17,300	18,000
Miscellaneous <sup>2</sup> .....	38,383	40,800	41,200
Subtotal.....	1,908,988	1,942,700	1,944,200
Contingencies <sup>3</sup> .....	.....	2,000	2,000
Subtotal.....	1,908,988	1,944,700	1,946,200
Expected lapse.....	.....	—14,600	—14,600
<b>Total.....</b>	<b>1,908,988</b>	<b>1,930,100</b>	<b>1,931,600</b>

<sup>1</sup> Excludes Postal Service employment. Actual employment for 1977 was 527,078; employment for 1978 is estimated to be 524,600 and 523,800 for 1979. Also excludes developmental positions under the worker trainee opportunity program (WTOP), as well as certain statutory exemptions.

<sup>2</sup> Sept. 30, 1977, numbers have been adjusted to reflect the establishment of the Department of Energy and its absorption of the Energy Research and Development Administration, Federal Energy Administration, Federal Power Commission, and parts of other agencies. Similar adjustments have been made to reflect establishment of the International Communication Agency and the transfer of employees to it from the Department of State and the United States Information Agency. Transfer of the Mining Enforcement and Safety Administration from the Interior Department to the Labor Department is also reflected.

<sup>3</sup> 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	2,797	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	-23,373
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	326,092	-45,095
1943.....	23,649	78,533	-54,884	1976.....	299,197	365,643	-66,446
1944.....	44,276	91,280	-47,004	TQ.....	81,687	94,657	-12,970
1945.....	45,216	92,690	-47,474	1977.....	356,861	401,902	-45,040
1946.....	39,327	55,183	-15,856	1978 est..	400,387	462,234	-61,847
1947.....	38,394	34,532	+3,862	1979 est..	439,588	500,174	-60,586

*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.....	1,770	96,427	-14,740
1974.....	1,447	271,067	-6,135	1977 est..	8,693	410,594	-53,733
1975.....	8,054	334,145	-53,149	1978 est..	11,514	473,748	-73,361
1976.....	7,211	372,854	-73,657	1979 est..	12,538	512,712	-73,124

\* \$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.

The amounts of earned income credit in excess of tax liabilities are shown as negative budget receipts rather than as budget outlays. Accordingly, the budget totals have been adjusted retroactively.

The 1975-1977 data have been revised retroactively to include the housing for the elderly or handicapped fund in the unified budget instead of with the off-budget Federal entities.



# GLOSSARY<sup>1</sup>

**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 formal request 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 will result in immediate or future 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 to make payments.

*Borrowing authority*—statutory authority, not necessarily provided through the appropriations process, that permits Federal agencies to incur obligations and to 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, as well as premiums from voluntary participants in Federal social insurance programs closely associated with compulsory programs and as gifts and contributions. 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 for any given period.

**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.

**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.

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<sup>1</sup> These definitions are consistent with those contained in the booklet "Budgetary Definitions," published by the General Accounting Office in July 1977.



**CONTROLLABILITY**—In the President's budget this refers to the ability of the President to control budget authority or outlays during a fiscal year without changing existing substantive 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 coming 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 transmit current services estimates to the Congress. The current services estimates for 1979 are published in Special Analysis A of the 1979 budget.

**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 collections, such as those generated by and used to finance a continuing cycle of business-type operations.

**FISCAL YEAR**—The yearly accounting period for the Federal Government, which begins on October 1 and ends on September 30. The fiscal year is designated by the calendar year in which it ends; e.g., fiscal year 1977 is the fiscal year ending September 30, 1977. (Prior to fiscal year 1977 the fiscal year began on July 1 and ended on June 30.)

**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).

**NATIONAL NEEDS**—The end purposes being served by budget authority, outlays and tax expenditures grouped by function. To achieve our national needs, the Federal Government undertakes major missions that are supported by basic programs:

*Major missions*—The purposes being served by the basic programs authorized to carry out national needs. For purposes of the budget, major missions are synonymous with subfunctions.

*Basic programs*—A set of activities directed toward a common purpose or goal, undertaken in order to meet major missions.



**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 some future period.

**OFF-BUDGET FEDERAL ENTITIES**—Organizational entities, federally owned in whole or in part, whose transactions belong in the budget under current budget accounting concepts but which have been excluded from the budget totals under provisions of law. While these transactions are not included in the budget totals, information on these entities is presented in various places in the budget documents.

**OFFSETTING RECEIPTS**—Collections deposited in receipt accounts that are offset against budget authority and outlays rather than being counted as budget receipts. These are collections from other Government accounts or from transactions with the public that are of a business-type or market-oriented nature. Offsetting receipts are classified as (1) intra-governmental transactions or (2) proprietary receipts from the public.

**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 appropriation acts 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.

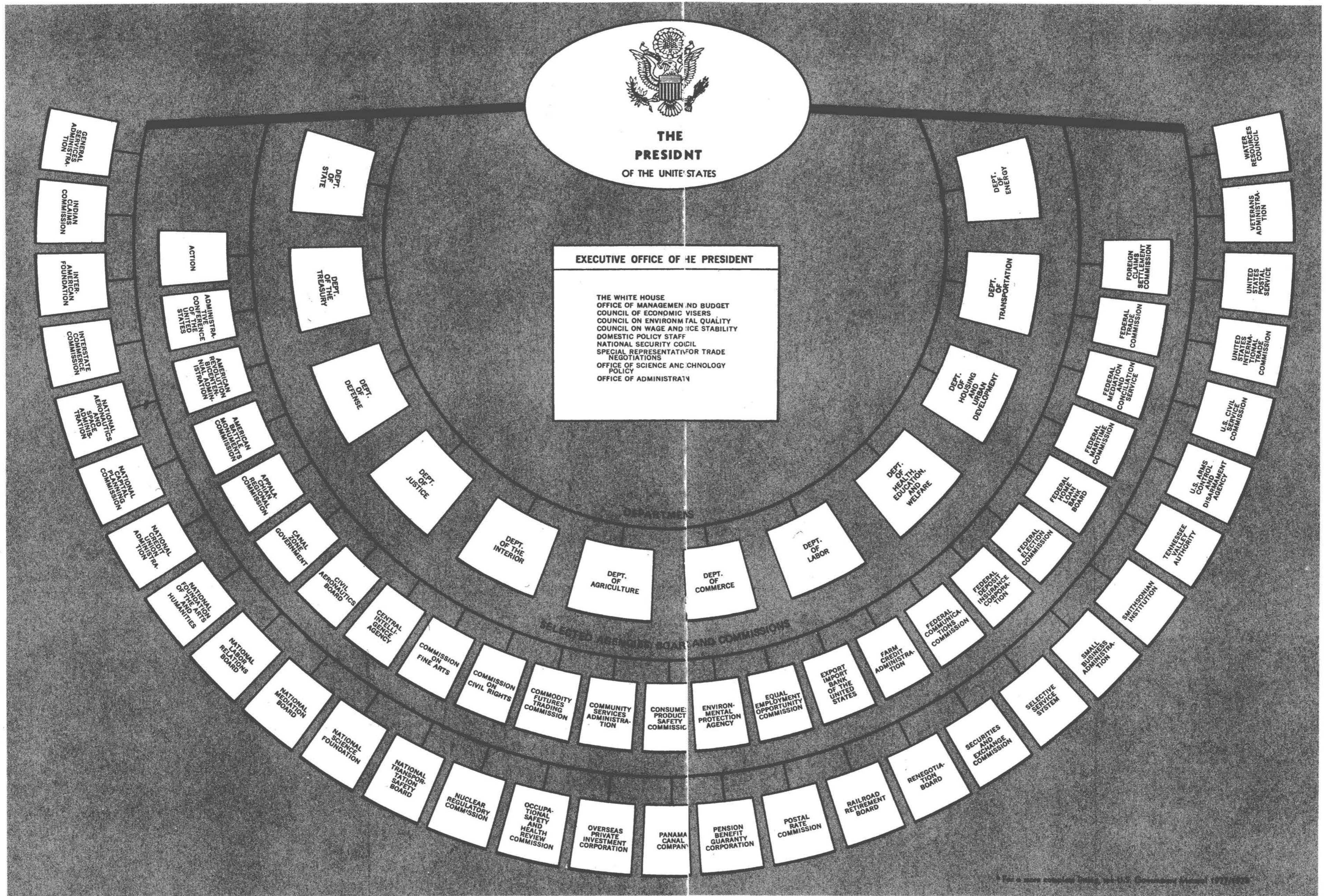
**TRANSITION QUARTER**—The 3-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 resulting from the change from a July 1 through June 30 fiscal year to an October 1 through September 30 fiscal year beginning with fiscal year 1977.

**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.

**ZERO-BASE BUDGETING (ZBB)**—A process that emphasizes management's responsibility for planning, budgeting and evaluation. ZBB provides for analysis of alternative methods of operation and various levels of effort. It places new programs on an equal footing with existing programs by requiring ranking of program priorities and thereby provides a systematic basis for allocating resources.



# EXECUTIVE BRANCH OF THE GOVERNMENT



EXECUTIVE OFFICE OF THE PRESIDENT/OFFICE OF MANAGEMENT AND BUDGET

JANUARY, 1978



## THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1979 are published in four documents:

(1) *The Budget of the United States Government, 1979* 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 in terms of national needs, agency missions, and basic programs. It also provides an analysis of estimated receipts and Presidential tax proposals. This document also contains a description of the budget system and various summary tables on the budget as a whole. (Price \$4.00.)

(2) *The Budget of the United States Government, 1979—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 text of appropriation language, budget schedules 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 schedules of permanent positions. Supplemental and rescission proposals for the current year and new legislative proposals are presented separately. Information is also provided on certain activities, whose outlays are not part of the budget totals. (Price \$12.00.)

(3) *Special Analyses, Budget of the United States Government, 1979* contains 16 special analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data. This document includes analytical information about: alternative views of the budget, i.e., current services and national income accounts; economic and financial analyses of the budget covering Government finances and operations as a whole; Government-wide program and financial information for Federal education, training and employment, health, income security, civil rights, environment, and research and development programs. (Price \$3.25.)

(4) *The United States Budget in Brief, 1979* provides a more concise, less technical overview of the 1979 budget than the above volumes. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays. (Price \$1.75.)

Each of these documents is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. (Paper covers only.)