



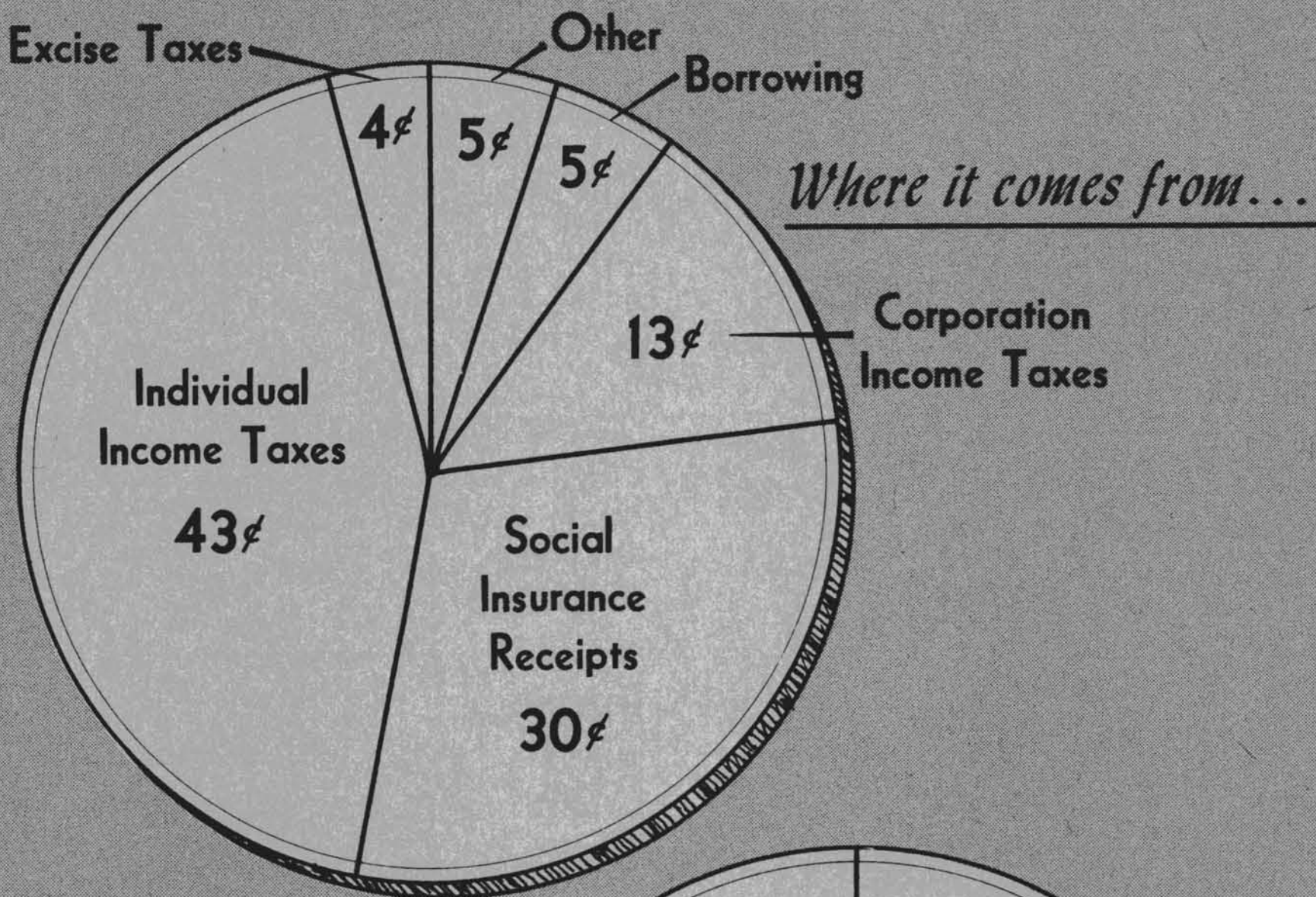
THE UNITED STATES BUDGET IN BRIEF



**FISCAL YEAR
1980**

THE BUDGET DOLLAR

Fiscal Year 1980 Estimate



Where it goes...

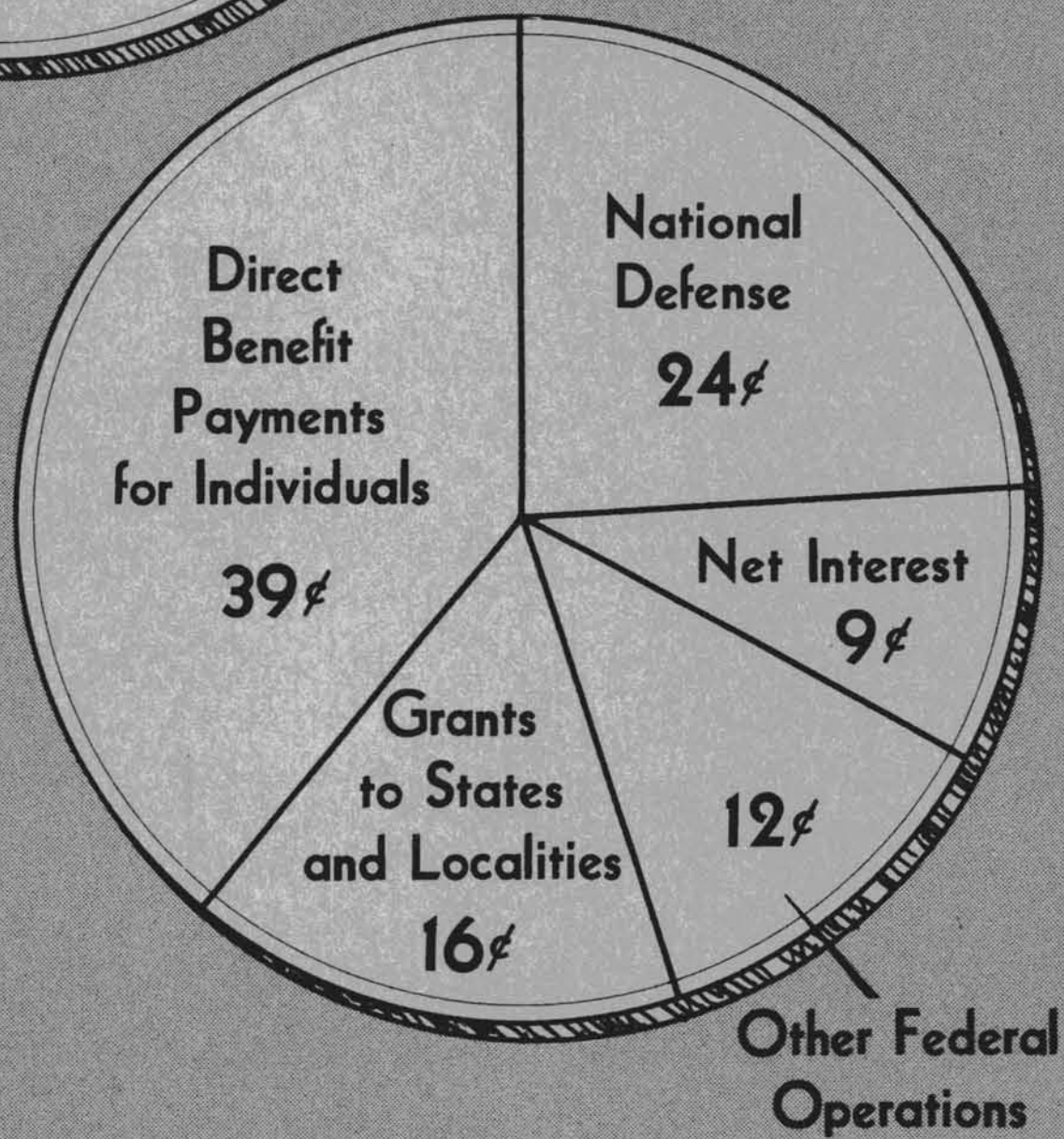


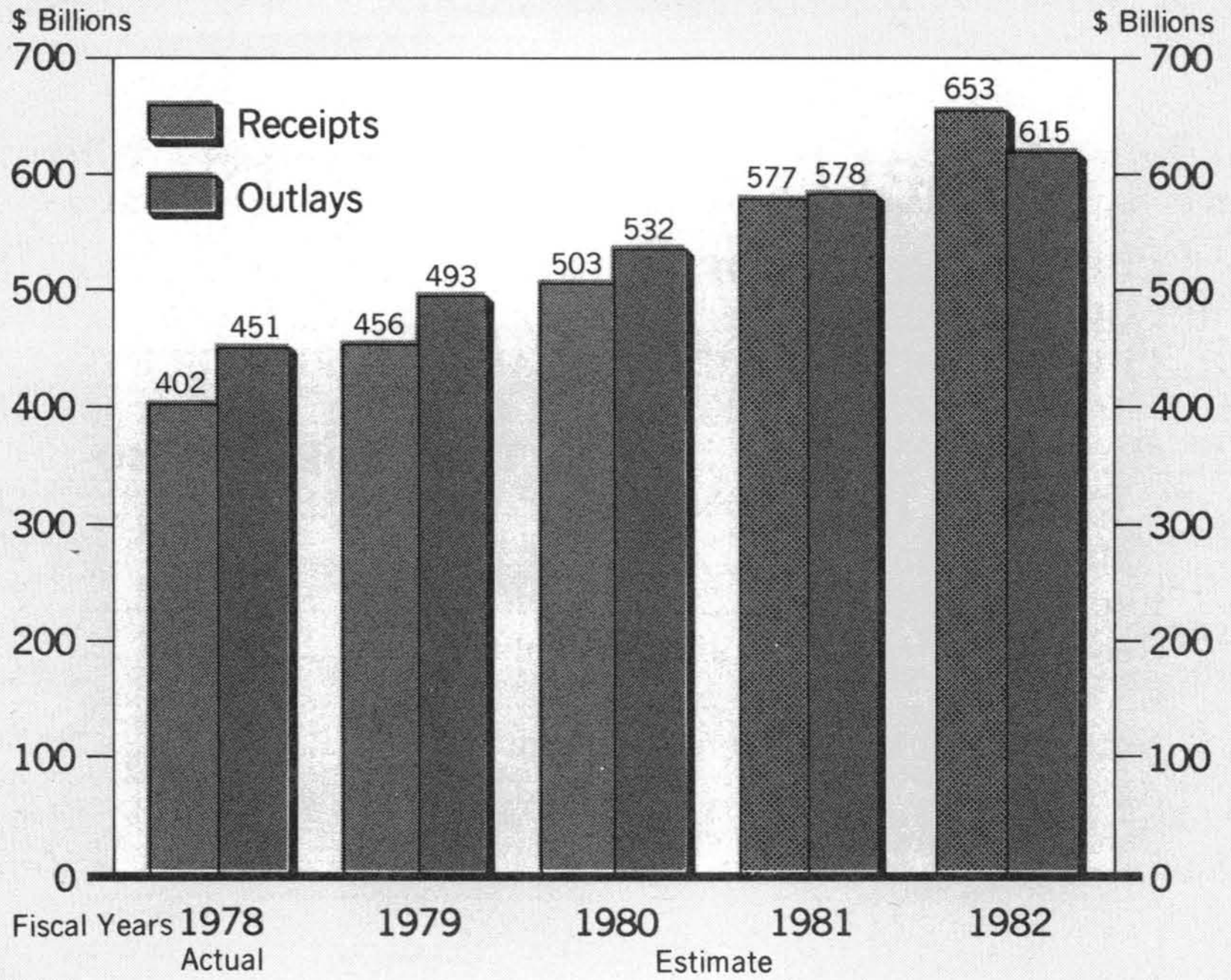
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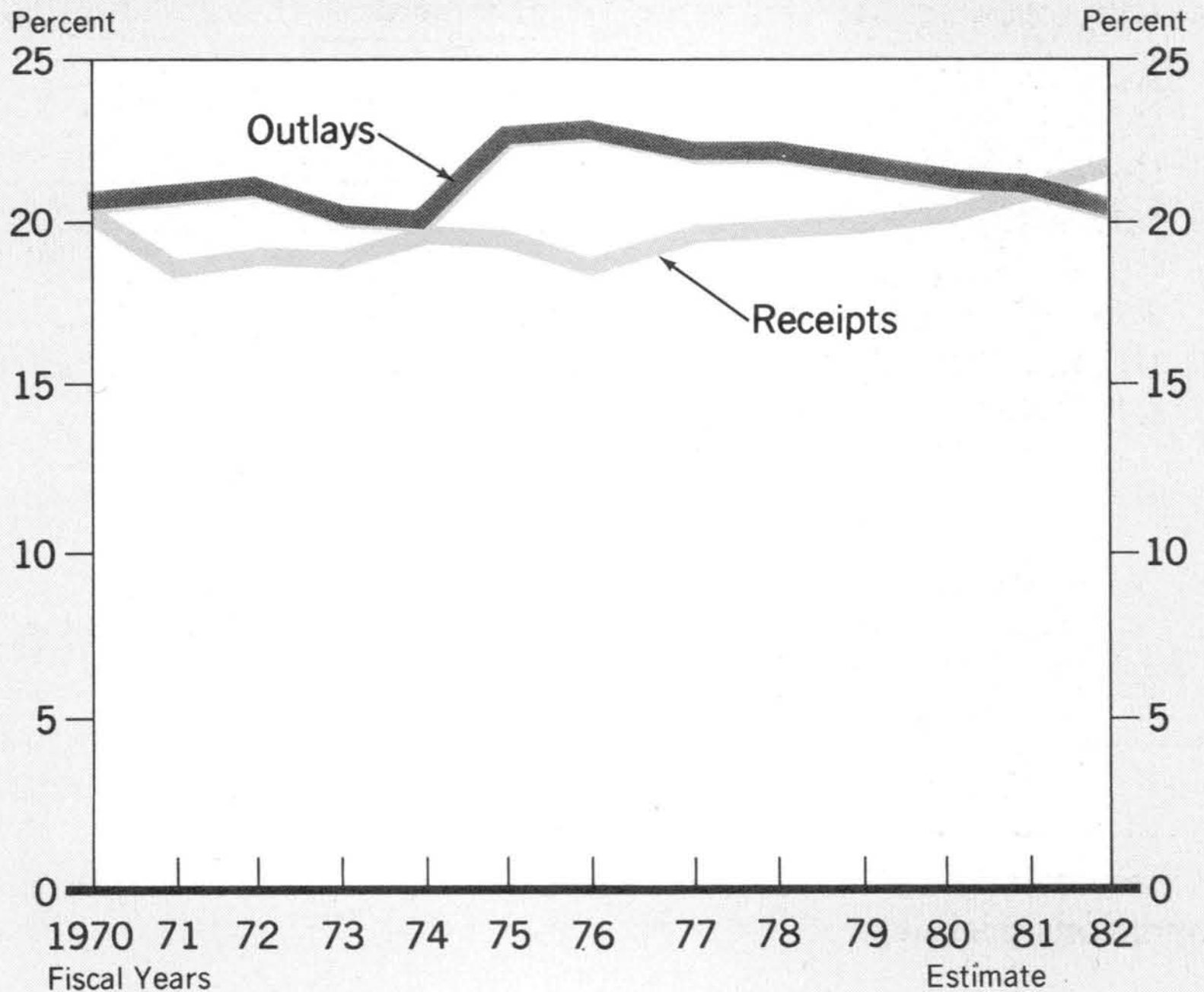
GENERAL NOTES

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, 1978-1982



Budget Outlays and Receipts as a Percent of GNP



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

This budget for fiscal year 1980 is lean and austere. It recommends a spending level well below that suggested by the recent momentum of Federal spending. It will disappoint those who seek expanded Federal efforts across the board. It meets my commitment to a deficit of \$30 billion or less.

This policy of restraint is not a casual one. It is an imperative if we are to overcome the threat of accelerating inflation.

If that threat is realized it would severely disrupt our economy and the well-being of our society. Americans with low and fixed incomes would suffer the most. Restraint would eventually become an inescapable necessity. But the longer we wait, the more severe and costly the inevitable restraint will be. By contrast, this budget supports a balanced fiscal policy. It is sufficiently restrained to ease inflationary pressures, but it will permit continued economic growth.

The Federal Government cannot overcome inflation by itself. Success will require cooperation from business, from labor, from consumers, from State and local governments—in short, from everyone. I have called for that cooperation as part of my anti-inflation program. However, only through its leadership and its example can the Federal Government secure this cooperation. This budget provides that leadership. It restrains Government's demand on the economy. At the same time, it makes the Federal dollar work harder and better.

The key to effective Federal leadership against inflation, unemployment, and poverty lies in more effective allocation and management of available resources. We must reduce the growth of total Federal spending while protecting the security of our Nation and the well-being of the American people.

This budget provides the necessary discipline over Federal spending by:

- eliminating programs that are unworkable;
- improving programs to make them more effective;
- focusing assistance on the disadvantaged and the poor; and
- reorganizing and consolidating Federal activities to improve efficiency and avoid waste, abuse, or mismanagement.

I believe this discipline represents an opportunity to reassess and build strong foundations for future Government activity, an opportunity to change Government for the better. It is my firm intention to continue these policies in future years, to reduce the size of the deficit, and to achieve a balanced budget as soon as economic conditions permit.

THE BUDGET TOTALS

[In billions of dollars]

	1978 actual	1979 estimate	1980 estimate	1981 estimate	1982 estimate
Budget receipts	402	456	503	577	653
Budget outlays	451	493	532	578	615
Surplus or deficit (—)	—49	—37	—29	—1	38
Budget authority	502	560	616	651	696

My budget provides for total outlays in 1980 of \$532 billion, an increase of \$38 billion, or 7.7%, over 1979, and receipts of \$503 billion. For 1981 and 1982, it provides for total outlays of \$578 billion and \$615 billion, respectively. Budget outlays will decrease as a share of the Nation's gross national product from 22.1% in 1978 to 21.2% in 1980 and 20.3% in 1982. This reduction in the share of our national product spent by the Federal Government is a fundamental goal of my policy, equally as important as reducing the deficit.

The expenditures I recommend are specifically focused on overcoming our Nation's crucial problems. Through rigorous zero-base analyses, priorities have been established to help us get the best Government possible for the resources we can afford. Careful attention to efficiency and productivity will enable Federal managers to achieve our most important priorities with less money and fewer people.

The spending restraint in this budget means that in some areas the Government will simply not be able to do as much as it has in the past. Inevitably, real sacrifices must be made if we are to overcome inflation. In formulating this budget, I have made every effort to spread that burden fairly and objectively. Restraint has not been applied arbitrarily.

However, there are areas where we cannot make major reductions. I have sought to reconcile the need for extraordinary restrictions on Government spending with the need to maintain a strong defense; to implement a national energy policy; to assist people in need; and to continue important public services and investments.

First, as President, it is my central responsibility to ensure that our defense forces are strong enough to deter aggression. This budget does that.

In May of 1977 I met with our NATO allies and urged that we work together to strengthen our common defense. They are meeting the goal that we agreed upon. We must and will do our share.

In total, the 1980 defense budget provides for growth in outlays in real terms of 3% above the current year's spending. Most of this increase will be for strengthening our NATO forces and maintaining the strategic balance. The budget continues my policy of steady modernization of our strategic forces, and improved combat readiness of our tactical forces. It also emphasizes research and development to meet future challenges to our security. At the same time, however, it restrains defense costs by introducing important economies in purchasing, supply management, and personnel costs and numbers.

Second, the 1980 budget recognizes the vital importance of energy to the Nation. Because of our dependence on foreign oil, we continue to be in danger of having supplies disrupted as they were 5 years ago. It is essential that we continue to move forward with an effective national energy program that will decrease our demand for foreign oil and protect against disruption of foreign oil supplies.

The 1980 budget provides for the continued buildup of the strategic petroleum reserve. It continues to assist in the development of technologies to tap our domestic energy resources more effectively. I have given special emphasis to developing advanced solar power technologies. The budget proposals give increased attention to more efficient use of uranium, to nuclear proliferation and environmental problems, and to effective measures to deal with nuclear waste.

Third, even when budget restraint is essential, we will continue as a compassionate society to meet our commitments to the disadvantaged. Therefore, I have ensured that my budget include adequate funds for programs that help those Americans most truly in need. To make these funds as effective as possible, the budget includes recommendations for adjustments in direct payment programs, better targeting of existing programs, and improved management so that funds are not wasted but go to the people for whom they were intended.

My administration is developing a national health plan. Consistent with the development of that plan, the budget emphasizes programs to address critical health needs. As early steps toward this plan, my proposals extend health services to 2 million more low-income children and pregnant women who cannot afford health care that they need, and bring new health care resources to people who live in medically-underserved areas. The budget includes new and expanded programs to reduce activities that cause ill health, such as drug and alcohol abuse, as well as to protect individuals and communities from pollution and other toxic substances; increased funding for mental health research; and expanded health-related services such as nutrition programs for low-income mothers and children.

I am again proposing legislation to contain the exorbitant nationwide rise in hospital costs. The 320% rise in these costs in the past 10 years has been a major inflationary force and an unacceptable drain on family incomes. The Congress *must* act on this problem.

Curbs on hospital costs will benefit State and local budgets—and those of private citizens—as well as the Federal budget. They will strike directly at inflation in a sector where price increases have been chronically high.

The budget recommends a number of changes in the social security system to streamline it and eliminate unnecessary benefit payments. They will reduce the future costs of this largest of all Federal programs—and, ultimately, hold down the taxes imposed on workers and employers. I will consider future social security tax reductions in conjunction with these savings.

In the past 2 years, total employment in the U.S. has increased by 7.4 million. This is an average rate of 4.1% per year, one of the most rapid expansions in our history. The proportion of our civilian population employed is higher, at almost 60%, than it has ever been before. But despite these gains, unemployment, particularly among the disadvantaged and minorities, remains too high.

Continued high structural unemployment in an inflationary economy requires a redirection of our efforts. Programs targeted to employ the truly disadvantaged are continued at their current high levels as established by this administration. More general employment programs, not directed specifically to those most in need, must be reduced to reflect improvements in the economy and our need to establish priorities. Our youth employment and CETA programs reflect my continued strong commitment to fight unemployment of the needy. The employment tax credit enacted last year is encouraging the private sector to provide increased employment opportunities for the disadvantaged, primarily youth. This incentive will be reinforced by a private sector employment initiative, for which I am requesting a \$400 million supplemental appropriation for 1979.

This budget also provides strong support for economic development programs, and again proposes a National Development Bank to help fund these efforts. The budget provides for a 36% increase in assistance to minority business enterprises.

Finally, I believe that the Federal Government must lead the way in investing in the Nation's future. This budget, therefore, continues my policy of providing real growth in Federal support of basic research. This support amounts to a relatively small part of the total budget—\$4.6 billion in 1980—but it is vital to the future of our Nation. The knowledge created through basic research holds the potential for breakthroughs to the solution of problems we face or may face in such critical areas as agriculture, health, environment, energy, defense, and the overall productivity of our economy.

Higher productivity gains in the future, moreover, will make an important contribution to reducing inflation.

* * * * *

Meeting the essential needs of the Nation, while restraining growth in overall spending, makes efficient management not just desirable, but essential.

In 1977 I proposed—and the Congress approved—a Cabinet-level Department of Energy, a streamlined Executive Office of the President, and a consolidation of our international information activities.

In 1978 I proposed—and the Congress approved—reorganizations of the Federal civil service system, emergency preparedness and disaster relief programs, civil rights enforcement, and the pension plan insurance system in order to make them more responsive and effective.

In 1979 I will resubmit my proposal to establish a Department of Education and propose further reorganization and consolidation in economic development assistance, natural resources management, and surface transportation.

For the second year, my budget reflects detailed, Government-wide, zero-base budgeting. Agency programs were explicitly ranked by priority, and programs were ranked across agencies, in a new interagency, zero-base budgeting process.

For the first time, the budget reflects the 3-year budget planning system I have instituted to gain better control of the longer-range effects and direction of Government policies.

In this budget I am proposing a new system to control the growth of Federal credit activities, particularly federally-guaranteed credit.

Other important steps will be taken to improve the way the Government operates and the way it affects the private sector. To increase the efficiency of the private sector, the administration will eliminate unnecessary regulation where possible, and will minimize the redtape involved in necessary environmental and safety regulation. Further efforts will be made to reduce excessive paper work. State and local governments, private institutions, and citizens will benefit from simplified conditions for receiving Federal assistance. In particular, a number of programs have been consolidated to simplify the grant system, and more will be proposed in the future. The Government's own management will be improved through more effective cash management, application of the Civil Service Reform Act, and use of new offices of Inspectors General to identify waste and search out fraud and corruption.

* * * * *

Preparing this budget reminds me once more of the overwhelming demands upon the Federal budget and of the limits on our resources.

I believe that we must firmly limit what the Government taxes and spends. We must balance public and private needs. We must set priorities more carefully. We must change some old priorities and establish new ones. We must defer some of our demands if we are to meet adequately today's most critical needs.

These principles have guided my actions in shaping this budget and they will continue to do so in the future:

- the budget must be kept within the bounds of what is appropriate in today's economic circumstances;
- the Government has no resources of its own, its only resources are those it collects from the taxpayer;
- Government action must be limited to those areas where its intervention is more likely to solve problems than to compound them; and,
- we have an obligation to manage with excellence and to maintain proper priorities within the \$532 billion proposed in this budget.

I know that the Congress shares these beliefs. You, as well as the executive branch, are sensitive to the American people's concerns about the scope of Government, the burdens of taxes, the needs of our citizens and the efficiency of public management. Indeed, the last few years has taken important steps—in part through the establishment of the congressional budget—to improve its own means of establishing priorities. I have worked closely with the Congress, and will continue in this spirit of cooperation.

I look forward to working with the Congress and its leadership on this budget.

The decisions I have made are difficult ones. They involve, not figures on a balance sheet, but the lives and future of the American people. I have chosen restraint in Government spending because inflation must be controlled. I have tried to be equitable in ordering priorities. Yet I have continued to support those programs that represent our most pressing needs. To do so I have terminated, reduced, or deferred other programs.

It is difficult to maintain a sense of strong national purpose when we do not face a clear and immediate crisis. But it is equally important. These are times when responsible leadership means anticipating those day-to-day actions that enable us to avoid crises and to build toward the future. This has been the fundamental purpose behind the decisions considered here, and that is the intent of this budget.

JIMMY CARTER.

JANUARY 22, 1979.

Part I

BUDGET RECEIPTS

This section describes the major sources of budget receipts and the legislative proposals and administrative actions affecting them. The economic assumptions underlying the estimates are presented in Part 2, together with projections of receipts through 1984.

Summary

Total budget receipts in 1980 are estimated to be \$502.6 billion, an increase of \$46.6 billion from the \$456.0 billion for 1979. Receipts in 1981 and 1982 are estimated to be \$576.8 billion and \$652.6 billion, respectively. These estimates reflect the effects of:

- the real wage insurance proposed by the President as part of the anti-inflation program;
- administrative actions and proposed legislative changes to collect taxes closer to the time the liabilities occur;
- other receipts proposals currently being made; and
- increases in social security taxes scheduled under current law.

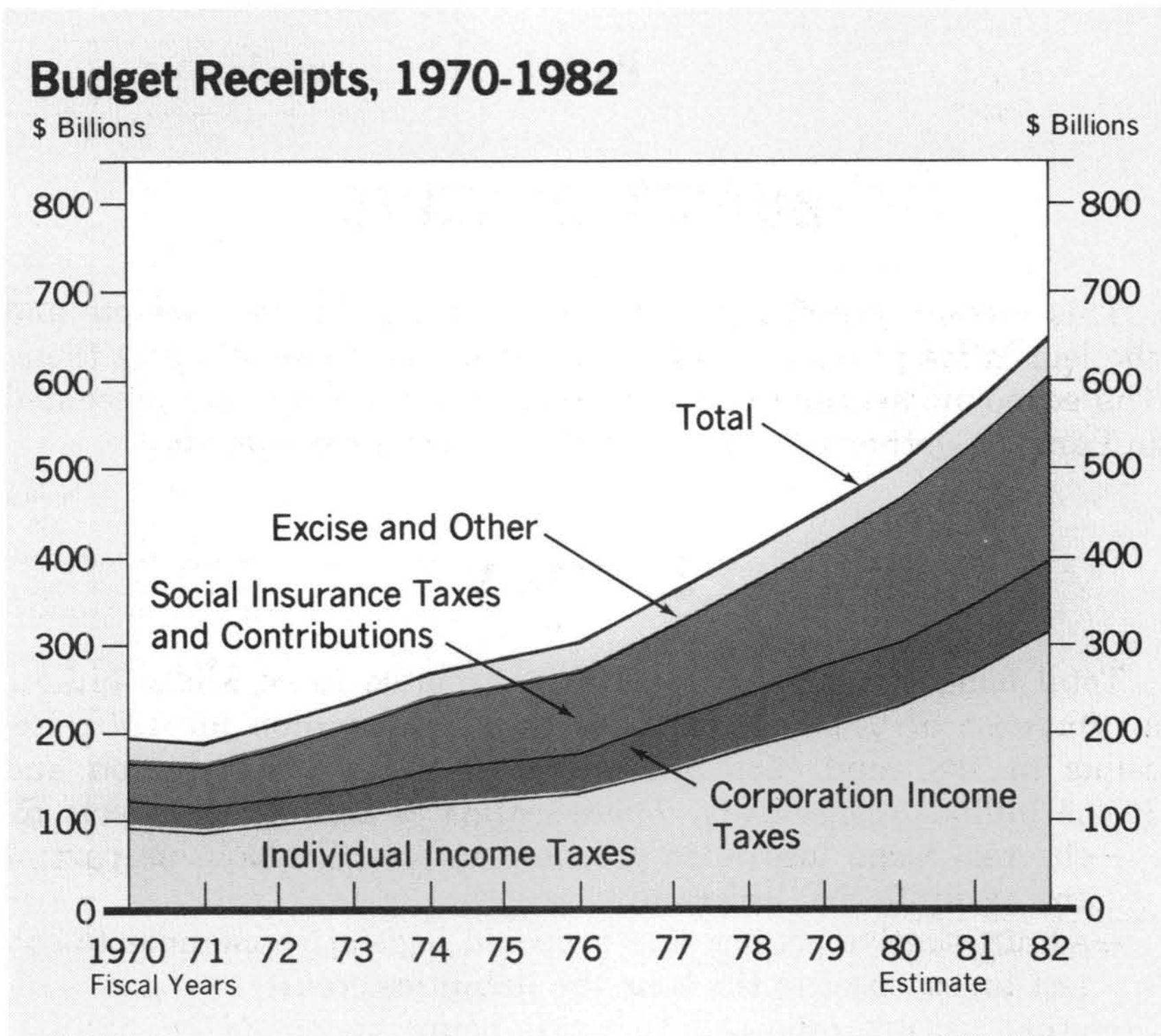
The estimates of receipts for 1981 and 1982 do not include provision for possible tax reductions. The desirability of income tax reductions in these years will depend on the future state of the economy, especially progress in reducing inflation, and on the need to reduce tax burdens. The administration will consider future tax changes, including social security tax reductions in conjunction with the savings resulting from benefit reforms and other cost saving proposals.

Composition of budget receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1980:

- Income taxes paid by individuals and corporations are estimated at \$227.3 billion and \$71.0 billion, respectively. Combined, these sources account for 59% of the estimated total.
- Social insurance taxes and contributions—composed largely of payroll taxes levied on wages and salaries, most of which are

paid equally by employers and employees—will yield an estimated \$161.5 billion, 32% of the total.

- Excise taxes are expected to provide \$18.5 billion, 4% of the total; and other receipts are estimated at \$24.3 billion, the remaining 5% of the total.



Enacted Legislation

Three major acts were passed in 1978 that have significant effects on future receipts: the Revenue Act of 1978, the Energy Tax Act of 1978, and the Foreign Earned Income Act of 1978.

THE REVENUE ACT OF 1978 (Public Law 95-600)

The Revenue Act of 1978 reduced taxes for individuals and corporations, generally effective January 1, 1979, and included several of the administration's tax reform proposals. In its absence, receipts would have been increased substantially in 1979, because several temporary provisions of the Tax Reduction and Simplification Act of 1977 were scheduled to expire at the end of calendar year 1978. The effects of the Revenue Act on calendar year tax liabilities and fiscal year receipts are presented in a comparison to those that would have resulted under extension of most temporary provisions.

SUMMARY TABLE—EFFECT OF MAJOR TAX LEGISLATION ENACTED IN 1978 ¹

(In billions of dollars)

	1979	1980	1981	1982
Calendar Year Liabilities:				
Revenue Act of 1978 ^{2 3}	-20.6	-24.3	-28.7	-32.0
Energy Tax Act.....	-.8	-.9	-1.1	-1.2
Foreign Earned Income Act.....	-.2	-.3	-.3	-.3
Total	-21.6	-25.4	-30.1	-33.5
Fiscal Year Receipts:				
Revenue Act of 1978 ^{2 3}	-11.5	-22.8	-26.7	-30.6
Energy Tax Act.....	-1.0	-.8	-1.0	-1.1
Foreign Earned Income Act.....	-.6	-.3	-.3	-.3
Total	-13.2	-23.9	-27.9	-32.0

ADDENDUM

Effect of extending temporary provisions of the Tax Reduction and Simplification Act of 1977 (other than the jobs credit): ³

Calendar year liabilities.....	-12.7	-13.4	-18.8	-20.9
Fiscal year receipts.....	-7.5	-13.1	-15.9	-19.8

¹ These estimates are based on the direct effect only of legislative changes at a given level of income. They therefore exclude indirect effects caused by changes in individual and corporation incomes. However, these indirect effects are taken into account when estimating the incomes upon which the receipts estimates and the estimates of the effects of legislation are based. In this way, the indirect effects are included in the receipts estimates by major source and in total.

² The effect of this act on calendar year tax liabilities and fiscal year receipts is calculated in comparison to the liabilities and receipts that would have resulted if all the temporary provisions of the Tax Reduction and Simplification Act of 1977 had been extended except the jobs credit, which was enacted as a two-year economic stimulus measure.

³ Excludes earned income credit payments in excess of individuals' tax liabilities, which are recorded in the budget as outlays.

Individual income taxes.—The Revenue Act reduces tax liabilities for individuals by \$14.5 billion in calendar year 1979. The major reductions were:

- a widening of tax brackets and a reduction in the tax rates applicable to several of these brackets;
- an increase in the personal exemption from \$750 to \$1,000 and expiration of the general tax credit;
- an increase in zero bracket amount (standard deduction) from \$3,200 to \$3,400 for taxpayers filing a joint return and from \$2,200 to \$2,300 for single taxpayers;
- an increase in and permanent extension of the earned income tax credit; and
- reductions in taxes on capital gains.

The effect on receipts from these and other smaller tax reductions was partially offset by reform measures, mainly: repeal of the non-business deduction for State and local gasoline taxes; and inclusion of unemployment compensation benefits in the adjusted gross income of taxpayers above certain income levels.

Corporation income taxes.—The Revenue Act of 1978 made several significant changes to corporation income taxes, the largest of which was a reduction in tax rates. Rates were reduced much more for small corporations than for large ones. The average tax rate on the first \$100,000 of income was reduced by nearly 8 percentage points; for income above \$100,000, the rate was reduced by 2 percentage points, from 48% to 46%. These reductions in tax rates will reduce corporation income tax liabilities by \$5.0 billion in calendar year 1979.

The investment tax credit, which had been scheduled to decrease from 10% to 7% on January 1, 1981, was made permanent at the 10% rate. In addition, the percentage of tax liability that can be offset by the investment credit was increased.

A targeted jobs tax credit was enacted to replace the jobs credit provisions that were in effect in calendar years 1977 and 1978. Employers who hire individuals from certain target groups, primarily disadvantaged youth, are eligible for the credit.

THE ENERGY TAX ACT OF 1978 (Public Law 95-618)

This act is an important part of the energy program enacted in 1978, which will reduce this country's energy problems. The major components of the 1978 energy tax legislation are:

- A tax on the sale of automobiles whose fuel use fails to meet certain standards. The tax will apply to 1980 and later models.
- Tax credits for purchases of insulation and other energy-conserving items for the principal residence of a taxpayer.
- An extra 10% investment credit, in addition to the regular 10% investment credit, for certain energy conservation or conversion investments, such as solar or wind energy investments.

THE FOREIGN EARNED INCOME ACT OF 1978 (Public Law 95-615)

Prior to 1978, a U.S. citizen was generally able to exclude up to \$20,000 per year of foreign earnings if the taxpayer was a resident of a foreign country. After 3 years of foreign residence a taxpayer could exclude up to \$25,000 per tax year of foreign earnings. The Foreign Earned Income Act of 1978 replaced the exclusion provision with one based on the excess cost of living abroad. Under this new law, the taxpayer may claim a cost-of-living deduction reflecting the amount by which overseas living costs, other than housing and education, exceed living costs in the most expensive metropolitan area in the continental United States (except Alaska) as determined by the IRS.

Receipts Proposals

Real wage insurance.— Part of the President's anti-inflation program is the real wage insurance proposal announced last October. Real wage insurance will increase compliance with the wage standard in the President's anti-inflation program, thereby reducing inflation. Under this proposal, groups of employees whose compensation increases fall within the anti-inflation guidelines will be eligible for a tax credit if inflation exceeds 7%.

The rate of the credit will be equal to the difference between the percentage increase in the consumer price index (CPI) over the applicable period (from October/November 1978 to October/November 1979) and 7 percent, with a maximum credit of 3 percentage points. The credit will apply to qualified wages up to a limit of \$20,000 from any one employer and will be included in the taxable income of the employee.

The cost of real wage insurance, which is based on a projected increase in the CPI of 7.5% over the applicable period, is estimated to be \$2.5 billion in 1980. Of this amount, \$2.3 billion appear as a reduction in individual income tax receipts; the remaining \$0.2 billion are payments over and above individuals' tax liabilities and are recorded in the budget as outlays.

Cash management initiatives.—The receipts estimates reflect several administrative actions and legislative proposals to require income tax payments closer to the time when tax liabilities occur and to require deposits of withheld taxes on a more timely basis.

These initiatives, which are being phased in over a 3-year period to minimize the burden on taxpayers, will increase receipts by \$2.2 billion in 1980, \$5.0 billion in 1981, and \$5.3 billion in 1982.

The only cash management initiative affecting 1980 receipts is the acceleration of State and local deposits of social security taxes. The administration has already published regulations to accelerate these deposits. The other cash management initiatives, to be phased in during 1981 and 1982, are accelerations of: deposits of withheld income and payroll taxes by large employers; individual income taxes paid through estimated tax payments; corporation income tax payments; customs duties; and tobacco excise taxes. These proposals will improve equity by achieving greater uniformity in the collection of taxes.

Other proposals.—To improve resource allocation and the overall efficiency and equity of the tax structure, the administration proposes that:

- Railroad retirement taxes be increased to alleviate funding problems for this trust fund;
 - Airport and airway trust fund taxes be extended in modified form beyond their current June 30, 1980 expiration date.
 - A fee of up to 3 cents per barrel of oil be imposed to establish a fund of up to \$200 million to assure adequate and timely cleanup of oilspills in the Nation's waterways.
 - The tax treatment of accrued capital gains on property passing from decedents to estates or heirs be changed.
 - The tax base be broadened to include certain fringe benefits.
- The table below shows the effect of these and other tax proposals on estimated receipts for 1979-1982.

EFFECT OF ADMINISTRATIVE ACTIONS AND PROPOSED LEGISLATION ¹

[In billions of dollars]

	1980	1981	1982
Individual income taxes:			
Real wage insurance ²	-2.3		
Cash management initiatives.....		1.5	1.3
Other.....	*	*	*
Subtotal, individuals.....	-2.3	1.6	1.3
Corporation income taxes:			
Cash management initiatives.....		1.8	3.2
Other.....	*	.2	.4
Subtotal, corporations.....	*	2.0	3.5
Social insurance taxes and contributions:			
Acceleration of State and local deposits of social security taxes (announced Nov., 1978)	2.2	.3	.2
Other cash management initiatives .....		.9	.6
Railroad retirement tax increase .....	.2	.2	.3
Other.....		*	*
Subtotal, social insurance	2.4	1.5	1.1
Other:			
Cash management initiatives: excise and customs .....		.4	*
Airport and airway trust fund taxes ³	*	.2	.2
Oil pollution liability and compensation .....	.1	.1	*
Total .....	.2	5.8	6.2

* 50 million or less.

¹ These estimates are based on the direct effect only of legislative changes at a given level of income. They therefore exclude indirect effects caused by changes in individual and corporation incomes. However, these indirect effects are taken into account when estimating the incomes upon which the receipts estimates and the estimates of the effects of legislation are based. In this way, the indirect effects are included in the receipts estimates by major source and in total.

² This proposal also increases estimated outlays by \$0.2 billion in 1980.

³ These estimates are for increases in airport and airway tax receipts over and above those that would result from extending the current tax rates beyond their expiration date. Extension would add \$0.1 billion in 1980, \$0.8 billion in 1981, and \$0.9 billion in 1982.

PART II

THE LONG-RANGE OUTLOOK AND CURRENT SERVICES ESTIMATES

This section discusses the long-range budget outlook and the current services estimates, as well as the economic assumptions upon which both are based.

Economic Assumptions

The economy and the budget are interrelated. 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. Other Government activities outside the budget totals, such as loan guarantees and regulatory requirements, also affect the economy.

At the same time, outlays for many Federal programs such as unemployment, retirement and other insurance benefit payments are directly linked to developments in the economy. Interest on the debt is linked to market interest rates and the size of the budget surplus or deficit, both of which are strongly influenced by economic conditions. In addition, budget receipts vary with individual and corporate incomes, which, in turn, respond both to real economic growth and to inflation.

Because of the 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 projections and the administration's fiscal strategy.

The short-range economic assumptions for calendar years 1978, 1979 and 1980 are shown in the table below. They represent forecasts of probable economic conditions consistent with the administration's budget proposals. Growth of real gross national product

(GNP) is projected to average 2.2% during the four quarters of calendar year 1979 and 3.2% during 1980. The relatively low real growth in 1979 will probably result in a small rise in unemployment during 1979 to about 6.2% by year-end. During 1980, the rate of unemployment is expected to remain at about the same level. As a consequence of the administration's restrained budget policy and the overall anti-inflation program, inflation is projected to decelerate in 1979 and 1980. The rate of inflation (as measured by the CPI, December over December) was over 9% during calendar year 1978. The projected rates for calendar years 1979 and 1980 are 7.4% and 6.3%, respectively.

SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1977	Forecast		
		1978	1979	1980
Gross national product:				
Current dollars:				
Amount	1,887	2,106	2,343	2,565
Percent change: Fourth quarter over fourth quarter	11.9	12.7	9.8	9.8
Constant (1972) dollars:				
Amount	1,333	1,384	1,430	1,466
Percent change: Fourth quarter over fourth quarter	5.5	4.0	2.2	3.2
Incomes (current dollars):				
Personal income	1,529	1,707	1,894	2,078
Wages and salaries	984	1,101	1,217	1,335
Corporate profits.....	174	202	227	237
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	6.1	8.4	7.4	6.4
Consumer Price Index: December over December ¹	6.8	9.2	7.4	6.3
Unemployment rates (percent):				
Total: Fourth quarter	6.6	5.8	6.2	6.2
Insured, annual average ²	3.9	3.3	3.1	3.2
Federal pay raise (percent) ³	7.0	5.5	5.5	5.25
Interest rate, 91-day Treasury bills (percent) ⁴	5.3	7.2	8.8	7.6

¹ CPI for urban wage earners and clerical workers. There are now two versions of the CPI published. The index used here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

² This measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

³ Pay raises become effective in October of each year—the first month of the new fiscal year. Thus the October 1979 pay raise will set new pay scales that will be in effect during fiscal year 1980.

⁴ Average rate on new issues within period. In the past, interest rates for the forecast period have been assumed to remain at the levels prevailing at the time the estimates were made. Because it would be unrealistic to assume continuation of the current unusually high rates, these estimates assume, by convention, that interest rates decline with the rate of inflation.

In contrast to the short-range economic assumptions, *the 1981 to 1984 longer-range assumptions shown in the table below, are not forecasts of probable economic conditions.* Instead, they are projections that *assume* progress in moving toward the targets of a more fully employed economy and greater price level stability. These targets—in particular, the goals of 4% unemployment and 3% inflation by the end of calendar year 1983—are consistent with the goals established in the Full-Employment and Balanced Growth

Act of 1978 (also known as the Humphrey-Hawkins Act). These are very ambitious goals and will require successful long-term policies to reduce both unemployment and inflation. The feasibility of achieving these targets and the types of policies that might be required during the 1981–1984 period to achieve them are discussed in this year's *Economic Report of the President*.

LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1981	1982	1983	1984
Gross national product:				
Current dollars:				
Amount	2,825	3,090	3,336	3,546
Percent change: Fourth quarter over fourth quarter	10.0	8.9	7.4	5.8
Constant (1972) dollars:				
Amount	1,528	1,599	1,669	1,727
Percent change: Fourth quarter over fourth quarter	4.6	4.6	4.2	3.0
Incomes (current dollars):				
Personal income	2,288	2,503	2,702	2,872
Wages and salaries	1,469	1,607	1,734	1,844
Corporate profits.....	264	293	317	337
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	5.2	4.1	3.0	2.7
Consumer Price Index: December over December ¹	5.1	4.0	2.9	2.7
Unemployment rates (percent):				
Total Fourth quarter	5.4	4.6	4.0	4.0
Insured, annual average ²	3.2	2.6	2.2	2.1
Federal pay raise (percent) ³	5.0	4.75	4.5	4.25
Interest rate, 91-day Treasury bills (percent) ⁴	6.6	5.4	4.4	3.7

¹ CPI for urban wage earners and clerical workers. There are now two versions of the CPI published. The index used here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

² This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

³ Pay raises become effective in October of each year—the first month of the new fiscal year. Thus the October 1979 pay raise will set new pay scales that will be in effect during fiscal year 1980.

⁴ Average rate on new issues within period. In the past, interest rates for the forecast period have been assumed to remain at the levels prevailing at the time the estimates were made. Because it would be unrealistic to assume continuation of the current unusually high rates, these estimates assume, by convention, that interest rates decline with the rate of inflation.

Policies to Reduce Unemployment.—A primary requirement for attacking unemployment is continued economic growth, which will require appropriate fiscal policies. While 1980 fiscal policy focuses on the reduction of inflation, it is designed to maintain growth sufficient to preserve most of the recent gains against unemployment. As explained in the President's *Economic Report*, fiscal policy adjustments will probably be required in later years to maintain economic growth and further reduce unemployment. The appropriate magnitude and timing of such adjustments will depend on future economic developments and cannot be determined now. However, the administration will propose further fiscal actions—in particular, further tax reductions—during the 1981–84 period if

such actions are required to sustain the progress of the economy towards the goals of the Humphrey-Hawkins Act.

The act notes that "aggregate monetary and fiscal policies have been unable to achieve" the economic goals established in the act, "and therefore must be supplemented by other measures designed to serve these ends." The administration is therefore acting to reduce the sources of structural unemployment without increasing inflationary pressures. The budget proposes maintaining the high level of public service jobs for the structurally unemployed. This program was recently revised to enhance the net employment gains from the program and direct them more to the disadvantaged and the long-term unemployed. In response to an administration proposal, recently enacted legislation authorizes a special program to help move participants, and especially younger workers, into unsubsidized private sector jobs. In addition, the Revenue Act of 1978 included an administration proposal to create a targeted employment tax credit that will increase private sector employment opportunities for specified groups of disadvantaged individuals, primarily youth.

Policies to Reduce Inflation.—The budget proposals help combat inflation in two ways: first, through overall budget restraint; and second, through more specifically targeted measures that contribute to lowering rates of price increases in various sectors of the economy.

Budget restraint plays an important role in the administration's anti-inflation plan. Fiscal and monetary policies seek to avoid adding an element of excess demand to existing inflationary pressures. They seek to create an economic environment in which inflationary pressures will unwind. Some slowing of economic growth is therefore necessary. Slowing economic growth while avoiding a recession requires very careful consideration and balance between fiscal and monetary policies.

Monetary and fiscal restraint alone will not be sufficient to unwind inflation. Moderation in private sector wage demands and pricing behavior is also essential. Therefore, the administration has established an anti-inflation program with explicit standards for moderating wage and price increases. The standards include: a 7% standard for annual wage and fringe-benefit increases; a price deceleration standard for individual firms consistent with the limitation on wage increases; a program of real wage insurance to encourage compliance with the standard; and expanded monitoring and enforcement.

Numerous Federal programs and policies contribute, directly or indirectly, to holding down rates of price increase in specific sectors of the economy. Many programs regulate prices directly or promote

competition. Energy policies, including the National Energy Act of 1978, have shielded the economy from large and abrupt price increases that would have severe inflationary impact. Stabilization of agricultural commodity prices has long been a major objective of Federal policy. Regulation of "natural monopolies", such as electric utilities; anti-trust law enforcement; and programs to foster small businesses and greater competition all help reduce inflation. An effort is now being made to increase competition for Government contracts, in order to reduce prices paid on Government purchases of goods and services.

The administration is currently developing policies to reduce economic regulations in areas—particularly transportation—where they serve to stifle competition and maintain unnecessarily high prices. The Airline Deregulation Act was enacted last year, and proposals for deregulation of rail and intercity bus transportation are under development. Another significant policy directed against inflation is the administration's proposal for hospital cost containment. This will reduce price increases in a sector that has experienced excessive price escalation for over a decade.

Federal subsidies, tax expenditures, guarantees, insurance, disaster assistance and loans all may help hold down many private sector costs and prices. Housing programs afford examples of each of these types of assistance. Federal warning and safety programs (weather service, coast guard and air traffic control, for example) also help hold down private sector costs by reducing economic losses.

Restraints on Federal pay and employment will help reduce upward pressure on private sector wage rates. Social security reforms will hold down the costs of this program and, ultimately, the taxes it must levy—thus holding down labor costs. Policies to promote exports and stabilize the value of the dollar may help avoid increases in the costs of imports.

An important set of Federal policies seeks to promote capital formation and increased productivity. These include investment tax credits and support of research and development. In addition, Federal education, training and employment programs, equal opportunity programs, and programs (such as housing) that contribute indirectly to labor mobility all help increase productivity, alleviate structural unemployment, and help make it possible to achieve employment goals with less inflationary pressure.

The Long-Range Budget Outlook

The effects of current decisions extend beyond the budget year. They establish program trends that have important influences on the size and composition of budgets for years into the future. Just as the composition and level of the 1980 budget have been largely determined by past decisions, the decisions and proposals it embodies will shape subsequent budgets. These longer range effects now receive more careful consideration than in the past due to the establishment of a multi-year budget planning system. Under this system, estimates for the first 2 years beyond the budget year (1981 and 1982) receive explicit policy review, and represent tentative planning ceilings for executive branch agencies. Projections for 1983 and 1984 represent extrapolations of the Presidential policy outlined in the planning base.

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 the budget. The outlay estimates indicate the degree to which resources would be committed by the continuation during 1981-84 of existing and currently proposed programs at the program levels recommended for 1979 and 1980, and planned for 1981 and 1982. These projections are not precise forecasts of future budget authority or outlays. Nor are they intended as detailed, final recommendations as to future budget levels. They are, however, generally consistent with the objective of restraining growth in Federal spending and moving toward a balanced budget as rapidly as economic conditions permit. The multi-year planning base figures for 1981 and 1982 represent tentative administration plans for the long-term scheduling of major new initiatives, and program reductions or terminations. The receipt levels shown for 1981 through 1984 do not reflect the effect of major tax reduction proposals. The desirability of such reductions in these years will depend on progress in reducing inflation and on the future state of the economy.

These planning base estimates and projections provide for future cost-of-living adjustments to most benefit programs and anticipated changes in numbers of eligible beneficiaries, Federal pay raises, and other built-in cost increases (such as interest) consistent with the economic assumptions outlined above. They provide for growth in real terms in certain areas, primarily defense. The projections generally assume that the other programs remain level in current dollars except where there is an explicit budget or planning recommendation to increase or decrease program levels over time.

THE BUDGET OUTLOOK, 1978-84

(In billions of dollars)

	1978 actual	Estimate				Projection	
		1979	1980	1981	1982	1983	1984
Outlays on a current services basis	450.8	491.3	536.1	577.8	610.6	640.2	667.1
Effects of proposed legislation .....	.....	.1	-1.9	-2.7	-4.7	-6.9	-9.3
Effects of discretionary changes .....	.....	1.9	-2.7	2.8	8.9	12.3	16.0
Total outlays	450.8	493.4	531.6	578.0	614.9	645.6	673.7
Receipts on a current services basis	402.0	456.0	504.5	571.3	646.6	715.3	777.8
Effects of receipts proposals .....	.....	.....	-2.0	5.5	6.1	3.0	2.4
Total receipts	402.0	456.0	502.6	576.8	652.6	718.3	780.2
Budget surplus or deficit (-)	-48.8	-37.4	-29.0	-1.2	37.8	72.7	106.5

The budget outlook.—The table above summarizes the budget outlook through 1984 based on current administration policy. Receipts are projected to increase by an average of 11.6% per year from 1980 to 1984, rising from \$502.6 billion to \$780.2 billion. Over the same period, outlays for current programs and for those proposed in this budget are projected to rise by an average of 6.1% a year, from \$531.6 billion to \$673.7 billion. Thus, the budget is projected to move into surplus in 1982 with larger surpluses in subsequent years.

It should be emphasized that the surpluses projected for 1982 and beyond do not imply that such budget resources will in fact be available in those years. These projected surpluses simply indicate the resources now estimated to be available to the Government to accommodate future fiscal and budgetary policy decisions.

Under current law and administration proposals, receipts are estimated to increase as a share of GNP from 19.7% in 1978 to 20.9% in 1981. This increase reflects the effects of both the legislated increases in social security taxes and the progressive nature of the income tax system. Outlays, on the other hand, are estimated to decline as a percent of GNP, falling from 22.1% in 1978 to 21.0% in 1981. Thus, estimated receipts and outlays are both within the President's limit of 21% of GNP by 1981.

BUDGET RECEIPTS BY SOURCE

(In billions of dollars)

	1978	1979	1980	1981	1982	1983	1984
Individual income taxes.....	181.0	203.6	227.3	269.1	311.2	352.2	392.1
Corporation income taxes.....	60.0	70.3	71.0	76.7	86.0	92.6	98.6
Social insurance taxes and contributions ..	123.4	141.8	161.5	185.2	208.0	223.4	237.1
Excise taxes.....	18.4	18.4	18.5	19.4	19.5	20.0	20.6
Other.....	19.3	21.9	24.3	26.3	28.0	30.0	31.8
Total.....	402.0	456.0	502.6	576.8	652.6	718.3	780.2
Memorandum: Effect of receipts proposals¹							
Individual income taxes.....			-2.3	1.6	1.3	.4	.3
Corporation income taxes.....			*	2.0	3.5	1.8	1.2
Social insurance taxes.....			.2	1.2	.9	.5	.5
Excise taxes.....			*	.3	.2	.2	.3
Other.....			.1	.3	.1	.1	.1
Total.....			-2.0	5.5	6.1	3.0	2.4

*50 million or less.

¹ Effects in comparison to current services estimates.

Receipts.—Projected increases in receipts from 1980 to 1984 are attributable largely to growth in incomes and increases in social security taxes scheduled under current law. The table above shows projected receipts by source and the effect on receipts of administration proposals.

Individual income taxes are projected to rise from \$227.3 billion in 1980 to \$392.1 billion in 1984. Corporation income taxes rise by 39% over this same period, from \$71.0 billion to \$98.6 billion. Tax proposals included in the budget reduce individual and corporation income tax collections by \$2.3 billion in 1980, but increase them by \$1.6 billion by 1984.

Social insurance taxes and contributions, which increased from only 2.5% of GNP in 1958 to 6.0% two decades later, are projected to increase to 6.8% of GNP by 1984. The social security tax rate, which increased from 12.1% to 12.26% on January 1, 1979, is scheduled under current law to increase to 13.3% on January 1, 1981. The taxable earnings base is scheduled to increase annually, rising from its current level of \$22,900 to a projected \$36,900 by 1984.

Estate and gift taxes, customs, excise taxes, and miscellaneous receipts are projected at \$52.4 billion in 1984, an increase of \$9.6 billion from 1980.

Outlays.—The estimates and projections of outlays shown in this section are extrapolations (based on assumed economic trends) of program costs reflecting current administration policy—including the 1980 budget proposals and multi-year budget plans for 1981 and 1982. They are estimates of the degree to which future resources are committed by current policy.

PERCENTAGE COMPOSITION OF BUDGET OUTLAYS

Description	Actual			Estimate			Projection	
	1968	1972	1976	1980	1981	1982	1983	1984
National defense:								
Direct Federal payments for individuals	1.2	1.7	2.0	2.2	2.2	2.2	2.2	2.3
Other	42.9	31.3	22.0	21.5	21.5	21.9	22.4	22.8
Subtotal, national defense.....	<u>44.0</u>	<u>33.0</u>	<u>23.9</u>	<u>23.7</u>	<u>23.7</u>	<u>24.1</u>	<u>24.6</u>	<u>25.1</u>
Nondefense:								
Direct Federal payments for individuals	22.2	31.0	39.6	39.5	39.4	39.7	40.4	40.7
Payments for individuals through States and localities	3.5	5.8	5.2	5.3	5.3	5.3	5.4	5.6
All other grants to States and localities	6.8	9.0	10.6	10.3	10.0	9.6	9.1	8.7
Net interest	6.2	6.7	7.1	8.7	8.1	7.3	6.5	5.8
Other	17.2	14.6	13.6	12.6	13.6	13.9	14.0	14.1
Subtotal, nondefense.....	<u>56.0</u>	<u>69.0</u>	<u>60.4</u>	<u>76.3</u>	<u>76.3</u>	<u>75.9</u>	<u>75.4</u>	<u>74.9</u>
Total budget outlays	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The major change in the composition of the 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 payments for individuals have been growing more rapidly than the national output, and more rapidly than total budget outlays. Until 1976, spending for national defense (in constant dollars) was declining. This trend was reversed, and defense spending (in constant dollars) is projected to continue increasing through 1984.

While total outlays are projected to increase by 27% from 1980 to 1984, projected outlays for health, income security, and national defense are projected to increase faster than the total. Outlays for these functions rise by 42%, 29%, and 34%, respectively. By way of comparison, GNP is projected to rise by 40% from 1980 to 1984.

Controllability.—Outlays in any one year are considered to be relatively uncontrollable by administrative action when the program level is determined by existing statute or by contract or other legal obligations. Relatively uncontrollable outlays are grouped into two major categories: open-ended programs and fixed costs, outlays for which are generally mandated by law; and payments from prior-year contracts and obligations, outlays for which are required by past commitments. Open-ended programs and fixed costs are projected to remain at 59% of budget outlays over the 1980–1984 period. Relatively uncontrollable outlays are projected to continue at about 75% to 80% of the total.

Current Services Estimates

Current services estimates represent the budget authority and outlays that would be needed for the coming fiscal year if all Federal programs were to continue operating at the current program level. The estimates take into account the budget impact of anticipated changes in economic conditions, beneficiary levels, pay increases, and benefit changes. 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]

	1978 actual	Estimates				Projections	
		1979	1980	1981	1982	1983	1984
Receipts:							
Current services.....	402.0	456.0	504.5	571.3	646.6	715.3	777.8
Proposed reductions.....			-2.3		—*	-.1	-.1
Proposed increases.....			.3	5.5	6.1	3.0	2.5
Budget receipts.....	402.0	456.0	502.6	576.8	652.6	718.3	780.2
Outlays:							
Current services.....	450.8	491.3	536.1	577.8	610.6	640.2	667.1
Proposed increases.....		1.9	7.0	14.8	22.2	27.0	32.3
Proposed reductions.....		.1	-11.6	-14.7	-17.9	-21.6	-25.6
Budget outlays.....	450.8	493.4	531.6	578.0	614.9	645.6	673.7
Surplus or deficit (—):							
Current services basis.....	-48.8	-35.4	-31.6	-6.5	36.0	75.1	110.7
Budget surplus or deficit (—).....	-48.8	-37.4	-29.0	-1.2	37.8	72.7	106.5

*\$50 million or less.

Current services estimates provide a basis of comparison that highlights proposed changes in program levels. Special Analysis A, contained in a separate budget document, includes a detailed comparison of the President's budget with current services estimates.

The President's outlay recommendations for 1980 are \$532 billion, \$5 billion lower than the current services level. On a current services basis, total outlays are projected to increase from \$536 billion in 1980 to \$667 billion in 1984. By 1984, the program changes recommended in this budget would result in projected total outlays of \$674 billion, \$7 billion higher than the projected current services level for 1984.

Receipts under the President's tax proposals are expected to be \$503 billion in 1980, \$2 billion below the \$505 billion current services estimate. Without changes in the tax law beyond those proposed, budget receipts for 1984 are projected to be \$780 billion, \$2 billion above the current services level.

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. National needs are defined in 16 broad areas that provide a coherent and comprehensive basis for analyzing and understanding the budget. There are three additional categories discussed in this section—interest, allowances, and undistributed offsetting receipts—that do not address specific national needs but are required to cover the entirety of the budget.

The budget resources devoted to meeting national needs are classified by budget functions so that budget authority and outlays of budget and off-budget Federal entities, loan guarantees, and tax expenditures can be grouped in terms of national needs being addressed. To the maximum extent feasible, these groupings are made without regard to agency or organizational distinctions. They are also the categories used by the Congress in developing concurrent resolutions on the budget.

While budget outlays are the most obvious measure of the Federal Government's allocation of resources they are also allocated through various fiscal activities outside the Federal budget. These activities include outlays of off-budget Federal entities, guaranteed loans, and tax expenditures. Major activities in some of these categories are discussed in the sections that follow. More detailed discussions are contained in the other budget volumes.

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 part of total Federal spending, but is not reflected in the budget totals, 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.

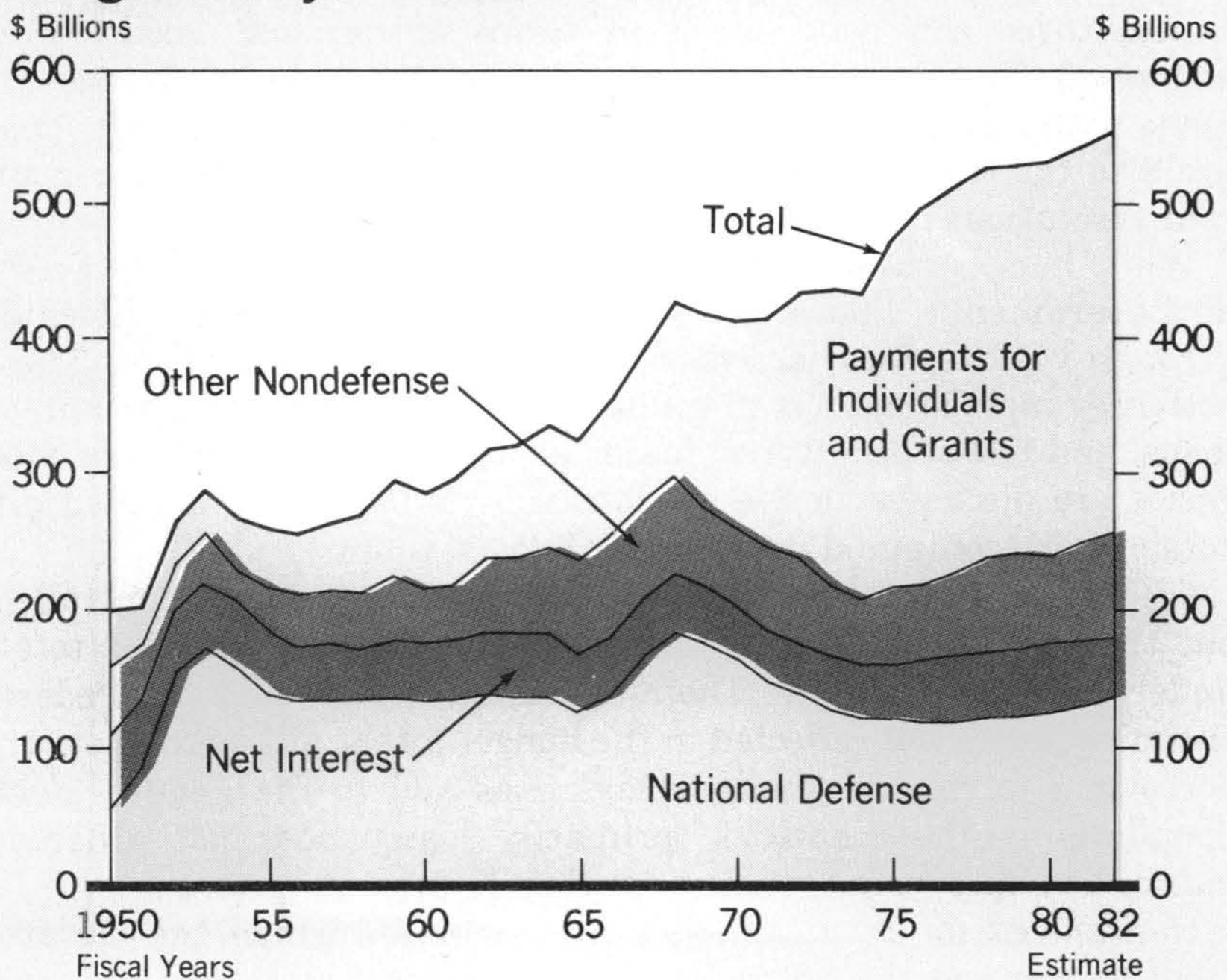
Guaranteed (or insured) loans are loans for which the Government guarantees the payment of the principal or interest in whole or in part. Loan guarantees may significantly affect resource allocation in the economy by diverting private credit from one activity

to another. Most guarantees support housing, although in recent years they have been used increasingly for other purposes such as student loans. In general, loan guarantees do not result in budget outlays unless a default occurs. They are not subject to the same review and control as budget outlays. The administration is proposing a credit control 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.

The major growth in budget outlays over the past decade has been in payments for individuals and grants to States and localities. The payments for individuals occur mainly in the health and income security functions, which are discussed below. The other noteworthy trend is the decline in defense spending (in constant dollars) over the 1968-1975 period. This trend was reversed and defense spending is estimated to grow in real terms through 1982.

Budget Outlays - Constant 1980 Dollars



National Defense

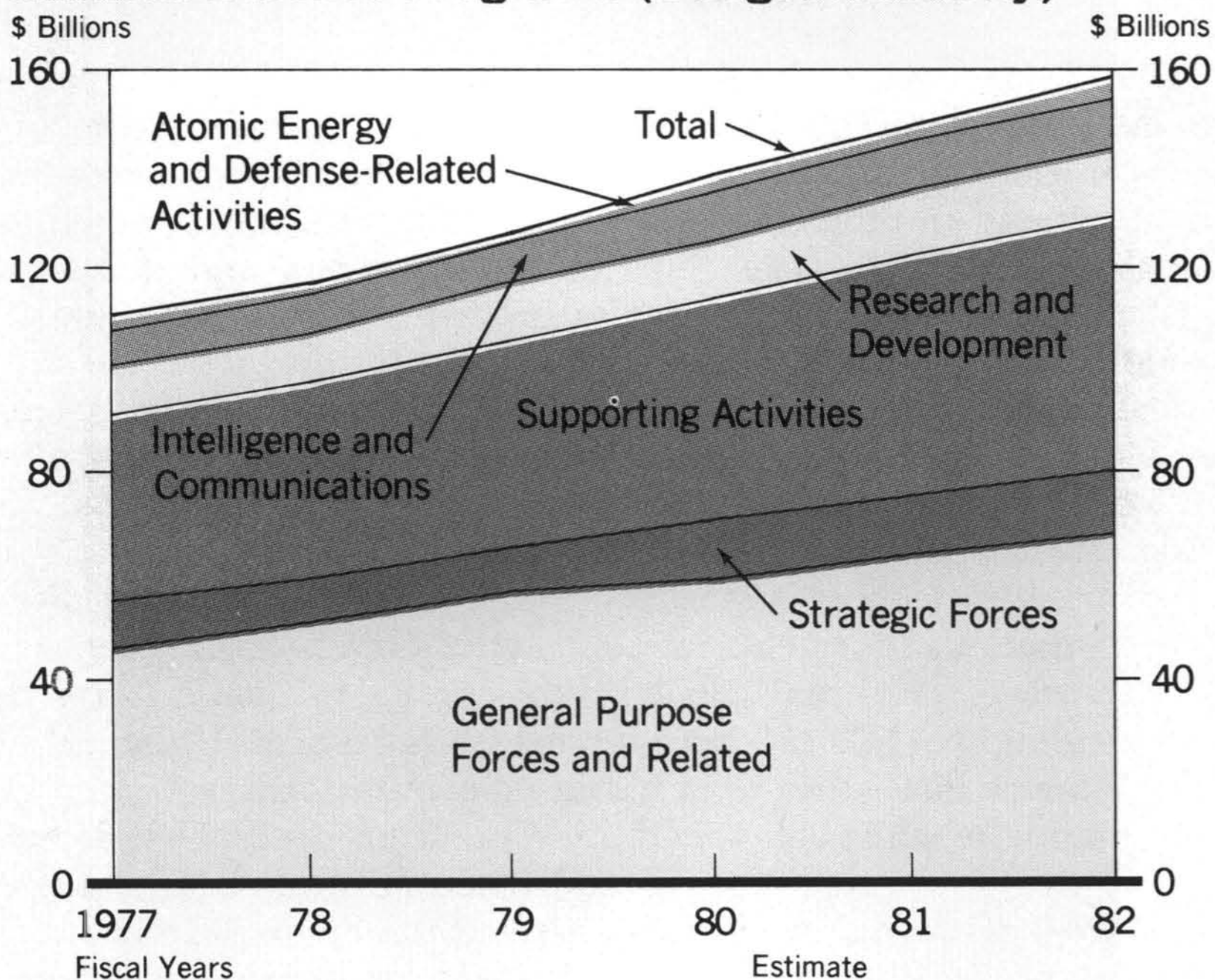
The *national needs* for defense are to protect America's people, its institutions, and its lands; to preserve overall military balance between the United States and its allies and the Soviet Union and its allies; and to promote peace and security through arms limitations, more stable relationships among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

The budget proposes \$138.2 billion in budget authority for defense activities in 1980. Outlays for national defense are estimated at \$125.8 billion for 1980, an increase of about 3% in real terms. The major defense proposals for 1980 would:

- maintain sufficient strategic forces to make it clearly disadvantageous for the Soviet Union to initiate nuclear war;
- improve the initial capability of our conventional forces defending NATO, in order to deter the Soviet Union or its Warsaw Pact allies from initiating conventional war;
- maintain sufficient capabilities to deter conflict worldwide, especially in such critical and potentially unstable areas as Northeast Asia, the Middle East and the Persian Gulf;
- modernize our naval forces to maintain freedom of the seas and to protect our capability to conduct military operations wherever we are challenged;
- maintain reliable capabilities for monitoring foreign military activities and for verifying international agreements on arms control, including a new strategic arms limitation treaty;
- reform military pay to help attract and retain military personnel in the coming years, as the population of young people declines in numbers; and
- improve operating efficiency through reforms of the defense supply system, greater competition in the acquisition process, and better utilization of civilian personnel.

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. In May of 1977, the members of NATO agreed that all should increase their defense spending to help maintain the deterrent value of NATO as the Warsaw Pact increases its military capabilities.

National Defense Programs (Budget Authority)



Strategic force improvements are proposed to assure that U.S. forces will always be able to deter a nuclear attack on the United States and its allies. These improvements include full scale development beginning in 1979 of a large, more accurate intercontinental ballistic missile, continued procurement of Trident submarines and submarine-launched intercontinental ballistic missiles, and the competitive development and procurement of air-launched cruise missiles.

The budget includes a variety of programs to improve our *conventional forces*. These programs would strengthen the forces that deter or stand ready to respond to nonnuclear military threats against NATO or in other areas. They also include cooperative programs with our NATO allies, including common purchase and operation of a fleet of airborne warning and control aircraft, co-production of the new F-16 fighter aircraft, and a common gun design for new tanks. A sizable increase in the purchase of modern equipment for our ground forces is proposed. Procurement of additional tanks, air defense systems, helicopters, armored personnel carriers and ammunition are proposed. Significant upgrading is proposed in artillery, anti-tank weapons and combat unit capability for forces in Europe. In addition, naval forces will be strengthened by the construction of 14 ships, including a conventionally-powered aircraft carrier.

The budget also includes measures that would improve the efficiency of defense operations. One immediate objective is to increase the degree of competition throughout the entire acquisition process. Initiatives in the supply management area include correcting pricing inequities, disposing of excess stocks, making greater use of commercially available equipment, and permitting earlier identification of obsolescent inventories.

Outlays for *atomic energy defense activities* are estimated to increase by 18% between 1979 and 1980, primarily because of increased nuclear warhead production and greater efforts to ensure safe handling of nuclear waste.

International Affairs

The primary *national needs* in international affairs are a peaceful and stable world environment and a growing world economy. Outlays to promote the ultimate achievement of these needs are estimated to be \$8.2 billion for 1980, an increase of \$0.9 billion over 1979. Outlays for international affairs are relatively small in comparison to its importance because diplomatic and other non-budgetary policies are often more relevant to the needs.

Foreign assistance, the most significant cost in international affairs, provides humanitarian assistance to needy people abroad, promotes economic development in the third world, and supports important foreign policy initiatives of the United States. Substantial long-term growth is projected in this area in support of the administration's strong commitment to assist developing countries. Outlays for *foreign economic and financial assistance* are estimated to increase by \$220 million to \$5.5 billion in 1980.

Outlays for multilateral development banks are estimated to rise from \$0.9 billion in 1979 to \$1.0 billion in 1980. Approximately 28% of the \$3.6 billion in 1980 budget authority sought for the banks represents funds that were pledged for prior years, but which have not yet been appropriated. It is very important that this country bear its fair share of the funding responsibility by making good on these past pledges. Outlays for *voluntary* contributions to international organizations and programs also are estimated to increase from \$251 million in 1979 to \$272 million in 1980.

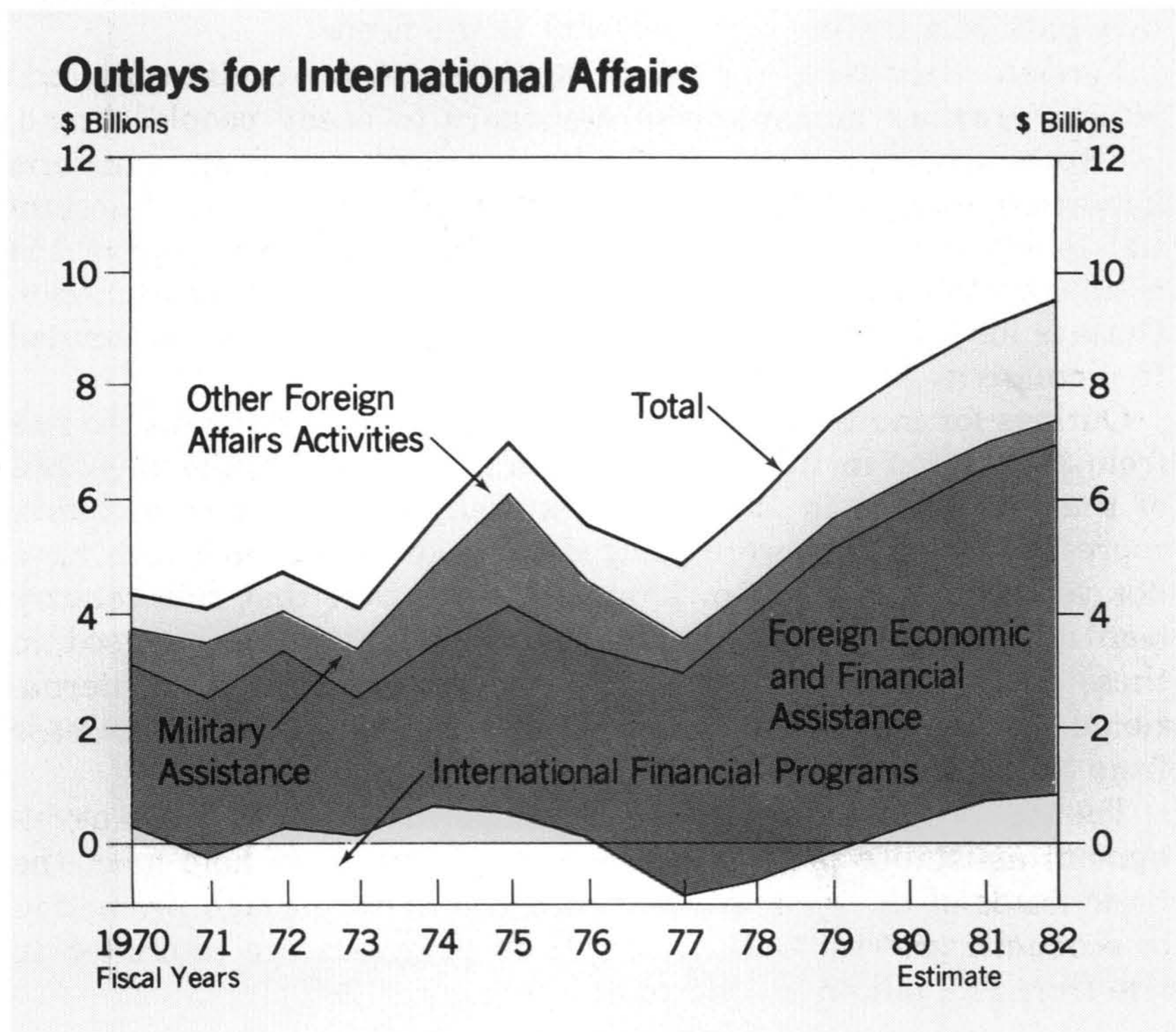
The Agency for International Development (AID) operates development assistance programs designed principally to help meet the basic needs of the poor in developing countries through promotion of economic growth. Outlays for AID's programs are estimated to rise from \$1.2 billion in 1979 to \$1.3 billion in 1980.

P.L. 480 food aid constitutes the major U.S. program for humanitarian relief. The 1980 estimate of \$1.0 billion in outlays would permit shipments of approximately 6.7 million tons of food, over two-thirds of the worldwide food aid target of 10 million tons.

Security supporting assistance programs provide both balance of payments support and development project financing to selected countries of importance to the United States. Most of the funds are proposed for Middle Eastern countries in support of United States efforts to promote a Mideast peace settlement. Outlays are estimated to fall from \$2.1 in 1979 to \$2.0 billion in 1980, in part reflecting emphasis given to other forms of development assistance.

Outlays in 1980 of \$173 million are estimated for refugee assistance. This level of support will, in particular aid the United Nations in providing care and maintenance for sharply increased numbers of Indochinese refugees in Southeast Asia.

The military assistance program is shifting emphasis from grants to foreign military sales credits as certain recipient countries with improving economies assume a greater share of their defense costs. Outlays for military assistance are estimated to be \$516 million in 1980, a decrease of \$61 million from the 1979 level.



As a member of various international organizations, the United States must share in their expenses. For 1980, outlays of \$532 million are estimated to be required to meet our share. The United States will continue to encourage these organizations to meet new and expanded needs from reductions in low priority activities.

The newly established International Communication Agency (ICA) has a central role in improving international communication and understanding. Except for moderate increases for exchange programs, ICA activities are proposed to continue at approximately the 1979 level. Total outlays for *foreign information and exchange activities* are estimated to be \$529 million in 1980.

The mission of *international financial programs* advances U.S. interests by improving the functioning of the international financial system. The Export-Import Bank provides direct loans, refinances export credits, guarantees loans and provides insurance in order to facilitate the export of U.S. goods and services. In line with the President's recently announced policy to encourage exports, the Bank's direct loans are estimated to increase 12% between 1979 and 1980. In addition, the Bank's guarantee and insurance programs are estimated to increase by 10-20% annually to keep pace with the rapid growth in U.S. trade.

The foreign military sales trust fund facilitates sales of U.S. military equipment and services to foreign governments. Its net budget authority is estimated at \$2.2 billion in 1980.

The primary tax expenditures in this function result from the deferral of tax on one-half of the profits derived from domestic international sales. The revenue loss resulting from this deferral is estimated to be \$1.3 billion in 1980.

General Science, Space, and Technology

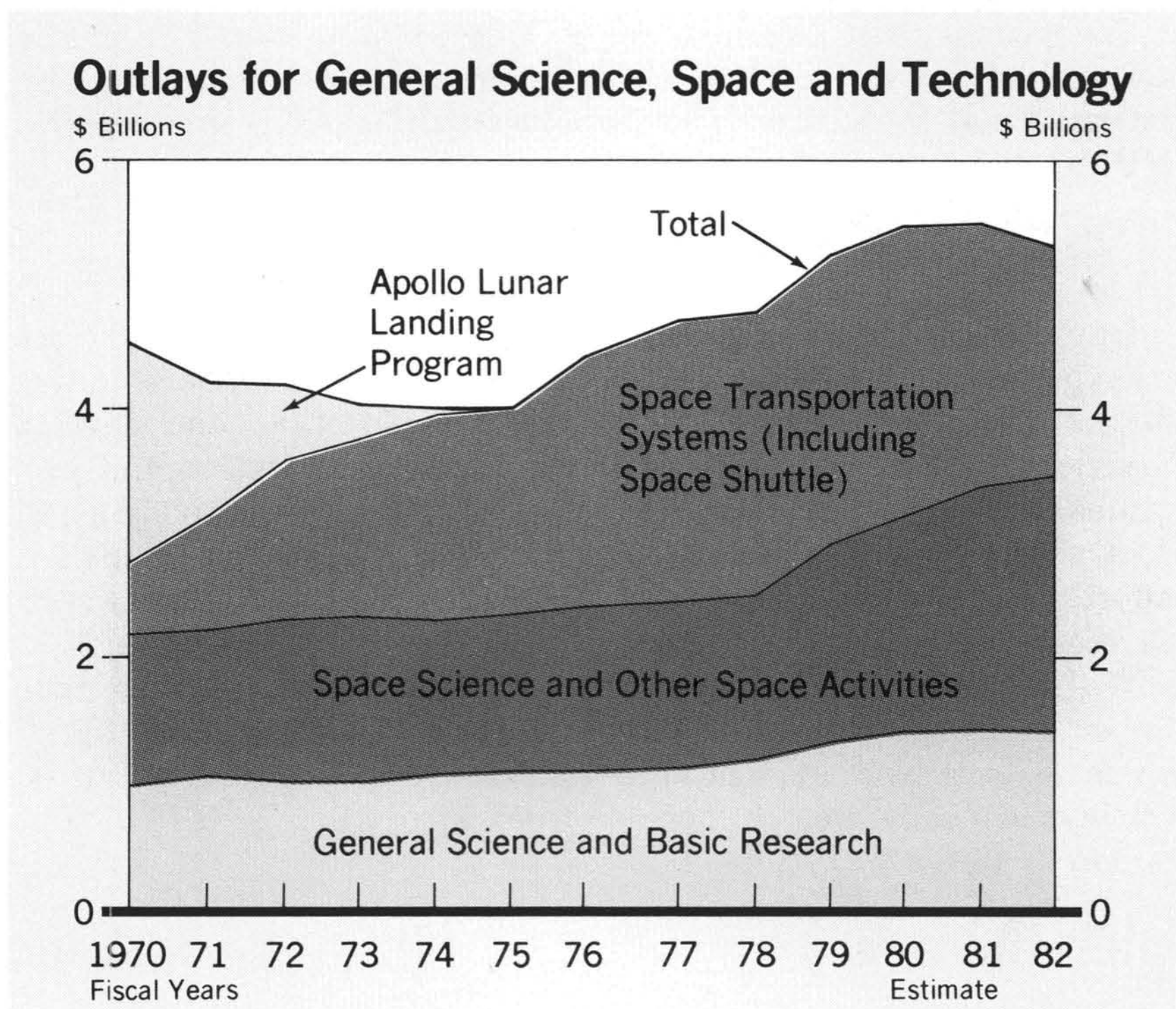
Our *national needs* in general science, space, and technology are to expand basic scientific knowledge, gain a better understanding of the Earth and space through space exploration, and develop practical applications of space technology. The missions and programs to support these national needs represent a relatively small part of the Federal Government's total research and development effort, most of which is classified under other budget functions such as energy, health, and defense.

Within this function, the Federal Government pursues four major missions: general science and basic research; space flight; space science and applications; and supporting space activities. Outlays are estimated to increase from \$5.2 billion in 1979 to \$5.5 billion in 1980.

The administration's strong support for basic research is reflected in the proposed budget authority increase of \$136 million for the general science and basic research mission. Total obligations for basic research throughout the Government, including research classified in other functions, are expected to reach \$4.6 billion in 1980, a 9% increase over the 1979 level.

Key programs in the general science mission are administered by the National Science Foundation (NSF) and the Department of Energy (DOE). The NSF supports research in all fields of physical, life, and social sciences. DOE is concerned primarily with studies of the fundamental properties of energy and the environmental implications of alternative energy sources.

Total outlays for the three missions related to space are estimated to rise from \$3.9 billion in 1979 to \$4.1 billion in 1980. This rate of growth reflects the beginning of operations for the space shuttle, as well as new emphasis on deriving practical applications from space technology. When the shuttle fleet becomes operational, it is expected to replace virtually all expendable launch vehicles currently in use. Funding is also requested to support separate exploration of the polar regions of the Sun and the planet Jupiter, to develop a space telescope that will permit observation of the universe unobscured by the Earth's atmospheric layers, and to develop satellites that will improve our understanding of the Earth.



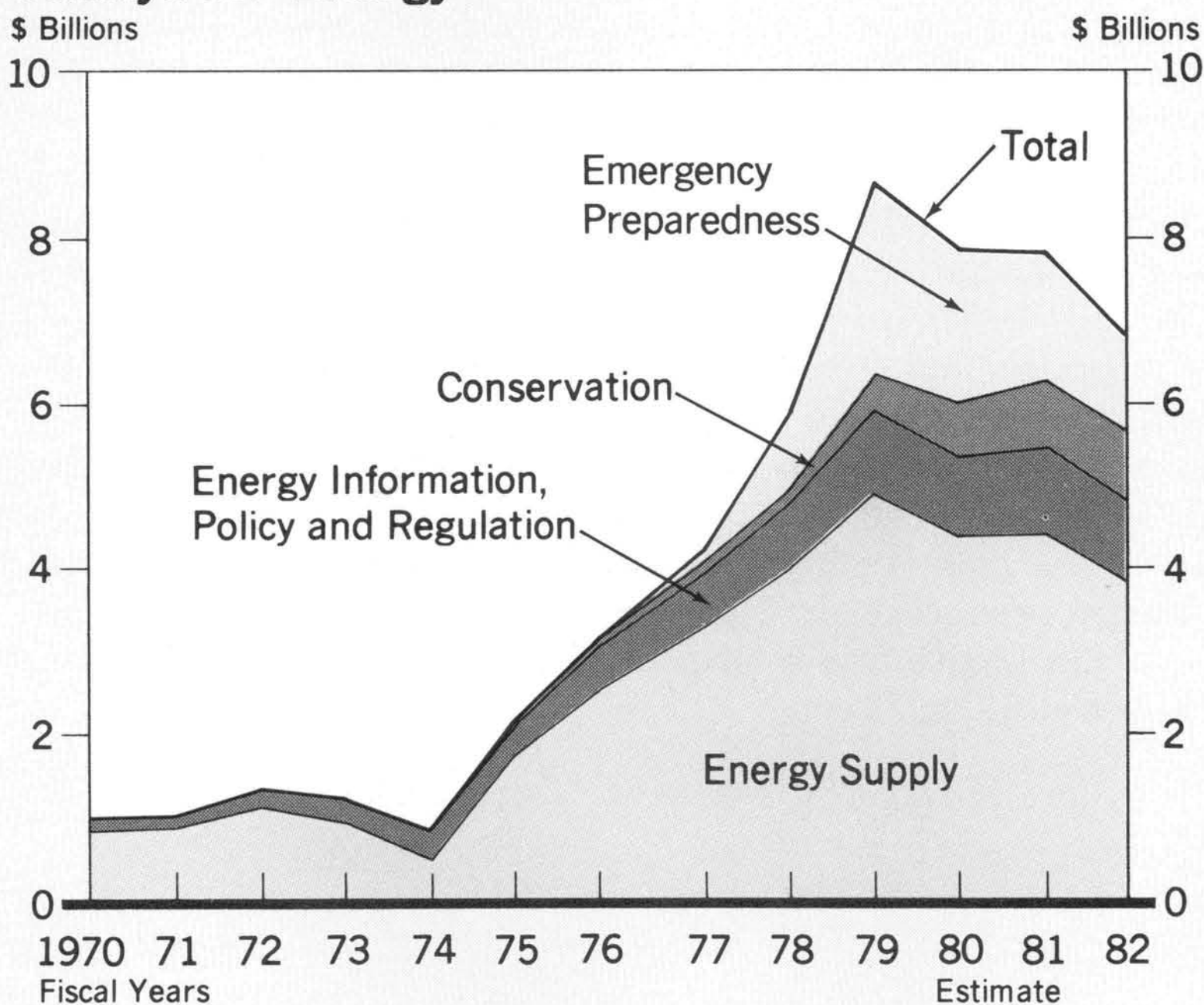
Energy

Our *national needs* for energy are to reduce dependence on foreign oil in the near term; to prepare the U.S. economy to withstand the effects of high energy prices, and to develop renewable and essentially inexhaustible sources of energy for sustained economic growth through the next century. The solutions that meet our energy national needs must protect the environment, be fair and fiscally sound, and limit the potential for international proliferation of nuclear weapons.

The budget proposals that address our national needs in energy are distributed among the major missions. Total outlays for these missions are estimated at \$7.9 billion, down from \$8.6 billion in 1979.

The budget supports overall energy emergency preparedness, an energy pricing policy that encourages domestic energy production and discourages wasteful energy use, the development of more efficient and more proliferation-resistant nuclear energy technologies, and the rapid development of effective and efficient renewable energy technologies.

Outlays for Energy



Energy supply programs encompass tax incentives and other assistance to encourage conversion to alternate sources of energy. They also include the Federal Government's own energy production and distribution activities: the production of enriched uranium, the production of oil from the naval petroleum reserves, and the distribution of electricity through the power marketing administrations. Net outlays for energy supply are estimated to be \$4.4 billion in 1980, compared with \$4.9 billion in 1979.

Solar energy development is the only energy supply program area for which a large overall increase is proposed in 1980. Government-wide outlays for solar energy R&D are estimated to increase in 1980 by 40%, while outlays for the application of solar power would rise by 22%. Emphasis is to be given to photovoltaics and other technologies such as improved processes to convert organic waste and crops to fuels.

Developmental work is to continue on nuclear fusion, geothermal, and other renewable energy sources.

The goals of the fossil energy supply program are to accelerate development of environmentally acceptable technologies which can lead to the increased use of coal and expanded supplies of domestic oil and gas. Because coal is the Nation's most abundant energy resource, almost 80% of the fossil energy budget is directed to coal-related research and development. Both budget authority and outlays for fossil research and technology development are estimated to decrease in 1980. Estimated outlays total \$754 million in 1980 and \$802 million in 1979.

The nuclear fusion program continues to be oriented toward the development of technologies that will provide for the use of nuclear power as a safe, environmentally acceptable, economic source of electricity. In support of the President's foreign policy objectives, the program emphasizes technologies that reduce the risks of proliferation of nuclear weapons.

In an effort to help develop acceptable new energy technologies and to reduce the environmental impacts of existing energy sources, the budget supports research on the environmental effects of energy production and use. Special emphasis will be placed on the human health and ecological effects of developing technologies, such as coal liquefaction.

Proposed net outlays for power marketing activities decline from \$1.9 billion in 1979 to \$1.7 billion in 1980. Funding is requested for construction and operation of transmission facilities at the five Federal power marketing administrations of the Department of Energy (DOE) and for continuation of the nuclear power plant construction program of the Tennessee Valley Authority.

The administration's *energy conservation* program includes tax credits, regulations, technical and financial assistance, and research and technology development. Tax credits for conservation measures in homes and businesses, higher energy prices, and regulations for more efficient buildings, major appliances and motor vehicles together will help slow the growth of energy consumption. Total outlays for energy conservation are estimated at \$660 million, a 35% increase above the 1979 level.

The *emergency energy preparedness* mission concerns the development of plans and measures to protect the Nation against possible petroleum supply disruptions. Efforts include the development of contingency plans and emergency measures, including gasoline rationing and other demand restraints.

The 1980 budget includes funds for continued development of the storage component of the strategic petroleum reserve on a revised schedule that calls for storage of 750 million barrels in the 1985-1986 time period. The administration plans a reprogramming of \$733 million in 1979 funds appropriated for oil purchases to start the expansion of existing sites and acquisition of new sites. This would bring the storage capacity of sites on which work is underway or completed through 1980 to 608 million barrels. Should program progress warrant, additional funds will be requested for starting development of an additional 142 million barrels of facilities for a total of 750 million barrels. Funds for this eventuality are covered by the allowance for contingencies. Outlays for emergency energy preparedness are estimated at \$2.0 billion in 1980, \$406 million below the 1979 level.

Passage of the National Energy Act has expanded Federal responsibilities in the area of *energy information, policy, and regulation*. Therefore, proposed outlays increase from \$798 million in 1978 to \$969 million in 1980.

The Energy Information Administration in DOE collects and independently analyzes data from the private sector on energy transactions, production, consumption, and imports.

The purpose of energy regulation is to assure that national energy needs are satisfied safely, efficiently and equitably. An important aspect of both the 1979 and 1980 budgets is the exercise of the new authorities provided in the various laws making up the National Energy Act. Under this act, the Federal Energy Regulatory Commission has the key responsibility for implementing the Natural Gas Policy Act. The Powerplant and Industrial Fuel Act and the Public Utility Regulatory Policies Act are to be administered by the Economic Regulatory Administration. The powerplant act strengthens the Government's authority to prohibit the use of oil or natural gas in new, large electric utilities and industrial boilers and encourages conversion to coal. The public utility act encourages energy-conserving changes in electric utility rates.

The Nuclear Regulatory Commission regulates the siting, construction, and operation of all civilian nuclear reactors, nuclear fuel storage, and waste disposal of radioactive materials. It also conducts a nuclear safeguards program and develops analytic methods that form the basis for nuclear licensing standards and regulations.

Tax expenditures for energy conservation are estimated at \$825 million in 1980. New tax incentives in the National Energy Act, including both tax expenditures and other tax changes, are estimated at \$631 million in 1980. New excise taxes will be imposed on "gas guzzler" automobiles to penalize excessive gasoline consumption beginning with the 1980 model year.

Natural Resources and Environment

Our *national needs* in 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 natural areas and historic sites. To help meet these national needs the Federal Government undertakes the following major missions: pollution control and abatement, management of water resources, conservation and land management, protection of unique areas and recreational resources, and other natural resources. Outlays for these missions are estimated at \$11.2 billion in 1979 and \$11.5 billion in 1980.

The Federal Government helps to control air, water, and land pollution both directly and through Federal financial and technical assistance to State and local governments. Outlays for pollution control and abatement are estimated to increase by 14% from \$4.1 billion in 1979 to \$4.7 billion in 1980.

The administration is proposing increases in funds for control of toxic substances, and for research on air quality, drinking water,

toxic substances and the effect of radiation on health. Initiation of a rural clean water program to help control critical sources of water pollution in rural areas is also proposed.

The Federal Government provides grants to State and local agencies for 75% of the cost of planning, designing, and constructing municipal sewage treatment facilities. Under the Federal Water Pollution Control Act of 1972 and the Clean Water Act amendments of 1977, the Federal Government has provided over \$27 billion for this program. The Federal Government also ensures that its own facilities meet environmental statutes and the budget includes funds for this purpose.

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

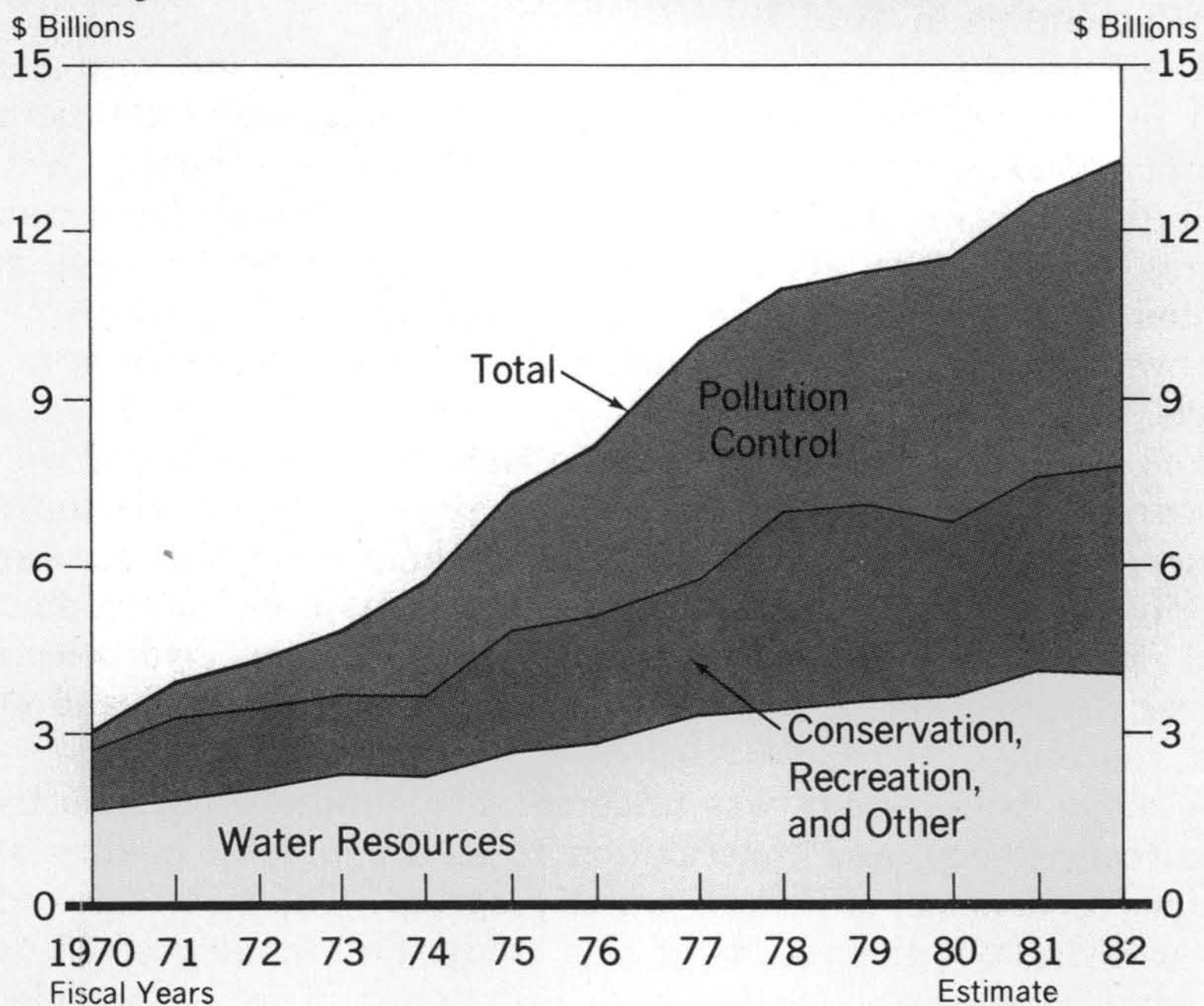
A major policy study was undertaken to improve the effectiveness, consistency, and contribution to environmental quality and water conservation of Federal water programs. The budget provides for carrying out the results of this study. Full-funding of 26 new projects is proposed, together with resumption of work on replacement of Lock and Dam 26 on the Mississippi River.

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 and the provision of recreation opportunities. Technical and financial assistance is also provided to conserve agricultural lands. The surface mining of coal is regulated to prevent degradation of the land, and lands previously mined are reclaimed.

To preserve unique areas, to conserve fish and other wildlife, and to meet the need for recreational areas, the Federal Government, either directly or through grants to States, acquires, develops, and operates parks, recreation areas, historic sites, visitor facilities, and wildlife refuges. An urban recreation grant program was enacted last year as one of the administration's urban initiatives. These grants will provide for the rehabilitation of urban parks. Outlays for recreational resources are estimated at \$1.4 billion in 1980.

The administration has taken action to preserve 116 million acres of lands of outstanding national interest in Alaska, including emergency withdrawal of 60 million acres from mineral development. The land and water conservation fund outlays are estimated at \$0.5 billion for 1980.

Outlays for Natural Resources and Environment



Agriculture

The proposed budget recognizes the *national need* for a strong agriculture. The Government seeks to moderate the swings in the agricultural economy by supporting prices and by helping to create farmer-held commodity reserves to be used in years of short supply. The budget also reflects an increasing commitment to basic plant research.

The cornerstone of the administration's agricultural policies is the establishment of grain reserves to help stabilize prices and to allow greater flexibility in responding to changing supply and demand conditions. The Government has also established acreage-set-aside programs for our major crops to help balance the supply of agricultural products with the demand for them. The decrease in outlays for this national need from \$6.2 billion in 1979 to \$4.3 billion in 1980 is due largely to the reductions in short-term export credit outlays and in the projected costs of commodity price support programs in 1980.

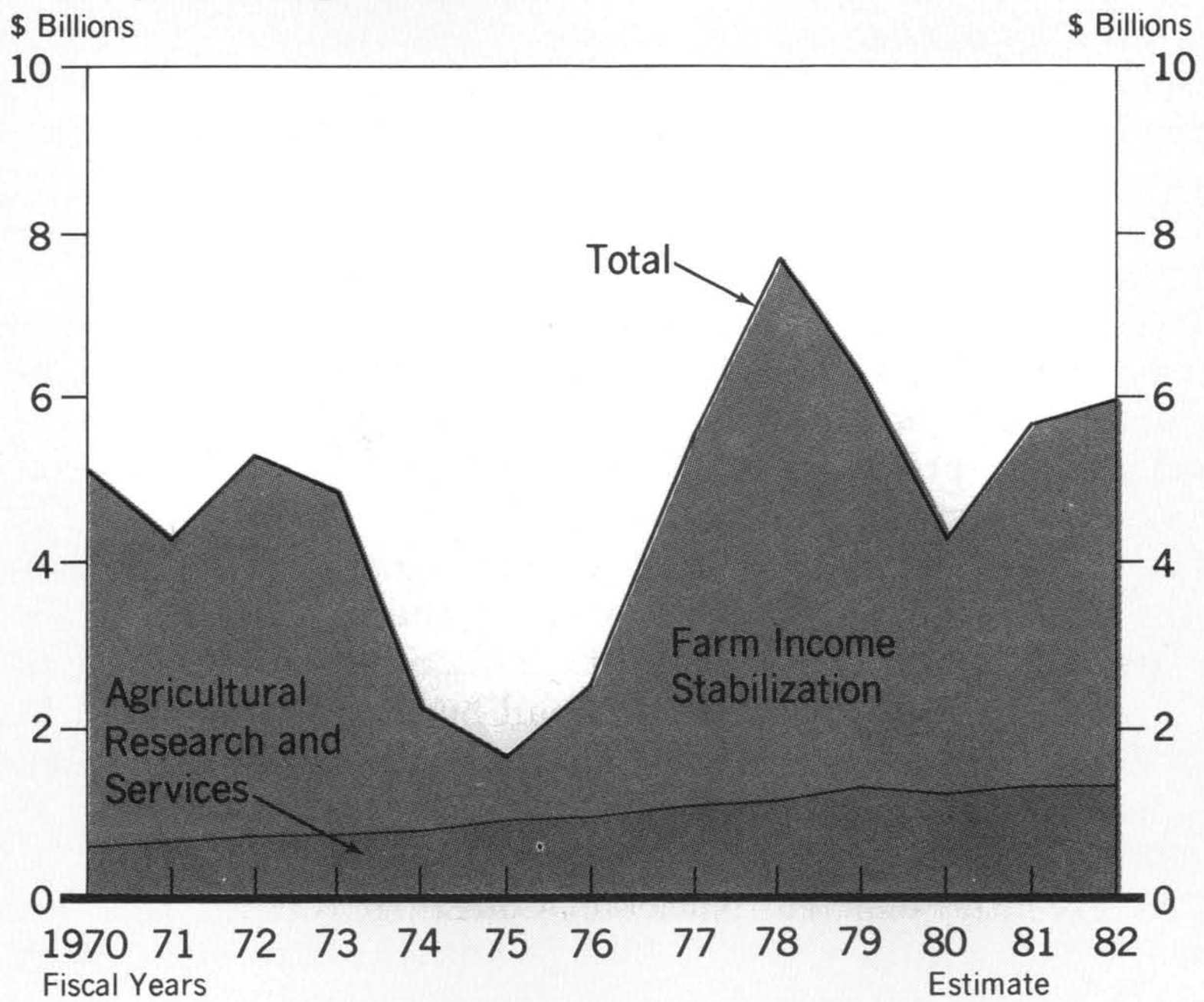
Estimated outlays for price support and related programs are projected to fall from \$5.0 billion in 1979 to \$2.6 billion in 1980. Generally lower production of feed grains and improved markets

for grains are estimated for 1980, thereby lessening the need for financial assistance. An \$800 million outlay decrease is estimated to occur in the short-term export credit program reflecting continued strength in export markets and anticipated availability of alternative means of export assistance in 1980. Outlays for agricultural loans are also expected to decline from \$3.3 billion in 1979 to \$1.3 billion in 1980, partly because of the expiration of the emergency livestock loan guarantee and economic emergency loan programs.

Federal Crop Insurance Corporation payments are estimated to increase from \$85 million in 1979 to \$98 million in 1980 reflecting the administration proposal to replace disaster aid programs with insurance programs as the primary means of financial protection from natural disaster.

Outlays of \$1.2 billion are estimated for agricultural research and services in 1980, about the same level as in 1979 when adjusted for the one-time funding of the Israel-U.S. Binational Agricultural Research and Development Fund. The administration recommends that budget authority be redirected from selected crop, animal, and post-harvest research to such areas as nutrition, conservation, and basic plant research.

Outlays for Agriculture



Commerce and Housing Credit

National needs for commerce and housing credit include an adequate supply of mortgage credit, special credit assistance for economically distressed urban and rural areas, an effective postal 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, payments to the Postal Service, and other advancement and regulation of commerce. Outlays of \$3.4 billion are estimated for these missions in 1980, compared to \$3.0 billion in 1979.

The growth and stability of the private housing market are supported by Federal mortgage credit and thrift insurance programs. The 1980 budget proposes an additional \$2.0 billion in Government National Mortgage Association (GNMA) mortgage purchase commitments. These commitments would facilitate the development of an estimated 67,000 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 priority in this administration's effort 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. Insurance for mortgages with graduated payment schedules, requiring lower initial monthly payments, will be made to assist young, first-time homebuyers. FHA outlays are estimated at \$34 million in 1980, compared with \$111 million in 1979.

The Farmers Home Administration (FmHA) provides housing loans and grant assistance to low- and moderate-income families in rural communities of less than 20,000 in population. Outlays for rural housing programs in 1980 are estimated at \$362 million, a \$144 million increase over 1979 levels.

The Postal Service is an independent Federal entity subsidized by the Federal Government. Proposed payments to the Postal Service are \$1.7 billion in 1980, \$105 million lower than for 1979.

To meet the financial needs of small businesses, the Small Business Administration will provide \$3.9 billion in 1980 for guaranteed business loans. The proposed level of assistance to minority firms in 1980 is 36% above the 1979 level.

The recently enacted National Consumer Cooperative Bank, which will begin operation in 1979, is authorized to make loans at market interest rates to finance cooperative food stores, pharma-

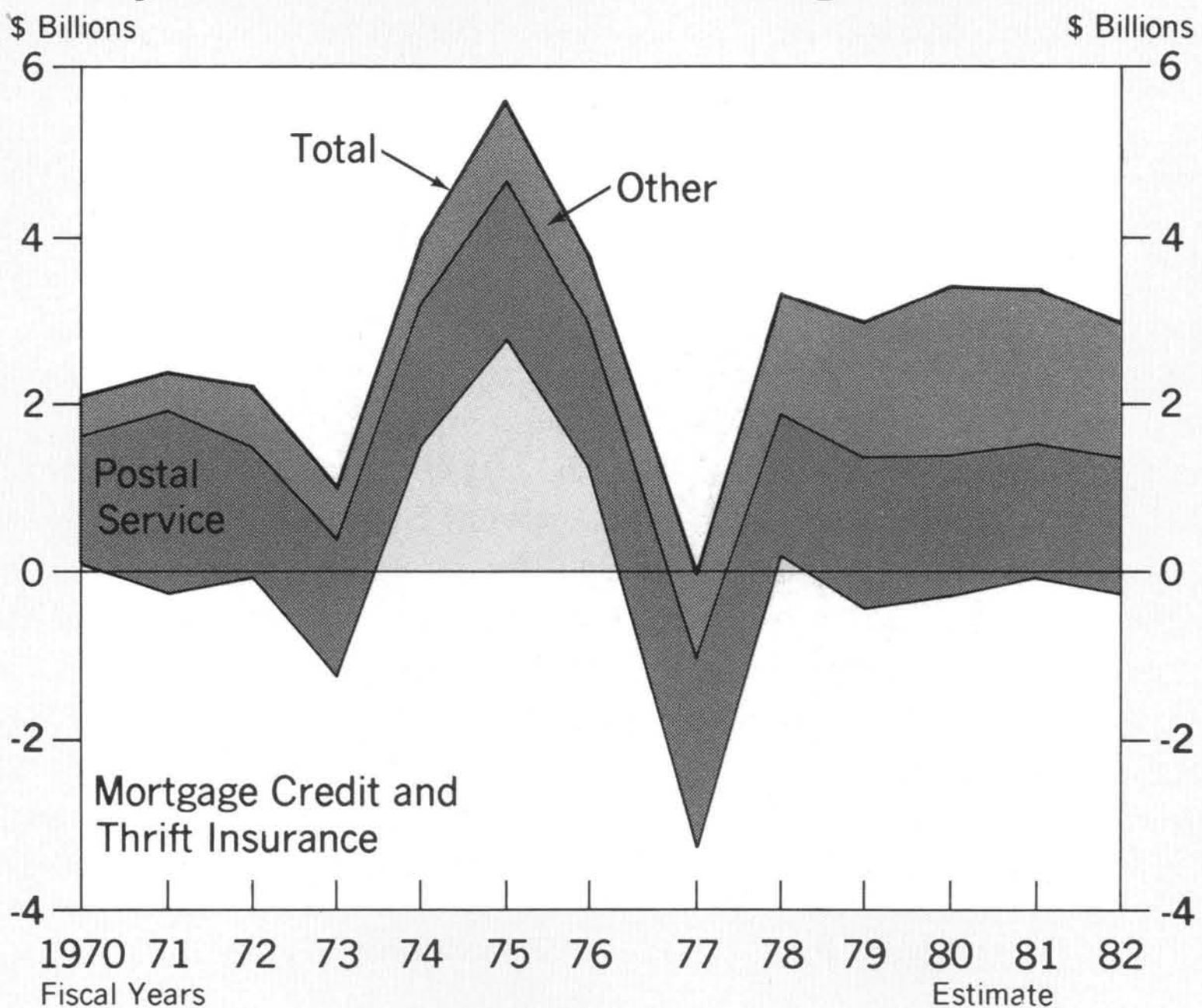
cies, garages, health maintenance organizations, and other cooperatively-owned businesses. The Bank's outlays are estimated to be \$90 million in 1980.

Another recently authorized lending activity, the Central Liquidity Facility under the National Credit Union Administration, will begin operations in October, 1979. Facility lending, aimed at meeting the liquidity needs of member credit unions, is estimated to total \$200 million in 1980.

Outlays for the Bureau of the Census are expected to rise from \$219 million in 1979 to \$583 million in 1980, reflecting the added costs of the 1980 decennial census.

The Federal Government also aids business and individuals through several tax expenditures. The 10% tax credit for capital equipment, allowances for rapid depreciation, the new tax credit for the rehabilitation of industrial structures, and the exclusion of interest on municipal industrial development bonds aids business. Small businesses receive an additional tax expenditure: preferential tax rates on the initial \$100,000 of corporate income. Individuals receive benefits through favorable tax rates on capital gains income and through Federal income tax deductions of interest payments and property taxes.

Outlays for Commerce and Housing Credit



Transportation

The *national needs* for transportation include: the development and maintenance of the Nation's transportation system to meet the needs of commerce and the public; the safe, reliable, and efficient operation of that system; and the assurance that transportation programs help meet the Nation's economic, energy, environmental, and social goals. To help achieve these needs, outlays of \$17.6 billion for ground, air, and water transportation systems are proposed for 1980, a slight increase from the level of \$17.4 billion in 1979.

Federal funding for highways and mass transit was significantly changed in 1978 with the enactment of the Surface Transportation Assistance Act, which simplifies many categorical programs and allows greater State and local flexibility in setting priorities and carrying out programs. These changes should encourage more balanced State and local government transportation decisions. To complement the change in law, the Department of Transportation has developed a plan to create a single Surface Transportation Administration that would consolidate the personnel and functions currently performed by the Federal Highway Administration and the Urban Mass Transportation Administration. Total outlays for highways and mass transit are expected to increase from a level of \$9.5 billion in 1979 to \$10.0 billion in 1980.

The administration will propose legislation in 1979 to deregulate the nation's railroad and inter-city bus industries. The administration also supports increasing competition in the truck industry. These regulatory reform proposals are designed to increase significantly the efficiency of the surface transportation system, while decreasing the paperwork and "red tape" associated with excessive regulatory controls.

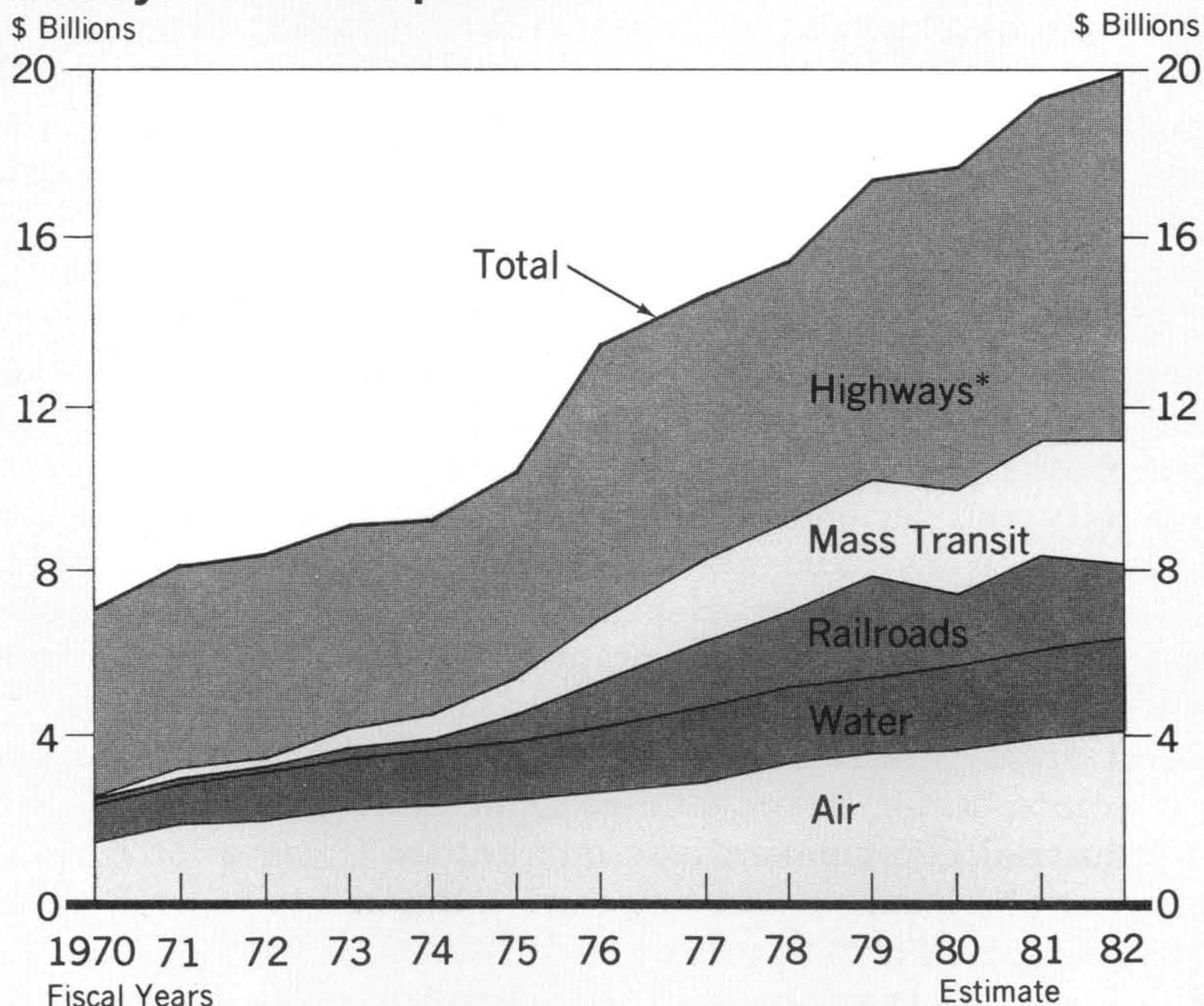
Of particular significance is the proposal to deregulate the Nation's railroad industry. The railroads have been struggling for a long time to attain financial health, but have been hindered by an out-dated regulatory system that prevents the economic allocation of resources within the industry. As a consequence, increasing Federal subsidies have been required to keep freight and passenger rail service operating. Unless financial health can be restored—with regulatory reform as an essential element—the railroads will require greater subsidies with each passing year. The administration, therefore, will propose regulatory reform along with a phased plan to reduce Federal railroad subsidies as the industry regains

financial health. Partly as a result of this plan, estimated outlays for railroads decline from \$2.4 billion in 1979 to \$1.7 billion in 1980.

The budget request for the Federal Aviation Administration proposes major improvements in the ability to safely control airway traffic. The administration's proposals will extend protection against mid-air collisions. In addition, the administration will propose extending the airport and airways trust fund to further expand the capacity and safety of the air transportation system and to balance better the sources of revenue with the groups that receive benefits. The President supports Civil Aeronautics Board administrative actions to implement recent legislation deregulating freight and passenger air traffic. Outlays for air transportation are estimated at \$2.5 billion in 1979 and \$2.6 billion in 1980.

Recently enacted legislation establishes user charges for inland waterway traffic. The receipts will be used to develop the inland waterway system. Continued budget funding is requested for other water transportation activities such as the Coast Guard and subsidies to the U.S. maritime industry. Outlays for water transportation are estimated to increase by \$151 million to \$2.1 billion in 1980.

Outlays for Transportation



*Includes a Small Amount of Outlays in Other Transportation

Community and Regional Development

National needs for community and regional development include: developing and maintaining economically and socially viable urban neighborhoods and rural areas; strengthening State, local and private sector capacity to revitalize distressed areas; and providing supplemental relief to areas that suffer from natural disasters. Proposed resources for community and regional development are increased substantially, despite overall budget austerity. Requested budget authority increases from \$8.1 billion in 1979 to \$11.3 billion in 1980.

The decline in outlays for community and regional development, from \$9.1 billion in 1979 to \$7.3 billion in 1980, reflects the higher level of outlays in 1978 and 1979 for anti-recession and disaster assistance programs. These programs are phasing down in 1980 due to improved economic conditions, a return to more normal levels of disaster relief, and more effective management of disaster assistance programs. Federal programs in this area have not been uniformly increased, however.

Outlays for HUD's community development programs are estimated to increase by nearly \$400 million to \$3.3 billion in 1980. Community development block grants fund a variety of community projects, including site acquisitions, public construction and the rehabilitation of buildings. Urban development action grants aid distressed cities and urban counties in redeveloping deteriorated urban neighborhoods.

Rehabilitation loans are offered to homeowners, tenants and businesses in distressed areas with subsidized interest rates no higher than 3%. Estimated outlays of \$125 million for 1980 would rehabilitate 12,800 single-family and 4,500 multifamily units.

The National Development Bank is a major initiative to aid community and regional development. The Bank would stimulate private investment and increase private sector employment in rural and urban areas experiencing diminished growth and persistent or increasing unemployment, and would provide incentives for business development.

Rural areas receive Federal assistance in the form of development grants, water, sewer, and community facility insured loans, and industrial development loan guarantees. Outlays for rural development and business assistance are estimated to be \$475 million in 1980 compared to \$666 million in 1979.

The Economic Development Administration (EDA) will continue to assist economically distressed areas through grants and loans for public works and business development. Outlays for these EDA programs are estimated to decline from \$2.4 billion in 1979 to \$0.8

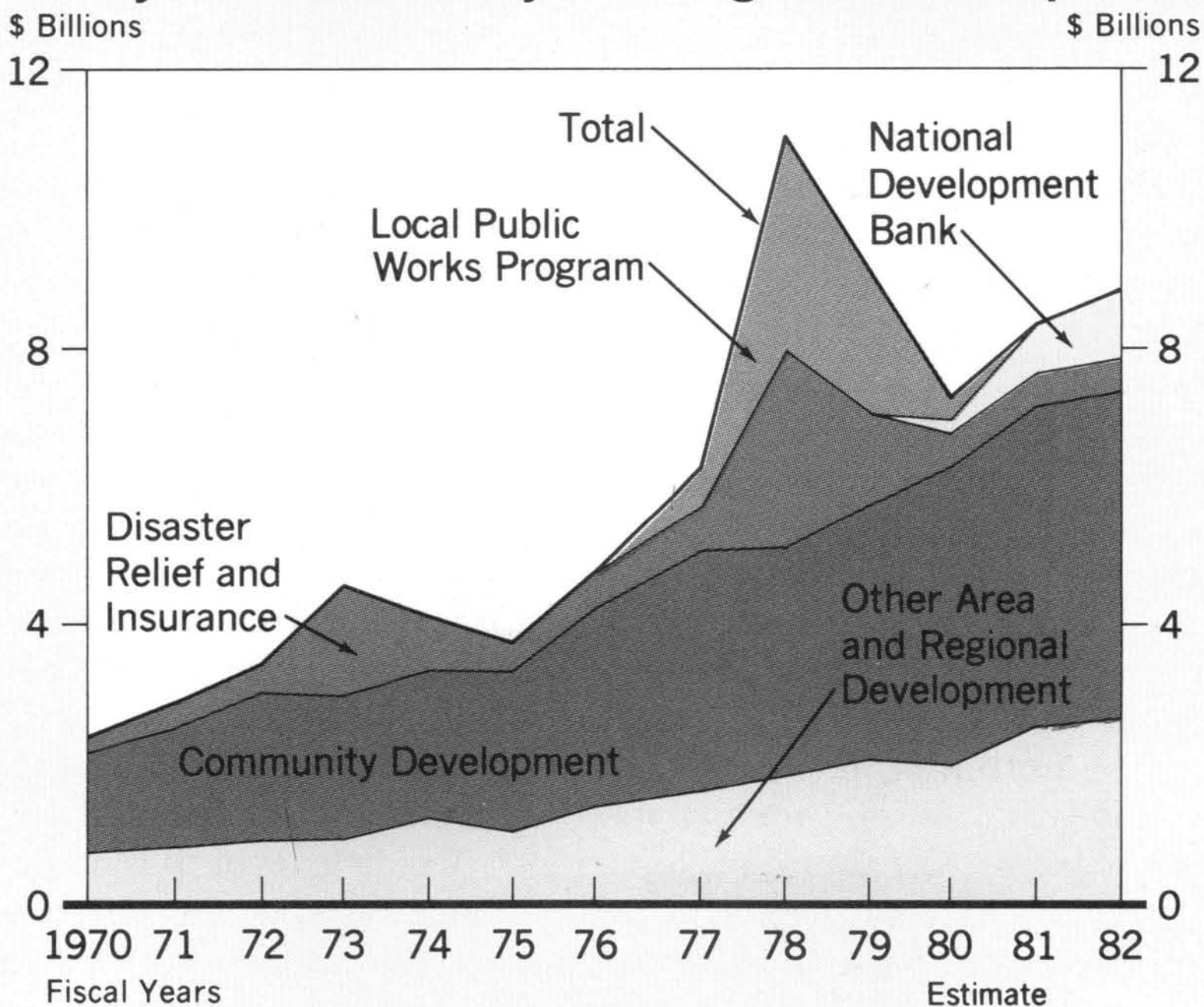
billion in 1980 as the countercyclical local public works program is completed. The budget request for 1980 does not include funding for the labor intensive public works program, initially proposed in the President's urban initiative.

Outlays for Indian programs in the area and regional development mission are estimated to be \$730 million in 1980, \$52 million lower than for 1979.

To improve the Federal-State partnership in promoting regional economic development, the administration will propose legislation to reauthorize and improve the Appalachian Regional Commission and to strengthen and modernize the other regional commissions.

In 1979, responsibility for administering the disaster relief programs and the flood insurance program will be vested in the new Federal Emergency Management Agency. The Small Business Administration would continue to provide disaster assistance loans. Outlays for disaster relief and insurance are estimated to decline from \$1.3 billion in 1979 to \$0.5 billion in 1980.

Outlays for Community and Regional Development



Education

The *national needs* for education are to assist State and local governments in providing equal elementary and secondary educational opportunities for students of special concern to the Federal Government, particularly the disadvantaged and the handicapped; to assure that no one is denied access to higher education because of financial barriers, and to promote the development and dissemination of knowledge concerning education theory and practice. To help meet these needs, the Federal Government undertakes major missions in elementary, secondary and vocational education, in higher education, and in education research. Outlays for education are estimated to increase to \$13.3 billion in 1980 from \$12.7 billion in 1979, reflecting 1979 budget authority increases in forward-funded programs. The budget request of \$14.3 billion in budget authority for education programs in 1980 is \$276 million less than in 1979. Over half of this difference is accounted for by a reduction in the budget authority required to continue current policies in the basic educational opportunity grants program. While aggregate funding is approximately the same as in 1979, individual program objectives have been refined and priorities have been adjusted. Therefore, increases are proposed for some programs, while reductions and terminations are proposed for others.

Most of the \$7.1 billion in estimated 1980 outlays for *elementary, secondary, and vocational education* is to provide formula and discretionary grants to assist State and local educational agencies. The largest share is for supplementary education services for low-income and low achieving students under Title I of the Elementary and Secondary Education Act. The administration recommends that these general grants be continued in 1980 at the 1979 level and that, in addition, \$258 million be provided in 1979 and \$400 million in 1980 for special assistance to areas with high concentrations of low income students. Budget authority is also sought for a new program to assist States and localities in teaching the basic skills of reading, writing, and mathematics.

Budget authority increases are proposed for the Indian education, education of the handicapped, bilingual education, and head start programs. Continuation of the 1979 funding level is requested for occupational and vocational education programs. On the other hand, the administration proposes to limit the impact aid program, which assists school districts affected by Federal activities, to districts that are clearly adversely affected by those activities. As a result, the 1980 request is below the 1979 level.

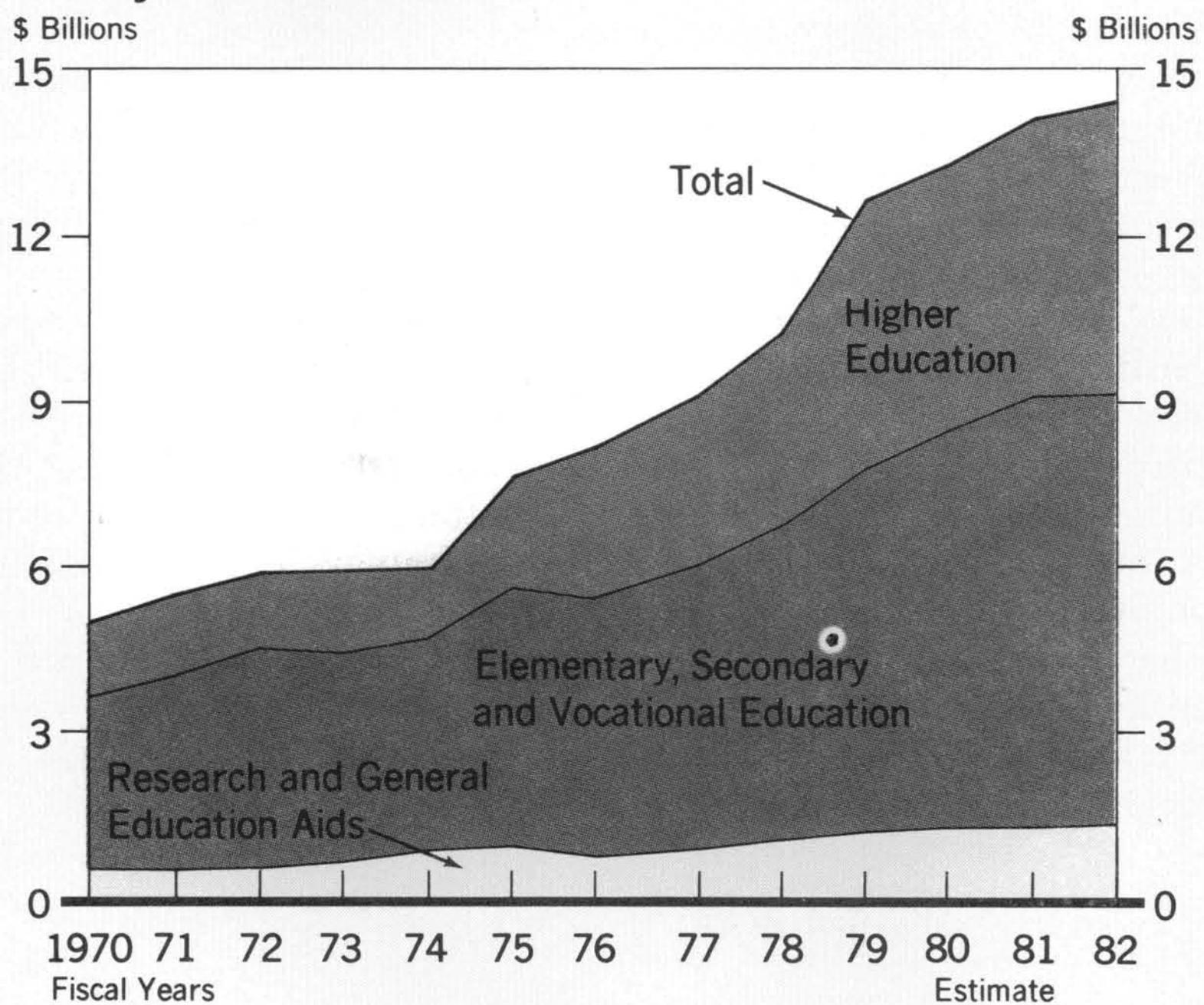
In support of *higher education*, the 1980 budget includes \$2.4 billion in budget authority for the basic educational opportunity grant program. This amount would fully fund the program and provide individual grants of up to \$1,800 to 2.6 million undergraduates in the 1980-81 school year. Total budget authority of \$867 million is requested for supplemental educational opportunity grants, State student incentive grants, and part-time jobs for students under the college work-study program.

Budget authority of \$960 million is requested to provide \$2.5 billion in guaranteed loans in 1980 to 1.5 million higher education students. The request includes funds to implement the provisions of the Middle Income Student Assistance Act that extended interest subsidies on guaranteed loans to all students regardless of family income.

Estimated outlays of \$1.3 billion in 1980 would support *education research* and development, as well as training, cultural activities, and other general education aids.

To signify the high priority the Nation places on education and to improve the management and accountability of Federal education programs, the administration will repropose a cabinet level Department of Education.

Outlays for Education



Training, Employment, and Social Services

The Federal Government assists individuals—especially the unemployed, disadvantaged, and disabled—in becoming self-sufficient. To help achieve this *national need* the Federal Government undertakes the major missions of training and employment, other labor services, and social services. Outlays for these missions are estimated to be \$18.0 billion in 1979 and \$16.9 billion in 1980.

The employment situation has improved substantially over the past 2 years, with total employment increasing by 7.4 million since December 1976. Proposed funding in 1980 for *training and employment* programs has been reduced somewhat and directed more toward the economically disadvantaged and the long-term unemployed. Outlays for general grants to States and local governments under the Comprehensive Training and Employment Act (CETA) of \$1.9 billion in 1980 would produce about 424,000 training or job opportunities. Strategies for job development and job placement in the private sector will be stressed, and a new private sector program provides \$400 million in budget authority in 1979 for training, placement, implementation of the new targeted employment tax credit, and other services designed jointly with the aid of Private Industry Councils.

The continued growth in the economy, combined with constraints on budget resources, call for focusing public service employment (PSE) on the unemployed and most severely disadvantaged. Consequently, the administration is proposing that the less-targeted countercyclical PSE program be phased down in 1980. The budget request includes funding for an average of 267,000 PSE jobs for the more disadvantaged structurally unemployed and an end of year level of 200,000 jobs for the cyclically unemployed.

Outlays for programs designed specifically for youth are estimated to be \$2.1 billion in 1980. This funding includes \$400 million under the Job Corps program to reach a level of 44,000 training opportunities—double the 1977 level—and \$545 million under the summer youth employment program. Estimated outlays in 1980 for programs authorized under the Youth Employment and Demonstration Projects Act equal the 1979 level of \$1.2 billion.

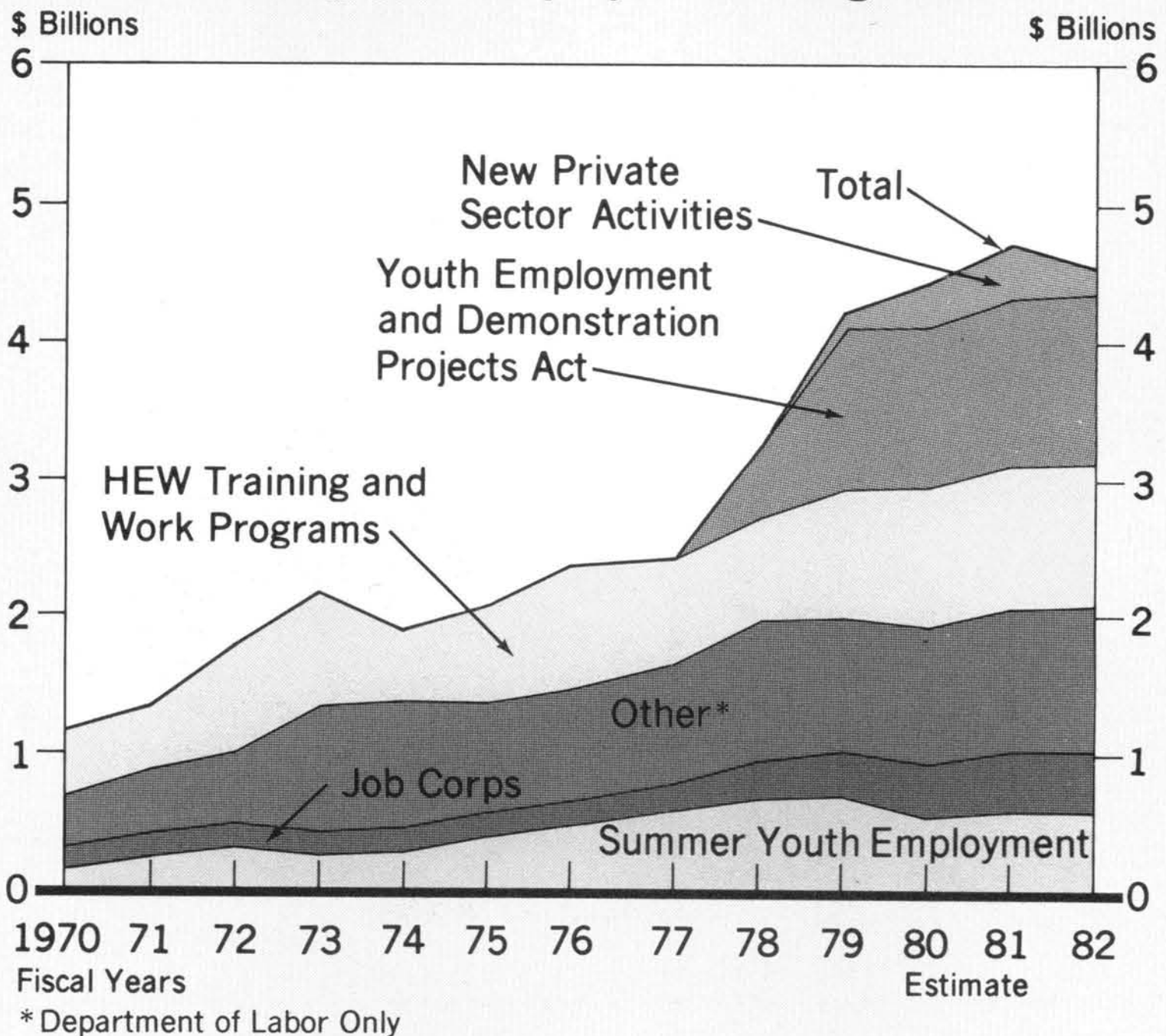
The work incentive (WIN) program helps those receiving aid to families with dependent children find and retain jobs. Estimated outlays of \$378 million in 1980 would place approximately 286,000 individuals in unsubsidized private sector jobs.

The administration plans to propose a new welfare reform initiative that integrates the delivery of cash assistance with an employment and training strategy, the new targeted employment tax credit, and revisions in the earned income tax credit. The proposal would ensure that individuals on public assistance have strong incentives to seek and retain permanent unsubsidized employment.

Job-matching services for workers and employers are provided free of charge by 2,400 State employment service offices financed by Federal funds. The 1980 budget request maintains employment service operations at the 1979 level. The Federal Government also sets and enforces standards for wages and hours, welfare and pension plans, and other employer/employee relationships, including collective bargaining, and publishes employment, wage and price statistics. Outlays for *other labor services* are estimated at \$520 million in 1979 and \$525 million in 1980.

Social services grants to States and localities provide a broad range of services to the poor, the elderly, the handicapped, the mentally retarded, the drug-addicted or alcoholic, and homeless or

Youth Training and Employment Programs

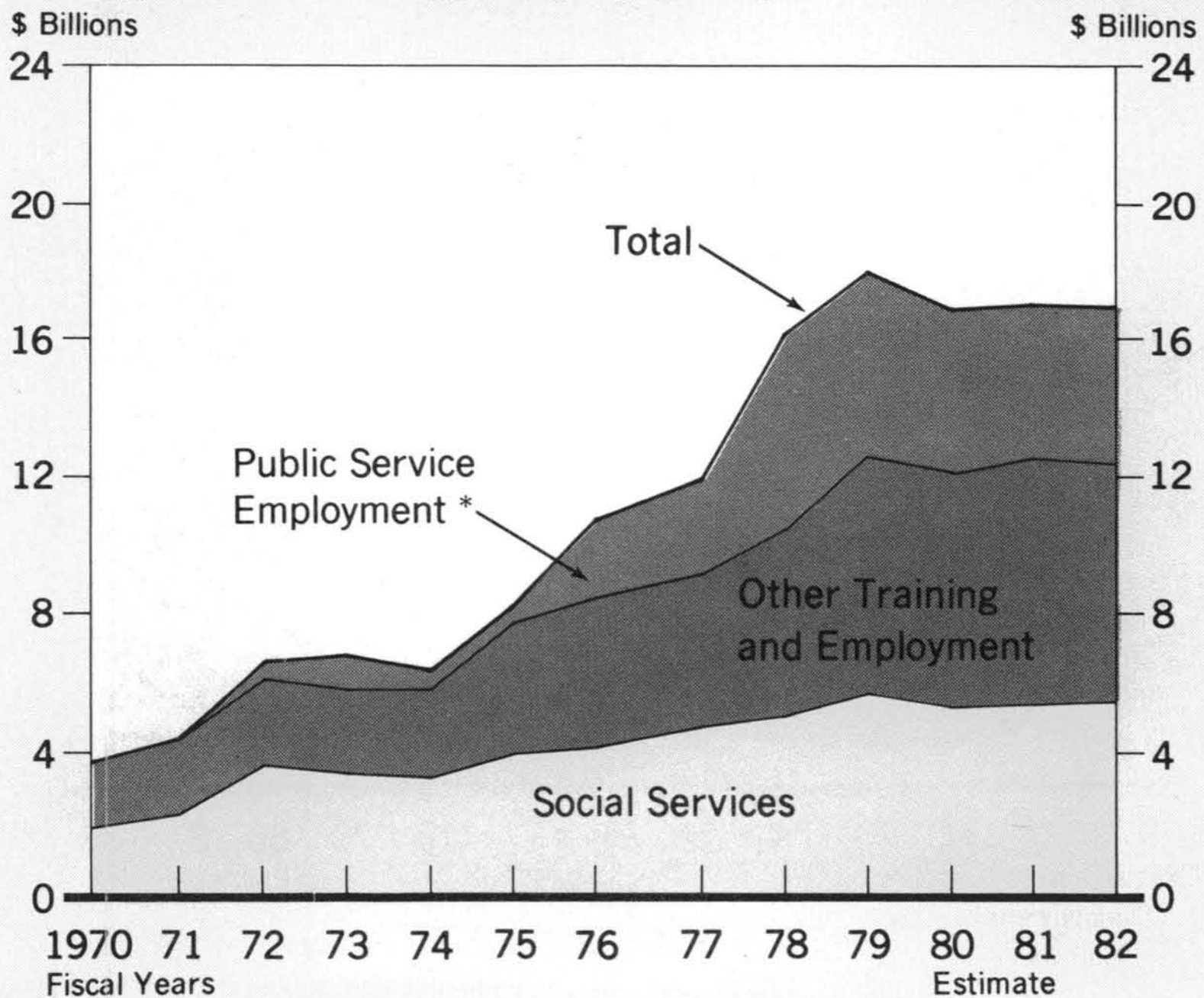


neglected children. The administration is proposing legislation to significantly improve the services provided by States to children and to improve the protection of the rights of children and their parents.

The programs of the Community Services Administration finance administrative support of local community action agencies that deliver services to low-income individuals. These agencies receive funding primarily from other sources, including other Federal agencies. The Community Services Administration also supports demonstration projects to test new methods of delivering services to the poor.

Proposed operations of two of ACTION's principal volunteer programs increase in 1980. Volunteers in Service to America (VISTA) would increase by 600 volunteers, with new emphasis in development or rural programs, while the urban volunteer programs would expand into 110 additional cities, mobilizing an estimated 75,000 local volunteers. Total outlays for social services programs are estimated to be \$5.4 billion in 1980, compared to \$5.8 billion in 1979. This decrease reflects a one-time payment in 1979 of \$0.5 million in retroactive social service claims.

Outlays for Training, Employment, and Social Services



*Programs Exclusively for Public Service Employment

Health

The administration is developing a broad national health plan to meet the *national needs* for health. The budget emphasizes improved access to medical care and mental health services, expanded efforts to promote health and prevent illness and continued efforts to reduce inflation in health care costs. Outlays for this national need are estimated to rise from \$49.1 billion in 1979 to \$53.4 billion in 1980.

Since 1965 Federal outlays for health have risen at an annual rate of about 19%. The inflationary growth in health care costs has been a major factor in this increase and a burden on both the national economy and the Federal budget. Therefore, enactment of cost-savings legislation is essential to the Nation's efforts to combat inflation. The administration's hospital cost containment proposal would limit increases in inpatient revenues to a rate consistent with anti-inflation guidelines. Outlay savings for this proposal are estimated at \$1.7 billion in 1980. Cumulative savings over 1980-1982 are estimated at \$9.8 billion.

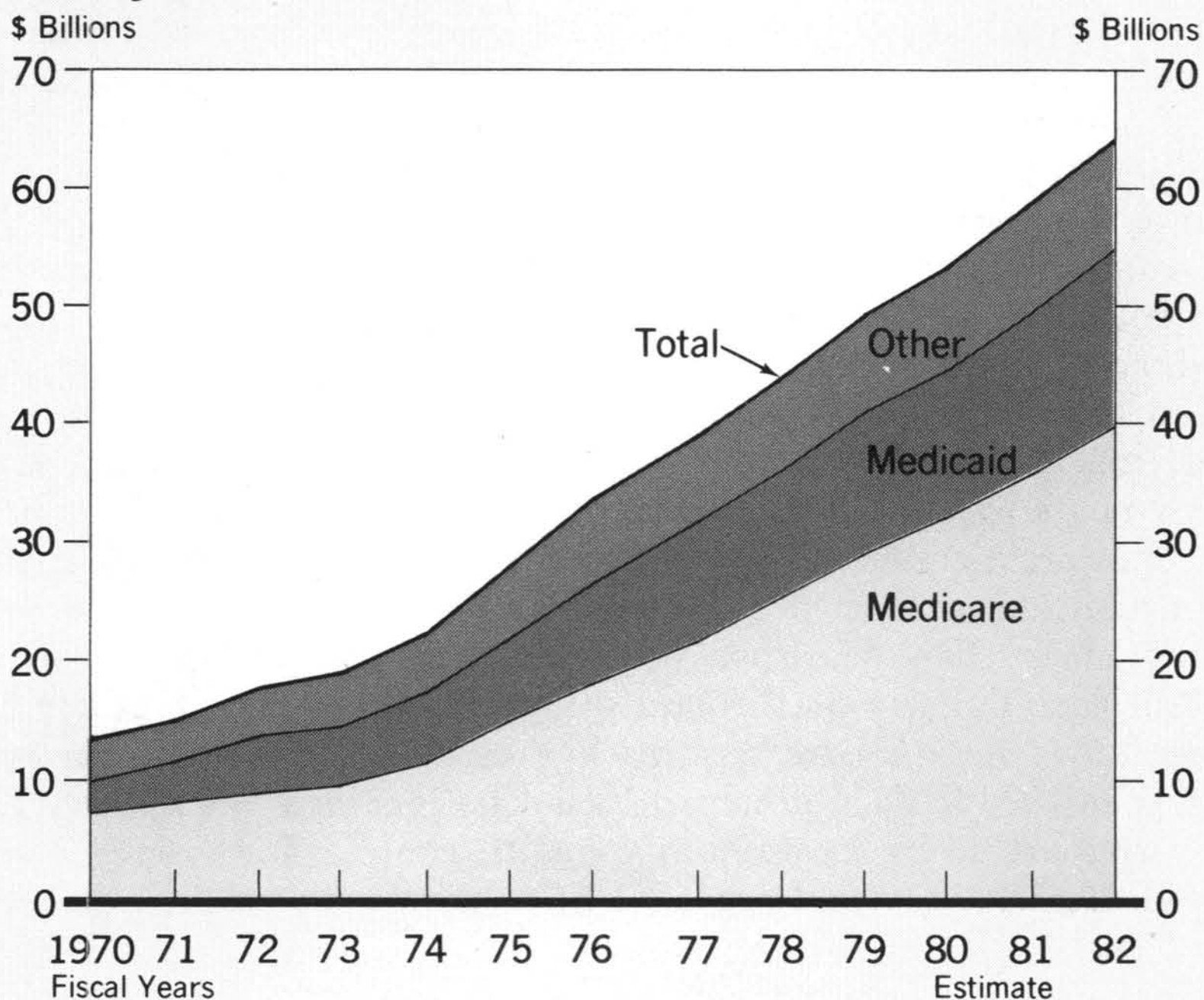
Outlays for *medicare*, whose beneficiaries are either aged or disabled, are estimated to be \$29.1 billion in 1979 and \$32.1 billion in 1980. Included in these figures are legislative savings initiatives totaling \$1.8 billion in 1980 and increased mental health benefits and disability coverage of \$56 million. Outlays for *medicaid*, whose beneficiaries are low-income adults and children, are estimated to be \$11.8 billion in 1979 and \$12.5 billion in 1980. Included in the 1980 medicaid estimates are legislative savings initiatives of \$319 million and program expansions totaling \$301 million for a child health assessment program (CHAP) and expanded coverage for migrants and low-income pregnant women. The medicaid quality control program is to be continued and should produce outlay savings of over \$500 million in 1980 as a result of reductions in fraud and abuse. Other savings, which will affect the outlays of both medicare and medicaid, come from proposals to limit reimbursements to some hospital-based physicians, eliminate payments for chiropractic services and establish fines for fraud and abuse.

In addition to medicare and medicaid, the Federal Government funds more than 30 other programs that support provision of health care directly or through grants and contracts. Outlays for these *other health care services* are estimated to rise from \$3.5 billion in 1979 to \$3.9 billion in 1980. The increases are expected to help support 45 new community health centers and help the National Health Service Corps (NHSC) provide an additional 1,095

health professionals in underserved areas. An estimated \$600 million in 1980 outlays would provide direct medical services to American Indians and Alaskan Natives. Estimated outlays of \$328 million in 1980 would assist States and communities in the development and delivery of comprehensive mental health services. Other Federal programs support a wide range of health services, including maternal and child health, family planning, health maintenance organizations, public health service hospitals, emergency medical services, alcohol and drug abuse services, and St. Elizabeths Hospital.

Increased support for health promotion activities in 1980 underscores a growing recognition that future improvements in health are more likely to result from changes in individual lifestyles than from an expansion of traditional medical services. New initiatives include expanded efforts in disease prevention, health information and promotion, and health education. A new prevention initiative for community water fluoridation is proposed in this budget as well as new activities for the "anti-smoking" program, with special emphasis on high-risk individuals. The development of model programs for prevention and treatment of alcohol abuse is also proposed. Funding is requested in 1980 for a new prevention

Outlays for Health



formula grant program and expansion of the National Health Information Clearinghouse to increase the public's awareness of helpful and responsible health information.

Federal outlays for *health research* are estimated at \$3.0 billion in 1979 and \$3.4 billion in 1980. Proposed Federal support continues to emphasize basic research in the study of degenerative and chronic diseases. Increased support would also be provided in 1980 to carry out research related to mental health and health services.

Total outlays for *health professions' training* are estimated to be \$623 million in 1980 compared with \$704 million in 1979. During the 1960's and 1970's there was a major increase in the supply of health professionals. Between 1975 and 1990 the supply is estimated to increase another 70%. Since Federal subsidies are no longer required to increase supply, redirection of Federal support for health professions' training is proposed as part of a national health plan strategy to address the needs of the poor and medically underserved. To meet this objective, outlays of \$76 million are proposed for support of 6,195 National Health Service Corps scholarships in 1980. Scholarship recipients agree to serve in medically underserved areas in return for this financial assistance. Federal programs that in the past have provided institutional subsidies to increase the supply of health professionals without regard for speciality preference or geographic locations are recommended either for phase-out or termination.

Outlays for *consumer safety* activities are estimated to increase from \$637 million in 1979 to \$644 million in 1980. Continued efforts are proposed for 1980 to assure the safety and efficacy of drugs and medical devices. Initiatives, such as reform of existing drug laws, continued emphasis on ensuring food safety, and the fostering of cooperative regulatory activities, are expected to make existing programs more effective. Federal outlays to improve the safety and health of American workers in the workplace are estimated to increase from \$288 million in 1979 to \$299 million in 1980.

In addition to direct Federal spending, Federal income tax laws help finance health care by excluding health insurance premiums paid by employers from employees' taxable income, and permitting itemized deduction for health care expenses and health-related charitable contributions. The revenue loss in 1980 for these tax expenditures is estimated to be \$13.9 billion.

Income Security

The goal of the income security function is to help meet the *national need* of assuring a reasonable income for poor Americans and insuring against loss of family income due to unemployment, retirement, disability, or death. Administration proposals in this area will focus on simplifying program administration, increasing program accountability, decreasing costs by reducing fraud and abuse, and directing benefits to the most needy people. Proposals are being designed to improve the welfare system. Outlays for income security are estimated to rise from \$158.9 billion in 1979 to \$179.1 billion in 1980. In the last five years, income security programs have grown by 65%, representing substantial growth in benefits.

Social security is the largest single program in the budget. Outlays for social security are estimated to rise from \$102.3 billion in 1979 to \$115.2 billion in 1980. Social security beneficiaries in 1980 are estimated to number 36 million. Despite recent reforms to the system, the present social security benefit structure cannot be financed over the long-run under currently legislated tax rates. The administration will propose legislation to improve the program and to eliminate unnecessary benefits. These proposals would reduce 1980 outlays an estimated \$0.6 billion. Enactment of these reduction proposals, as well as the hospital cost containment proposal, would make possible the consideration of the social security tax reductions starting in 1981.

Several *other Federal retirement programs* provide income security. Outlays for railroad retirement are estimated to increase from \$4.3 billion in 1979 to \$4.5 billion in 1980 as a result of higher per capita benefit levels. The higher benefit levels more than offset a decline of 5,000 beneficiaries between 1979 and 1980. The administration proposes to increase the industry component of the railroad retirement pension an additional 2% of railroad industry payroll and reduce future benefits a like amount. These changes provide an equitable approach to sound financing of the pension system. Estimated outlays of \$1.5 billion in 1980 would provide special benefits for coal miners disabled from "black lung" disease.

Outlays for *Federal civilian employee retirement and* for related *disability* insurance are estimated to increase from \$12.1 billion in 1979 to \$13.8 billion in 1980. These programs are estimated to have 1.7 million beneficiaries in 1980. Outlays of \$304 million are estimated to be required in 1980 to compensate approximately 49,000

Federal workers for job-related disabilities. Legislation is being proposed to improve the rehabilitation incentives under this program.

The Pension Benefit Guaranty Corporation is an off-budget Federal entity that protects the vested benefits of workers in covered pension plans in case their plan terminates. The corporation's income is expected to exceed outlays by \$24 million in 1979 and \$31 million in 1980. Legislation proposing comprehensive termination insurance for employees under multi-employer pension plans will be submitted this year.

Unemployment recipients are estimated to number 2.2 million per week in 1979 and 2.6 million in 1980. As a result, outlays for *unemployment compensation* are estimated to increase from \$10.3 billion in 1979 to \$12.4 billion in 1980.

The administration's planned proposal for reform of the welfare system would provide significant improvement in *welfare programs* and in benefits for the needy. The basic components of the welfare reform plan include establishing a national minimum benefit level, expanding the earned income tax credit, providing added private and public sector employment, and increasing fiscal relief to the States through the improved operation of welfare programs. Provision for this reform proposal has been made in the allowance for contingencies beginning in 1981.

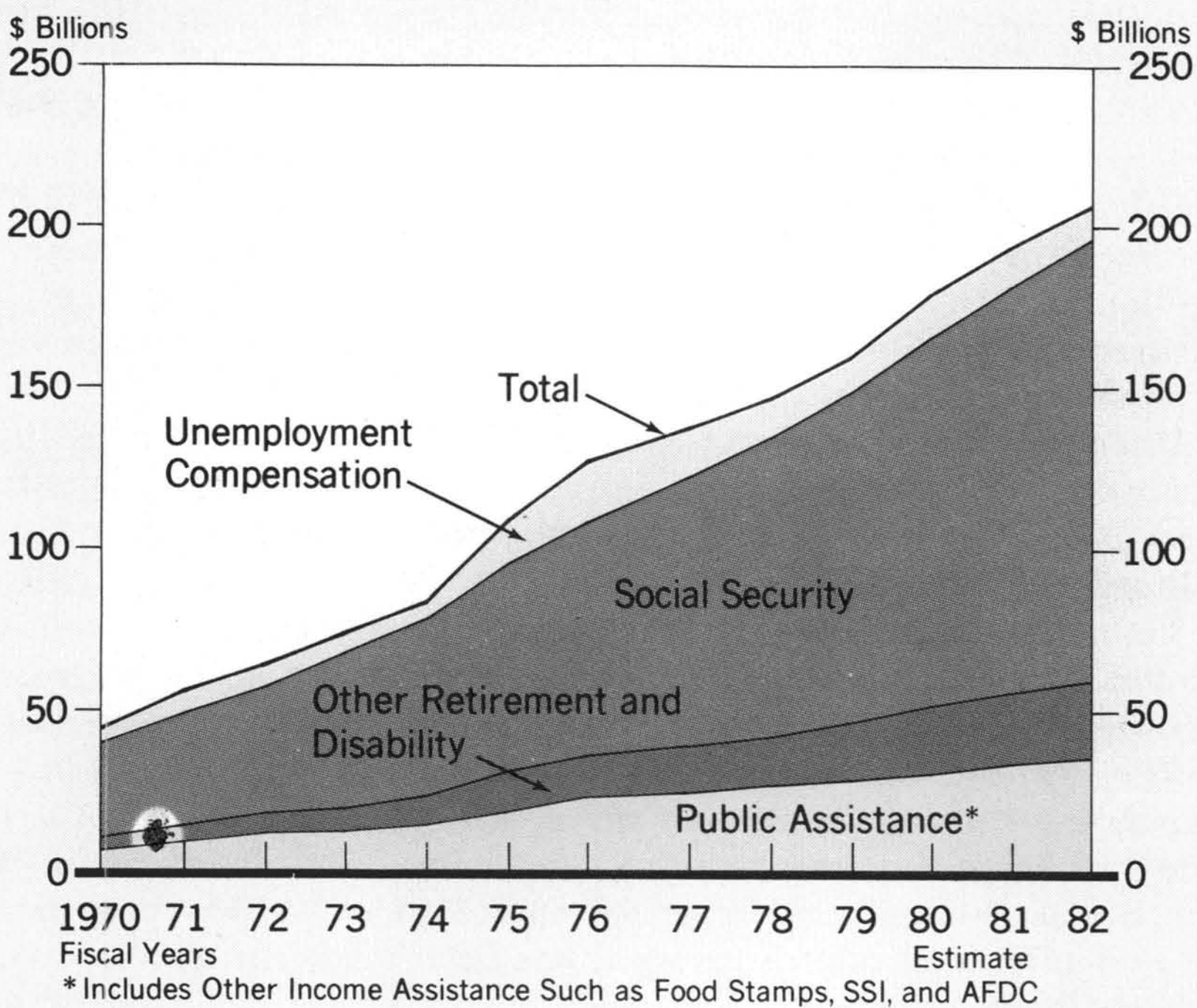
Outlays for the supplemental security income (SSI) program, which provides benefits to the aged, blind, and disabled, are estimated at \$6.3 billion in 1980. By 1980, the number of beneficiaries is estimated to be 4.2 million. The initially high error rates in this program have been markedly reduced, and would be reduced further under suggested legislation and administrative changes.

The aid to families with dependent children (AFDC) grants assist States and localities in providing cash assistance to needy families. Outlays are estimated to be \$6.7 billion in both 1979 and 1980. Although benefit levels are estimated to increase because of inflation adjustments provided by the States, the administrative costs of the program would be reduced under proposed legislation to promote management improvement and enhance program accountability. Errors and abuses in the program also are being reduced through closer cooperation between the States and the Federal Government.

The *earned income tax credit* aids low-income workers by providing an income tax reduction (credit), or a payment if the tax credit exceeds the individual's tax liability. The revenue loss in 1980 for the tax reduction is estimated at \$0.7 billion. Outlays for payments in excess of tax liability are expected to be \$1.5 billion.

The *food stamp program* provides needy families an opportunity to purchase food for an adequate diet. Outlays to assist 17.4 million

Outlays for Income Security



recipients are estimated to be \$6.9 billion in 1980 compared with \$6.3 billion in 1979. Legislation will be proposed to reduce program error rates and improve the program administration.

Fifteen separate Federal programs assist States in feeding children and other needy persons. Outlays for these programs are estimated to total \$3.9 billion in 1980. Legislative modifications designed to direct these resources more effectively to needy children will be sought. Outlays for the special supplemental food program for women, infants, and children (WIC) are estimated to increase by \$191 million to \$730 million in 1980. Recent studies suggest that the program leads to significant reductions both in infant mortality and in the incidence of low birth-weight babies.

Housing assistance is currently provided through three major subsidized housing programs: low-income housing assistance, public housing, and homeownership assistance. Total outlays for housing assistance are estimated to rise from \$4.5 billion in 1979 to \$5.3 billion in 1980. The budget request would provide rental housing assistance for up to 300,000 additional low-income families, and homeownership assistance to an additional 25,000 moderate-income households. Total proposed budget authority required to support the long-term housing commitments is over \$27.4 billion in 1980.

Proposed outlays for refugee assistance are \$216 million in 1980. These funds cover costs of cash assistance, medical assistance and

social services for needy refugees. Refugee needs will continue to be monitored carefully by the administration over the next several months in light of the continuing exodus from Indochina.

As part of the anti-inflation program, the President has proposed insuring workers who voluntarily comply with the program against wage loss through inflation. Under this proposal, groups of employees whose compensation increases fall within the anti-inflation guidelines will be eligible for a tax credit if inflation exceeds 7%. The Internal Revenue Service would reimburse such workers by reducing their taxes for any loss to inflation above 7%. The \$2.5 billion cost estimate for this proposal appears as a \$2.3 billion loss of tax revenues and an outlay estimate of \$200 million. Outlays result from cases where tax reductions are not enough to adequately compensate the workers for their wage loss.

The major tax expenditure provisions for the aged are the exclusion from taxable income of all social security and most 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 \$6.7 billion in 1980.

Veterans Benefits and Services

The *national needs* for veterans are: to meet the Nation's obligation to compensate veterans disabled while in service for their loss of earning power; to compensate families of veterans killed in service or dying from service-related disabilities for their reduced earning power; to provide veterans with medical care for service-related disabilities; to help veterans make the transition from military to civilian life; and to provide financial assistance to needy veterans and their families.

While veterans benefits and services are generally adequate and have been successful in meeting these needs, it is the goal of the administration to improve the focus of veterans programs upon the special needs of Vietnam-era veterans, organize the Veterans Administration (VA) medical system to achieve increased efficiency and accommodate the imminent increase in the number of aging veterans, and concentrate needs-related financial assistance benefits on needy veterans. Outlays for veterans benefits and services are estimated at \$20.3 billion in 1979 and \$20.5 billion in 1980.

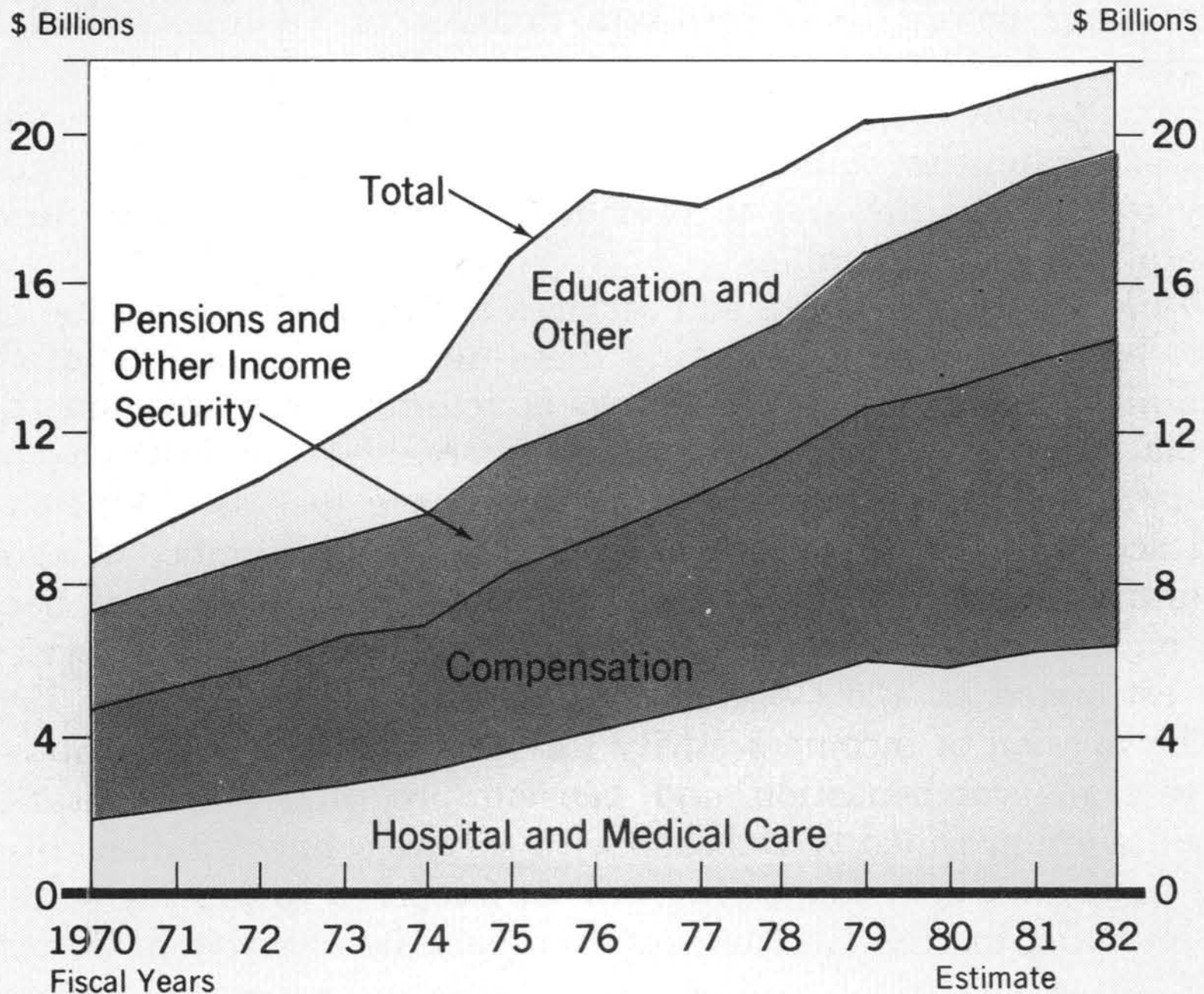
The mission of income security for veterans is largely composed of veterans compensation and pension programs. Compensation benefits are provided to veterans with service-connected disabilities and their survivors. Legislation will be proposed to provide a 7.8% cost-of-living increase in compensation benefits effective in October 1979. An estimated 2.6 million beneficiaries are expected to receive \$7.3 billion in compensation benefits in 1980. Pensions are provided

to needy wartime service veterans, their dependents and survivors. Recent legislation improves the focus of pension benefits and provides for automatic cost of living adjustments to these benefits. In 1980, 2.3 million needy veterans and their survivors are expected to receive \$4.2 billion in pension benefits.

The GI bill provides education benefits designed primarily to assist veterans who entered military service before 1977 in readjusting to civilian life. The number of GI Bill trainees will continue to drop in the future as the number of eligible veterans decreases. Thus, outlays are estimated to decline from \$2.7 billion in 1979 to \$2.2 billion in 1980. These estimates assume enactment of proposed legislation to end enrollments in general flight training and correspondence courses and legislation extending the period of eligibility from 10 to 12 years for certain needy and educationally disadvantaged Vietnam-era veterans.

The VA operates the largest nationwide medical care system. In 1980, the VA will continue to reorder its health care program to provide efficient medical care for veterans with service-connected disabilities and still accommodate the rapidly growing population of eligible elderly veterans. Efforts to improve the quality of medical care for service-disabled veterans will continue. Outlays for VA medical programs are estimated to be \$5.8 billion in 1980.

Outlays for Veterans Benefits and Services



Administration of Justice

National needs for justice include the representation of the public in legal matters; the provision of fair and prompt prosecution and trial procedures; the maintenance of public order and enforcement of Federal statutes; the provision of detention and correctional facilities for those charged with or convicted of violating Federal laws; and provision of assistance to State and local criminal justice systems. To meet these needs, the Federal Government supports programs in four major missions: Federal law enforcement activities; Federal litigative and judicial activities; correctional activities, and criminal justice assistance. Estimated outlays for these programs are \$4.4 billion in 1979 and in 1980.

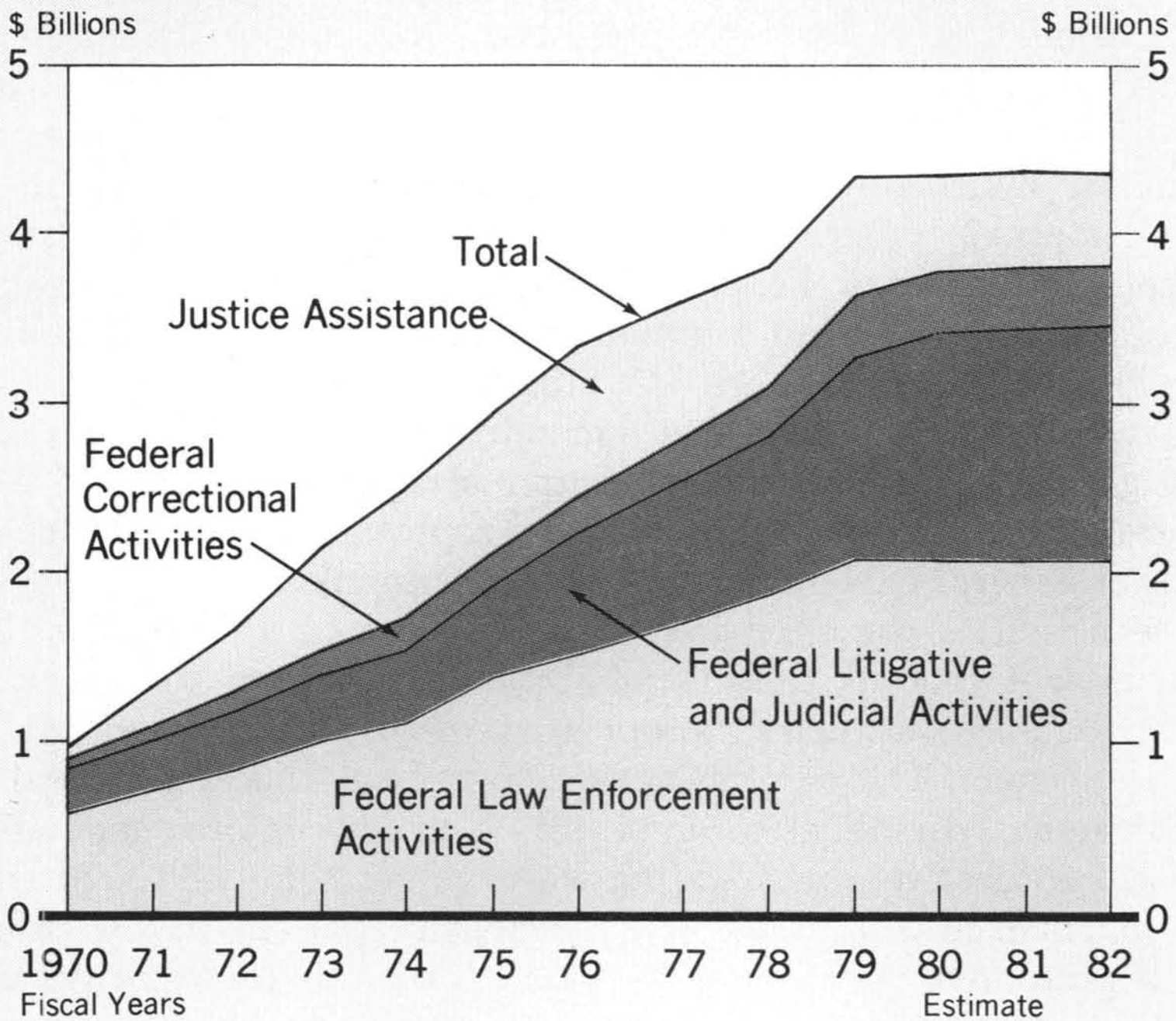
Law enforcement activities, including the Federal Bureau of Investigation, Drug Enforcement Administration, Customs and Immigration Services and Secret Service, represent the largest component of Federal expenditures for justice administration. Outlays for these activities are estimated at \$2.1 billion in 1979 and in 1980. The budget request reflects administration efforts to establish a better balance between different elements of the civil and criminal justice system. The administration plans to reallocate Federal law enforcement personnel to areas in which law enforcement efforts are more effective: investigating white collar crime and apprehending major drug traffickers. The judicious reductions in law enforcement personnel would allow for much needed increases in litigative staff.

The Omnibus Judgeship Act of 1978 improves the judicial system. The act creates 117 new District Court judgeships and 35 new Circuit Court judgeships to help reduce the record high backlog of pending cases. The number of assistant U.S. attorneys will be increased and a significant number of deputy U.S. marshals will be reassigned to achieve the maximum advantage from the legislation.

Federal correctional system outlays are estimated to increase \$10 million to \$377 million in 1980. The use of community treatment centers and other alternatives to institutional incarceration would continue to be emphasized.

The administration will again propose legislation to consolidate Federal criminal justice assistance in a new Office of Justice Assistance, Research and Statistics. While overall funding levels would be reduced by about \$100 million, the proposed changes will minimize "red tape" and paperwork, and give cities and counties more direct control over the Federal funds they receive. Special emphasis would be given to funding programs that have proved to be effective in strengthening the criminal justice system. Research and statistical programs would be expanded to include civil as well as criminal activities.

Outlays for Administration of Justice



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 is responsive to the Nation's people and the provision of effective and efficient central executive policy development and management. To help 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 \$4.4 billion in 1980, about the same as in 1979.

The President has been granted authority by the Congress to reorganize the Government to provide a more efficient and effective executive branch. One of the most important reorganizations, that of the Civil Service Commission, will provide the most significant change in central personnel management in the Federal Gov-

ernment since the passage of the original Civil Service Act in the 1890's. The new Office of Personnel Management, Merit Systems Protection Board, and Federal Labor Relations Authority will work together to improve Federal personnel management and labor relations, while safeguarding the merit system from abuse.

In October of 1978, the President proposed a set of voluntary wage and price guidelines as part of his anti-inflation strategy. The increase in the Council on Wage and Price Stability staff required to effectively administer the program is requested in the budget.

A number of changes have been made in the structure of the General Services Administration to strengthen central control and increase the number of investigations and audits. Among the changes are increases in the staff of the Inspector General, the establishment of an Office of Controller-Administration for centralized budgetary and financial control, the creation of an Office of Acquisition Policy, and a consolidation of property disposal functions in the Federal Property Resources Service. These changes, along with continued improvements in management, should go a long way toward eliminating fraud and mismanagement in the GSA.

General Purpose Fiscal Assistance

There are *national needs* to support the federal system by sharing Federal revenues with State and local jurisdictions and reducing the impact of economic fluctuations on States and localities. To help meet these needs, the Federal Government carries out the major missions of general revenue sharing and other general purpose fiscal assistance. Outlays of \$8.8 billion are estimated for these missions in 1980 compared to \$8.9 billion in 1979.

General revenue sharing has been the primary means by which the Federal Government provides general purpose assistance to State and local governments. 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 and in 1980. A decision on the extension of general revenue sharing programs beyond the September 30, 1980 expiration date has not yet been made.

The budget proposes a transitional highly targeted fiscal assistance program for those fiscally distressed jurisdictions most affected by the termination of antirecessionary fiscal assistance payments in 1978. The new program would provide assistance in 1979 and, to a lesser extent, in 1980 to the most severely affected governments. Budget authority of \$250 million in 1979 and \$150 million in 1980 is proposed.

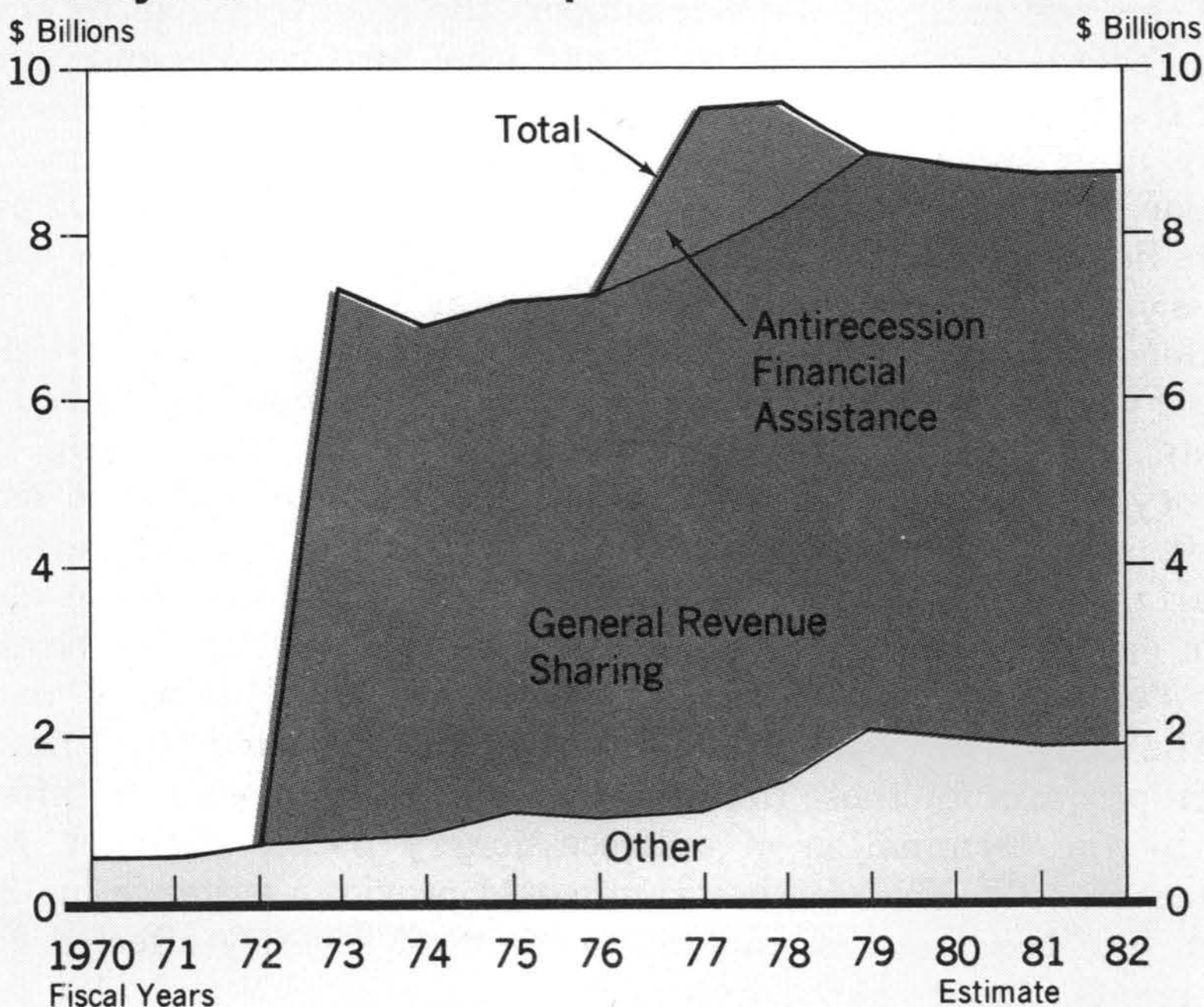
A program similar to the antirecession fiscal assistance program, but with a higher trigger, will be proposed to provide fiscal assistance in the event of recession. No outlays are expected to result from this program in 1980.

The Secretary of the Treasury is authorized to guarantee up to \$1.6 billion of New York City obligations through June 30, 1982. During 1980 an estimated \$250 million will be guaranteed. The loan guarantees are not included in the budget, but the administrative costs are.

Outlays for the Federal payment to the District of Columbia, in recognition of the impact of the Federal establishment on the District's budget, are proposed at \$317 million in 1980.

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 and individuals can exclude the interest income from their Federal taxes. Estimated revenue losses to the Treasury in 1980 are \$5.9 billion. In addition, the deductibility of most State and local taxes from Federal taxable income is estimated to add approximately \$12.5 billion to revenue losses in 1980.

Outlays for General Purpose Fiscal Assistance



Net Interest

Interest is the premium connected with borrowing or lending. The interest function includes interest paid on the public debt and on refunds of tax collections, as well as interest collections from the public and from revolving funds. In addition, a substantial portion of interest outlays is paid to trust funds on securities held by the funds. These amounts are deducted from both budget authority and outlays before arriving at budget totals, since these payments are not made to the public, but consist of offsetting transactions within the budget. Net interest outlays are estimated to increase substantially, rising to \$43.0 billion in 1979 and \$46.1 billion in 1980.

NET IMPACT OF INTEREST OUTLAYS ON THE SURPLUS OR DEFICIT

(In billions of dollars)

	1978 actual	1979 estimate	1980 estimate	1981 estimate	1982 estimate
Outlays for the interest function.....	44.0	52.8	57.0	59.1	59.5
Less: Interest received by trust funds.....	-8.5	-9.8	-10.9	-12.4	-14.5
Net interest.....	35.4	43.0	46.1	46.7	45.0
Less: Deposit of earnings, Federal Reserve System (budget receipts)	-6.6	-7.6	-8.6	-9.2	-9.7
Net impact.....	28.8	35.4	37.5	37.5	35.3

In the past, the budget estimates for interest were based on the assumption that interest rates would remain at the levels prevailing at the time the estimates were made. Because interest rates are now unusually high, this assumption would produce artificially high estimates of interest outlays. Thus, nominal interest rates are assumed to change as inflation changes. Outlays for net interest are projected to grow at a much slower rate in 1981, and then decline in 1982. This pattern results from substantially reduced growth in estimated Federal debt outstanding and from assumed further declines in interest rates.

As part of their monetary functions, Federal Reserve Banks hold Government securities. The Banks return a portion of the interest they receive on those securities back to the Treasury as miscellaneous budget receipts. Deducting these receipts from net interest shows the net impact of interest on the budget surplus or deficit. That net impact is estimated at \$37.5 billion in 1980.

A tax expenditure arises from the optional deferral of interest income on U.S. savings bonds. Normally, the interest on these bonds would be taxed each year as it is credited, but the holder may defer paying the tax until redemption. The revenue loss from this tax expenditure is estimated to be \$0.6 billion in 1980.

Other

Allowances are included in the budget to cover statutory pay increases for Federal civilian agency employees, future initiatives and unforeseen requirements that may arise.

Significant changes were made in the Federal civil service this past year with enactment of the Civil Service Reform Act of 1978. The act creates new compensation systems for two classes of Federal civilian employees. Upper level employees will now be included in a Senior Executive Service (SES) with five or more levels of compensation. Special awards will be made, providing new incentives for efficient and productive employees. Mid-level managers and supervisors will no longer receive within-grade step increases but will be covered by a new merit pay system that will provide rewards for performance and efficiency rather than for length of service.

The administration will propose comprehensive legislation to change Federal pay-setting systems and procedures.

As part of the overall effort to hold down inflation and to comply with the national wage-price standards, the budget assumes an October 1979 pay increase of 5.5% for Federal employees. A final decision on the level of the October 1979 pay increase will be made in late summer after the President reviews recommendations of his pay agents, the Federal Employees Pay Council and the Advisory Committee on Federal Pay, and after a review of the economic situation at that time.

Funds are included in the allowances to cover the expected costs of the planned welfare reform proposals. This allowance represents the effect on the surplus or deficit. Decisions to be made at a later date will determine the program level allocation, as well as the mix between budget authority and outlays and revenues forgone.

In general, offsetting receipts are deducted from budget totals at the function or agency level. Exceptions are made when such payments are extremely large and would mislead analysis of Federal program trends. In the case of rents and royalties on the Outer Continental Shelf, the payments are extremely large and to include them in a particular function would present a distorted view of Federal program costs. Four sales are scheduled for 1980, assuming the necessary environmental studies and other requirements have been completed. To eliminate double counting of outlays and, therefore, to reflect properly transactions with the public, the payment that each agency makes as its share of employee retirement costs is deducted as an undistributed offsetting receipt.

PART IV

THE BUDGET PROCESS

The budget sets forth the President's proposed financial plan of operation for the Federal Government for the upcoming fiscal year and planning ceilings for the two subsequent fiscal years. In raising and spending tax revenues, the Federal Government allocates resources between the private and public sectors of the economy. Within the public sector, the allocation of budget resources 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 1979, began in the spring of 1978. Each spring, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. In preparing for the 1980 Budget, a zero-based review (ZBB) of the entire budget was conducted.

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, and, under the new multi-year budget planning system, for the two fiscal years beyond. Tentative policy determinations for the budget year and multi-year planning ceilings for the following two years are then given to the agencies as guidelines for the preparation of their budgets.

In the summer, agencies formulate their zero-based budget requests 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 existing and proposed programs, as well as total outlay and receipt levels appropriate to the state of the economy. Supplemental budget requests and amendments may be submitted later to cover unanticipated needs.

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 upcoming fiscal year. These estimates represent 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 1980 are transmitted with the President's budget. See Special Analysis A, *Special Analyses, Budget of the United States Government*, 1980.

Congressional action.—The Congress begins its formal review of the President's budget proposals in January. Before considering appropriations for a specific program, the Congress first enacts legislation to authorize agency programs and provide guidance on funding levels.

Many programs, such as social security and interest, are authorized indefinitely or for several years; other programs, such as education, health, nuclear energy, defense procurement, and foreign affairs, 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 the other congressional committees by March 15, and a fiscal policy report from the Congressional Budget Office by April 1. By May 15, the Congress adopts a concurrent resolution containing budget targets. By September 15, the Congress completes action on setting budget ceilings, and by September 25, the Congress completes action on any required reconciliation bill or resolution. A summary of the congressional timetable is presented on the following page.

CONGRESSIONAL BUDGET TIMETABLE

On or before:	<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 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. After the appropriation 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 appropriation action is not completed by the beginning of the fiscal year, the Congress may enact a "continuing resolution" to provide authority so that the agencies affected may continue operations until their regular appropriations are approved.

Budget execution and control.—Once approved, the budget becomes the financial plan 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 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 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. In addition, offices of Inspectors General have been established by law in 12 major departments and agencies. Essential features of the legislation creating these offices have been extended by administrative action to the rest of the executive branch. This is expected to reduce substantially the amount of fraud, waste, and inefficiency in Government, and assure that programs achieve their intended purposes.

Relation of Budget Authority to Outlays

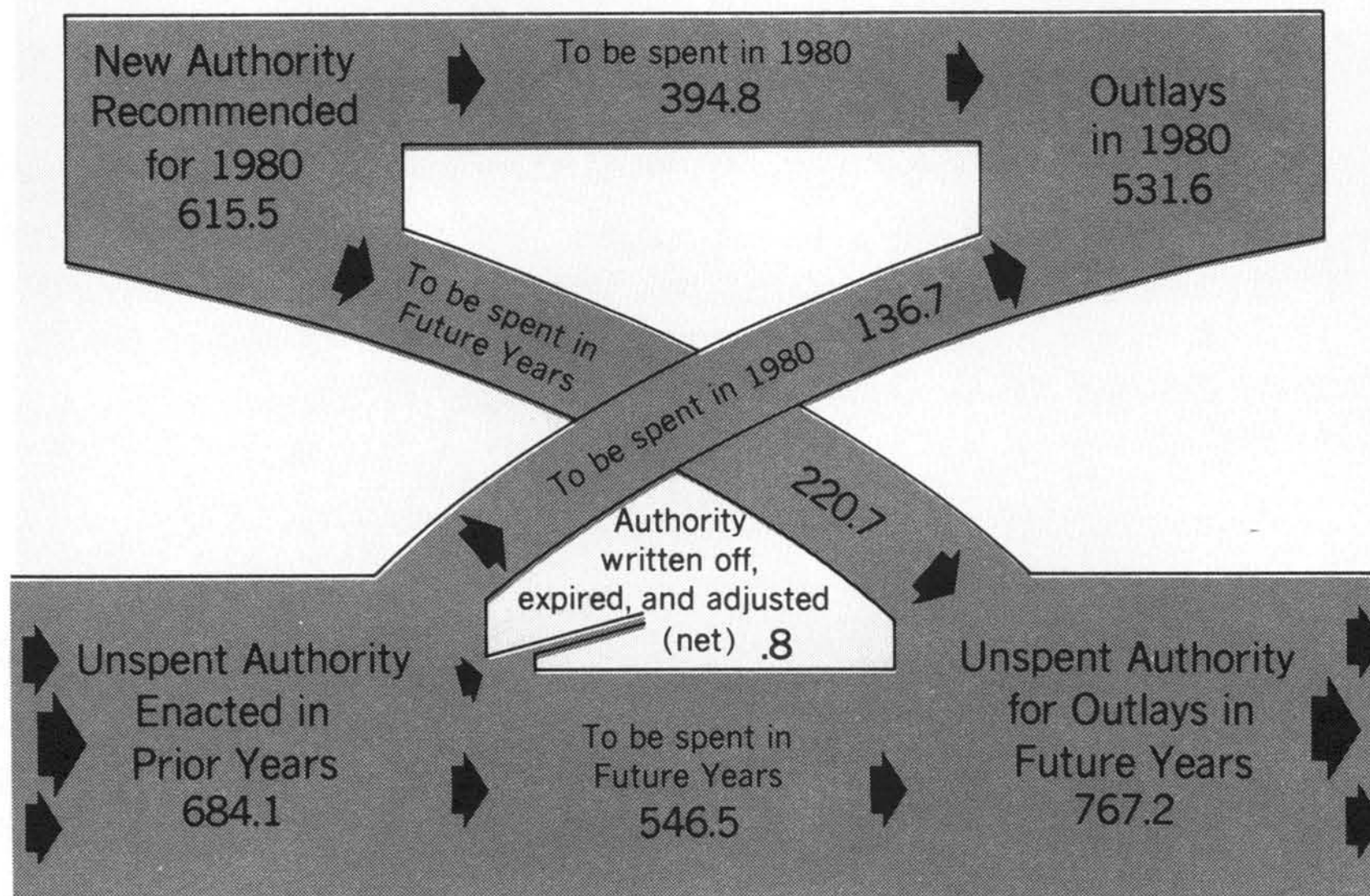
Not all of the new budget authority for 1980 will be obligated or spent in that year.

- Budget authority for most major trust funds is equal to receipts and is used as needed for purposes specified by law.
- Budget authority for most major 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 many loan and guarantee (or insurance) programs also provides financing for a period of years or constitutes a contingency backup.
- Budget authority for Government-sponsored enterprises is provided at their origin to be used for general capital purposes over several years.

As a result of these factors, a large amount of budget authority carries over from one year to the next. Most is earmarked for specific uses and is not available for any other program.

Relation of Budget Authority to Outlays - 1980 Budget

\$ Billions



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, 1980*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1970-82 (in billions of dollars)

Description	Actual								Estimate					
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982
Receipts: ¹														
Federal funds	143.2	133.8	148.8	161.4	181.2	187.5	201.1	54.1	241.3	270.5	306.1	332.8	382.8	436.4
Trust funds.....	59.4	66.2	73.0	92.2	104.8	118.6	133.7	32.1	152.8	168.0	189.5	212.2	240.2	267.4
Interfund transactions	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-39.6	-42.5	-46.2	-51.1
Total budget receipts.....	193.7	188.4	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	456.0	502.6	576.8	652.6
Outlays: ^{1 2}														
Federal funds	156.3	163.7	178.1	187.0	199.9	240.1	269.9	65.1	295.8	332.0	361.3	381.8	413.4	437.9
Trust funds.....	49.1	59.4	67.1	81.4	90.8	111.2	131.3	34.0	143.3	155.3	171.7	192.2	210.8	228.1
Interfund transactions	-8.8	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-39.6	-42.5	-46.2	-51.1
Total budget outlays	196.6	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.4	531.6	578.0	614.9
<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>(7.3)</i>	<i>(1.8)</i>	<i>(8.7)</i>	<i>(10.3)</i>	<i>(12.0)</i>	<i>(12.0)</i>	<i>(11.5)</i>	<i>(11.1)</i>
<i>Outlays including off-budget.....</i>	<i>(196.6)</i>	<i>(211.4)</i>	<i>(232.0)</i>	<i>(247.1)</i>	<i>(271.1)</i>	<i>(334.2)</i>	<i>(373.7)</i>	<i>(96.5)</i>	<i>(411.4)</i>	<i>(461.2)</i>	<i>(505.4)</i>	<i>(543.5)</i>	<i>(589.5)</i>	<i>(625.0)</i>
Surplus or deficit (-):														
Federal funds	-13.1	-29.9	-29.3	-25.6	-18.7	-52.6	-68.8	-11.0	-54.5	-61.5	-55.2	-49.0	-30.6	-1.5
Trust funds.....	10.3	6.8	5.9	10.7	14.0	7.4	2.4	-2.0	9.5	12.7	17.8	20.0	29.4	39.3
Total surplus or deficit (-).....	-2.8	-23.0	-23.4	-14.8	-4.7	-45.2	-66.4	-13.0	-45.0	-48.8	-37.4	-29.0	-1.2	37.8
<i>Deficit (-), off-budget Federal entities.....</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(.....)</i>	<i>(-.1)</i>	<i>(-1.4)</i>	<i>(-8.1)</i>	<i>(-7.3)</i>	<i>(-1.8)</i>	<i>(-8.7)</i>	<i>(-10.3)</i>	<i>(-12.0)</i>	<i>(-12.0)</i>	<i>(-11.5)</i>	<i>(-11.1)</i>
<i>Surplus or deficit (-) including off-budget.....</i>	<i>(-2.8)</i>	<i>(-23.0)</i>	<i>(-23.4)</i>	<i>(-14.9)</i>	<i>(-6.1)</i>	<i>(-53.2)</i>	<i>(-73.7)</i>	<i>(-14.7)</i>	<i>(-53.6)</i>	<i>(-59.2)</i>	<i>(-49.4)</i>	<i>(-41.0)</i>	<i>(-12.7)</i>	<i>(26.7)</i>
Outstanding debt, end of year:														
Gross Federal debt	382.6	409.5	437.3	468.4	486.2	544.1	631.9	646.4	709.1	780.4	839.2	899.0	940.3	951.9
Held by the public.....	284.9	304.3	323.8	343.0	346.1	396.9	480.3	498.3	551.8	610.9	650.9	689.9	701.9	674.3

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

² The 1976-78 data have been revised retroactively to include the exchange stabilization fund in the unified budget instead of with the off-budget Federal entities. Profits on gold sales are now treated as a means of financing rather than an offsetting collection. The budget totals have been adjusted retroactively, starting with 1975.

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1970-80 (in billions of dollars)

Description	Actual									Estimate		
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980
RECEIPTS BY SOURCE ¹												
Individual income taxes.....	90.4	86.2	94.7	103.2	119.0	122.4	131.6	38.8	157.6	181.0	203.6	227.3
Corporation income taxes.....	32.8	26.8	32.2	36.2	38.6	40.6	41.4	8.5	54.9	60.0	70.3	71.0
Social insurance taxes and contributions:												
Employment taxes and contributions.....	39.1	41.7	46.1	54.9	65.9	75.2	79.9	21.8	92.2	103.9	119.7	139.2
Unemployment insurance.....	3.5	3.7	4.4	6.1	6.8	6.8	8.1	2.7	11.3	13.8	15.9	15.9
Contributions for other insurance and retirement.....	2.7	3.2	3.4	3.6	4.1	4.5	4.8	1.3	5.2	5.7	6.2	6.4
Total social insurance taxes and contributions.....	45.3	48.6	53.9	64.5	76.8	86.4	92.7	25.8	108.7	123.4	141.8	161.5
Excise taxes:												
Alcohol.....	4.6	4.7	5.0	5.0	5.2	5.2	5.3	1.3	5.3	5.5	5.5	5.6
Tobacco.....	2.1	2.2	2.2	2.3	2.4	2.3	2.5	0.6	2.4	2.4	2.5	2.6
Highway.....	5.4	5.5	5.3	5.7	6.3	6.2	5.4	1.7	6.7	6.9	7.3	7.5
Airport and airway.....		0.6	0.6	0.8	0.8	1.0	0.9	0.3	1.2	1.3	1.4	1.6
Other.....	3.6	3.6	2.3	2.5	2.1	1.8	2.8	0.6	2.0	2.2	1.6	1.2
Total excise taxes.....	15.7	16.6	15.5	16.3	16.8	16.6	17.0	4.5	17.5	18.4	18.4	18.5
Estate and gift taxes.....	3.6	3.7	5.4	4.9	5.0	4.6	5.2	1.5	7.3	5.3	5.7	6.0
Customs duties.....	2.4	2.6	3.3	3.2	3.3	3.7	4.1	1.2	5.2	6.6	7.5	8.4
Miscellaneous receipts.....	3.4	3.9	3.6	3.9	5.4	6.7	8.0	1.6	6.5	7.4	8.7	9.9
Total budget receipts.....	193.7	188.4	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	456.0	502.6

OUTLAYS BY FUNCTION ^{1 2}

National defense ³	78.6	75.8	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	114.5	125.8
International affairs.....	4.3	4.1	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	7.3	8.2
General science, space, and technology	4.5	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.2	5.5
Energy	1.0	1.0	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	8.6	7.9
Natural resources and environment.....	3.1	3.9	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	11.2	11.5
Agriculture	5.2	4.3	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.3
Commerce and housing credit.....	2.1	2.4	2.2	.9	3.9	5.6	3.8	1.4	—*	3.3	3.0	3.4
Transportation.....	7.0	8.1	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.4	17.6
Community and regional development.....	2.4	2.8	3.4	4.5	4.1	3.7	4.7	1.3	6.3	11.0	9.1	7.3
Education, training, employment, and social services	8.6	9.8	12.5	12.7	12.3	15.9	18.7	5.2	21.0	26.5	30.7	30.2
Health.....	13.1	14.7	17.5	18.8	22.1	27.6	33.4	8.7	38.8	43.7	49.1	53.4
Income security:												
Social security	29.7	35.2	39.4	48.3	54.9	63.6	72.7	19.8	83.9	92.2	102.3	115.2
Other	13.4	20.2	24.5	24.7	29.5	45.0	54.7	13.0	54.1	54.0	56.5	63.9
Total income security	43.1	55.4	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	158.9	179.1
Veterans benefits and services.....	8.7	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	20.3	20.5
Administration of justice.....	1.0	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.4	4.4
General government.....	1.9	2.1	2.4	2.6	3.3	3.2	3.0	.9	3.4	3.8	4.4	4.4
General purpose fiscal assistance.....	.5	.5	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.9	8.8
Interest	18.3	19.6	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.8	57.0
Allowances ⁴												1.4
Undistributed offsetting receipts	—6.6	—8.4	—8.1	—12.3	—16.7	—14.1	—14.7	—2.6	—15.1	—15.8	—18.7	—19.0
Total budget outlays.....	196.6	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.4	531.6

* \$50 million or less.

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

² The 1976–78 data have been revised retroactively to include the exchange stabilization fund in the unified budget instead of with the off-budget Federal entities. Profits on gold sales are now treated as a means of financing rather than an offsetting collection. The budget totals have been adjusted retroactively, starting with 1975.

³ Includes civilian and military pay raises for the Department of Defense.

⁴ Includes allowances for civilian agency pay raises and contingencies for relatively uncontrollable programs, welfare reform and other requirements.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-82 (in billions of dollars) ¹

Function and subfunction	Actual								Estimate					
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982
National defense:														
Department of Defense—Military:														
Military personnel	23.0	22.6	23.0	23.2	23.7	25.0	25.1	6.4	25.7	27.1	28.2	28.4	28.6	28.7
Retired military personnel	2.8	3.4	3.9	4.4	5.1	6.2	7.3	1.9	8.2	9.2	10.3	11.4	12.5	13.5
Operation and maintenance	21.6	20.9	21.7	21.1	22.5	26.3	27.8	7.2	30.6	33.6	35.9	38.7	40.1	42.1
Procurement	21.6	18.9	17.1	15.7	15.2	16.0	16.0	3.8	18.2	20.0	22.5	25.7	30.0	34.4
Research and development	7.2	7.3	7.9	8.2	8.6	8.9	8.9	2.2	9.8	10.5	11.7	13.0	14.6	15.4
Military construction and other ² .....	.8	1.4	1.5	.7	2.4	2.5	2.8	.4	3.1	2.7	3.3	5.4	7.8	10.8
Subtotal, Department of De- fense—Military	77.1	74.5	75.1	73.2	77.6	84.9	87.9	21.9	95.6	103.0	111.9	122.7	133.7	144.9
Atomic energy defense activities	1.4	1.4	1.4	1.4	1.5	1.5	1.6	.4	1.9	2.1	2.5	3.0	3.2	3.1
Defense-related activities .....	.1	—*	.1	— .1	—1.2	— .8	—*	—*	*	.1	.1	.2	.2	.2
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*	—*	—*
Total national defense	78.6	75.8	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	114.5	125.8	137.0	148.2
International affairs:														
Foreign economic and financial assist- ance	2.8	2.8	3.1	2.4	2.9	3.6	3.3	1.4	3.9	4.6	5.3	5.5	5.7	6.1
Military assistance .....	.6	1.0	.7	.8	1.3	1.9	1.1	.9	.6	.5	.6	.5	.5	.4
Conduct of foreign affairs .....	.4	.4	.5	.5	.6	.7	.7	.3	1.0	1.1	1.2	1.4	1.5	1.6
Foreign information and exchange activi- ties .....	.2	.2	.3	.3	.3	.3	.4	.1	.4	.4	.5	.5	.6	.6
International financial programs .....	.3	— .2	.2	.1	.6	.5	.1	— .5	— .9	— .6	— .2	.3	.8	.9
Deductions for offsetting receipts	— .1	—*	—*	— .1	— .1	— .1	— .1	—*	— .1	— .1	— .1	— .1	— .1	— .1
Total international affairs	4.3	4.1	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	7.3	8.2	8.9	9.5
General science, space, and technology:														
General science and basic research .....	.9	1.0	1.0	1.0	1.0	1.0	1.0	.3	1.1	1.2	1.3	1.4	1.4	1.4

Space flight.....	2.3	2.0	1.9	1.7	1.7	1.7	2.0	.5	2.3	2.3	2.4	2.3	2.1	1.9
Space science, applications, and technology .....	.9	.8	1.0	1.0	.9	1.0	1.0	.3	1.0	1.0	1.2	1.3	1.4	1.5
Supporting space activities.....	.4	.4	.3	.3	.3	.3	.4	.1	.3	.4	.4	.4	.5	.5
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology.....	4.5	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.2	5.5	5.5	5.3
Energy:														
Energy supply.....	.9	.9	1.1	1.0	.5	1.7	2.5	.6	3.3	4.0	4.9	4.4	4.4	3.8
Energy conservation					*	*	.1	*	.1	.2	.5	.7	.8	.8
Emergency energy preparedness.....						*	.1	*	.1	.9	2.4	2.0	1.6	1.2
Energy information, policy, and regulation.....	.1	.2	.2	.2	.3	.4	.6	.1	.7	.8	1.0	1.0	1.1	1.0
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—1	—*	—*	—*	—1	—1	—1	—1
Total energy.....	1.0	1.0	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	8.6	7.9	7.8	6.8
Natural resources and environment:														
Water resources	1.5	1.8	2.0	2.2	2.2	2.6	2.8	.8	3.2	3.5	3.6	3.7	4.1	4.0
Conservation and land management.....	.7	.9	.8	.7	.7	1.3	1.2	.5	1.3	2.0	2.0	1.7	1.8	1.9
Recreation resources .....	.4	.5	.5	.6	.7	.8	.9	.3	1.0	1.4	1.5	1.4	1.7	2.0
Pollution control and abatement.....	.4	.7	.8	1.1	2.0	2.5	3.1	1.1	4.3	4.0	4.1	4.7	5.1	5.5
Other natural resources.....	.4	.5	.6	.6	.7	.8	.9	.2	1.0	1.2	1.3	1.3	1.3	1.3
Deductions for offsetting receipts.....	—4	—4	—4	—5	—7	—7	—8	—3	—8	—1.1	—1.3	—1.3	—1.4	—1.4
Total natural resources and environment.....	3.1	3.9	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	11.2	11.5	12.6	13.3
Agriculture:														
Farm income stabilization.....	4.6	3.7	4.6	4.1	1.5	.8	1.6	.3	4.5	6.6	4.9	3.0	4.3	4.6
Agricultural research and services.....	.6	.6	.7	.8	.8	.9	.9	.2	1.1	1.1	1.3	1.2	1.3	1.3
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	*	*	—*	*	—*	—*	—*	—*
Total agriculture.....	5.2	4.3	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.3	5.6	5.9

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-82 (in billions of dollars) ¹—Continued

Function and subfunction	Actual									Estimate				
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982
Commerce and housing credit:														
Mortgage credit and thrift insurance.....	.1	-.3	—*	-1.2	1.5	2.8	1.2	.3	-3.3	.2	-.5	-.3	-.1	-.3
Postal Service.....	1.5	2.2	1.8	1.6	1.7	1.9	1.7	.9	2.3	1.8	1.8	1.7	1.6	1.6
Federal Financing Bank.....	.....	.....	.....	.....	.....	.....	.....	.....	-.1	.....	.....	.....	.....	.....
Other advancement and regulation of commerce.....	.5	.5	.5	.6	.7	.9	.9	.2	1.1	1.3	1.6	2.0	1.8	1.6
Deductions for offsetting receipts.....	—*	-.1	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total commerce and housing credit.....	2.1	2.4	2.2	.9	3.9	5.6	3.8	1.4	—*	3.3	3.0	3.4	3.4	3.0
Transportation:														
Ground transportation.....	4.7	5.2	5.4	5.6	5.6	6.5	9.3	2.3	10.0	10.4	12.0	11.9	13.3	13.6
Air transportation.....	1.4	1.8	1.9	2.2	2.2	2.4	2.6	.6	2.8	3.3	3.5	3.6	3.9	4.1
Water transportation.....	.9	1.1	1.1	1.2	1.4	1.5	1.6	.4	1.7	1.9	1.9	2.1	2.2	2.3
Other transportation.....	*	*	*	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1
Deductions for offsetting receipts.....	—*	—*	—*	—*	-.1	-.1	—*	—*	—*	-.1	-.1	—*	-.1	-.1
Total transportation.....	7.0	8.1	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.4	17.6	19.5	20.0
Community and regional development:														
Community development.....	1.5	1.8	2.1	2.1	2.1	2.3	2.8	.9	3.5	3.3	3.7	4.3	4.7	4.7
Area and regional development.....	.6	.7	.9	.9	1.2	1.0	1.4	.3	2.1	4.9	4.1	2.5	3.3	3.6
Disaster relief and insurance.....	.3	.4	.4	1.6	.8	.4	.5	.1	.6	2.9	1.3	.5	.5	.5
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional development.....	2.4	2.8	3.4	4.5	4.1	3.7	4.7	1.3	6.3	11.0	9.1	7.3	8.4	8.8

Education, training, employment, and social services:

Elementary, secondary, and vocational education	3.1	3.5	4.0	3.7	3.8	4.6	4.7	1.2	5.1	5.7	6.5	7.1	7.7	7.7
Higher education	1.4	1.4	1.4	1.5	1.3	2.0	2.7	.7	3.1	3.5	4.9	4.9	5.0	5.4
Research and general education aids .....	.5	.5	.5	.7	.9	.9	.8	.2	.9	1.1	1.3	1.3	1.4	1.4
Training and employment	1.6	2.0	2.9	3.3	2.9	4.1	6.3	1.9	6.9	10.8	11.7	11.0	11.0	11.0
Other labor services .....	.1	.2	.2	.2	.2	.3	.3	.1	.4	.4	.5	.5	.5	.6
Social services.....	1.9	2.2	3.5	3.3	3.2	3.9	4.0	1.0	4.6	5.0	5.8	5.4	5.5	5.5
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

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

8.6	9.8	12.5	12.7	12.3	15.9	18.7	5.2	21.0	26.5	30.7	30.2	31.0	31.5
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Health:

Health care services.....	11.1	12.6	15.0	16.0	19.1	24.2	29.4	7.7	34.5	39.1	44.5	48.5	53.7	59.1
Health research.....	1.1	1.1	1.3	1.6	1.7	1.9	2.3	.5	2.5	2.8	3.0	3.4	3.5	3.5
Education and training of health care work force.....	.6	.7	.7	.9	.8	.9	1.0	.3	1.0	.9	.7	.6	.7	.7
Consumer and occupational health and safety .....	.2	.3	.4	.4	.5	.6	.7	.2	.7	.8	.9	.9	1.0	1.0
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

Total health.....

13.1	14.7	17.5	18.8	22.1	27.6	33.4	8.7	38.8	43.7	49.1	53.4	58.8	64.2
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Income security:

General retirement and disability insurance.....	31.3	37.5	42.0	51.7	58.6	69.4	77.2	20.9	88.6	97.3	107.9	121.2	133.0	144.1
Federal employee retirement and disability.....	2.7	3.2	3.8	4.5	5.6	7.0	8.2	2.3	9.5	10.7	12.4	14.1	15.7	17.3
Unemployment compensation.....	3.4	6.2	7.1	5.4	6.1	13.5	19.5	4.0	15.3	11.8	10.3	12.4	11.9	10.8
Public assistance and other income supplements.....	5.7	8.6	11.1	11.4	14.1	18.8	22.6	5.6	24.5	26.5	28.3	31.4	33.5	35.3
Deduction for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-82 (in billions of dollars) ¹—Continued

Function and subfunction	Actual								Estimate					
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982
Total income security	43.1	55.4	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	158.9	179.1	194.1	207.5
Veterans benefits and services:														
Income security for veterans.....	5.5	6.0	6.3	6.5	6.8	7.9	8.4	2.1	9.2	9.7	10.9	12.0	12.6	13.1
Veterans education, training, and reha- bilitation.....	1.0	1.7	2.0	2.8	3.2	4.6	5.5	.8	3.7	3.4	2.7	2.2	1.8	1.6
Hospital and medical care for veterans...	1.8	2.0	2.4	2.7	3.0	3.7	4.0	1.0	4.7	5.3	5.9	5.8	6.2	6.5
Veterans housing.....	.1	-.2	-.3	-.4	—*	*	-.1	-.1	-.1	*	.1	-.2	*	*
Other veterans benefits and services.....	.3	.3	.3	.4	.4	.5	.6	.1	.5	.6	.7	.6	.6	.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services.....	8.7	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	20.3	20.5	21.2	21.7
Administration of justice:														
Federal law enforcement activities.....	.6	.7	.8	1.0	1.1	1.3	1.5	.4	1.7	1.8	2.1	2.1	2.1	2.1
Federal litigative and judicial activities....	.2	.3	.3	.4	.4	.5	.7	.2	.8	.9	1.2	1.3	1.4	1.4
Federal correctional activities.....	.1	.1	.1	.1	.2	.2	.2	.1	.2	.3	.4	.4	.4	.4
Criminal justice assistance.....	.1	.2	.4	.6	.8	.9	.9	.2	.8	.7	.7	.6	.6	.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total administration of justice ..	1.0	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.4	4.4	4.4	4.4
General government:														
Legislative functions.....	.3	.3	.4	.4	.5	.6	.7	.2	.8	.9	1.0	1.1	1.0	1.0
Executive direction and management.....	*	*	.1	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1
Central fiscal operations.....	.9	1.0	1.2	1.2	1.3	1.8	1.8	.4	1.9	2.1	2.4	2.5	2.5	2.5
General property and records manage- ment.....	.6	.6	.7	.9	1.0	.4	.1	.1	.1	.2	.3	.2	.4	.4
Central personnel management.....	*	.1	.1	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1
Other general government.....	.2	.2	.2	.2	.4	.5	.5	.2	.5	.5	.6	.5	.5	.6

Deductions for offsetting receipts.....	-.2	-.2	-.2	-.3	-.2	-.2	-.2	-.1	-.2	-.2	-.2	-.1	-.1	-.1
Total general government	1.9	2.1	2.4	2.6	3.3	3.2	3.0	.9	3.4	3.8	4.4	4.4	4.5	4.7
General purpose fiscal assistance:														
General revenue sharing.....				6.6	6.1	6.1	6.2	1.6	6.8	6.8	6.9	6.9	6.9	6.9
Other general purpose fiscal assistance...	.5	.5	.7	.7	.8	1.1	1.0	.5	2.7	2.8	2.1	1.9	1.8	1.8
Total general purpose fiscal assistance.....	.5	.5	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.9	8.8	8.7	8.7
Interest:														
Interest on the public debt.....	19.3	21.0	21.8	24.2	29.3	32.7	37.1	8.1	41.9	48.7	59.8	65.7	68.0	67.8
Other interest.....	-1.0	-1.4	-1.3	-1.4	-1.3	-1.8	-2.6	-.9	-3.9	-4.7	-7.0	-8.7	-8.9	-8.3
Total interest.....	18.3	19.6	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.8	57.0	59.1	59.5
Allowances:														
Civilian agency pay raises.....												.9	2.2	3.4
Contingencies for other requirements.....												.5	4.8	6.3
Welfare reform.....													1.5	5.5
Total allowances.....												1.4	8.5	15.2
Undistributed offsetting receipts:														
Employer share, employee retirement.....	-2.4	-2.6	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.5	-5.0	-5.4	-5.5	-5.7	-5.8
Interest received by trust funds.....	-3.9	-4.8	-5.1	-5.4	-6.6	-7.7	-7.8	-.3	-8.1	-8.5	-9.8	-10.9	-12.4	-14.5
Rents and royalties on the Outer Continental Shelf.....	-.2	-1.1	-.3	-4.0	-6.7	-2.4	-2.7	-1.3	-2.4	-2.3	-3.5	-2.6	-3.0	-3.0
Total undistributed offsetting receipts.....	-6.6	-8.4	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.1	-15.8	-18.7	-19.0	-21.1	-23.3
Total budget outlays.....	196.6	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.4	531.6	578.0	614.9

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION: 1970-82 (in billions of dollars) ¹—Continued

Function and subfunction	Actual									Estimate				
	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982
<i>Outlays of off-budget Federal entities:</i>														
<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	-.5	.3	.5	.1	-.3
<i>Federal Financing Bank</i> .....					.1	6.4	5.9	2.6	8.2	10.6	11.5	11.3	11.3	11.3
<i>Total, commerce and housing credit</i> .....					.9	7.5	6.9	1.8	8.0	10.1	11.8	11.8	11.4	11.0
<i>Transportation: Ground transportation</i>						*	.1	*	.2	.1	.1	*		
<i>Community and regional development:</i>														
<i>Area and regional development</i>				*	.1	.1	.1	*	.1	.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	7.3	1.8	8.7	10.3	12.0	12.0	11.5	11.1
<i>Outlays including off-budget Federal entities</i>	196.6	211.4	232.0	247.1	271.1	334.2	373.7	96.5	411.4	461.2	505.4	543.5	589.5	626.0

* \$50 million or less.

¹ See footnotes to Table 1 for changes in budget coverage.² Includes allowances for civilian and military pay raises for Department of Defense.

Table 4. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1972) PRICES: 1958-1982 (in billions of dollars)¹

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
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	32.0
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	16.6	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	16.7	44.0
1965.....	118.4	47.5	71.0	30.5	8.6	31.9	173.3	69.3	103.9	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	16.4	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	53.8
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	49.4
1972.....	232.0	76.6	155.5	85.3	15.5	54.7	232.0	76.6	155.5	85.3	15.5	54.7
1973.....	247.1	74.5	172.5	95.9	17.3	59.3	233.2	70.0	163.2	92.2	15.4	55.6
1974.....	269.6	77.8	191.8	111.1	21.4	59.3	231.9	67.9	164.0	98.0	14.3	51.6
1975.....	326.2	85.6	240.6	142.7	23.2	74.7	253.5	67.1	186.4	113.3	14.6	58.4
1976.....	366.4	89.4	277.0	167.4	26.7	82.9	266.6	65.6	201.0	124.2	16.4	60.4
1977.....	402.7	97.5	305.2	182.6	29.9	92.7	272.7	66.7	206.0	126.0	17.4	62.6
1978.....	450.8	105.2	345.6	195.4	35.4	114.9	283.2	67.3	216.0	125.9	17.8	72.3
1979 estimate.....	493.4	114.5	378.9	213.2	43.0	122.6	284.1	68.3	215.9	126.6	17.5	71.7
1980 estimate.....	531.6	125.8	405.7	237.7	46.1	121.9	286.2	70.4	215.9	132.0	17.2	66.7
1981 estimate.....	578.0	137.0	440.9	258.0	46.7	136.2	294.2	72.5	221.7	135.1	16.2	70.4
1982 estimate.....	614.9	148.2	466.7	276.8	45.0	144.8	299.9	74.7	225.1	138.4	15.5	71.3

¹ See footnotes to table 1 for changes in budget coverage.

Table 5. BUDGET AUTHORITY AND OUTLAYS BY AGENCY

(In millions of dollars)

Department or other unit	Budget authority			Outlays		
	1978 actual	1979 estimate	1980 estimate	1978 actual	1979 estimate	1980 estimate
Legislative branch.....	1,071	1,213	1,273	1,049	1,209	1,305
The Judiciary	458	539	625	435	526	619
Executive Office of the President.....	78	83	91	75	88	89
Funds appropriated to the President..	7,528	11,372	10,345	4,450	5,090	5,133
Agriculture.....	16,535	23,660	20,544	20,368	20,205	18,404
Commerce.....	2,308	2,533	3,217	5,239	4,331	3,261
Defense—Military ¹	115,322	125,209	135,041	103,042	111,900	122,700
Defense—Civil.....	2,797	2,669	3,059	2,553	2,644	2,724
Energy	10,695	9,716	7,447	6,286	8,946	8,893
Health, Education, and Welfare.....	162,192	184,002	205,170	162,856	180,714	199,428
Housing and Urban Development.....	38,000	31,112	33,295	7,589	8,962	10,634
Interior.....	4,590	4,683	4,438	3,821	4,015	3,764
Justice.....	2,370	2,510	2,398	2,397	2,586	2,505
Labor.....	20,028	28,911	27,534	22,896	22,854	24,484
State.....	1,483	1,674	1,712	1,252	1,399	1,677
Transportation.....	13,478	17,272	17,813	13,452	15,363	15,793
Treasury.....	56,771	65,570	70,051	56,355	65,462	69,890
Environmental Protection Agency.....	5,498	5,410	5,087	4,071	4,194	4,753
General Services Administration.....	151	313	308	83	158	131
National Aeronautics and Space Administration.....	4,060	4,562	4,723	3,980	4,401	4,593
Veterans Administration.....	19,010	20,486	20,992	18,962	20,315	20,450
Other independent agencies.....	32,851	34,728	56,959	25,396	26,675	27,961
Allowances ²		100	2,426			1,398
Undistributed offsetting receipts:						
Employer share, employee retirement.....	-4,983	-5,388	-5,482	-4,983	-5,388	-5,482
Interest received by trust funds....	-8,530	-9,782	-10,940	-8,530	-9,782	-10,940
Rents and royalties on the Outer Continental Shelf.....	-2,259	-3,500	-2,600	-2,259	-3,500	-2,600
Total budget authority and outlays.....	501,500	559,658	615,526	450,836	493,368	531,566

MEMORANDUM

Portion available through current action by Congress.....	326,803	366,560	386,671	199,933	216,571	222,957
Portion available without current action by Congress.....	234,267	261,508	302,340	154,450	184,104	214,323
Outlays from obligated balances ³				98,157	111,212	122,967
Outlays from unobligated balances ³ ..				57,866	49,891	44,805
Deductions for offsetting receipts:						
Intragovernmental transactions	-43,635	-48,981	-53,429	-43,635	-48,981	-53,429
Proprietary receipts from the public	-15,935	-19,429	-20,056	-15,935	-19,429	-20,056
Total budget authority and outlays.....	501,500	559,658	615,526	450,836	493,368	531,566

¹ Includes allowances for civilian and military pay raises for Department of Defense.² Includes allowances for civilian agency pay raises and contingencies.³ Outlays from appropriations to liquidate contract authority are included as outlays from balances.

Table 6. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1958-82 (dollar amounts in billions)

Fiscal year	Gross national product	Budget receipts ¹		Outlays ¹						Federal debt, end of year			
		Amount	Percent of GNP	Unified budget		Off-budget Federal entities		Total		Total		Held by the public	
				Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
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.....	1,457.3	281.0	19.3	326.2	22.4	8.1	.6	334.2	22.9	544.1	37.3	396.9	27.2
1976.....	1,621.7	300.0	18.5	366.4	22.6	7.3	.5	373.7	23.1	631.9	39.0	480.3	29.6
1977.....	1,834.0	357.8	19.5	402.7	22.0	8.7	.5	411.4	22.5	709.1	38.7	551.8	30.1
1978.....	2,043.4	402.0	19.7	450.8	22.1	10.3	.5	461.2	22.6	780.4	38.2	610.9	29.9
1979 estimate.....	2,289.4	456.0	19.9	493.4	21.6	12.0	.5	505.4	22.1	839.2	36.7	650.9	28.4
1980 estimate.....	2,505.7	502.6	20.1	531.6	21.2	12.0	.5	543.5	21.7	899.0	35.9	689.9	27.5
1981 estimate.....	2,758.6	576.8	20.9	578.0	21.0	11.5	.4	589.5	21.4	940.3	34.1	701.9	25.4
1982 estimate.....	3,025.2	652.6	21.6	614.9	20.3	11.1	.4	626.0	20.7	951.9	31.5	674.3	22.3

* 0.05% or less.

¹ See footnotes to Table 1 for changes in budget coverage.

Table 7. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH ¹

[Excluding the Postal Service]

Agency	As of September 30				Change 1979-80
	1978 actual	1979 estimate		1980 Estimate	
		In 1979 budget	Current		
Agriculture.....	84,923	84,000	85,000	82,700	-2,300
Commerce	29,641	29,800	29,500	29,600	100
Defense—military functions.....	904,109	904,900	892,600	883,700	-8,900
Defense—civil functions	28,962	28,600	28,700	28,300	-400
Energy	18,863	19,100	19,600	19,000	-600
Health, Education, and Welfare	143,644	145,100	143,000	143,900	900
Housing and Urban Development.....	15,963	17,400	16,100	16,200	100
Interior	54,798	56,000	55,000	54,400	-600
Justice.....	52,870	55,100	54,100	54,600	500
Labor.....	21,211	20,800	22,300	22,300	.....
State	22,680	22,800	22,500	22,600	100
Transportation	71,160	73,100	71,800	71,800	.....
Treasury	108,598	112,500	110,500	110,700	200
Environmental Protection Agency.....	10,156	10,800	10,700	10,900	200
General Services Administration.....	35,137	36,000	34,700	34,400	-300
National Aeronautics and Space Administration.....	23,169	23,200	22,800	22,600	-200
Veterans Administration.....	198,027	203,000	198,900	197,900	-1,000
Other:					
Agency for International Development.....	5,755	5,900	5,800	5,800	.....
International Communication Agency.....	8,293	8,600	8,400	8,400	.....
Nuclear Regulatory Commission	2,666	2,800	2,800	2,900	100
Office of Personnel Management ²	6,563	6,800	6,600	6,600	.....
Panama Canal.....	13,117	13,500	13,200	8,000	-5,200
Small Business Administration	4,402	4,600	4,600	4,600	.....
Tennessee Valley Authority.....	17,262	18,000	17,700	17,700	.....
Miscellaneous ²	39,693	41,800	45,000	45,300	300
Subtotal	1,921,662	1,944,200	1,921,900	1,904,900	-17,000
Contingencies ³ .....	.....	2,000	500	2,000	1,500
Subtotal	1,921,662	1,946,200	1,922,400	1,906,900	-15,500
Expected lapse.....	.....	-14,600	-11,000	-11,000	.....
Total	1,921,662	1,931,600	1,911,400	1,895,900	-15,500

¹ Excludes Postal Service employment. Actual employment for 1978 was 525,343; employment for 1979 is estimated to be 522,700, and 521,600 for 1980. Also excludes developmental positions under the worker trainee opportunity program (WTOP), as well as certain statutory exemptions.

² Appropriate adjustments have been made to reflect establishment of the Office of Personnel Management (formerly the Civil Service Commission), the Federal Labor Relations Authority, and the Merit Systems Protection Board, pursuant to the provisions of the Civil Service Reform Act of 1978.

³ Subject to later distribution.

Table 8. BUDGET RECEIPTS AND OUTLAYS, 1789-1982 (in millions of dollars)

Fiscal year	Budget receipts	Budget outlays	Budget surplus or deficit (-)	Fiscal year	Budget receipts	Budget outlays	Budget surplus or deficit (-)
1789-1849	1,160	1,090	+70	1958.....	79,636	82,575	-2,939
1850-1900	14,462	15,453	-991	1959.....	79,249	92,104	-12,855
1901-1905	2,797	2,678	+119	1960.....	92,492	92,223	+269
1906-1910	3,143	3,196	-52	1961.....	94,389	97,795	-3,406
1911-1915	3,517	3,568	-49	1962.....	99,676	106,813	-7,137
1916-1920	17,286	40,195	-22,909	1963.....	106,560	111,311	-4,751
1921.....	5,571	5,062	+509	1964.....	112,662	118,584	-5,922
1922.....	4,026	3,289	+736	1965.....	116,833	118,430	-1,596
1923.....	3,853	3,140	+713	1966.....	130,856	134,652	-3,796
1924.....	3,871	2,908	+963	1967.....	149,552	158,254	-8,702
1925.....	3,641	2,924	+717	1968.....	153,671	178,833	-25,161
1926.....	3,795	2,930	+865	1969.....	187,784	184,548	+3,236
1927.....	4,013	2,857	+1,155	1970.....	193,743	196,588	-2,845
1928.....	3,900	2,961	+939	1971.....	188,392	211,425	-23,033
1929.....	3,862	3,127	+734	1972.....	208,649	232,021	-23,373
1930.....	4,058	3,320	+738	1973.....	232,225	247,074	-14,849
1931.....	3,116	3,577	-462	1974.....	264,932	269,620	-4,688
1932.....	1,924	4,659	-2,735	1975.....	280,997	326,185	-45,188
1933.....	1,997	4,598	-2,602	1976.....	300,005	366,439	-66,434
1934.....	3,015	6,645	-3,630	TQ.....	81,773	94,729	-12,956
1935.....	3,706	6,497	-2,791	1977.....	357,762	402,725	-44,963
1936.....	3,997	8,422	-4,425	1978.....	401,997	450,836	-48,839
1937.....	4,956	7,733	-2,777	1979 est.....	455,989	493,368	-37,379
1938.....	5,588	6,765	-1,177	1980 est.....	502,553	531,566	-29,013
1939.....	4,979	8,841	-3,862	1981 est.....	576,757	577,973	-1,216
1940.....	6,361	9,456	-3,095	1982 est.....	652,629	614,870	37,758
1941.....	8,621	13,634	-5,013	<i>Totals, including outlays of off-budget Federal entities</i>			
1942.....	14,350	35,114	-20,764	Fiscal year	Outlays of off-budget Federal entities	Total outlays	Total surplus or deficit (-)
1943.....	23,649	78,533	-54,884	1973.....	60	247,134	-14,908
1944.....	44,276	91,280	-47,004	1974.....	1,447	271,067	-6,135
1945.....	45,216	92,690	-47,474	1975.....	8,054	334,239	-53,242
1946.....	39,327	55,183	-15,856	1976.....	7,285	373,724	-73,719
1947.....	38,394	34,532	+3,862	TQ.....	1,785	96,514	-14,741
1948.....	41,774	29,773	+12,001	1977.....	8,684	411,409	-53,647
1949.....	39,437	38,834	+603	1978.....	10,327	461,163	-59,166
1950.....	39,485	42,597	-3,112	1979 est.....	11,990	505,357	-49,368
1951.....	51,646	45,546	+6,100	1980 est.....	11,956	543,523	-40,969
1952.....	66,204	67,721	-1,517	1981 est.....	11,501	589,474	-12,717
1953.....	69,574	76,107	-6,533	1982 est.....	11,096	615,966	26,662
1954.....	69,719	70,890	-1,170				
1955.....	65,469	68,509	-3,041				
1956.....	74,547	70,460	+4,087				
1957.....	79,990	76,741	+3,249				

Data for 1789-1939 are for the administrative budget; 1940-1980 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. See footnotes to Table 1 for changes in budget coverage.

GLOSSARY ¹

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 gifts, contributions, and premiums from voluntary participants in Federal social insurance programs closely associated with compulsory programs. Excluded are amounts received from strictly business-type transactions (such as sales, interest, or loan repayments) and payments between Government accounts. (See offsetting receipts.)

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

CONCURRENT RESOLUTION ON THE BUDGET—A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth targets or binding congressional budget totals for the Federal Government.

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

CONTROLLABILITY—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 under current law" includes outlays for open-ended programs and fixed costs, such as

¹ These definitions are consistent with those contained in the booklet, "Terms Used in the Budgetary Process", published by the General Accounting Office in July 1977.

interest on the public and social security and veterans benefits, and outlays to liquidate (pay for) prior-year obligations.

CURRENT SERVICES ESTIMATES—Estimated budget authority and outlays for the upcoming fiscal year at the same program level as and without policy changes from the fiscal year in progress. To the extent mandated by existing law, estimates take into account the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and benefit changes. The Congressional Budget Act of 1974 requires that the President transmit current services estimates to the Congress. The current services estimates for 1980 are published in Special Analysis A of the 1980 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 the following September 30. The fiscal year is designated by the calendar year in which it ends; e.g., fiscal year 1980 is the fiscal year ending September 30, 1980. (Prior to fiscal year 1977 the fiscal year began on July 1 and ended on the following June 30.)

GOVERNMENT-SPONSORED ENTERPRISES—Enterprises with completely private ownership, such as Federal land banks and Federal home loans banks, established and chartered by the Federal Government to perform specialized functions. These enterprises are not included in the budget totals, but financial information on their operations is published in a separate part of the appendix to the President's budget.

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, loan guarantees, 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 collections are derived from other Government accounts or from Government activities that are of a business-type or market-oriented nature. Offsetting receipts are classified as (1) intragovernmental transactions or (2) proprietary receipts from the public.
- OUTLAYS**—Values of 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 income tax laws 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 affecting individual or corporate income tax liabilities.
- 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.

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