

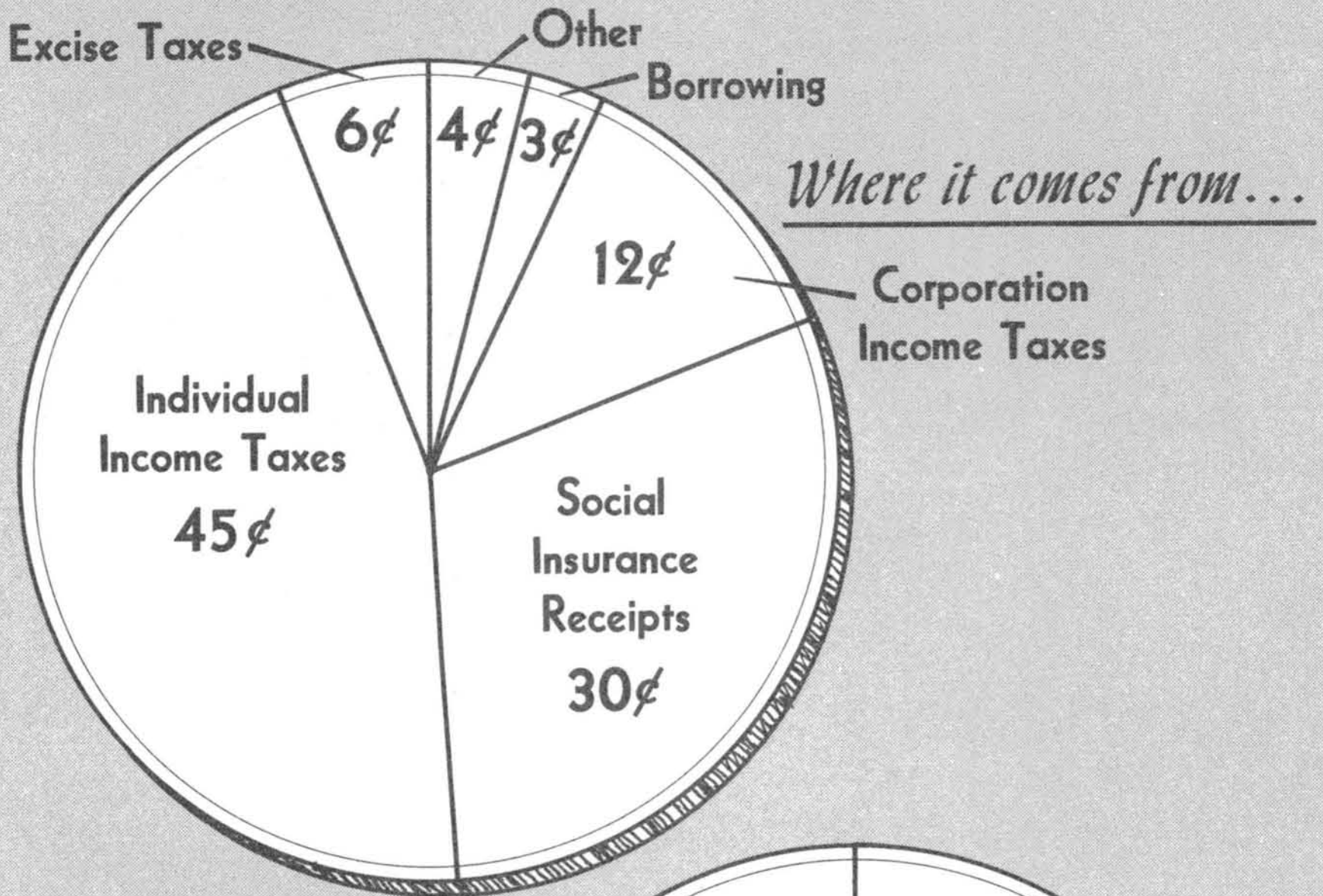
**THE
UNITED STATES
BUDGET
IN BRIEF**



**FISCAL YEAR
1981**

THE BUDGET DOLLAR

Fiscal Year 1981 Estimate



Where it goes...

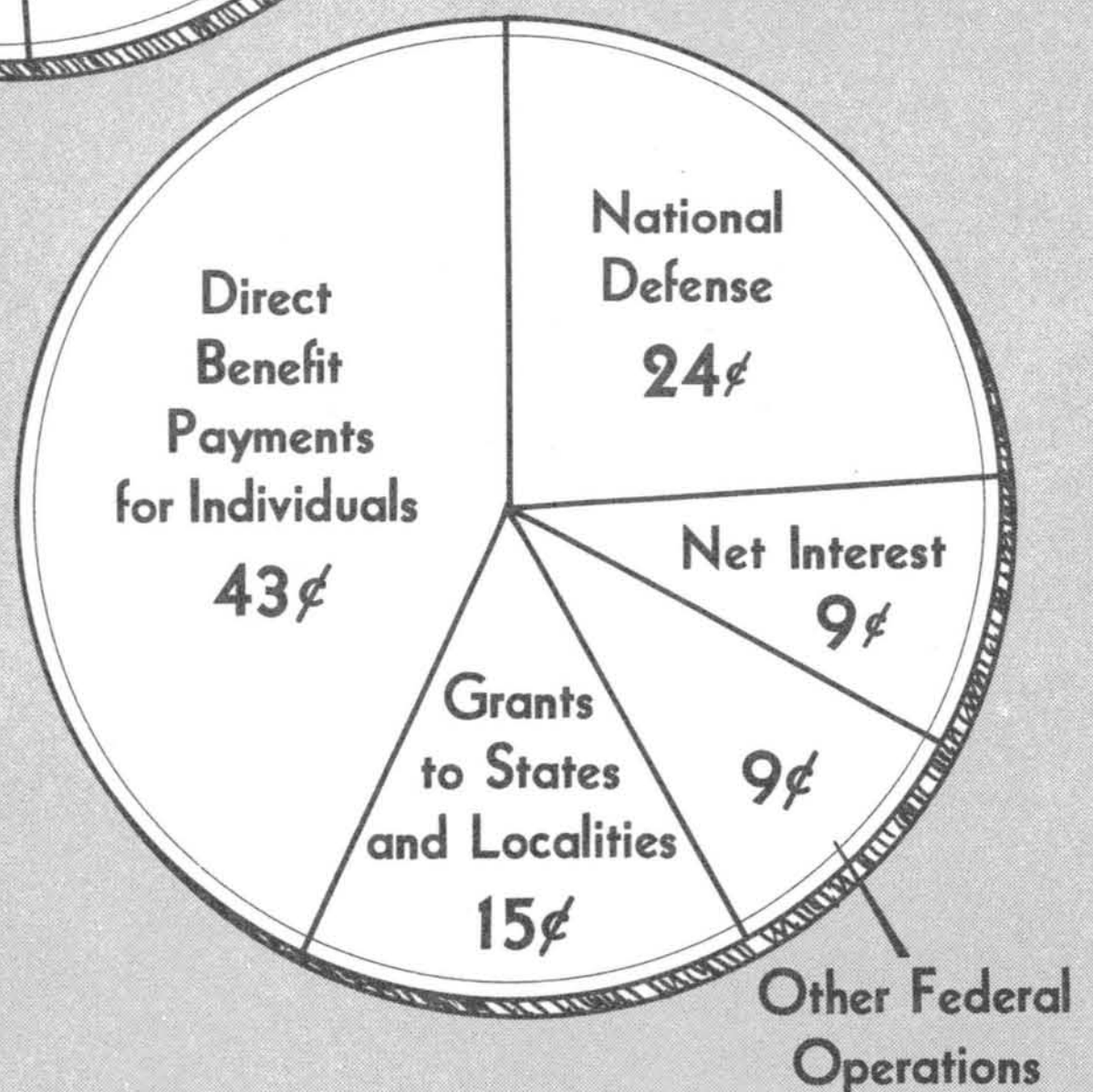


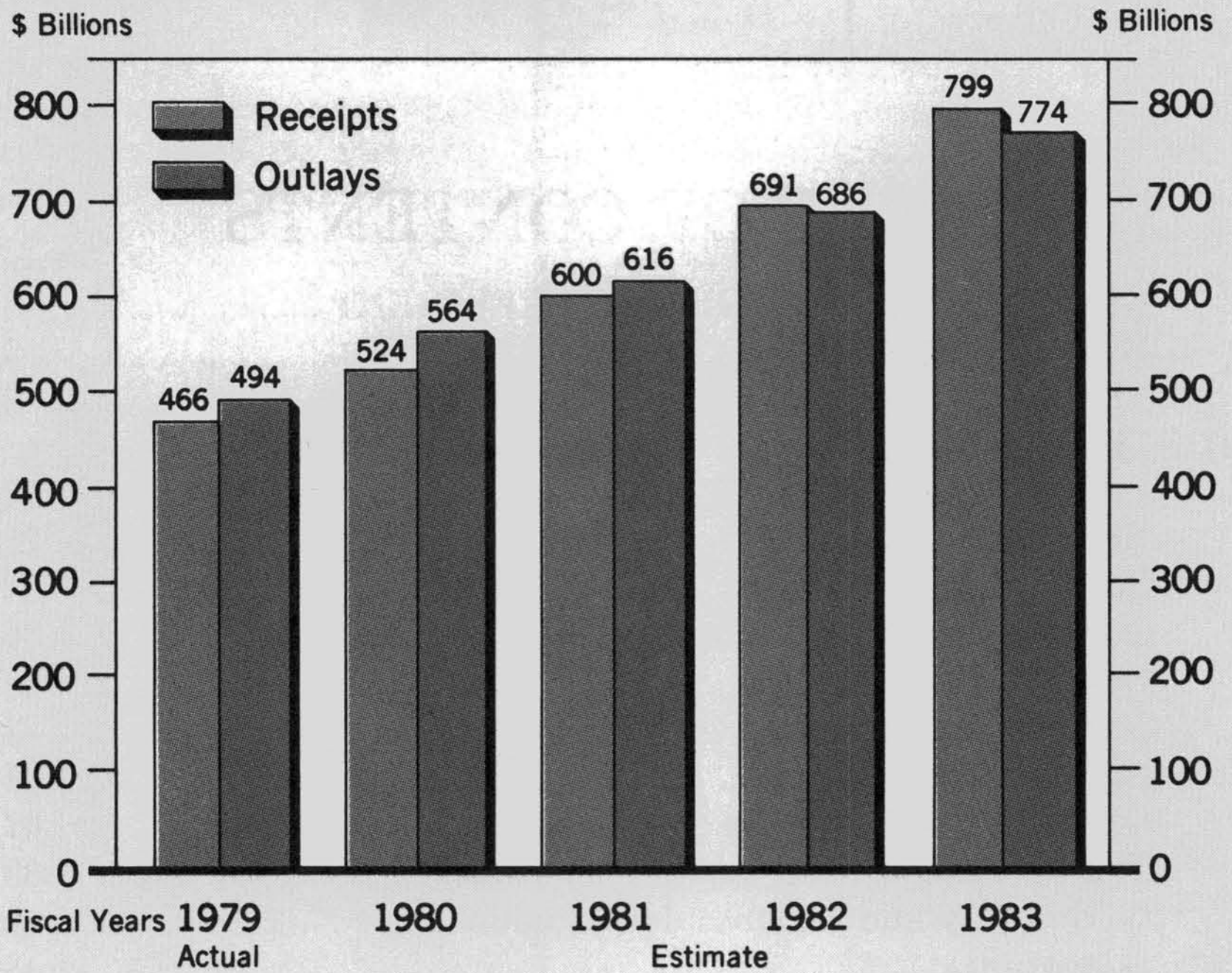
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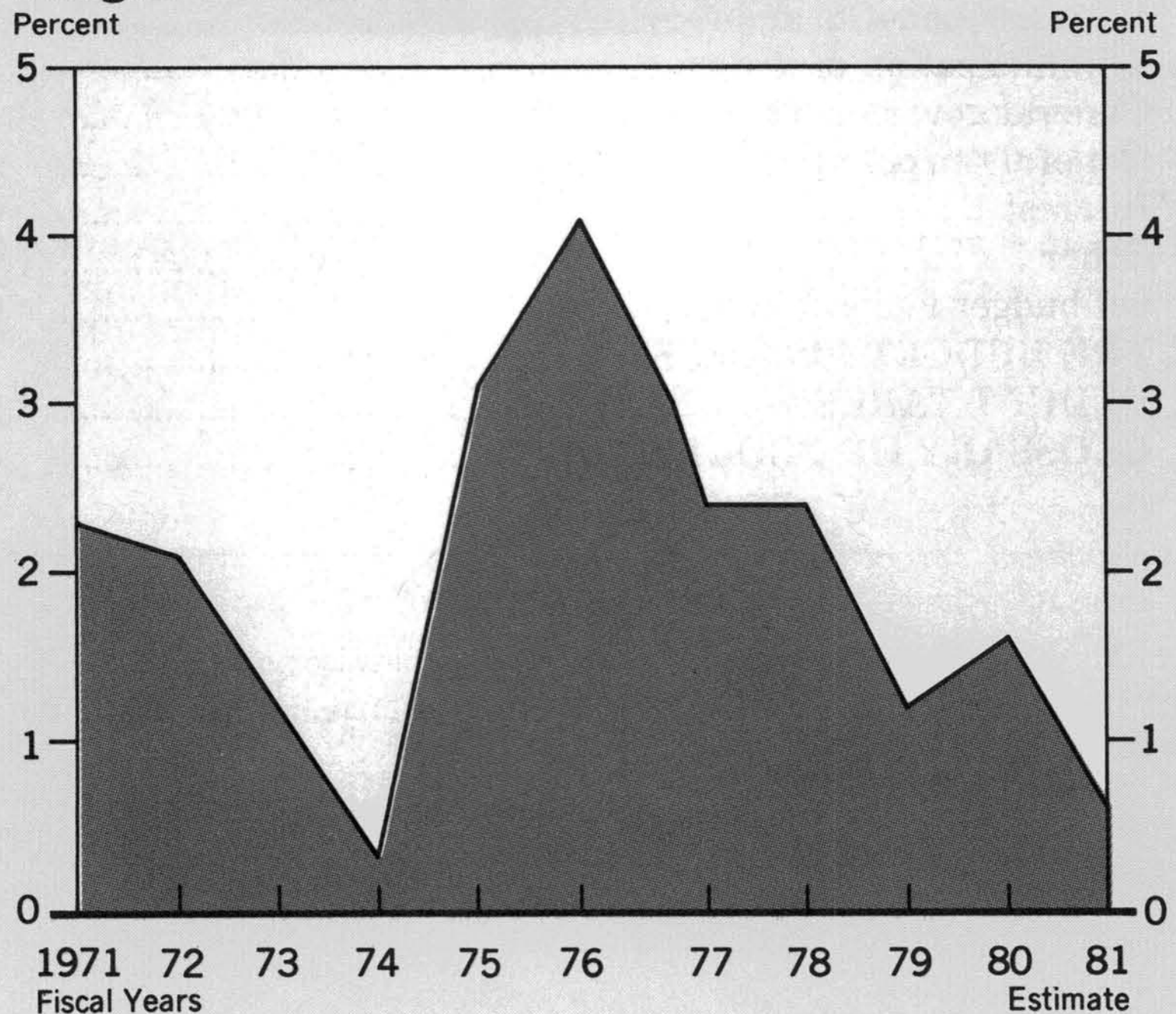
GENERAL NOTES

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, 1979-1983



Budget Deficits as a Percent of GNP



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

This budget for 1981 is prudent and responsible. It continues the strategy of restraint that I proposed, and the Congress accepted, for the 1980 budget. At the same time it proposes selected, essential increases in areas of high priority and great national concern. In this way it seeks a balance between our needs for budgetary restraint and our needs for specific expenditures. I expect the Congress to support it.

Total outlays for 1981 proposed by this budget are \$615.8 billion, an increase of 9%. After allowing for inflation, this budget is virtually level with 1980 spending. Total receipts for 1981 are estimated to be \$600 billion. In view of current economic conditions, the only major revenue proposal included in the budget is my windfall profit tax now before the Congress.

THE BUDGET TOTALS

(In billions of dollars)

	1979 actual	1980 estimate	1981 estimate	1982 estimate	1983 estimate
Budget receipts	466	524	600	691	799
Budget outlays	494	564	616	686	774
Surplus or deficit (—)	—28	—40	—16	+5	+25
Budget authority	557	654	696	775	868

Thus, I am proposing a deficit of \$15.8 billion, the lowest deficit in 7 years. This reduces the deficit by 60% in comparison to 1980. More significantly, it is \$50 billion less than when I first ran for the Presidency. As a percentage of the budget, and of the gross national product, the 1981 deficit is the second lowest of the last decade.

Economic projections deeply affect this budget. It appears today that the long economic recovery occurring throughout my first term may falter this year. I have therefore assumed that there will be some decline in GNP during the course of 1980, followed by renewed but moderate growth in 1981. As a result, budget receipts will be reduced and certain expenditures will increase automatically. This is why the 1981 budget is in deficit. If, contrary to our assumptions, the economy were to perform strongly enough to keep the unemployment rate at its current level, the 1981 budget would be in surplus.

We must monitor the economic outlook carefully. If the economy begins to deteriorate significantly, I will consider tax reductions and temporary spending programs for job creation targeted toward particular sectors of economic stress. But I believe current economic conditions argue for restraint.

I believe that this judgment and this budget recognize that equitable budget restraint is essential in our efforts to control inflation; that the unemployed should not bear the costs of our anti-inflation efforts; and most importantly, that we continue to pursue the goals of full employment, price stability, and balanced growth. The fiscal and program policies in this budget are essential, I believe, if we are to move rapidly toward these goals in the 1980's.

Indeed, the restraint proposed in this budget is essential to achieve these goals. The unacceptably high inflation now prevailing is clearly due to many, deeply imbedded, long-term forces. Countering this inflation involves sustained action across a wide spectrum.

- We must reduce our dependence upon foreign oil.
- We must enhance our economy's productivity.
- We must continue our efforts to foster competition and innovation through further deregulation.
- We must sustain compliance with the administration's wage and price guidelines.

But none of these efforts can succeed unless Federal spending is controlled. By continuing a clear and consistent policy of restraint, the 1981 budget insures that the Federal budget will not be an inflationary force in the economy.

Although I have kept spending in this budget from rising in real terms, I have found it necessary to increase funds in a few critical areas. The most important of these are defense, energy, basic research, and the training and employment of our Nation's young people.

Defense.—The long decline in real spending for defense that began in 1969 has been reversed. The uncertain and sometimes hostile world we live in requires that we continue to rebuild our defense forces. The United States will continue to seek peaceful means to settle international disputes. But I cannot ignore the major increases in Soviet military spending that have taken place inexorably over the past 20 years. I cannot ignore our commitment to our NATO allies for mutual real increases in our investment in national defense. I cannot ignore the implications of terrorism in Iran, or Soviet aggression in Afghanistan.

Therefore, my budget proposes a defense program in 1981 of \$158.2 billion in budget authority, an increase of over 5% in real terms. Outlays for defense will be \$142.7 billion, a real increase of over 3%.

Moreover, I am committed as a matter of fundamental policy to continued real increases in defense; and I plan increases in my defense budgets through 1985. Over the period 1981-85, I am proposing that the defense program level of the United States increase by \$90 billion.

Energy.—This budget reflects the important progress made by my administration toward a broad and practical program dealing with the energy problems the Nation will face in the next decade. I am confident, and the 1981 budget assumes, that early in the 1980

session the Congress will pass the crucial measures I proposed last year: the windfall profit tax, the Energy Security Corporation, the conservation measures, and the Energy Mobilization Board.

With this budget we will have put into place an energy program composed of the following elements:

(1) *Realistic pricing and fair taxes.*—My decontrol decision of last April is now in effect. It is painful, and no one can pretend otherwise. But we cannot have an energy program that maintains illusions. Energy is not cheap, and we must accept that fact.

My windfall profit tax, to be passed early this year, retains a portion of the profits from energy price increases for the public. This will insure that increased energy prices will lead to new public investment in energy production. It will insure also that the burdens of higher energy costs are fairly shared.

(2) *Conservation.*—The 1981 budget allocates resources for tax incentives, low-interest subsidized loans, and other measures to stimulate more conservation. Conservation is the quickest and cheapest step we can take to confront our energy problem.

(3) *Production.*—This budget anticipates the creation of the Energy Security Corporation to facilitate the development of synthetic fuels and a major new gasohol program. It also supports continued new investments in those energy initiatives begun in the last two budgets. We are significantly increasing our expenditures on fossil fuels, on solar energy, and on nuclear fusion. Nuclear fission research, on the other hand, declines, while greater emphasis is placed on solving the current problems of nuclear power.

(4) *Protection.*—As we adjust to the new energy realities, we must continue to protect those who are most vulnerable. The 1981 budget continues to provide funds for the poor to weatherize their homes; funds to enable the most disadvantaged Americans to cope with the rising cost of energy; and funds for energy crisis assistance.

My energy program is, of necessity, a long-term one. But if it is sustained through the new decade, we will reduce consumption, increase production from domestic sources, and promote alternate forms of energy. We will significantly reduce our dangerous reliance upon foreign oil. We will remove a major source of inflation. Our economy and our Nation will emerge from the 1980's stronger than they are now.

Basic research.—In the long run, economic growth depends critically on technological development. For many years, this country has led the world in producing new technology. We are in danger of losing this leadership. The 1981 budget continues my long-standing commitment to reverse the trends of the past two decades and provide for major and sustained increases—above the rate of inflation—for research and development programs. Obligations for research and development will increase by 13%; for basic research by 12%. Since 1978, obligations for basic research will have increased by 40%. I believe that these are among the most important expenditures we can make. The payoff, particularly for basic research, is

long-term, but immense. We benefit today—in new industries, in millions of jobs, in lives saved, and in lives protected—from the investments in science made decades ago. We must continue such investments today to reap similar returns tomorrow.

Human resources.—My budget, restrained as it is, provides needed support to those Americans who are most in need. Most of the increase in the 1981 budget over 1980 is due to the automatic cost-of-living increases in entitlement programs that provide income to the poor and the elderly. I have continued and improved these programs. In addition, I have proposed discretionary increases in a wide range of programs affecting those in our society who are the most disadvantaged.

The budget includes \$687 million for proposals to expand health services to the poor and the underserved, including \$403 million to provide medicaid eligibility for 2 million additional low-income children and approximately 100,000 pregnant women. The budget also includes a 24% increase in subsidized housing programs and a 24% increase in elementary and secondary education programs for the disadvantaged. Overall, I am proposing an increase of \$7 billion in aid to the poor to protect them against the effects of inflation.

At the same time, I am proposing a major initiative that will enable our Nation's disadvantaged youth to receive a strong basic education, to find and keep a job. This is a critically important time for this initiative. In the 1980's, the number of youths entering the labor market will fall. If the young people of the 1980's are prepared, they will be able to find good jobs and build productive lives. My initiative will make this preparation possible. It will couple a strong emphasis on basic education with significant employment opportunity. For those young people who participate, the programs will be tough and challenging. But they will be extremely worthwhile. Those who complete them will have a major advantage where it counts—in the permanent job market. I consider this investment in human resources for the 1980's to be as important as the investments I am proposing for basic research. It is an investment in our most precious resource—the energies and talents of America's young people.

Agriculture.—Because of the aggression by the Soviet Union against Afghanistan, I concluded that we could not now permit that country to benefit from our productive agriculture. On January 4, I announced the suspension of shipments of grain, soybeans, and their byproducts to the Soviet Union. This budget reflects the steps necessary to avoid the devastating effects such action could have had on our farmers and grain shippers. Specifically, the Secretary of Agriculture will:

- purchase contracts entered into with the Soviet Union at prices at or above those prevailing on January 4;
- if necessary, take title to the grain intended for export to the Soviet Union and isolate it from the market;
- purchase up to 4 million metric tons of wheat for an international food aid reserve;

- increase the loan level for feed grains and wheat by 10 and 15 cents per bushel, respectively; and
- modify the farmer-owned grain reserve to encourage farmers to place additional grain in the reserve.

On January 19, I announced, as additional steps to avoid the impact of suspension of shipments, that the Government would:

- increase the 1980 and 1981 Public Law 480 programs in order to increase grain shipments abroad; and
- purchase corn directly at local levels to stabilize cash markets and alleviate transportation backups.

I stand ready to take further steps if these actions prove insufficient.

Other commitments.—In other important areas, the 1981 budget reflects the reorganization accomplishments of the administration; continues the significant progress already experienced in urban and community development; expresses my commitments to welfare reform and a national health plan, programs that will begin in future budget years; and reaffirms my dedication to improved Federal budgeting and management.

The budget anticipates that my welfare reform proposals will take full effect in 1982, and my national health plan proposal in 1983. Taken together, these programs provide income support and assured health care to all Americans in need. My national health plan—which will be phased into operation prudently, consistent with the state of our economy—minimizes direct governmental control over health care, restrains the growth of Government, and provides maximum individual choice. I am continuing to seek enactment of my hospital cost containment proposal, which I believe is an essential part of any national health plan. When fully enacted, these two proposals—welfare reform and the national health plan—will significantly and permanently improve the lives and prospects of all Americans.

The 1981 budget includes a \$15.5 billion allocation for the new Department of Education, which the Congress has approved. The establishment of this Department will require a great deal of effort in the short run, but it will give our system of education the consistent attention and high priority it deserves.

This budget also continues the improvement in the budget process I promised 4 years ago. In the 1979 budget we introduced zero-base budgeting, a system we have now used in three budgets to assure the allocation of scarce public resources to the most critical areas. Last year, in the 1980 budget, we moved to multiyear budgeting. My budget again this year shows not only decisions for 1981, but the effect of those decisions—in detail—for 1982 and 1983. To the extent feasible, the multiyear budget projects also the future costs of programs such as the national health plan, welfare reform, defense, energy, and research and development.

This year I have installed a central system to control the use of Federal credit. In the past, too much has escaped the normal

discipline of the budget. This system, which is now in place, recommends specific credit limitations for most credit programs.

THE CREDIT BUDGET TOTALS

(In billions of dollars)

	1979 actual	1980 estimate	1981 estimate
New direct loan obligations	51.4	59.7	60.7
New loan guarantee commitments	74.7	75.2	81.4
Total	126.1	134.9	142.1

The new system of credit control will permit both the administration and the Congress to improve their understanding of the credit programs, to measure their important effects, and to determine appropriate levels of credit activity.

This budget reflects continued efforts to improve financial management in Government and to stop illegal or improper use of taxpayers' money. We are achieving major savings from better cash management and stronger internal auditing in Federal agencies.

Conclusions.—Proposing a responsible Federal budget is a fundamental task of public leadership. The budget must reconcile a broad range of legitimate claims for resources with the needs of the economy and the burdens on the taxpayer. Simultaneously, it must:

- respect past commitments in its allocations to social security, to veterans, and to the elderly;
- meet the needs of the present for defense, unemployment benefits, and health services; and
- invest in the future through research and development, energy programs, and education.

The budget must do all of these things specifically and in detail. A budget rests on specific proposals related to specific costs, not on rhetoric.

A budget also rests on policy. And this budget contains important policy decisions—major departures, new initiatives, larger and longer-term commitments. Each stands on its own merit. Yet taken together all of the proposals in this budget can also be characterized in a more general way. They reflect the maturing of the administration's basic, consistent underlying policy themes: restraint in budgeting the taxpayers' dollars; the strengthening of our defense; providing energy for the future; improving opportunities for the Nation's youth; and making Government work better.

Ours is a great and complex nation. The existing arrangements in our society are the result of complex, not always consistent decisions of the past emerging from a democratic people. Change is sometimes slow because it rests on consent. But intelligent, consistent leadership, persistently applied, can bring about change in policies and further the well-being of our society and of its people. I believe that this budget, and those I have submitted in the past, support the fundamental policies that will prepare America for the new decade.

JANUARY 28, 1980.

JIMMY CARTER.

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 II, together with projections of receipts through 1985.

Summary

Total budget receipts in 1981 are estimated to be \$600 billion, an increase of \$76 billion from the \$524 billion estimated for 1980. Receipts in 1982 and 1983 are estimated to be \$691 billion and \$799 billion, respectively. These estimates include the effects of:

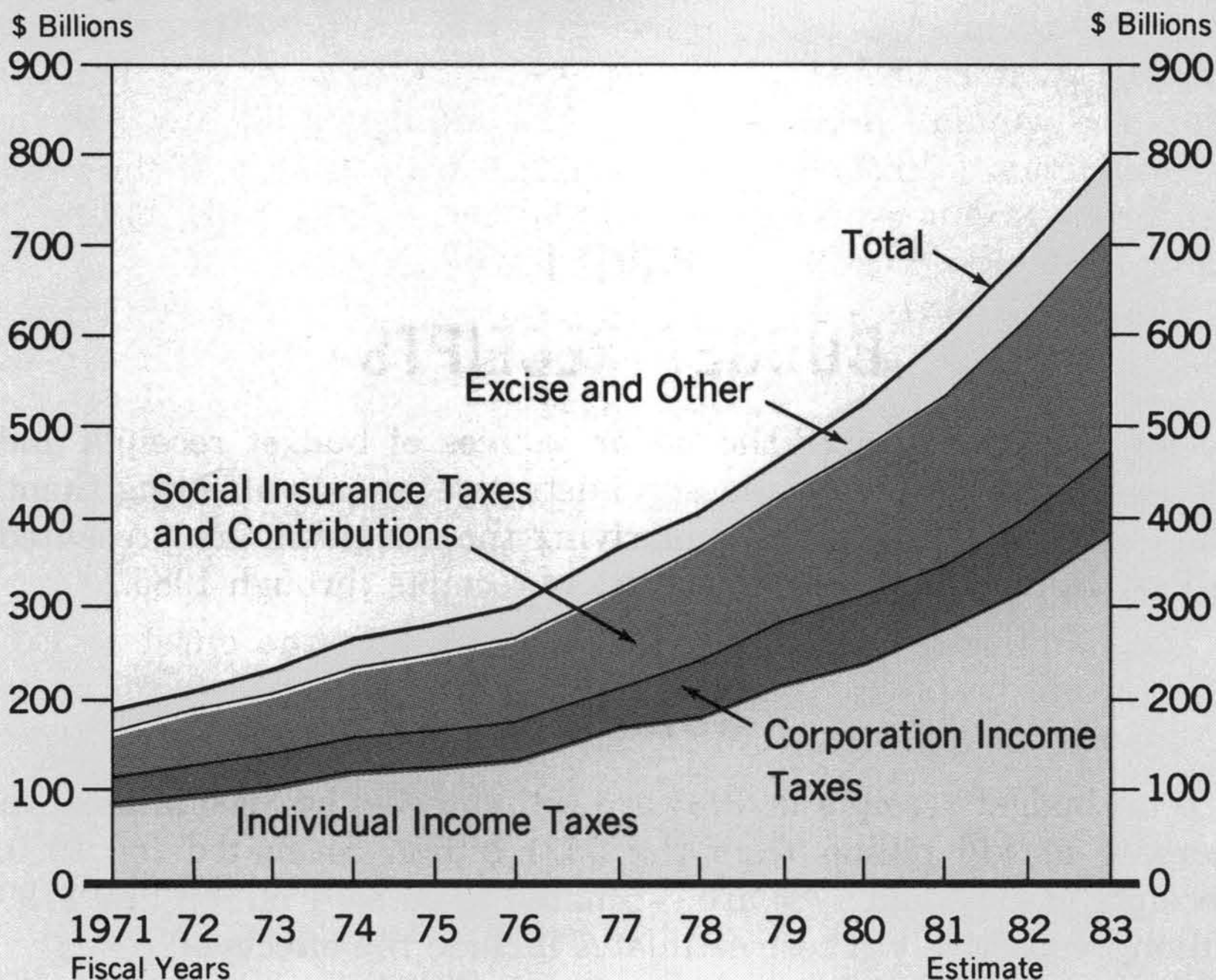
- increases in social security taxes scheduled;
- the proposed windfall profit tax and energy credits that are part of the administration's energy program;
- administrative actions and proposed legislative changes to collect taxes closer to the time when liabilities are incurred; and
- other receipts proposals currently being made.

The estimates of receipts for 1982 and 1983 are based on current tax law as modified by the tax proposals in this budget. The timing of tax reductions in future years will depend on the state of the economy, especially on progress in reducing inflation.

Composition of budget receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1981:

- Income taxes paid by individuals and corporations are estimated at \$274.4 billion and \$71.6 billion, respectively. Combined, these sources account for 58% 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 \$187.4 billion, 31% of the total.
- Excise taxes are expected to provide \$40.2 billion, 7% of the total; and other receipts are estimated at \$26.4 billion, the remaining 4% of the total.

Budget Receipts, 1971-1983



Receipts Proposals

Energy program.—As part of the oil price decontrol program, a windfall profit tax on domestic producers of crude oil was proposed. Several energy tax credits and a change in the existing foreign tax credit on oil and gas extraction were also proposed. These proposals would increase estimated receipts by \$6.2 billion in 1980, \$14.4 billion in 1981, \$18.4 billion in 1982, and \$19.6 billion in 1983.

Higher OPEC prices and the phased decontrol of domestic oil prices will result in added profits for domestic oil producers. Fairness requires that some of these windfall profits be returned to the Nation as a whole, to be used for public purposes including the reduction of oil imports, conservation of energy, and mitigation of the impact of higher energy prices on low-income Americans. The President, therefore, proposed a windfall profit tax to become effective January 1, 1980. The proposed tax base is equal to the amount a producer receives for domestically produced crude oil in excess of a base price and any State severance taxes attributed to the windfall. The tax rate generally is 60%, although it varies in certain cases, depending on the type of oil.

The gross windfall profit tax is estimated to increase receipts by \$7.7 billion in 1980, \$20.9 billion in 1981, \$28.4 billion in 1982, and \$31.5 billion in 1983. Because the proposed windfall profit tax is an excise tax, it is deductible for income tax purposes. The net gain from the windfall profit tax (the gross windfall profit tax less the net reduction in income taxes due to the deductibility of the windfall profit tax) is estimated at \$5.5 billion in 1980, \$13.9 billion in 1981, \$18.2 billion in 1982, and \$19.5 billion in 1983.

The energy program includes several proposed tax credits relating to the conservation and production of energy. These credits are proposed for: builders who employ passive solar technology in residential and commercial construction; producers of shale oil and unconventional natural gas; the use of gasohol; the purchase of solar thermal energy equipment used to produce process heat; and the purchase of woodburning stoves.

The administration is also proposing to limit the offset to U.S. taxes from the foreign tax credit on oil and gas extraction to taxes on income derived from such extraction.

Cash management.—The receipts estimates reflect several initiatives to require income tax payments closer to the time when tax liabilities are incurred, to require employers to deposit taxes withheld from employees on a more timely basis, and to accelerate the payment schedule of customs duties and tobacco excise taxes. It is estimated that these cash management initiatives will increase receipts by \$4.5 billion in 1981, \$5.6 billion in 1982, and \$2.2 billion in 1983.

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

- The use of tax-exempt State and local securities for owner-occupied housing be banned, and that such bonds for multi-family housing be restricted to projects in which at least 20% of the residents are low-income;
- To prevent noncompliance, 10% be withheld from compensation for services paid to certain independent contractors;
- 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;
- Employers be required to pay social security taxes on all tips now subject to employee social security taxes;
- Fees be imposed on oil, petrochemical feed stocks, and inorganic elements to establish a fund to provide for cleanup of oil and hazardous substances released into the environment;

- Medicare premiums be reduced for individuals not covered by social security;
- Tax withholding on all portfolio interest paid to nonresident foreigners be eliminated;
- All capital gains realized by foreign investors on real estate be taxed;
- Local public housing authorities limit the sale of tax-exempt public housing bonds to the public; and
- The expiration of special tax provisions for certain historic structures be delayed by 1 year.

EFFECT OF ADMINISTRATIVE ACTIONS AND PROPOSED LEGISLATION ¹

(In billions of dollars)

	1980	1981	1982	1983
Individual income taxes:				
Cash management initiatives		1.8	1.5	0.5
Energy program ²	-0.4	-1.1	-1.7	-2.0
Tax-exempt housing bonds	*	0.2	0.5	1.1
Other	-*	0.3	0.3	0.4
Subtotal, individuals	-0.4	1.1	0.7	-*
Corporation income taxes:				
Cash management initiatives		1.4	3.4	1.4
Energy program ²	-1.1	-5.3	-8.3	-9.8
Tax-exempt housing bonds	0.1	0.7	2.0	4.1
Other	*	0.1	0.1	0.1
Subtotal, corporations	-1.0	-3.2	-2.9	-4.2
Social insurance taxes and contributions:				
Cash management initiatives		0.9	0.6	0.2
Railroad retirement tax increase		0.3	0.3	0.3
Other		0.2	0.3	0.3
Subtotal, social insurance		1.4	1.2	0.8
Excise taxes:				
Windfall profit tax	7.7	20.9	28.4	31.5
Airport and airway trust fund taxes ³	*	0.2	0.3	0.3
Oil and hazardous substance cleanup		0.2	0.3	0.4
Cash Management initiatives		0.2	*	*
Other	0.1			
Subtotal, excise taxes	7.8	21.5	29.0	32.2
Other:				
Cash management initiatives		0.2	*	*
Other	*	-*	-*	-*
Subtotal, other	*	0.2	*	*
Total	6.4	21.0	28.0	28.8

*50 million or less.

¹ These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects are taken into account for forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

² Most of these reductions are due to the deductibility of the windfall profit tax in determining income tax liability.

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 June 30, 1980 expiration date. The extension of current tax rates would add \$0.1 billion to receipts in 1980, \$0.9 billion in 1981, \$0.9 billion in 1982, and \$1.0 billion in 1983.

PART II

THE LONG-RANGE BUDGET OUTLOOK

This section discusses the long-range budget outlook and the economic assumptions underlying that outlook. The first section presents economic assumptions for calendar years 1979 through 1985, explains the nature of these assumptions, and discusses policies to reduce unemployment and inflation. The second section examines the budget's multiyear planning base for fiscal years 1981 to 1983, and the projections for 1984 and 1985.

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. Budget receipts vary with individual and corporate incomes, which respond both to real economic growth and to inflation. Other activities of Government that are not reflected in the budget totals, such as loan guarantees, off-budget outlays, and regulatory requirements, also affect the economy, although their effect is less direct and less easily measured.

Outlays for many Federal programs such as unemployment, retirement and other social insurance benefits 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 in turn are 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 to a very significant extent upon economic assumptions. The economic assumptions used for developing the budget estimates are presented in the following tables to assist in understanding the budget estimates and projections, and the administration's fiscal strategy. These economic assumptions are on a calendar year basis, as is customary for economic statistics. The budget estimates are for fiscal years.

The short-range economic assumptions for calendar years 1979 (for which only 3 quarters of data were available when the esti-

mates were made), 1980, and 1981 are forecasts of probable economic conditions consistent with the administration's budget proposals. As the table indicates, a mild recession is expected in the first half of 1980, and some increase in unemployment is likely. Economic growth is expected to resume in the latter part of the year and continue through calendar year 1981, with a gradual decline in the rate of unemployment. Some progress is expected in slowing inflation from the very high rate of last year, but the rate of increase in consumer prices will still be very high by historical standards. The rate of increase forecast for the 12 months of calendar year 1981 is 8.6%.

SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1978	Forecast		
		1979 ¹	1980	1981
Gross national product:				
Current dollars:				
Amount	2,128	2,369	2,567	2,842
Percent change: Fourth quarter over fourth quarter	13.4	10.0	7.9	11.7
Constant (1972) dollars:				
Amount	1,399	1,431	1,423	1,448
Percent change: Fourth quarter over fourth quarter	4.8	0.8	-1.0	2.8
Incomes (current dollars):				
Personal income	1,717	1,923	2,109	2,314
Wages and salaries	1,103	1,227	1,342	1,478
Corporate profits	206	238	228	242
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	8.2	9.1	9.0	8.6
Consumer Price Index: December over December ²	9.0	13.2	10.4	8.6
Unemployment rates (percent):				
Total: Fourth quarter	5.8	5.9	7.5	7.3
Insured, annual average ³	3.3	3.1	3.9	4.0
Federal pay raise (percent) ⁴	5.5	7.0	⁵ 6.2	8.0
Interest rate, 91-day Treasury bills (percent) ⁶	7.2	10.0	10.5	9.0

¹ Actual data for the 1979 unemployment rate, the Federal pay raise, and the 91-day Treasury bill rate.

² CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index used here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

³ 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.

⁴ General schedule pay raises become effective in October of each year—the first month of the new fiscal year. Thus, the October 1980 pay raise will set new pay scales that will be in effect during fiscal year 1981.

⁵ This is the projected pay increase for white collar workers and wage board employees. The pay raise for military personnel is estimated to be 7.4%.

⁶ Average rate on new issues within period. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

In contrast to the short-range economic forecast, *the longer range assumptions for the period 1982 to 1985 are not forecasts of probable economic conditions.* Instead, they are projections that *assume* progress in moving toward the goals of a more fully employed economy and greater price level stability. In last year's budget, estimates were presented consistent with achieving the goals of 4% unemployment and 3% inflation by the end of calendar year 1983. These goals had been established in the Full Employment and Balanced

Growth Act of 1978 (the Humphrey-Hawkins Act). The act provides for revision of the timetable for achieving these goals, if necessary, in the 1980 *Economic Report of the President*. Based on the performance of the economy during 1979, and its projected performance during 1980 and 1981, it is apparent that the goals cannot be achieved in the timetable originally prescribed. As a result, the long-range economic projections presented in this budget are consistent with a new schedule for attaining the goals of the 1978 act. The achievement of the 4% unemployment rate goal is postponed by 2 years to 1985, and the 3% inflation goal is postponed by 3 years beyond that. These remain ambitious goals and will require effective long-run policies to reduce both unemployment and inflation. The feasibility of achieving these targets and the types of policies that might be required during the 1982-89 period to achieve them, are discussed in this year's *Economic Report of the President*. The discussion below summarizes the major policies directed at unemployment and inflation in the budget proposals.

LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1982	1983	1984	1985
Gross national product:				
Current dollars:				
Amount	3,206	3,619	4,052	4,498
Percent change: Fourth quarter over fourth quarter	13.3	12.6	11.6	10.7
Constant (1972) dollars:				
Amount	1,510	1,586	1,664	1,742
Percent change: Fourth quarter over fourth quarter	5.0	5.0	4.8	4.6
Incomes (current dollars):				
Personal income	2,591	2,914	3,256	3,610
Wages and salaries	1,663	1,874	2,094	2,316
Corporate profits.....	277	324	369	415
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	7.9	7.2	6.5	5.8
Consumer Price Index: December over December ¹	7.8	7.2	6.4	5.7
Unemployment rates (percent):				
Total: Fourth quarter	6.5	5.6	4.8	4.0
Insured, annual average ²	3.6	3.0	2.4	2.0
Federal pay raise (percent) ³	8.0	7.5	7.0	6.5
Interest rate, 91-day Treasury bills (percent) ⁴	8.4	7.7	7.0	6.3

¹ CPI for urban wage earners and clerical workers. Two versions of the CPI are now 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 General schedule pay raises become effective in October of each year—the first month of the fiscal year. Thus, the October 1980 pay raise will set new pay scales that will be in effect during fiscal year 1981.

⁴ Average rate on new issues within period. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

Policies to reduce unemployment.—As explained in the President's *Economic Report*, fiscal policy adjustments will probably be required in future 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 now be determined. However, the administration will propose that further fiscal actions—in particular further tax reductions—be taken between 1982 and 1985, if such actions are required to sustain the progress of the economy toward the goals of the Act.

Unemployment rates are very high for youth and minorities. The administration is therefore pursuing several strategies to reduce the sources of structural unemployment without adding to inflationary pressures.

This budget proposes significant increases in spending for youth programs. Some existing youth employment and training programs would be combined and funding increased by \$300 million. This would be combined with a new education component, for which \$900 million is requested for 1981, to form a joint program designed to provide disadvantaged youth with the basic academic skills and workplace discipline required to find and keep a job. The Job Corps training program is being expanded and will provide twice the number of training opportunities made available in 1977. One million summer youth jobs are proposed, the same number as in 1979 and as proposed for 1980.

The budget also proposes maintaining the high level of training and employment opportunities in the programs for the structurally unemployed. These programs were revised last year to achieve greater net employment gains, to direct opportunities more to the disadvantaged and long-term unemployed, and to improve the preparation of enrollees for private sector jobs. In response to an administration proposal, 1979 legislation authorizes a special program to help move all job program participants into private sector jobs. In addition, the Revenue Act of 1978 included an administration initiative to create a targeted employment tax credit to reduce the cost to private sector employers of hiring disadvantaged individuals, primarily youth. The employment tax credit for hiring employees placed in jobs under the Work Incentive (WIN) program, and for hiring other public assistance recipients, was revised to make it similar to the targeted employment tax credit.

Finally, the administration has proposed reform of the welfare system which, if enacted promptly, could be fully effective by 1983. The plan would reform cash assistance programs, further develop the use of employment and training programs, and direct more jobs to principal earners in families eligible for cash assistance.

Policies to reduce inflation.—The budget proposals help combat inflation in two ways: first, through overall budget restraint; and second, through measures that contribute to lowering rates of price increase in specific sectors of the economy.

Budget restraint plays a crucial role in the administration's anti-inflationary plan. Fiscal and monetary policies seek to create an economic environment in which inflationary pressures will abate.

Monetary and fiscal restraint alone will not be sufficient to reduce the rate of inflation at an acceptable rate. Moderation in private sector wage settlements and prices is also essential. Braking the momentum of inflation will require continued widespread compliance by business and labor with the voluntary pay and price standards established by the administration.

Numerous Federal programs and policies contribute, directly or indirectly, to holding down rates of price increase in specific sectors of the economy. Some programs regulate prices directly or promote competition. Avoiding undue fluctuations of agricultural commodity prices has long been a major objective of Federal policy. Regulation of "natural monopolies" such as electric utilities; antitrust law enforcement; and programs to foster small business and greater competition, all contribute to holding down price increases. An effort is also being made to let more Government contracts on a competitive basis, in order to reduce prices paid on government purchases of goods and services.

The administration is currently pursuing policies to reduce economic regulation in areas—particularly transportation—where regulation tends to stifle competition and maintain unnecessarily high prices. The Airline Deregulation Act was enacted in 1978. The administration has proposed modifications to trucking industry regulations and deregulation of rail and intercity bus transportation. Another significant policy directed against inflation is the administration's proposal for hospital cost containment. This would reduce price increases in a sector that has raised its prices at excessive rates for over a decade.

Federal subsidies, tax expenditures, guarantees, insurance, grants to State and local governments, disaster assistance, and loans may also help, directly or indirectly, hold down 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.

Federal pay reforms and restraints on Federal employment will help reduce upward pressure on private sector wage rates. 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, which are explicit goals of the Full Employment and Balanced Growth Act. Increased productivity is essential to reducing inflation in the long run. Federal programs and tax policies that promote productivity growth include the investment tax credit and Federal support for research and development. In addition, Federal employment, training, and education programs; equal opportunity programs, and programs (such as housing) that contribute indirectly to labor mobility all help increase productivity, reduce structural unemployment, and make it possible to achieve employment goals with less inflationary pressure.

Budget Projections

The effects of current budget 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 1981 budget have been determined largely by past decisions, the decisions and proposals it embodies will shape subsequent budgets. Thus, various proposals in the 1981 budget would significantly reduce the level of outlays for existing programs in future years. These reductions both improve the prospects for budgetary balance and help make room for important initiatives in energy, welfare reform, national health insurance, and defense, within budget outlay totals that do not increase as a share of gross national product (GNP).

Since 1970, budgets have presented projections extending 4 years beyond the budget year. Last year, a multiyear budget planning system was established. As a result, outlay estimates for the first 2 years beyond the budget year (1982 and 1983) now receive explicit policy review, and represent tentative planning targets for executive branch agencies.

Basic assumptions.—The receipts projections presented in this section are consistent with the foregoing economic assumptions, and with continuation of current tax laws as modified by the proposals in this budget. The budget authority and outlay estimates indicate the degree to which resources would be committed by the continuation during 1982-85 of existing and currently proposed programs at the program levels recommended for 1980 and 1981, and planned for 1982 and 1983. These estimates 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, consistent with the objective of restraining growth in Federal spending, holding Federal outlays as a percentage of GNP to the lowest level consistent with national needs, and moving toward a balanced budget as rapidly as economic conditions and national security considerations permit. The multiyear budget estimates for 1982 and 1983 represent tentative administration plans for the long-term scheduling of major new initiatives and program reductions.

These planning base estimates, and the projections to 1985, allow for future cost-of-living adjustments to most benefit programs, for anticipated changes in numbers of eligible beneficiaries, for Federal pay raises, and for other built-in cost changes (such as interest) consistent with the economic assumptions outlined above. They allow for real growth of outlays in certain areas, such as defense, research and development, and energy, and real decline in outlays in others. The estimates generally assume that programs remain level in real terms, except where there is an explicit budget recommendation, or multiyear budgeting plan, to increase or decrease program levels over time.

THE BUDGET OUTLOOK, 1979-85

(In billions of dollars)

	1979 actual	Estimate				Projection	
		1980	1981	1982	1983	1984	1985
Budget outlays.....	493.7	563.6	615.8	686.3	774.3	838.9	902.6
Budget receipts.....	465.9	523.8	600.0	691.1	798.8	920.5	1,061.2
Budget surplus or deficit (—)	-27.7	-39.8	-15.8	4.8	24.5	81.6	158.6

The budget outlook.—The accompanying table summarizes the budget outlook from 1980 to 1985 based on current law and proposals in this budget. Receipts are projected to increase by an average of 15.3% per year from 1981 to 1985, rising from \$600 billion to \$1,061 billion. Over the same period, outlays are projected to rise by an average of 10.0% a year, from \$616 billion to \$903 billion. Thus, under these assumptions, the budget is projected to move into surplus in 1982, with larger surpluses in subsequent years.

It is unrealistic to assume that, in the future, Federal receipts will be permitted to rise continually as a percentage of GNP, with an attendant rise in individual tax burdens. Frequent tax reductions were enacted in the 1970's to prevent such increases in tax burdens. Thus, projections of significant surpluses in 1983 and subsequent years do not imply that resources of such magnitude will be available for additional spending.

Receipts.—Projected increases in receipts from 1981 to 1985 are attributable largely to rising nominal-dollar incomes due both to inflation and to real growth, and to increases in social security taxes scheduled under current law. The table below shows projected receipts by source and the effect on receipts of administration tax proposals, other than renewals of expiring provisions.

Individual income taxes are projected to rise from \$274.4 billion in 1981 to \$538.3 billion in 1985. Corporation income taxes rise by 66% over this same period, from \$71.6 billion to \$118.8 billion.

Because the windfall profit tax is an excise tax, it will be deductible from corporation income taxes. Thus, the tax proposals result in a net decrease in income tax receipts during 1980–84 when compared to current services levels.

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 7.0% of GNP by 1985. The social security tax rate, which increased from 12.1% to 12.26% of the taxable earnings base on January 1, 1979, is scheduled under current law to increase to 13.3% on January 1, 1981, and to 13.4% a year later. The maximum taxable earnings base is scheduled to increase annually from the current level of \$25,900 to a projected \$42,900 by 1985.

Estate and gift taxes, customs duties, excise taxes (including the windfall profit tax), and miscellaneous receipts are projected at \$96.3 billion in 1985, an increase of \$29.7 billion from 1981.

BUDGET RECEIPTS BY SOURCE

(In billions of dollars)

	1979	1980	1981	1982	1983	1984	1985
Individual income taxes.....	217.8	238.7	274.4	318.7	381.4	455.7	538.3
Corporation income taxes.....	65.7	72.3	71.6	80.6	91.8	105.5	118.8
Social insurance taxes and contributions..	141.6	162.2	187.4	215.9	243.4	270.2	307.8
Excise taxes.....	18.7	26.3	40.2	48.0	51.7	55.6	59.9
Other.....	22.1	24.3	26.4	28.0	30.5	33.5	36.4
Total.....	465.9	523.8	600.0	691.1	798.8	920.5	1,061.2
MEMORANDUM: Effect of Receipts Proposals:							
In comparison to current services:							
Individual income taxes.....		-.4	1.1	.7	—*	.7	1.6
Corporation income taxes.....		-1.0	-3.2	-2.9	-4.2	-3.2	-.8
Social insurance taxes.....			1.4	1.2	.8	.9	1.0
Excise taxes.....		7.8	21.5	29.0	32.2	35.5	39.3
Other.....		*	.2	*	*	*	*
Total.....		6.4	21.0	28.0	28.8	33.9	41.1

Outlays.—The estimates and projections of outlays shown in this section are extrapolations (based on the assumed economic trends) of program costs reflecting current administration policy—including the 1981 budget proposals and the multiyear budget plans for 1982 and 1983. They are estimates of future resources and of the degree to which those resources are already committed by current policy. Total budget outlays are projected to increase at an average annual rate of 10.0% from \$615.8 billion in 1981 to \$902.7 billion in 1985.

PERCENTAGE COMPOSITION OF BUDGET OUTLAYS

Description	Actual			Estimate			Projection	
	1967	1973	1979	1981	1982	1983	1984	1985
NATIONAL DEFENSE:								
Direct Federal payments for individuals	1.2	1.8	2.1	2.2	2.3	2.3	2.3	2.4
Other	42.0	28.4	21.7	21.5	21.8	21.7	22.4	23.1
Subtotal, national defense.....	<u>43.1</u>	<u>30.2</u>	<u>23.8</u>	<u>23.7</u>	<u>24.1</u>	<u>24.0</u>	<u>24.7</u>	<u>25.4</u>
NON-DEFENSE:								
Direct Federal payments for individuals	24.1	35.5	40.3	43.0	42.5	44.5	44.6	45.1
Payments for individuals through States and localities	3.1	5.8	5.8	6.1	6.1	5.9	6.0	6.1
All other grants to States and localities	6.5	11.1	10.9	9.5	9.2	8.6	8.1	7.7
Net interest	6.5	7.0	8.6	8.8	7.9	6.8	6.2	5.7
Other	16.7	10.4	10.5	8.8	10.2	10.2	10.3	9.9
Subtotal, nondefense.....	<u>56.9</u>	<u>69.8</u>	<u>76.2</u>	<u>76.3</u>	<u>75.9</u>	<u>76.0</u>	<u>75.3</u>	<u>74.6</u>
Total budget outlays	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Budget outlays are projected to increase by \$286.9 billion between 1981 and 1985. National defense and human resources programs account for 91% of this increase. Most of the increase results from demographic changes and inflation, rather than expansion of the scope of Federal activity through creation of new programs or liberalization of existing ones. National health insurance, real defense growth, welfare reform, contingencies, and the energy security programs, together, account for only 27% of the total 1981-85 outlay increase.

While total outlays are projected to increase by 47% from 1981 to 1985, outlays for health, excluding national health insurance, and national defense are projected to increase faster than the total. Outlays for these functions rise by 61% and 57%, respectively. With the allowance for national health insurance included, health increases by 109% over the 4-year span. By way of comparison, GNP is projected to rise by 59% during the same period.

Nearly half, \$131.5 billion, of the 1981-85 outlay increase is relatively uncontrollable, that is, in programs where outlays are determined by existing statute or by other obligations. Outlays for open-ended programs and fixed costs are estimated to comprise

59% of the budget in 1981, declining in share to a projected 55% in 1985. Outlays from prior-year obligations generally account for an additional 15% to 18% of the budget. If they continue at this share, then the total relatively uncontrollable portion would remain at about 75% of total budget outlays.

Current Services

Current services estimates represent the resources that would be needed for the forthcoming 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 proposed by the President or contemplated by the Congress.

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 1981 are \$616 billion, \$4 billion higher than the \$612 billion current services level.

Proposed budget receipts are estimated at \$600 billion in 1981, \$21 billion above the \$579 billion current services estimate.

EFFECTS OF BUDGET PROPOSALS

(In billions of dollars)

	1979 actual	Estimates	
		1980	1981
Receipts:			
Current services	465.9	517.4	579.0
Proposed reductions (—)		— .1	— .3
Proposed increases.....		6.6	21.3
Budget receipts.....	465.9	523.8	600.0
Outlays:			
Current services.....	493.7	560.6	612.0
Proposed reductions (—)		— .2	— 9.7
Proposed increases.....		3.1	13.5
Budget outlays.....	493.7	563.6	615.8
Surplus or deficit (—):			
Current services basis.....	— 27.7	— 43.2	— 33.1
Budget surplus or deficit (—).....	— 27.7	— 39.8	— 15.8

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. Three additional categories discussed in this section—interest, allowances, and undistributed offsetting receipts—do not address specific national needs but are required to cover the entire budget.

The budget amounts 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. These groupings are made without regard to agency or organizational distinctions when possible. 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 use of resources, some Federal activities are not covered by the budget outlay totals. 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.

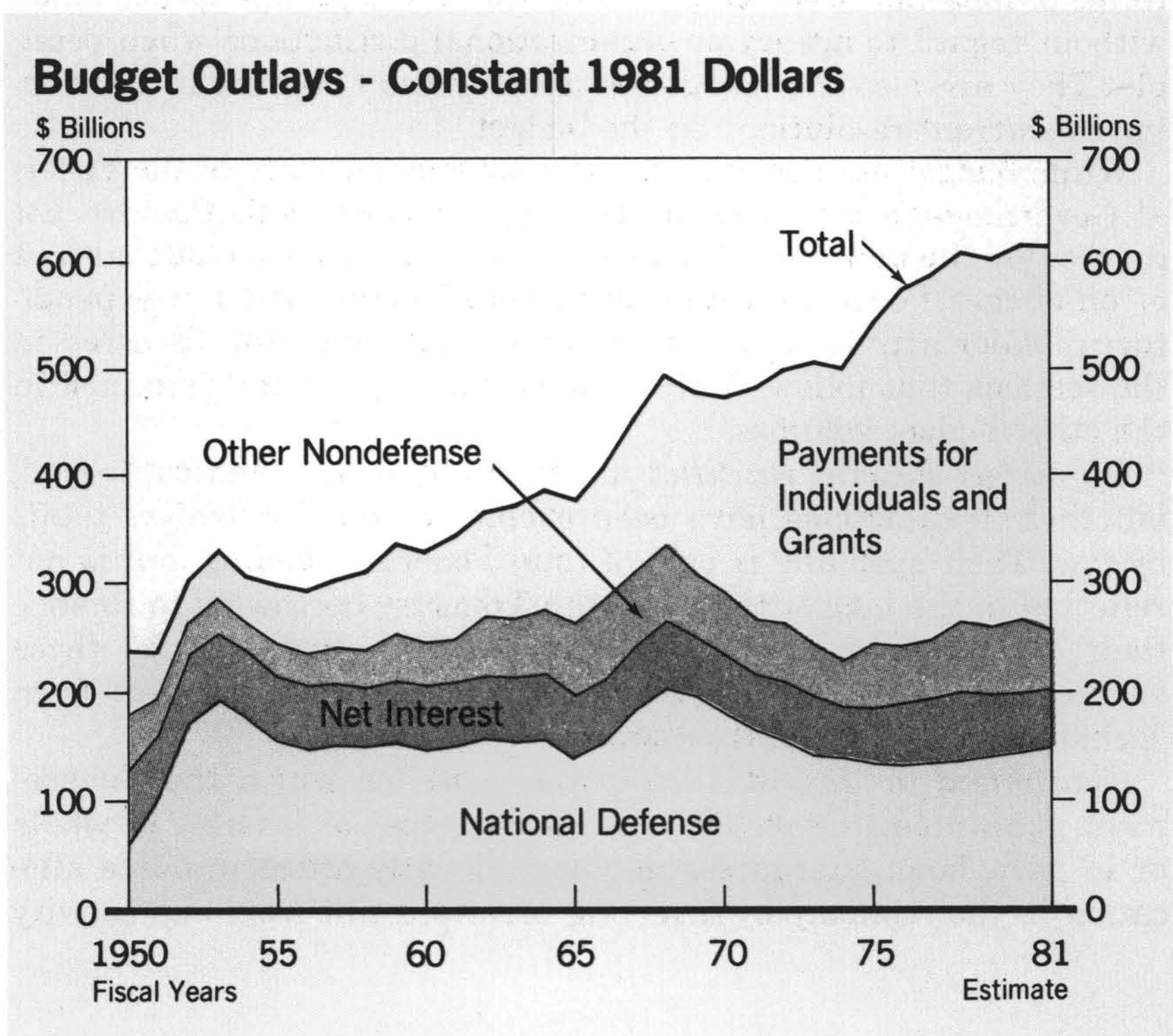
Off-budget Federal entities are federally owned and controlled, but their transactions have been excluded from the budget totals by law. Their spending is part of total Federal spending, but is not reflected in the budget totals though Treasury borrowing to finance their outlays does add to the Federal debt. Spending by these entities (primarily loans) does not differ in nature or effect from spending of other Federal programs.

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. However, 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. The other noteworthy trend is the decline in defense spending (in constant dollars) over the 1968-76 period. Despite the recent decline, defense spending has comprised over 35% of the budget, on average, in the post-war period (1948-79). Since 1976, defense spending (in constant dollars) has been increasing and is projected to continue increasing through 1985.



National Defense

The 1981 budget provides for significant increases in U.S. defense capabilities. It proposes budget authority of \$161.8 billion in 1981 for national defense. Outlays are estimated at \$146.2 billion for 1981, an increase of more than 3% in real terms over the \$130.4 billion estimated for 1980. The major defense proposals for 1981 would:

- Upgrade our strategic forces so that initiation of nuclear war continues to be clearly disadvantageous for the Soviet Union.
- Improve, in cooperation with our NATO allies, the combat readiness of our forces for the defense of Europe, in order to make initiation of a conventional war similarly disadvantageous for the Soviet Union and its Warsaw Pact allies.
- Improve our capability to deter and, when necessary, respond to, crises outside Europe, especially in critical areas such as Northeast Asia, the Middle East, and the Persian Gulf.
- Continue to modernize our naval forces in order to assure freedom of the seas, maintain maritime and naval lines of communication, and improve our ability to conduct military operations wherever we are challenged.
- Maintain our ability to monitor foreign military developments and activities and to verify arms control agreements.
- Reform military pay to help attract and retain sufficient military personnel in the coming years, as the population of young people decreases.
- Continue to improve efficiency through greater competition in the acquisition process, through supply system reforms, and through 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, growing Soviet defense spending has financed modernization of major components of Soviet forces. In 1977 and again in 1979, the members of NATO agreed that they should all increase their defense spending to help maintain the deterrent value of NATO as the Warsaw Pact increases its military capabilities.

Strategic force improvements would assure that U.S. forces remain able to deter a nuclear attack on the United States and its allies. These improvements include full-scale development of a large, more accurate intercontinental ballistic missile, procurement of Trident submarines and submarine-launched intercontinental ballistic missiles, and development of air-launched cruise missiles.

The United States and its NATO allies have agreed to modernize their intermediate range nuclear missile forces in Europe through the deployment of ground-launched cruise missiles and the new Pershing II ballistic missile.

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 Western Europe or in other areas. Improvements in artillery and antitank weapons and air defense systems, and deployment of new F-15 and A-10 aircraft will strengthen the combat capabilities of U.S. forces in Europe. Cooperative programs with our NATO allies will also continue, including joint purchase and operation of a fleet of airborne warning and control aircraft, production of the new F-16 fighter aircraft, and a common gun design for new tanks.

The budget also provides funds for storing additional U.S. Army equipment in Europe to make possible a more rapid force buildup there. A sizable increase in the purchase of modern equipment for our ground forces is also proposed. Warship strength will increase in 1981, and future naval capabilities will be strengthened by starting construction of 17 ships. The budget gives greater emphasis to rapid deployment forces, to improve the ability of U.S. forces to respond quickly to contingencies anywhere in the world.

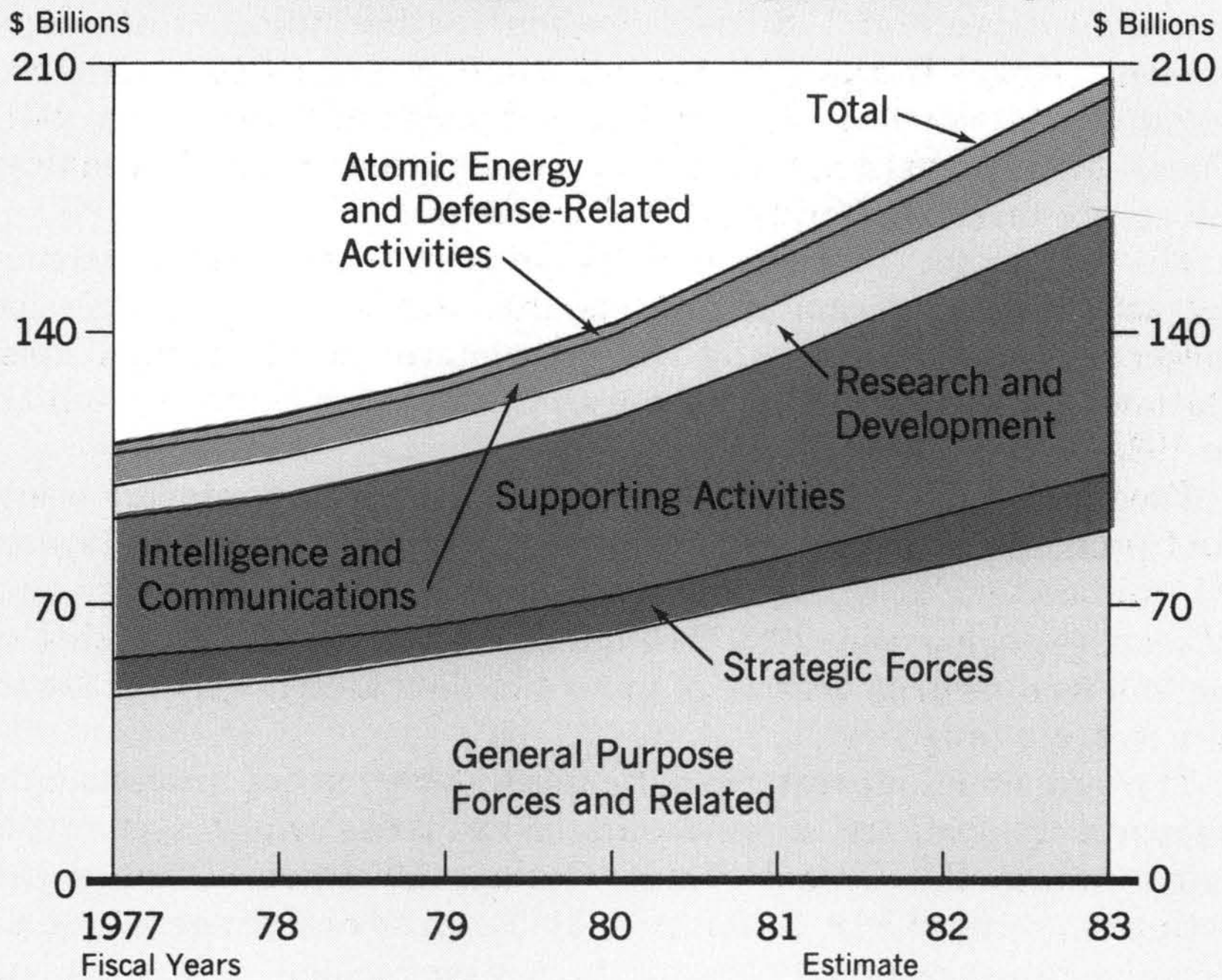
During 1981 the military services should continue to attract and retain enough qualified personnel to staff our armed forces adequately. An impending 25% decline in the size of the pool of eligible 18-year-olds over the next 15 years, however, may threaten the long run success of the volunteer force. To offset this decline, the military services are making efforts to increase the rates of reenlistment after the initial period of service, and otherwise improve personnel retention.

The budget includes measures that would improve the efficiency of defense operations. These include increasing the degree of competition in the acquisition process, disposing of excess or obsolete stocks, and making greater use of commercially available equipment.

Outlays for *atomic energy defense activities* are estimated to increase by 13.6%, from \$3.0 billion in 1980 to \$3.4 billion in 1981, primarily because of increased nuclear missile warhead production and increased research and development on the safe handling of nuclear waste.

The major tax expenditure in the defense function arises from the exclusion from taxable income of housing and meals provided to military personnel. This exclusion results in an estimated revenue loss of \$1.6 billion in 1981.

National Defense Programs (Budget Authority)



International Affairs

Federal support of international programs strives to reduce conflicts by promoting a stable international environment, encouraging widespread economic progress, and bringing greater respect for human rights. Outlays for international affairs programs are estimated at \$10.4 billion in 1980 and \$9.6 billion in 1981. An estimated decrease of \$1.2 billion in net outlays of the foreign military sales trust fund more than offsets the \$0.4 billion increase in other programs between 1980 and 1981.

Foreign economic and financial assistance is the largest category in the international affairs function. Outlays for such assistance are estimated to be \$6.0 billion in 1980 and \$6.2 billion in 1981. These funds provide humanitarian aid to needy people abroad, promote economic development, and support the foreign policy interests of the United States. For the foreseeable future, the oil importing developing countries will need considerable assistance to meet critical import and investment requirements.

The recently created International Development Cooperation Agency (IDCA) will improve the coordination and effectiveness of development strategies. It is an umbrella agency that encompasses

five development assistance programs. The Director of the IDCA shares responsibility with the Secretary of the Treasury for developmental aspects of U.S. participation in the multilateral development banks. Outlays to provide support for these banks are estimated to rise from \$0.9 billion in 1980 to \$1.0 billion in 1981. These institutions finance capital projects and related technical assistance primarily for Third World countries.

The Agency for International Development (AID) finances technical assistance and capital projects that can serve as models for larger-scale undertakings by the multilateral development banks. Outlays for AID's programs are estimated to rise from \$1.1 billion in 1980 to \$1.2 billion in 1981.

Food for Peace (Public Law 480 food aid) meets humanitarian needs and promotes economic development abroad. Estimated outlays of \$1.2 billion in 1981 would finance shipments of 6 million metric tons of food, the same as in 1980. The administration is also proposing to build a food security reserve of up to 4 million metric tons for use in the food aid program.

The economic support fund finances development projects and supports the balance of payments of countries whose security is important to the United States. Outlays for these activities are estimated to total \$2.0 billion in 1981. Because Soviet aggression in Afghanistan threatens Pakistan, the budget includes a 1980 supplemental appropriation request of \$100 million for aid to Pakistan. Budget amendments will also be proposed for 1981.

In addition to creating the International Development Cooperation Agency, two other major changes have been made in the organization of foreign economic assistance activities. The Peace Corps has been given greater autonomy within ACTION, and a special coordinator for refugee affairs has been established in the State Department. Outlays of \$534 million are estimated for refugee assistance in 1981, \$66 million more than the 1980 level. This level of support will help care for the sharply increased numbers of Indochinese refugees in Southeast Asia.

Military assistance continues to be an important instrument of foreign policy by which the U.S. helps allies and friendly countries to maintain adequate defense capabilities. Weapons, equipment, and services are provided through grants and foreign military sales credit. Because of decreased reliance on grant assistance, outlays for military assistance are estimated to decline from \$897 million in 1980 to \$751 million in 1981.

Other foreign affairs activities include outlays for the conduct of foreign affairs, which will increase from \$1.4 billion in 1980 to \$1.5 billion in 1981, largely because of rising costs of operating our diplomatic and consular posts abroad and of paying our assessed share of the budgets of international organizations.

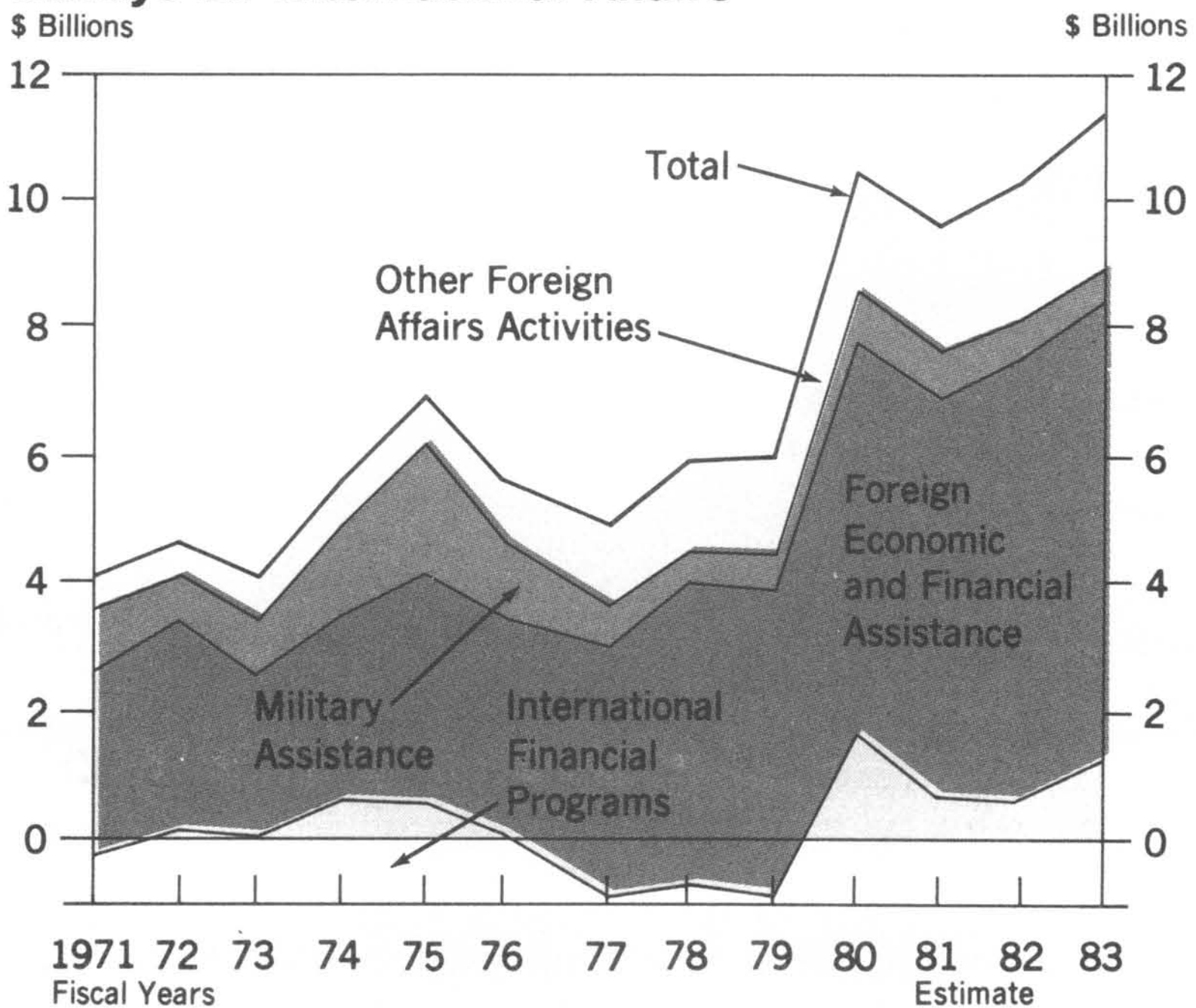
In addition, this Nation supports foreign information and exchange activities to increase mutual understanding between Americans and the governments and people of other nations. Total outlays for these activities are estimated to be \$569 million in 1981. The amounts proposed in the budget should permit operation at approximately the current annual level with modest increases for exchange programs and Voice of America broadcasts.

International financial programs advance United States interests by improving the functioning of the international financial system and by facilitating U.S. participation in world trade. Outlays for these activities are estimated to be \$1.7 billion in 1980 and \$0.7 billion in 1981.

The foreign military sales trust fund facilitates sales of U.S. military equipment and services to foreign governments. Income from purchasing governments is estimated to be \$1.2 billion higher in 1981, while outlays to U.S. suppliers are expected to continue at the 1980 level. Thus, outlays net of receipts are estimated to decline by \$1.2 billion between 1980 and 1981.

The primary tax expenditures in this function result from the deferral of tax on one-half of the profits derived from domestic international sales operations. The revenue loss resulting from this deferral is estimated to be \$0.5 billion in 1981.

Outlays for International Affairs



General Science, Space, and Technology

This function includes many of the Federal Government's programs in basic research, as well as the space programs of NASA. Outlays for general science, space, and technology are estimated to be \$5.9 billion in 1980 and \$6.4 billion in 1981.

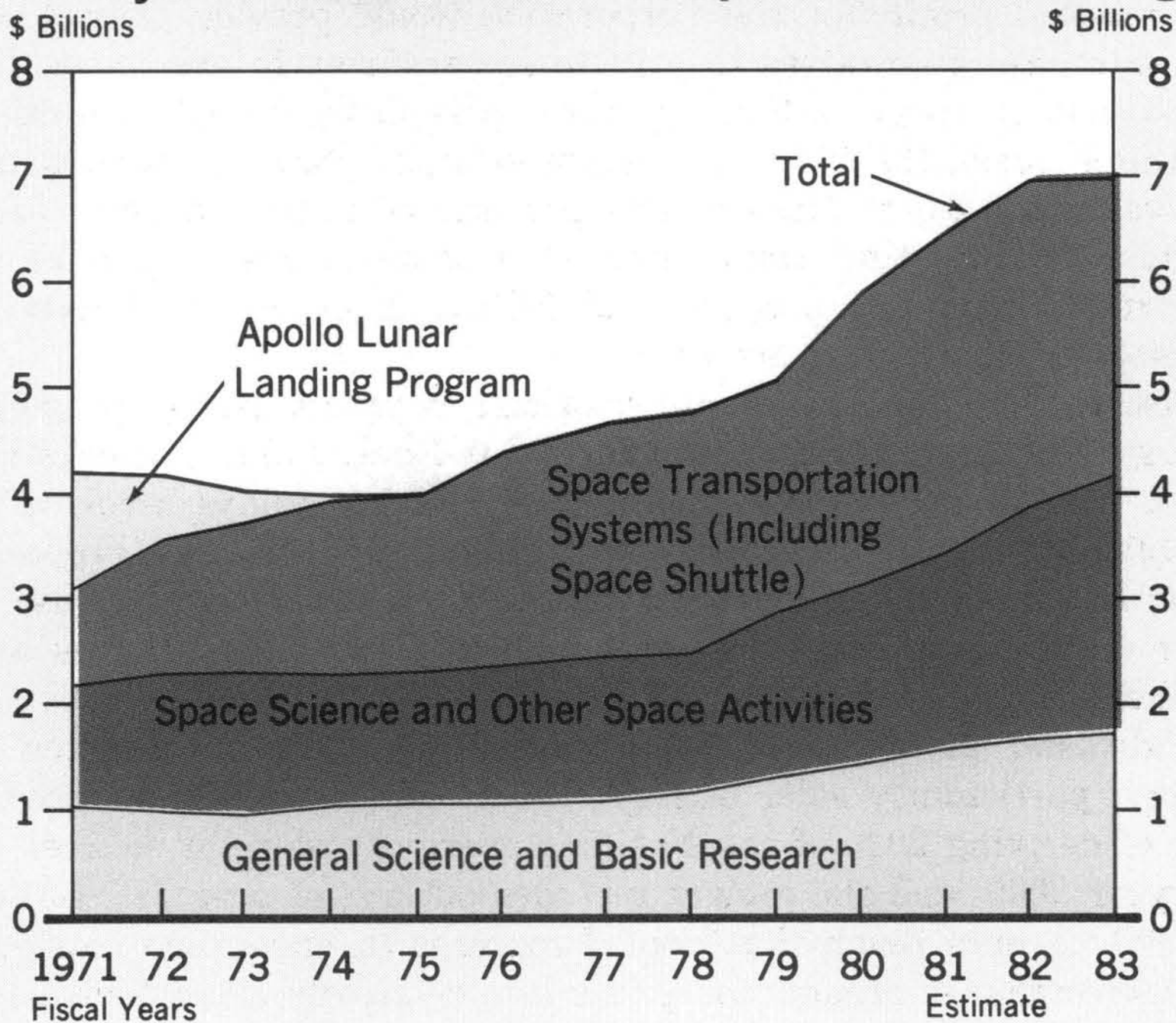
The advancement of science and technology is vital to the Nation's economic growth. Because private sector firms cannot be expected to pay for basic research that may involve high risk or low financial return, the administration has significantly increased spending for such research in each of the last 3 years. A further increase is proposed to provide growth beyond the rate of inflation.

Much of the scientific research supported by the Federal Government is in pursuit of particular goals, such as providing for the national defense, improving the Nation's health, or developing alternative energy sources. Spending in this function for *general science and technology* is through programs of the National Science Foundation and the Department of Energy, which together are expected to spend \$1.6 billion on such programs in 1981. Part of this will support technological innovation. To prosper in an environment of rising costs and of intense world-wide competition, U.S. industry needs a technological base second to none. Through a comprehensive set of policies and needed budget investments, the administration proposes to encourage technological innovation in industry.

Total outlays for *space programs* are expected to be \$4.9 billion in 1981, as compared to \$4.5 billion in 1980. The highest priority of the Nation's space program is to complete development of the space shuttle. Although technical problems have caused some delays and increases in cost, the space shuttle is expected to make its first flight late this year. Once the space shuttle fleet is completely operational, it is expected to replace virtually all expendable launch boosters and thereby begin a new era in the exploration and exploitation of space to meet a variety of national needs. The budget request also includes funds to initiate the development of a gamma ray observatory to be launched into space to study the nature and origin of the universe, a national oceanic satellite system to provide global weather and ocean data, and advanced communications technology to provide more efficient worldwide communications.

In addition to Federal spending programs, the income tax system promotes research and development by allowing businesses to deduct all research and development expenditures in the year in which they are incurred rather than amortize them over several years. This tax expenditure will result in an estimated revenue loss of \$2.0 billion in 1981.

Outlays for General Science, Space and Technology



Energy

Our basic energy problem is simple and unpleasant: as supplies of cheap oil and natural gas decrease, the price that we pay for energy will increase. Controls on domestic energy prices have subsidized the consumption of imported oil, and the rapid OPEC price increases of the past year have added significantly to inflation and increased pressure on our balance of payments. Continued dependence on imported oil subjects our economy to substantial uncertainty and instability.

The proposals in the budget support the administration's national energy strategy to deal with these energy problems. That strategy includes a rational pricing policy for oil and natural gas; a windfall profit tax to capture a portion of the increased revenues that will flow to the oil industry; programs to increase our domestic supplies of energy, including the Energy Security Corporation; and expanded programs to encourage energy conservation throughout the Nation. Under the programs proposed by the administration, projected imports of oil by 1990 are estimated to fall to 4.5 million barrels per day from the current daily level of 8.1 million. Outlays for energy are estimated to increase from \$7.6 billion in 1980 to \$8.1 billion in 1981.

The most important initiative in the *energy supply* area is the proposed Energy Security Corporation. Financed by receipts from the windfall profit tax, the Corporation would provide price, loan, and purchase guarantees to private sector firms to encourage the production of unconventional natural gas, oil from coal, and other synthetic fuels. By 1990, the administration plan anticipates the equivalent of 2.5 million barrels per day of such synthetic fuels production, offsetting almost one-third of our current level of oil imports. The budget proposes \$20 billion in budget authority to promote synthetic fuels activities.

Also included in the administration's program is the proposed Energy Mobilization Board and the Solar Energy and Conservation Bank. The Board would reduce the regulatory delays involved in establishing critically needed energy supply facilities. The proposed Solar Energy and Conservation Bank would encourage the use of solar energy and improved conservation measures in homes and businesses by providing loan subsidies.

Additional emphasis is being placed on alternate sources of energy, particularly solar energy. The President has announced a goal of deriving 20% of the Nation's energy from solar sources by the year 2000, and the budget includes outlays of over \$1.1 billion in 1981 to help reach that goal. Programs to encourage biomass, the conversion of organic materials into relatively clean fuels such as gasohol, and cleaner, more efficient ways of producing energy from coal, also receive increased emphasis in the administration's energy program.

Significant emphasis in nuclear research and development programs will be placed on improving the safety and reliability of the present generation of nuclear power plants. Increases in funding for this purpose will be more than offset by reductions in alternative, less-promising nuclear technologies.

The most important administration initiative in *energy conservation* is the gradual decontrol of domestic oil prices and the proposal for a windfall profit tax, which would help pay for programs to reduce oil imports. Some of the conservation programs proposed include a program to reduce utilities' use of fuel oil through conservation and conversion to other fuels and a program to increase the efficiency of energy use in residences and businesses.

Federal conservation programs also support the development of technologies to reduce energy use further, in such areas as buildings, industry, and transportation. Conservation grants provide assistance to low-income families, hospitals, and schools for insulation and other conservation measures. Outlays for conservation programs in the energy function are estimated to be \$0.6 billion in 1980 and \$1.2 billion in 1981. Tax credits of \$739 million will

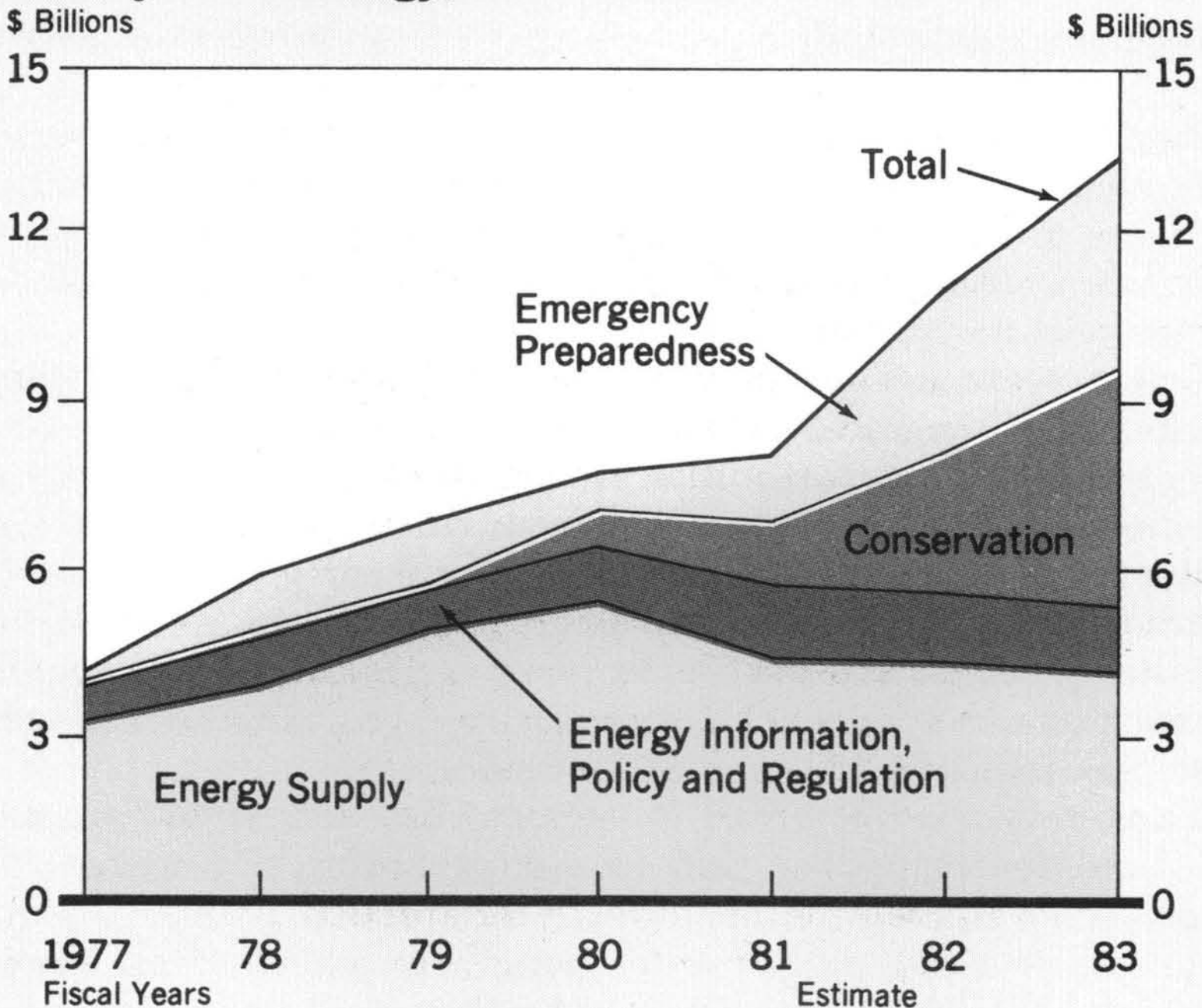
provide added energy-saving incentives to homeowners and businesses.

Emergency energy preparedness programs are intended to cope with disruptions in energy supply. The programs in this area include regional and strategic petroleum reserves and contingency plans for gasoline rationing. Budget authority of \$2.4 billion and outlays of \$1.3 billion are proposed for these activities in 1981.

Energy information, policy, and regulation includes the information and policy activities of the Department of Energy, as well as the regulatory activities of the Federal Energy Regulatory Commission, the Economic Regulatory Administration, and the Nuclear Regulatory Commission. Outlays for these activities are estimated to be \$0.9 billion in 1980 and \$1.2 billion in 1981. Additional funds are proposed for the Nuclear Regulatory Commission as one of several steps being taken by the administration to improve the effectiveness of the NRC in the aftermath of the Three Mile Island accident.

In addition to existing tax expenditures for energy, such as the oil depletion allowance and the 15% residential energy credit, the administration has proposed tax expenditures to expand domestic energy supplies and encourage energy conservation. Energy tax expenditures are estimated to be \$6.6 billion in 1981.

Outlays for Energy, 1977-1983



Natural Resources and Environment

Outlays to support the use and preservation of our natural resources and to improve the environment are estimated at \$12.8 billion in 1981, the same level as 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 from \$4.9 billion in 1980 to \$5.1 billion in 1981.

The budget places a major emphasis on responding to hazardous waste problems. The Environmental Protection Agency will vigorously enforce existing statutes to stop improper disposal activities and require remedial actions to correct environmental hazards caused by chemical dumpsites. The administration has proposed legislation to establish a fund of up to \$1.6 billion to handle the problems posed by uncontrolled chemical dumpsites. In addition, estimated outlays of \$4.0 billion in 1981 would help State and local agencies with sewage treatment.

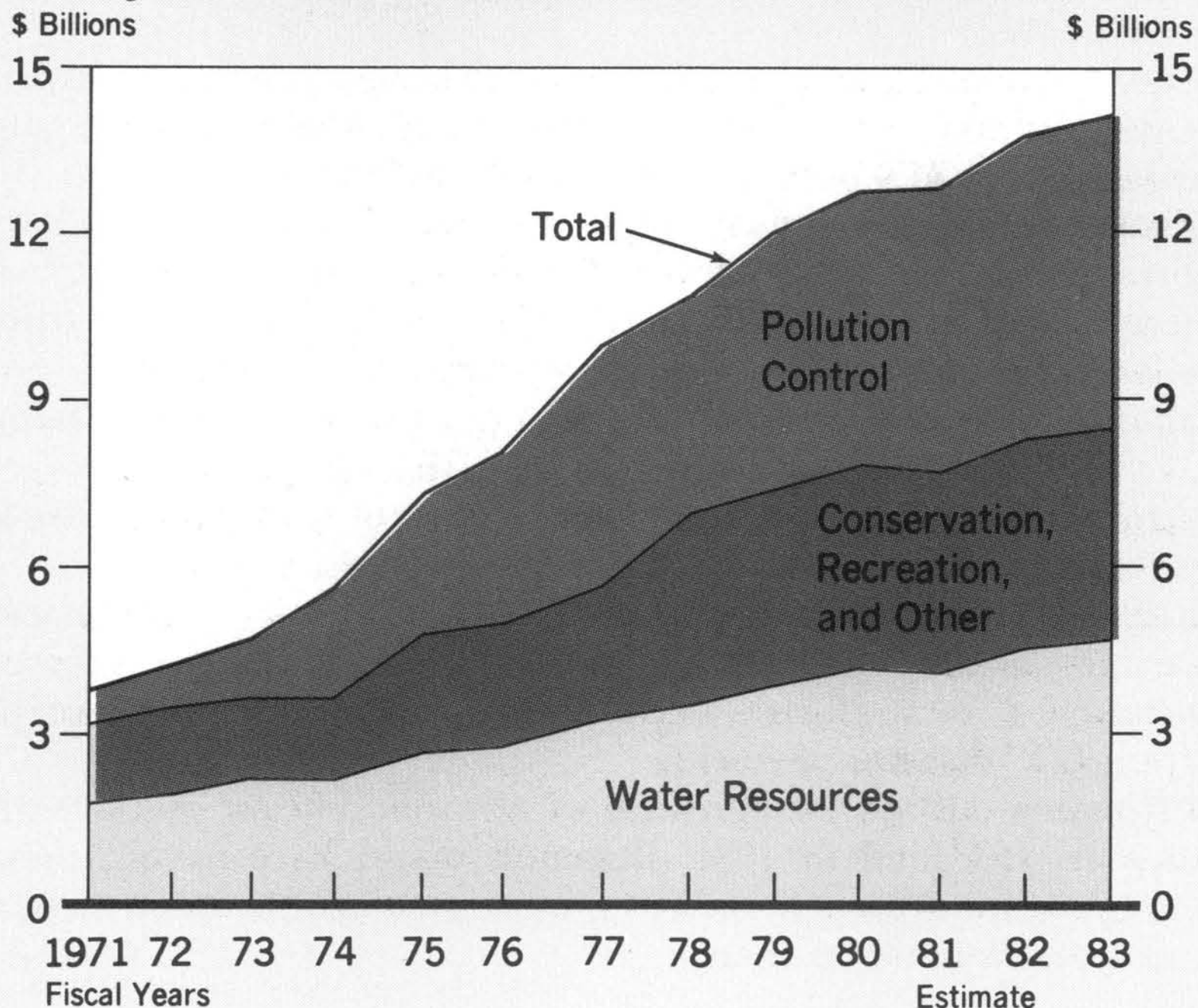
The Federal Government seeks to foster *water resources* projects that are environmentally and economically sound. These projects include flood control, water supply, irrigation, navigation, hydroelectric power development, recreation, wildlife preservation, and erosion control. Outlays for water resources programs are estimated to be \$4.2 billion in 1980 and \$4.1 billion in 1981.

A major policy study was undertaken to improve the effectiveness and environmental quality of Federal water programs. The budget provides for carrying out the policy recommendations of this study. In addition, planning programs for water resources continue to be oriented toward projects with high-priority outputs such as hydropower, urban flood protection, water supply, and commercial navigation.

Conservation and development of natural resources is a continual balancing of programs to provide for energy and mineral extraction, recreational opportunities, timber utilization, rangeland management, wildlife protection, and preservation of archeological and cultural resources. The surface mining of coal is regulated to prevent degradation of the land, and lands previously mined are reclaimed. Assistance is also provided to conserve agricultural lands. Outlays for such conservation and land management programs are estimated to be \$2.3 billion in 1980 and \$2.2 billion in 1981.

To preserve unique areas, to conserve fish and wildlife, to meet the need for recreation, and to protect historical resources, the Federal Government, either directly or through grants to States, acquires, develops, and operates parks, recreation areas, historic sites, and wildlife refuges. Outlays for these and other recreational resources are estimated to be \$1.5 billion in 1980 and in 1981.

Outlays for Natural Resources and Environment



Agriculture

The Federal Government seeks to moderate the swings in the agricultural economy by supporting prices, by helping to create farmer-held commodity reserves, and by supporting basic research. The Government also assists farmers in adopting environmentally sound conservation measures and pollution control practices.

Outlays for the agriculture function are estimated to decrease from \$4.6 billion in 1980 to \$2.8 billion in 1981. This decrease reflects higher asset sales by the agricultural credit insurance fund, a substitution of loan guarantees for direct loans under the short-term export credit program, and a decrease in outlays for the new export control mitigation program between 1980 and 1981.

Following the Soviet aggression against Afghanistan, the administration took a number of actions, the most important of which limited Soviet purchases of U.S. grain. This action will add to budget outlays in both 1980 and 1981. The administration has pledged that any adverse effects of the limitation of exports to the Soviet Union shall not fall disproportionately on farmers. Through an export control mitigation program, the Department of Agriculture is prepared to purchase at least 13.7 million metric tons of grain and 1.1 million metric tons of soybeans and soybean oil in 1980, and return them to market at or above the prices prevailing when

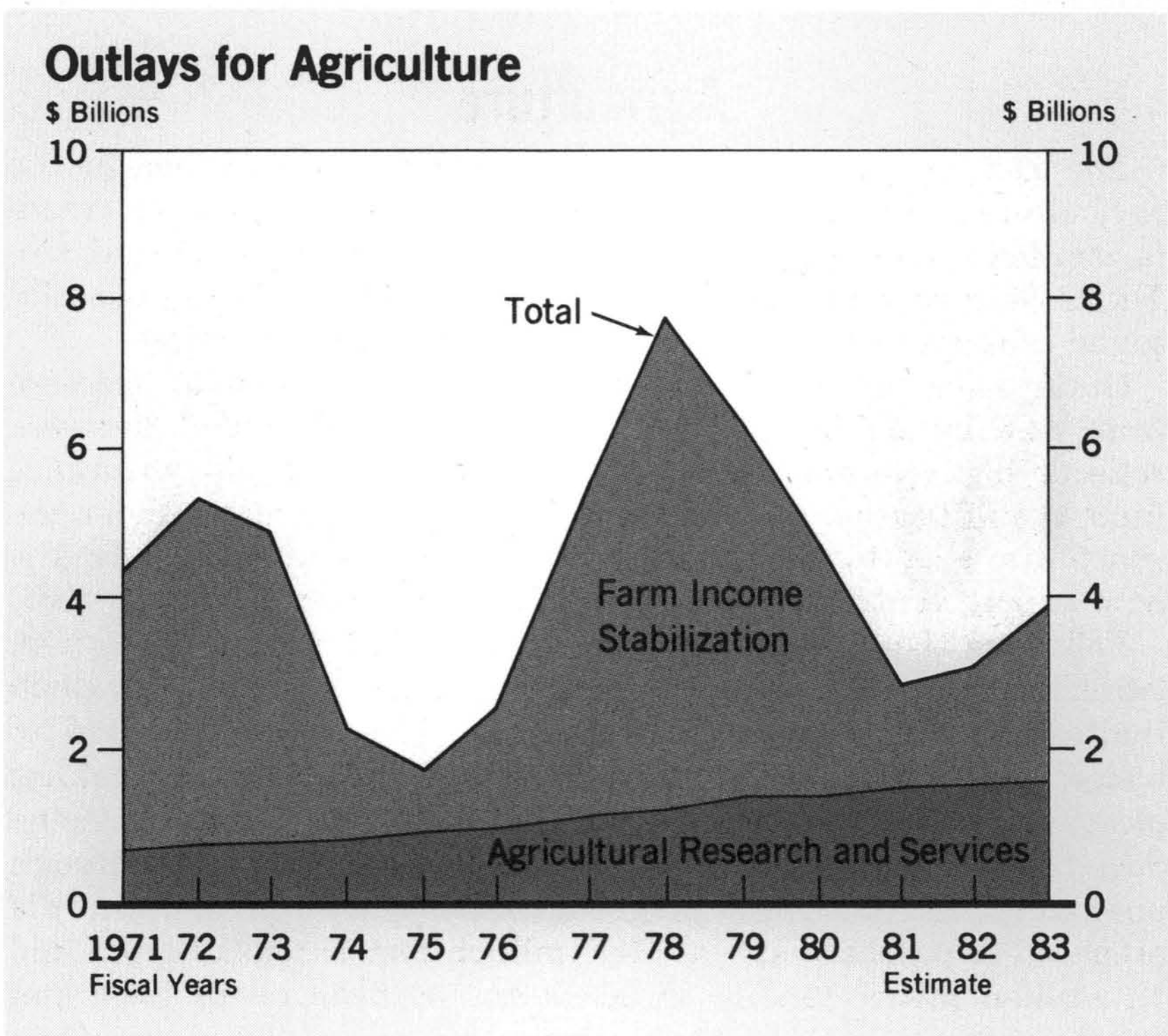
these exports were suspended. Total outlays for the export control mitigation program are estimated at \$2.0 billion in 1980 and \$0.8 billion in 1981.

The administration is continuing to expand agricultural exports in other markets. New commitments for loan guarantees are being increased from \$1.0 billion in 1980 to \$2.0 billion in 1981.

Estimates of price support program costs are highly speculative and subject to the uncertainties of weather and markets at home and abroad. The Commodity Credit Corporation (CCC) administers the largest *farm income stabilization* program. Outlays for its price support and related programs are estimated to fall from \$2.8 billion in 1980 to \$2.1 billion in 1981 due to the effects of the export control mitigation program and substitution of loan guarantees for direct lending under the short term export credit program.

Farm income stabilization is also provided through Federal crop insurance against losses from natural hazards. Under proposed legislation a new all-risk insurance program would replace the current CCC disaster payments.

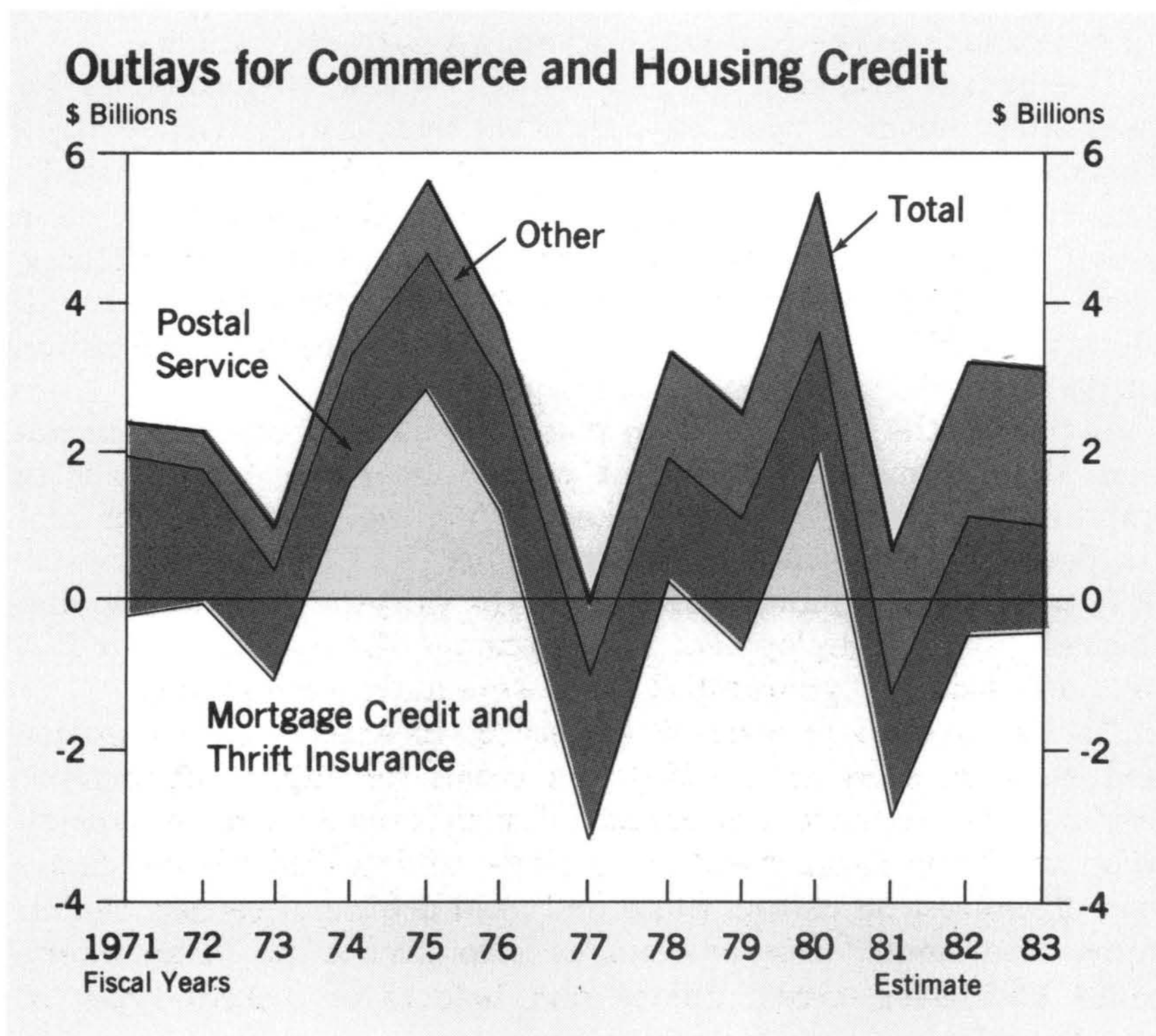
Estimated outlays for *agricultural research and services* are \$1.4 billion in 1980 and in 1981. Research would be directed toward stimulating innovation in industry, improving health, and managing natural environmental changes.



Commerce and Housing Credit

The administration seeks to avoid the sharp and disproportionate reductions in housing credit that, in the past, have typically resulted from tight monetary policies. In support of the Nation's commercial sector, the administration is recommending proposals to improve our economic productivity. Net outlays for commerce and housing credit are estimated to decrease from \$5.5 billion in 1980 to \$0.7 billion in 1981, largely due to substantial increases in receipts from the sale of loans and other financial assets.

Federal *mortgage credit and thrift insurance* programs help promote growth and stability in the private housing market. Tax expenditures and significant reforms for financial institutions provide support in addition to that provided by programs of the Government National Mortgage Administration (GNMA) and the Federal Housing Administration (FHA). GNMA guarantees of mortgage-backed securities are expected to increase to \$25 billion in 1981. A new demonstration program of mortgage interest subsidies, together with the requested level of mortgage purchase commitments, would provide interest subsidies for an additional \$2 billion of mortgages.



The FHA provides mortgage credit and insurance to families not adequately served by the private market. The FHA plans to write \$21.4 billion of mortgage insurance in 1981, about \$2.1 billion more than estimated for 1980. Further support for the housing market, through a temporary mortgage assistance payment program, would help homeowners facing temporary economic difficulties and would reduce FHA insurance claims. In addition, the administration is proposing that the currently complex statutory authority for FHA insurance and GNMA mortgage credit activities be simplified and consolidated.

Additional thrift insurance is provided by deposit insurance through the Federal Deposit Insurance Corporation and the National Credit Union Administration. Net outlays for the various mortgage credit and thrift insurance activities are estimated to total \$1.9 billion in 1980, and to decline to \$-2.8 billion in 1981. Receipts from sales of loans and other assets, which are an offset to gross outlays, are responsible for the negative outlays in 1981.

Continued support for the *Postal Service*, an independent Federal entity subsidized by the Government, would be provided through payments of \$1.7 billion in 1980 and \$1.6 billion in 1981.

The budget also supports commerce through the Department of Commerce, the Small Business Administration (SBA) and other agencies, such as the National Consumer Cooperative Bank.

The budget provides for \$4.2 billion of new commitments for guaranteed business loans. As part of the budget initiatives to assist businesses owned by minorities or women, the SBA would restructure its business loans program more toward those groups. As a result, the share of direct business loans approved for minority-owned businesses in 1981 should be 20% higher than current levels. Outlays to assist small businesses are estimated to total \$0.9 billion in 1981.

As part of the administration plan to increase industrial innovation, the Commerce Department would undertake new efforts to improve the Nation's technical knowledge, the patent system, and the development of small innovative firms

To prevent the financial collapse of the Chrysler Corporation and the resulting unemployment and economic disruption, up to \$1.5 billion in federally guaranteed loans were authorized in 1980.

The tax system provides a variety of incentives for commerce and housing, such as the 10% tax credit for capital equipment, credit for rehabilitation of industrial structures, and rapid depreciation methods. Tax preferences include: dividend exclusion, exclusion of interest on certain State and local debt, and certain capital gains treatments. Tax advantages also accrue to homeowners, small businesses, credit unions and holders of certain types of consumer debt.

Transportation

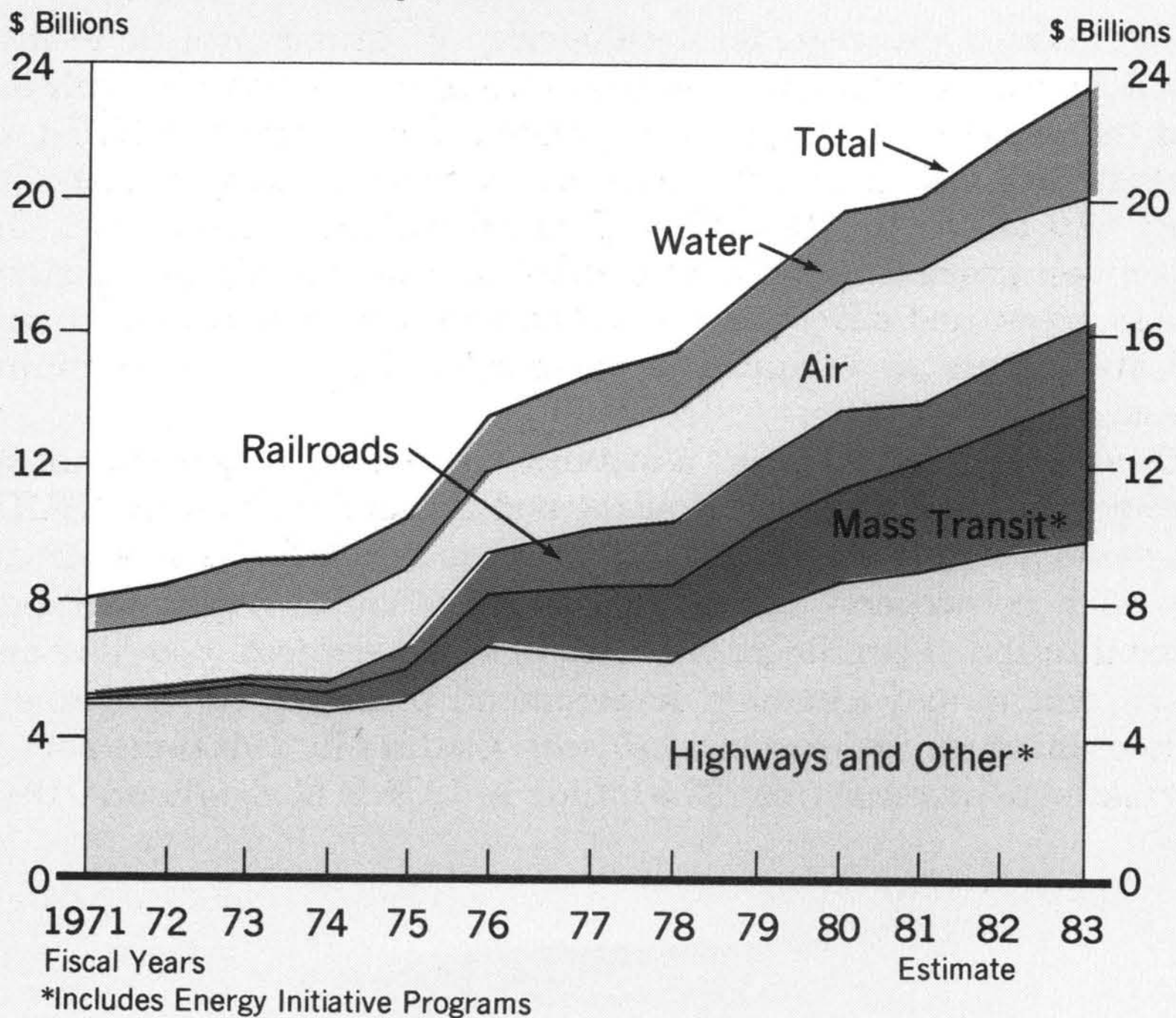
The Federal Government, together with State and local governments and the private sector, is committed to meeting the Nation's transportation needs in a safe, reliable, and increasingly energy-efficient manner. Outlays for transportation are estimated to be \$19.6 billion in 1980 and \$20.2 billion in 1981.

The administration has requested \$16.5 billion for a 10-year transportation energy initiative. The budget includes outlays of \$0.6 billion in 1981 for the following programs: public transportation investment, auto-use management, fuel economy standards improvement, and cooperative basic automotive research.

The budget proposes continued construction and renovation of the Nation's highway system and funding for other programs of high priority. Total outlays for *highways and mass transit* are estimated to be \$11.2 billion in 1980 and \$11.9 billion in 1981.

The Nation needs transportation industries that are responsive to the demands of the economy. Therefore, the administration has proposed deregulation of the railroad and trucking industries. Railroad deregulation will help avoid the threat of bankruptcy and the need for massive subsidies that would result from forcing the *railroads* to continue absorbing the cost of outdated and inefficient

Outlays for Transportation



regulatory practices. The proposal would ensure an orderly transition to a less-regulated environment. Budget authority of \$2.0 billion and outlays of \$1.8 billion for railroads are proposed for 1981.

The budget request for the Federal Aviation Administration (FAA) would increase the number of air traffic controllers to 23,600, and enable the FAA to maintain airspace safety in the face of continued growth in airline passenger traffic brought about by deregulation of the airline industry. It provides for continued improvement and expansion of aircraft safety inspections, and review of airline maintenance and safety procedures. The budget proposes continuation of the airport and airways trust fund to provide increased capacity and safety for the *air transportation* system, and to better balance the sources of revenue with the groups that receive benefits. Outlays for air transportation are estimated to be \$3.8 billion in 1980 and \$4.0 billion in 1981.

As the Nation expands its efforts to increase domestic production of energy, offshore drilling and exploration will increase. The Coast Guard is increasing its ability to inspect offshore drilling rigs and to assure that oilspills do not seriously threaten our shorelines. The budget also provides support to our Nation's maritime industry. Total outlays for these and other *water transportation* activities are estimated to be \$2.2 billion in 1980 and \$2.3 billion in 1981.

Community and Regional Development

Community and regional development programs provide grants, loans, loan guarantees, and technical assistance to States, localities, and Indian tribes. Outlays are estimated to rise from \$8.5 billion in 1980 to \$8.8 billion in 1981, with an increase in budget authority from \$9.0 billion to \$9.8 billion. These funds will focus on two key objectives: promoting the development of economically and socially viable areas, and developing a partnership between the public and private sectors to revitalize economically depressed or declining areas.

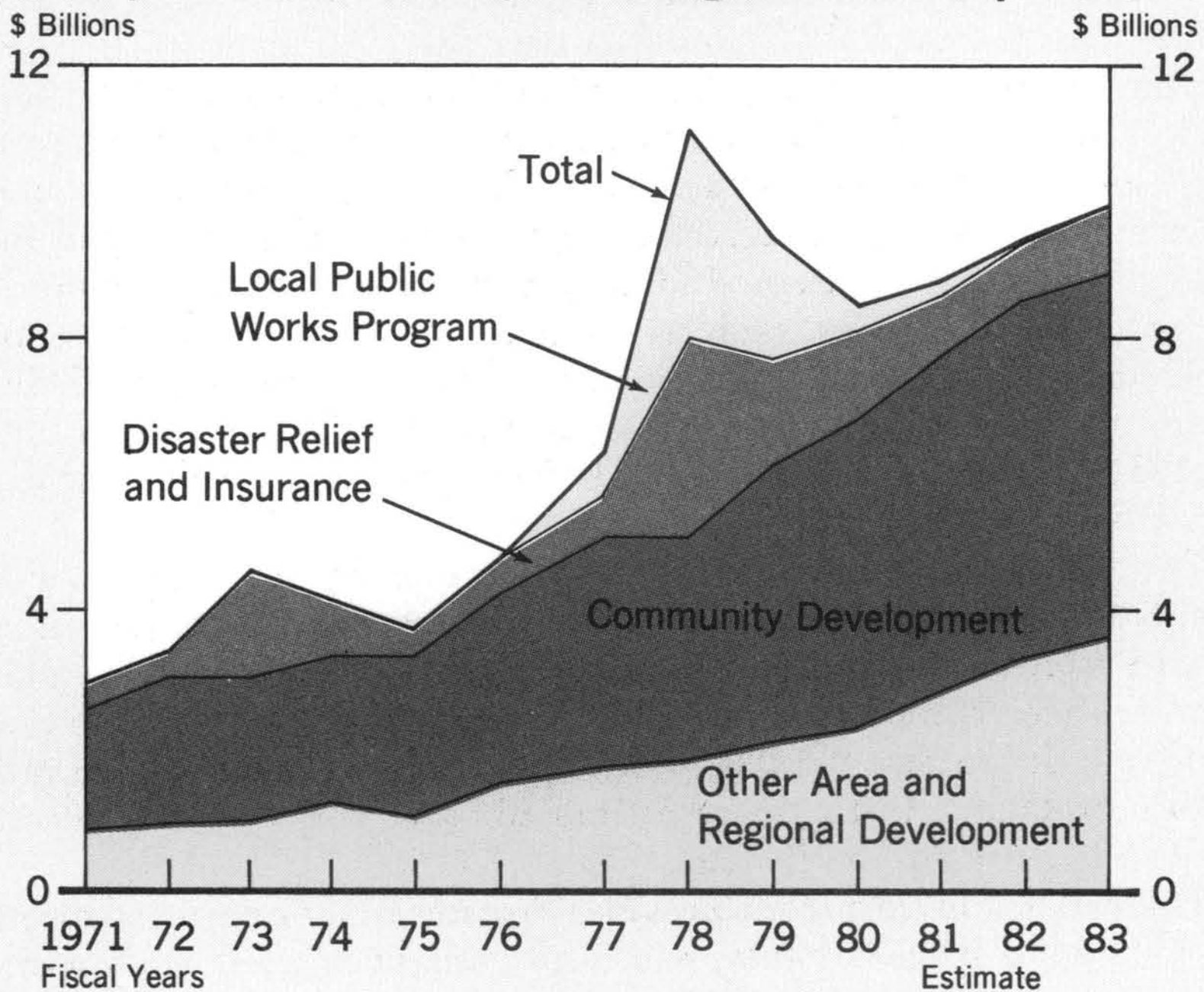
Community development assistance is provided predominantly through the Department of Housing and Urban Development (HUD). Its community development block grant program funds local activities such as property acquisition, construction of public facilities, rehabilitation of buildings, provision of social services, planning and management, and economic development, primarily for the benefit of low- and moderate-income residents. Outlays for this program are estimated to increase from \$3.5 billion in 1980 to \$3.8 billion in 1981.

The urban development action grants program is a major element of the President's urban policy. This program provides severely distressed cities and counties with supplemental funding to be used in conjunction with other public and private funds to stimulate economic development and neighborhood revitalization. Its outlays are estimated to double between 1980 and 1981, increasing from \$180 million to \$365 million.

HUD's rehabilitation loan program offers low-interest loans for the rehabilitation of residential and commercial structures in specified areas. The rehabilitation of 13,200 single family dwellings and 6,000 multifamily units would be financed by a \$240 million rehabilitation loan program. Outlays for this program are estimated to increase from \$170 million in 1980 to \$190 million in 1981.

Other community development assistance is provided through HUD's neighborhood self-help and New Community Development Corporation programs, through the Neighborhood Reinvestment Corporation, and through the Pennsylvania Avenue Development Corporation, an independent agency supporting the revitalization of the downtown area of our Nation's capital.

Outlays for Community and Regional Development



Other area and regional development is supported through programs of the Department of Agriculture, the Department of Commerce, and the Department of the Interior. Other independent agencies also provide support. Outlays for area and regional development are estimated to increase from \$2.7 billion in 1980 to \$3.0 billion in 1981.

The Department of Agriculture administers a variety of programs that will support the President's recently announced small community and rural development initiative. The 1981 budget provides for \$940 million in new direct loan obligations for water and waste disposal systems and community facilities, as well as \$926 million in new loan guarantee obligations for business and industrial development. Outlays from these and other development programs are estimated to increase from \$656 million in 1980 to \$784 million in 1981.

The administration proposed legislation to improve the ability of the Economic Development Administration of the Department of Commerce to address the economic development problems of rural and urban areas. Loan guarantee authority of \$1.6 billion is requested for development assistance to rural and urban areas in 1981, a sharp increase over the \$0.9 billion 1980 level. Outlays for economic development assistance in 1981 are estimated to be \$845 million, an increase of \$278 million over the 1980 level.

The Department of the Interior provides grants, training, and technical assistance to strengthen tribal management and planning abilities. It also encourages economic development through business development assistance, direct Federal loans, loan guarantees, and interest subsidies. Federal Indian programs also fund community development activities, such as construction of roads, schools, and irrigation systems. Outlays for the regional development Indian programs are estimated to be \$846 million in 1980 and \$861 million in 1981. Additional assistance to Indian tribes is provided through other budget functions.

The regional commissions programs are designed to secure Federal-State cooperation in addressing interstate and shared intrastate problems of community and economic development. Legislation has been submitted to extend the regional commissions nationwide and encourage the use of development grants to resolve multistate problems. Outlays are estimated to increase from \$430 million in 1980 to \$458 million in 1981.

The Federal Government provides *disaster relief and insurance* to supplemental private, State, and local assistance when such assistance is inadequate. In anticipation of more historically normal requirements for such assistance, outlays for disaster relief and insurance are estimated to decline from \$1.3 billion in 1980 to \$0.9 billion in 1981.

Education

The new Department of Education will improve the coordination and management of Federal education programs. Legislation creating the department was proposed by the administration in recognition of the growing size and complexity of Federal support for education. Requested budget authority for education increases from \$15.3 billion in 1980 to \$16.5 billion in 1981. Outlays are estimated to be \$14.2 billion in 1980 and \$14.4 billion in 1981.

The administration is proposing a major youth education and training initiative. In 1981, the education component of the initiative would provide \$900 million in grants for supplementary education in basic academic and employment skills for school districts with high concentrations of disadvantaged junior and senior high school students. Local schools would cooperate closely with private industry and local agencies administering the complementary training and employment program to assure that students receive the basic skills and work experience needed for full participation in the work force. Most of the \$7.8 billion in estimated 1981 outlays for *elementary, secondary, and vocational education* is to provide formula and discretionary grants to assist State and local educational agencies. Budget authority of \$4.1 billion is requested for supplementary education services for low-income and low-achieving students in 1981.

Budget authority increases are proposed for the Indian education, education of the handicapped, bilingual and adult education, and Head Start programs. Continuation of the 1980 funding level is requested for occupational and vocational education programs. The administration proposes to direct the impact aid program, which assists school districts affected by Federal activities, to districts that are most adversely affected by those activities. As a result, the 1981 request is \$286 million below the 1980 level.

The Head Start program will provide educational, social, health, and other services to 386,000 low-income, preschool children in 1981. Recent evaluations suggest that children in Head Start projects improve their social and academic skills. The program will place emphasis on solving the problems of the children of migrant workers and the urban poor.

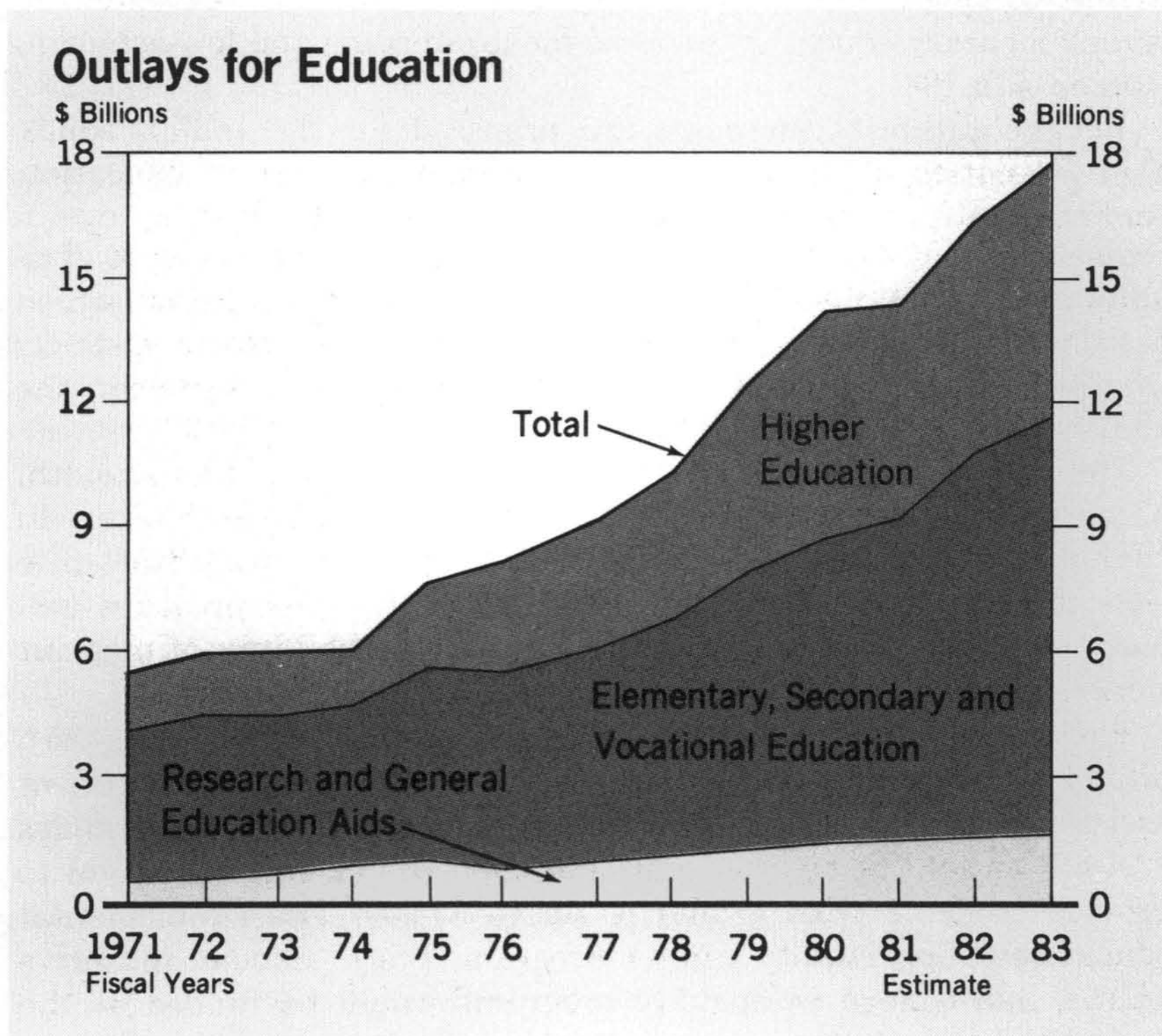
The budget request for *higher education* in 1981 includes \$5.6 billion in budget authority and outlays of \$5.2 billion for student assistance and continuing education programs. This total includes \$2.4 billion for the basic educational opportunity grant program to provide students with grants of up to \$1,900. The supplemental educational opportunity grants program, State student incentive grants, and college work-study programs would be funded at the same level as in 1980.

The administration's reauthorization proposal would restructure the Federal student assistance loan programs by replacing the current direct and guaranteed student loan programs with a new program of basic direct loans and supplemental loan guarantees that would target Federal assistance more directly to students most in need. The 1981 budget requests \$1.6 billion for this new program, which would provide loans to 2.6 million students.

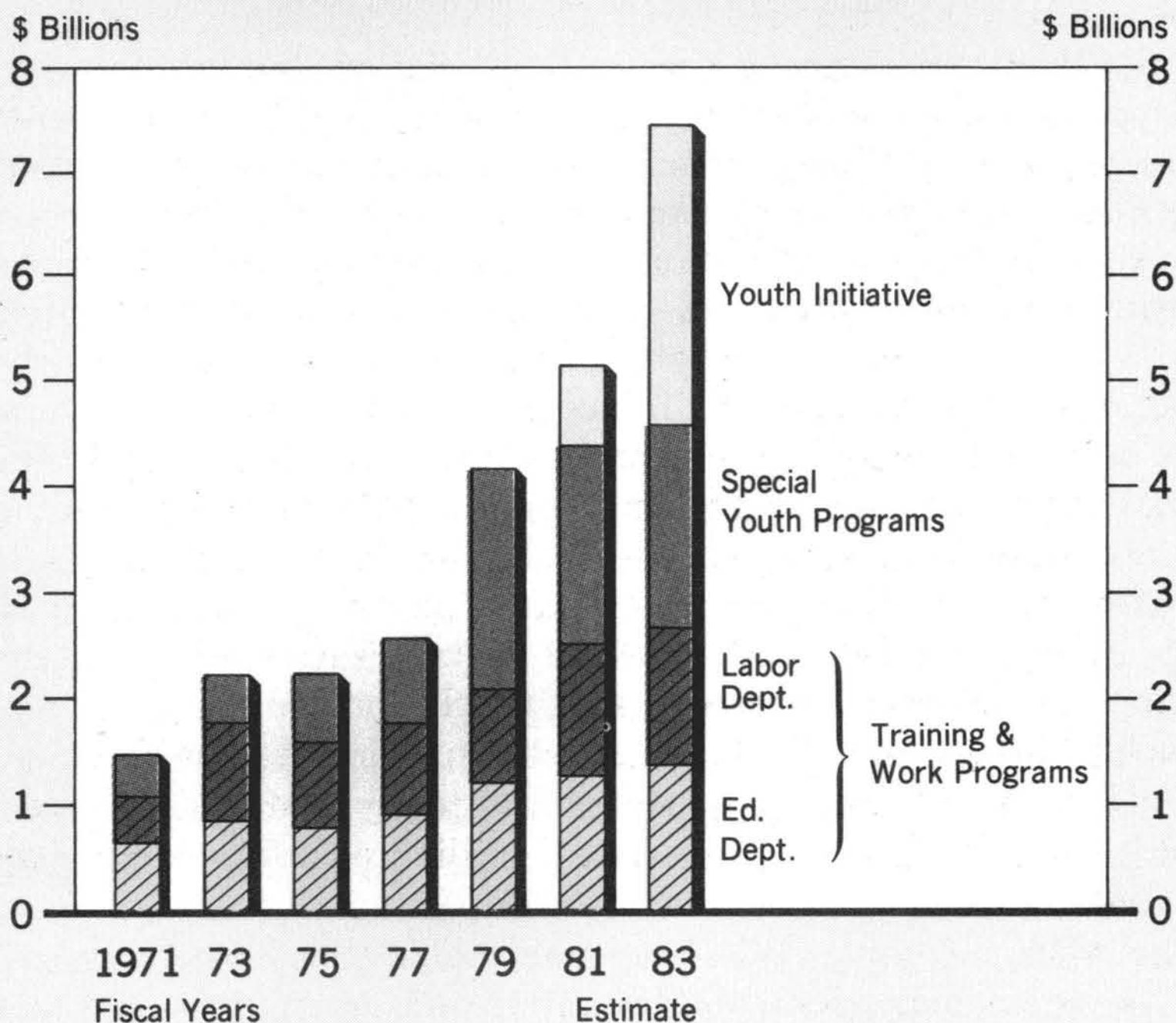
The budget requests \$430 million for assistance to higher education institutions to help disadvantaged students obtain or continue post-secondary education. This amount includes funds for about 850 additional fellowships for graduate studies in the professions, and increased funding for programs offering placement, counseling, and other services to disadvantaged college students. Assistance to developing institutions would be increased by \$30 million.

Estimated outlays of \$1.4 billion in 1981 would support *education research* and development, as well as training, cultural activities, and other general education aids.

Tax expenditures in the education function include the deductibility of many educational expenses and the exclusion of scholarships and fellowships from taxable income. Total tax expenditures for education are estimated to be \$2.7 billion in 1981.



Youth Training and Employment Programs



Training, Employment, and Social Services

Training and employment programs help develop work skills, provide temporary employment and work experience, and increase long-term employment opportunities for the disadvantaged. The social services programs help the disabled and the disadvantaged become self-sufficient. Total outlays for training, employment, and social services are expected to be \$16.5 billion in 1980 and \$17.6 billion in 1981.

The employment situation has improved substantially over the past few years, with total employment increasing by 9.4 million since December 1976. Proposed funding in 1981 for *training and employment* programs has been increased and directed more toward the economically disadvantaged and the long-term unemployed. Strategies for job development and job placement in the private sector will stress programs designed by States and localities with the aid of Private Industry Councils. Outlays for general training and employment programs under the Comprehensive Employment and Training Act (CETA) are estimated to be \$2.8 billion in 1981. Estimated outlays of \$4.4 billion for public service employment would support an average of 450,000 jobs in 1981, the level

expected to be reached at the end of 1980. Jobs for people with lower incomes and longer periods of unemployment are emphasized.

The labor component of the youth education and training initiative proposes consolidation, replacement, and enhancement of three experimental programs started as part of the 1977 economic stimulus effort—the youth employment and training programs, the youth community conservation and improvement projects, and the youth incentive entitlement pilot projects. Budget authority for 1981 would be \$300 million above the current services level of the programs to be replaced. Prime sponsors would work closely with local schools to provide the combination of training in basic skills, work experience, and workplace discipline that will help youth who are the most disadvantaged. Because older (18- through 21-year-old) out-of-school disadvantaged youth are the group most in need of help, prime sponsors would devote their greatest effort to them. Outlays for programs designed specifically for youth are estimated to be \$2.6 billion in 1981. The requested funding level would expand the Job Corps training program to a capacity of 44,000 enrollees—double the 1977 level—and provide 1 million part-time summer jobs for youth.

The work incentive (WIN) program helps those receiving aid to families with dependent children find and retain jobs. Estimated outlays of \$385 million in 1981 would place approximately 286,000 individuals in unsubsidized private sector jobs.

The administration has proposed a welfare reform initiative that integrates 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 jobs that are not subsidized by the Government.

Job-matching services for workers and employers are provided free of charge by 2,400 State employment service offices financed by Federal funds. The 1981 budget request maintains employment service operations at the 1980 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 these and *other labor services* are estimated at \$563 million in 1980 and \$602 million in 1981.

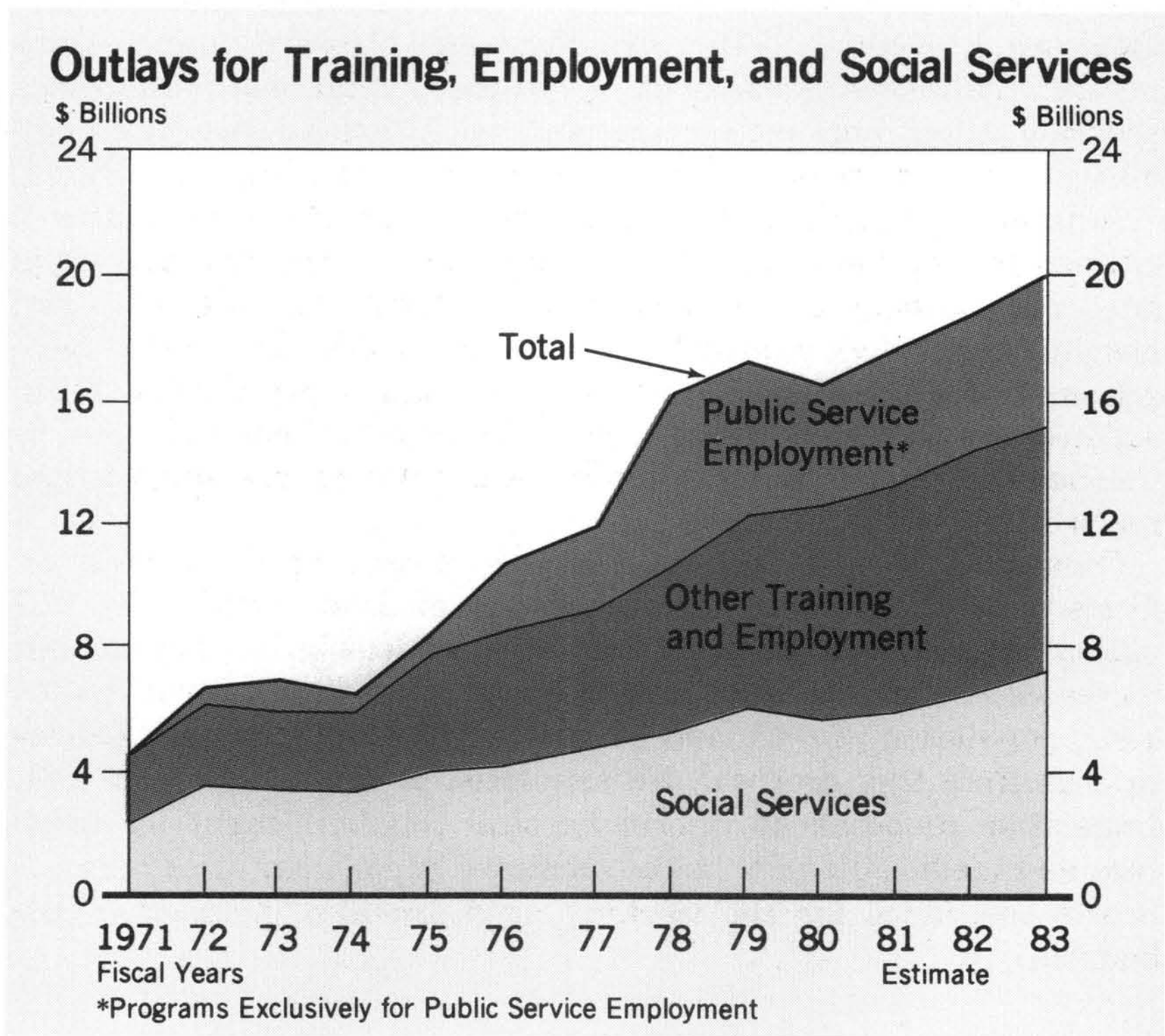
Social services grants to States and localities help the poor, the elderly, the handicapped, the mentally retarded, homeless or neglected children, and the drug-addicted, including alcoholics. The

administration has proposed legislation to significantly improve the welfare of children and to protect their rights and those of their parents. Increased funding would be made available for services to reunite children with their families when feasible, and to facilitate the adoption of children with special needs.

Programs to aid the elderly provide a broad array of services for the aged, including 410,000 meals provided to older Americans. These services are intended to help the elderly to continue to live in their own homes and communities whenever possible. Outlays for these services are estimated to be \$726 million in 1981, an increase of \$128 million over 1980.

The Community Services Administration supports local social services agencies and funds demonstration projects to test new methods of delivering services to the poor. Total outlays for social services programs are expected to be about \$5.5 billion in 1980 and \$5.7 billion in 1981.

The targeted employment tax credit, the work incentive credit, and the child care tax credit, along with the deductibility of most contributions to social services agencies, are estimated to result in tax expenditures of \$8.4 billion in 1981.



Health

The budget emphasizes improved access to health and mental health services, restraint in health care costs, improved planning and management of the Nation's health care system, and prevention of disease. It includes a \$24.1 billion allowance for the establishment of a national health program in 1983. Total outlays for health are estimated to rise from \$56.6 billion in 1980 to \$62.4 billion in 1981.

Estimated outlays for *medicare* of \$37.3 billion will help provide services to 25 million aged and 3 million disabled Americans in 1981. Outlays for *medicaid* of \$15.9 billion in 1981 will finance the care of 23 million poor people. These spending levels reflect the effects of proposed reforms to restrain health costs and a number of proposed benefit improvements.

Legislative proposals to expand services would increase outlays in 1981 by \$0.1 billion for *medicare* and \$0.5 billion for *medicaid*. Liberalization of *medicare* and *medicaid* coverage for disabled beneficiaries would remove disincentives to their return to work. The expanded financing of home health services under *medicare* and *medicaid*, and liberalized outpatient mental health benefits under *medicare* would help beneficiaries avoid unnecessary institutionalization. Passage of the proposed child health assurance program would improve services and would extend *medicaid* eligibility to an additional 2 million children and pregnant women.

Inflation in health care costs hinders the ability of the Nation's citizens to pay for needed health care, strains the national economy, and burdens the Federal budget. During the last 10 years, hospital costs—the largest component of health care costs—have grown almost 2½ times as fast as the consumer price index. Without hospital cost containment legislation or other major changes in the health system, national health expenditures are projected to reach 10.5% of GNP in 1985.

Consequently, the administration is proposing cost-saving reforms that would reduce *medicare* and *medicaid* outlays by \$1.7 billion in 1981. Hospital cost containment legislation would limit increases in inpatient revenues to a rate consistent with increased costs, population growth, and needed service improvements. Outlay savings from this proposal are estimated at \$780 million in 1981. Legislative proposals to reform hospital reimbursement for *medicare* and *medicaid* and to make *medicare* supplementary to private health insurance for the working aged are also included in the budget.

The budget proposes administrative reform of the Federal health planning and services grants system. The current system of 11 State health plans and 30 separate grant programs results in gaps and fragmentation of services, poor coordination and management, and burdensome administrative requirements. The planning reform would begin consolidating the various health planning requirements. The grant reform would require performance agreements with State and local governments for the delivery of comprehensive primary health services to the poor and underserved. These reforms will be initiated on a voluntary basis with State and local governments.

Outlays for *other health care services* are estimated to rise from \$3.8 billion in 1980 to \$4.1 billion in 1981. New and expanded assistance would be provided to States and communities for the development and delivery of comprehensive mental health services, especially for the chronically mentally ill and other underserved populations. Expanded Federal support for primary health care services would provide additional services to medically underserved populations. These increases are expected to help support 45 new community health centers, provide an additional 1,708 National Health Service Corps health professionals in underserved areas, and expand family planning and maternal and child health services. Expansion in the direct health care delivery program of the Indian Health Service would continue the substantial improvements in Native American health status achieved during the 1970's. Other Federal programs support a wide range of health activities, including health maintenance organizations, Public Health Service hospitals, emergency medical services, alcohol and other drug abuse treatment services, and St. Elizabeths Hospital.

The 1981 budget reflects the administration's commitment to effective and innovative disease prevention, health promotion, and health education programs. New initiatives will focus on eliminating measles, increasing water fluoridation efforts, reducing smoking and other drug abuse, and preventing major diseases.

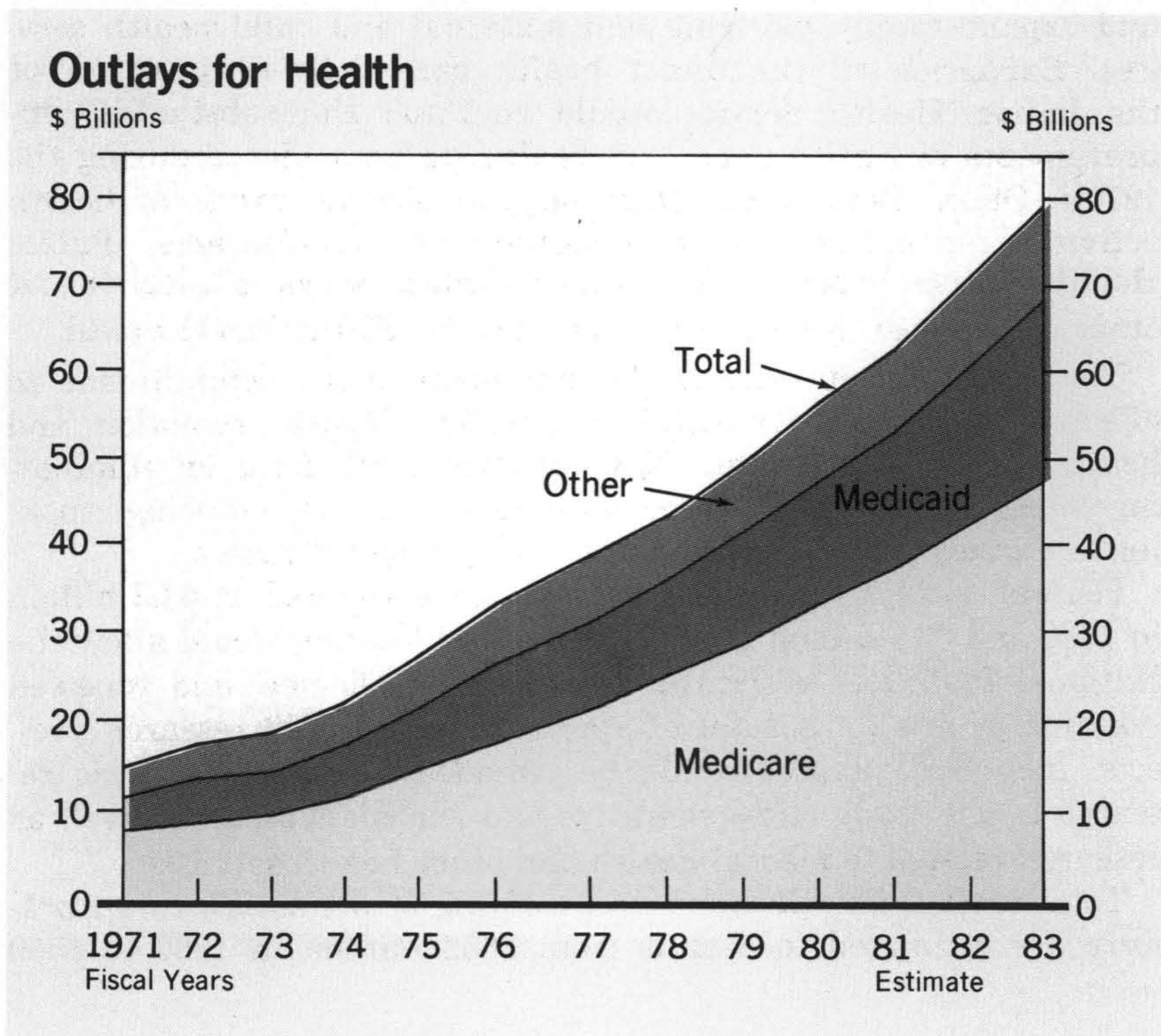
Federal outlays for *health research* are estimated at \$3.3 billion in 1980 and \$3.6 billion in 1981. Requested funding would allow the National Institutes of Health to support 5,000 new and renewed research grants for a total of approximately 16,700 research projects. Increased support would be provided to carry out basic research in the study of degenerative and chronic diseases as well as research related to mental health and other health services.

Total outlays for *education and training of the health care workforce* are estimated to decline from \$652 million in 1980 to \$559

million in 1981. During the 1960's and 1970's the supply of health professionals increased substantially. Demographic projections indicate that there is and will continue to be an adequate or excess supply of personnel in all the major health professions. Therefore, the 1981 budget continues to concentrate on improving the geographic distribution of health professionals through service commitment scholarships, and on the problem of overspecialization of medical practice through support of primary care training programs.

Outlays for *consumer safety* are estimated to increase from \$645 million in 1980 to \$658 million in 1981. Continued efforts are proposed for 1981 to assure the safety and efficacy of drugs and medical devices. Budget outlays to protect American workers from workplace hazards are estimated to increase from \$337 million in 1980 to \$369 million in 1981.

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 by permitting itemized deductions for health care expenses and health-related charitable contributions. The revenue loss in 1981 from these tax expenditures is estimated to be \$20.9 billion.



Income Security

Outlays for income security are estimated to rise from \$190.9 billion in 1980 to \$220.0 billion in 1981. Between 1975 and 1981, income security outlays, which consist almost entirely of benefit payments to individuals, will have grown by 160%. 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 those most in need. Proposals are also being designed to improve the welfare system and to offset the effects of rising energy costs on low-income families.

Social security is the largest single program in the budget. Outlays for social security are estimated to rise from \$117.9 billion in 1980 to \$136.9 billion in 1981. In 1981, an estimated 36 million people will receive social security benefits.

The social security system, in the short term, requires greater flexibility in responding to economic changes. To insure adequate financing for the operations of each fund, legislation will be proposed to permit borrowing among the old-age and survivors insurance trust fund, the disability insurance fund, and the health insurance fund.

Several other Federal retirement programs provide income security. Outlays for railroad retirement are estimated to increase from \$4.7 billion in 1980 to \$5.2 billion in 1981 as a result of increased benefits. The higher benefits will more than offset the effect on outlays of an anticipated decline of 21,000 beneficiaries between 1980 and 1981. The administration proposes to increase the railroad industry component of the pension fund revenues by an additional 2% of payroll and to restrain growth in future railroad retirement benefits. These benefits would be made more consistent with those of the social security program. Estimated outlays of \$2.0 billion in 1981 will provide special benefits for coal miners disabled by "black lung" disease.

Outlays for *Federal civilian employee retirement and disability* programs are estimated to increase from \$14.6 billion in 1980 to \$17.1 billion in 1981. These programs are estimated to have 1.8 million beneficiaries in 1981. Included in the total for 1981 are outlays of \$381 million for medical payments and compensation to Federal workers for job-related disabilities. About 48,000 former Federal employees will continue to receive long-term disability benefits. Legislation will be submitted to improve this program.

The Pension Benefit Guaranty Corporation is an off-budget Federal entity that protects the vested benefits of private sector em-

ployees in covered pension plans if their plan terminates. The Corporation's income is expected to exceed outlays by \$37 million in 1980 and \$44 million in 1981. Legislation has been submitted to revise the pension insurance program for employees under multi-employer pension plans.

Unemployment recipients are estimated to average 2.9 million per week in 1980 and 3.4 million per week in 1981. Outlays for *unemployment compensation* are estimated to increase from \$15.6 billion in 1980 to \$18.8 billion in 1981.

The administration has proposed *welfare reform* to improve the system of benefits for the needy, to promote opportunities and incentives for work and training, and to reduce the States' welfare burden. The basic components of the welfare reform plan include establishing a national minimum benefit level for needy families, extending nationwide eligibility to two-parent families, expanding the coverage and increasing the value of the earned income tax credit, providing additional private and public sector employment and training opportunities, and providing fiscal relief to the States through increased Federal support and improved operation of welfare programs. Provision for this proposal has been made in the budget allowances.

Outlays for the supplemental security income (SSI) program, which will provide benefits to an estimated 4.2 million aged, blind, and disabled beneficiaries, are estimated at \$6.4 billion in 1980 and \$6.9 billion in 1981.

The program of aid to families with dependent children (AFDC) assists States and localities in providing cash assistance to needy families. Outlays are estimated at \$7.4 billion in 1981 compared with \$7.0 billion in 1980. The 1981 outlay increase results from moderate increases anticipated in the average benefit payment and in the number of AFDC families. Errors and abuses in the program are being reduced through close cooperation between the States and the Federal Government.

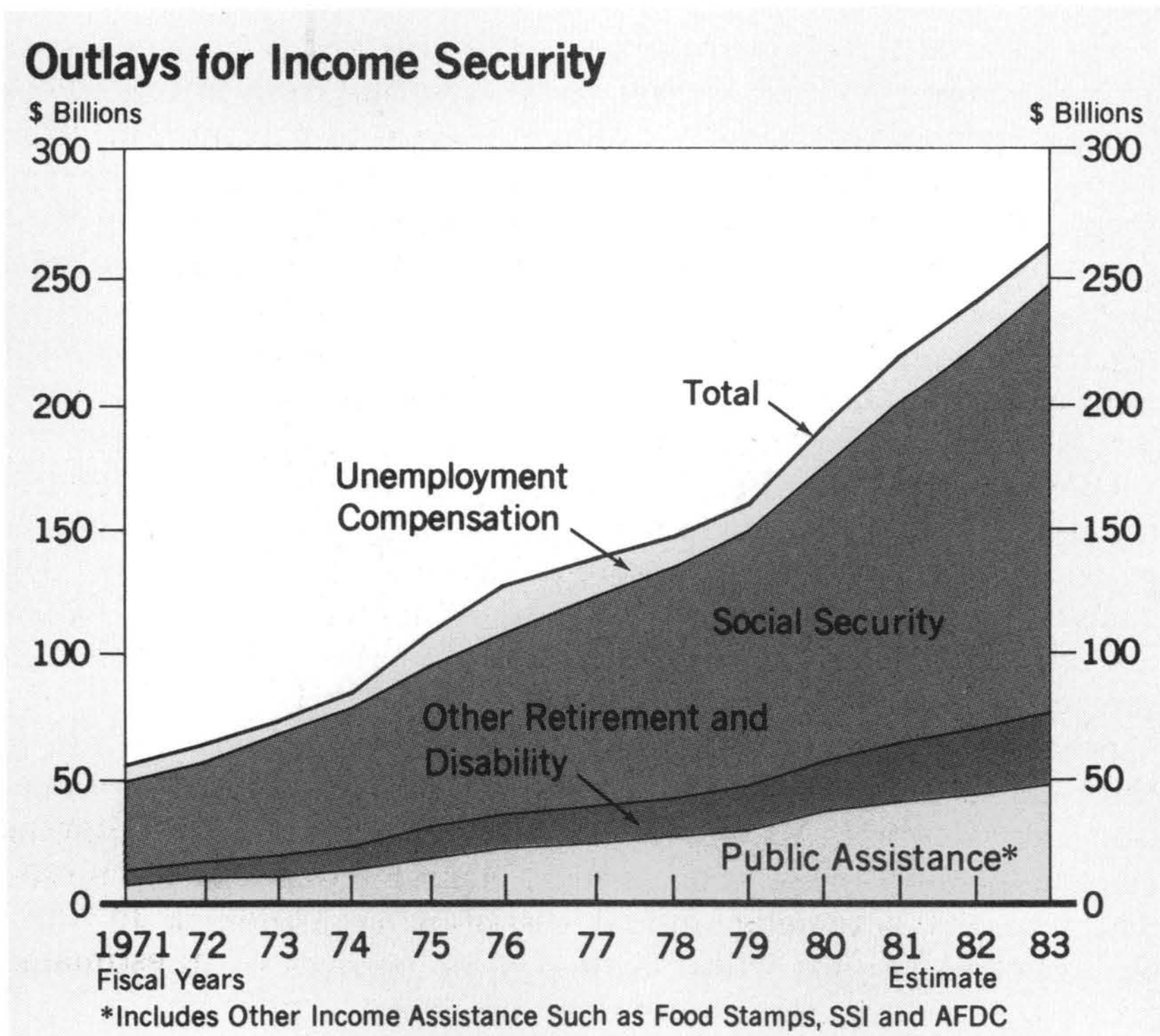
The *earned income tax credit* aids low-income workers by providing an income tax reduction (credit). If the credit exceeds their tax liability, a check is issued for the amount of the credit. The cost of this program, including revenue loss, is estimated to be \$1.9 billion in 1981. Outlays for payments in excess of tax liability are expected to be \$1.6 billion.

The *food stamp* program increases the ability of needy families to buy food for an adequate diet. Outlays to assist 20.4 million recipients in 1981 are estimated to be \$9.7 billion. Legislation is pending that would reduce program error rates and improve food stamp administration.

Outlays for other Federal programs to assist States in feeding children and needy persons are estimated to total \$3.8 billion in 1981. Outlays for the supplemental food program for women, infants, and children (WIC) are estimated to increase by \$168 million to \$903 million in 1981. Studies suggest that WIC has significantly reduced both infant mortality and 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 \$5.3 billion in 1980 to \$6.6 billion in 1981. The budget request would provide rental housing assistance for up to 300,000 additional low-income families, a 25% increase above the 1980 level. Homeownership assistance to an additional 25,000 low- and moderate-income households will help reduce forced relocation.

To help offset the impact of rising fuel costs on low-income families, the administration is seeking authorization for two new energy-related income assistance programs. The first program, special energy allowances, provides cash assistance to recipients of



supplemental security income and grants to States for energy-related aid. The Governors would determine how best to use these grants to meet their State's needs. The second program, energy crisis assistance, provides grants to States to help low-income families who are experiencing energy-related financial problems. Outlays are estimated at \$2.4 billion in 1981. Both of these programs would be funded by receipts from the windfall profit tax.

Estimated outlays for *refugee assistance* are \$524 million in 1981. These funds cover costs of cash and medical assistance and social services for needy refugees. In addition, the Refugee Act of 1979 will establish a permanent and systematic procedure for admitting and assisting refugees of special concern to the United States.

Tax provisions also provide income security, especially to the elderly. The exclusion from taxable income of all social security and most railroad retirement benefits results in estimated tax expenditures of \$9.1 billion in 1981, and the extra exemption for taxpayers who are over 64 or blind and the tax credit for the elderly, together, reduce 1981 receipts by an estimated \$2.3 billion.

Veterans Benefits and Services

The Federal Government supports veterans and their dependents and survivors who have special needs resulting from the sacrifices that veterans have made in military service to our country. This administration has achieved a number of improvements in veterans programs, in particular, reform of the pension program and improvements in medical care. Further improvements in veterans benefits and services are proposed for 1981. However, several cost-saving legislative proposals will help to offset the costs of the proposed improvements. Outlays for veterans benefits and services are estimated to rise from \$20.8 billion in 1980 to \$21.7 billion in 1981.

Compensation benefits are provided to veterans with service-connected disabilities and to their survivors. Legislation will be proposed to provide a 13.0% cost-of-living increase in compensation benefits effective in October 1980. An estimated 2.6 million veterans and their survivors are expected to receive \$8.3 billion in compensation benefits in 1981.

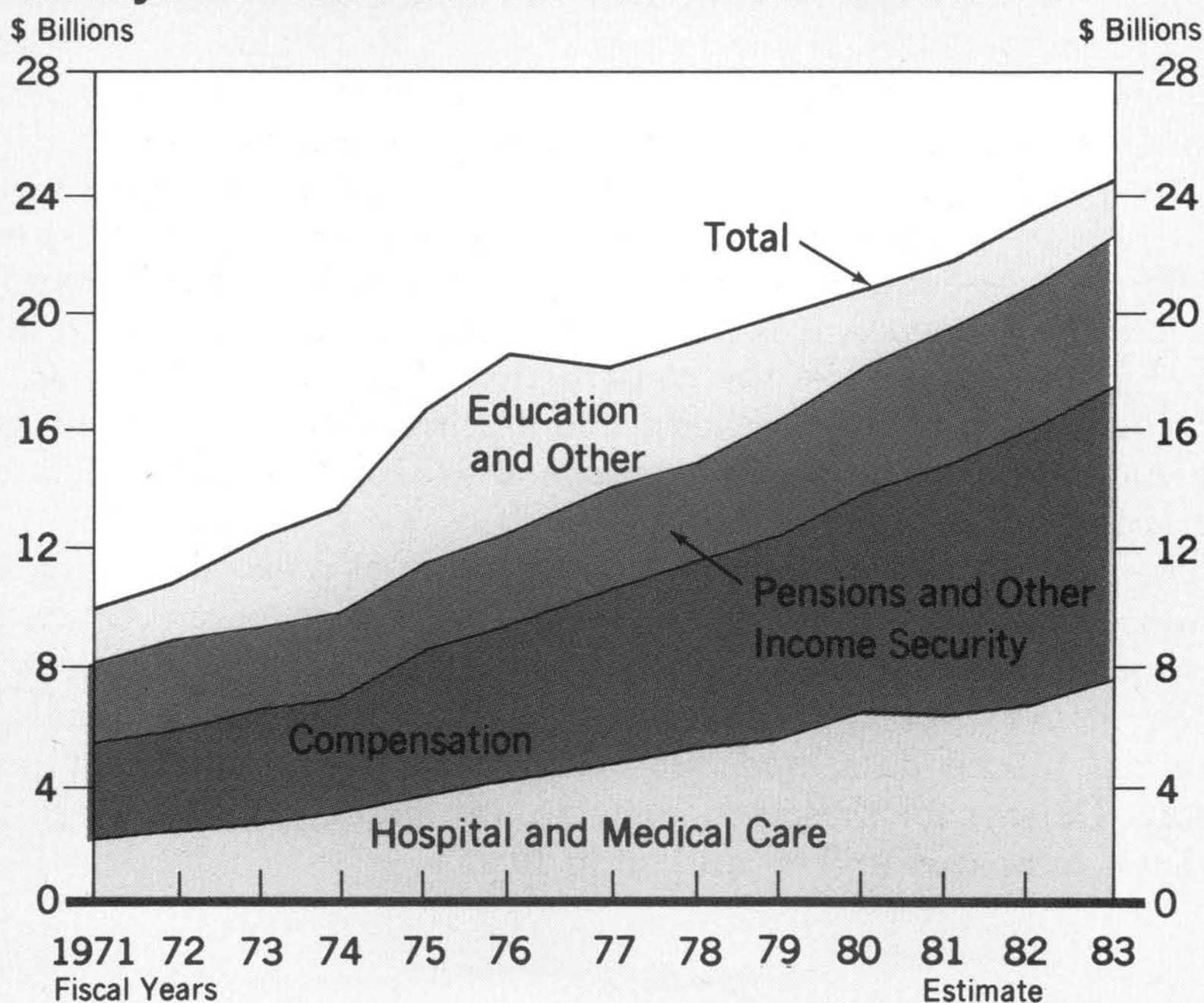
Pensions are provided to needy wartime service veterans and to their dependents and survivors. The Veterans and Survivors Pension Improvement Act of 1978 sharpened the focus of veterans pension benefits upon truly needy, nonservice-disabled veterans and provided automatic annual cost-of-living increases. In 1981, outlays of \$4.0 billion will provide pension benefits to an estimated 2.1 million needy veterans and their survivors.

The GI bill provides education benefits designed primarily to assist veterans who entered military service before 1977 in readjusting to civilian life. The budget proposes a 10% cost-of-living increase in GI bill education benefits effective in October 1980. In addition, the budget continues to support the enactment of legislation extending the period of eligibility from 10 to 12 years for certain needy and educationally disadvantaged Vietnam-era veterans. The number of GI bill trainees will continue to drop in the future as the number of eligible veterans decreases. Thus, outlays for veterans *education, training, and rehabilitation* are estimated to decline from \$2.2 billion in 1980 to \$1.9 billion in 1981.

The Veterans Administration (VA) operates the largest nationwide medical care system. In 1981, the VA will continue the reordering of its health care program to provide efficient medical care for veterans with service-connected disabilities while still accommodating the rapidly growing population of eligible elderly veterans. However, the VA will continue to recognize the medical needs of service-disabled veterans above all others. Outlays for veterans *hospital and medical care* are estimated to be \$6.4 billion in 1981.

Veterans compensation and pension benefits are excluded from taxable income. The revenue losses from these exclusions in 1981 are estimated to be \$1.1 billion and \$55 million, respectively. GI bill benefits are also excluded from taxable income.

Outlays for Veterans Benefits and Services



Administration of Justice

The most basic of all American rights is the equitable administration of justice. The Federal Government expects to spend \$4.4 billion in 1980 and \$4.7 billion in 1981 to meet these responsibilities.

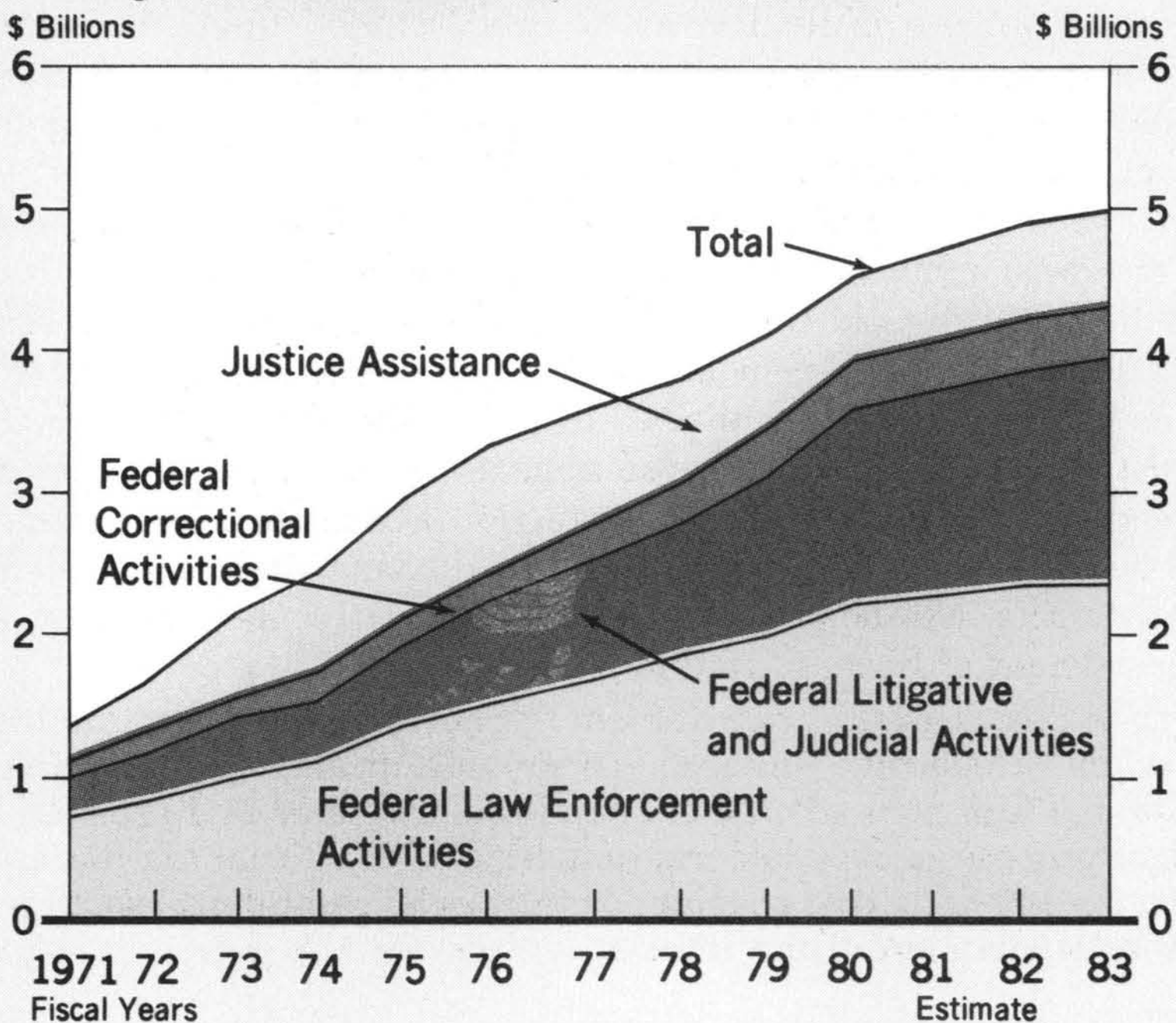
The principal responsibility for law enforcement has always rested with State and local governments. In the late 1960's, rising street crime and social unrest prompted the Federal Government to provide *justice assistance* to improve State and local criminal justice systems. After nearly a decade and a half of such support, State and local authorities are far better equipped, trained, and organized to handle their own problems. Given these improvements, the importance of solving crime of national significance, and continued pressure on Federal resources, the administration has started to redirect its programs toward those problems that can best be resolved at the national level. Organized crime, white-collar crime, foreign intelligence activities, major trafficking in narcotics and other dangerous drugs, public corruption, denial of civil rights, and illegal immigration are all problems that are most appropriately handled by the Federal Government. Estimated outlays of \$2.3 billion in 1981 would provide support for *Federal law enforcement activities*.

To represent the public in civil litigation and criminal prosecution, and to provide those accused of crimes with fair and prompt trials, budget outlays of nearly \$1.5 billion are required in 1981 for *Federal litigative and judicial activities*. These funds would be used to expand the staffs of the Criminal and Civil Rights Divisions of the Department of Justice, provide more effective use of Federal litigative resources, and support the Federal judiciary system.

The number of inmates in Federal prisons has dropped since 1978 because of the increased use of minimum security institutions, shifts in prosecutorial policy, and modifications in parole guidelines. In consequence, it is possible to close 3 antiquated penitentiaries by 1985 and cancel the construction of 2 planned facilities. A new institution in the northeast and a prison camp in the west are scheduled to open next year. Outlays of \$357 million are estimated for *Federal correctional activities* in 1981.

The administration proposed consolidation of *criminal justice assistance* resulted in the establishment last year of an Office of Justice Assistance, Research, and Statistics. The new Office will research criminal and related civil matters, collect and analyze criminal justice data, and administer State and local grant programs. Outlays for these programs are estimated to be \$618 million in 1981, compared to \$580 million in 1980.

Outlays for Administration of Justice



General Government

General government includes a variety of central government activities such as the legislative branch, the Executive Office of the President, administration of U.S. territories, and activities related to tax collection and other fiscal operations, Federal personnel management, and property control and records management. Outlays for general government are estimated to be \$4.9 billion in 1981, about the same as in 1980.

Special emphasis continues to be given to the President's anti-inflation program, which consists of voluntary wage and price guidelines designed to lower the rate of inflation without disrupting the economy. The Council on Wage and Price Stability will continue to monitor wage and price developments and will make recommendations to increase productivity and reduce inflationary pressures.

The Government handles very large amounts of money, and it is possible to achieve savings simply by improving the way funds are managed. This year's budget includes several proposals to make the collection of taxes more efficient and to improve Federal cash management.

The General Services Administration is upgrading its procurement procedures through increased training, certification of procurement officers, centralization of procurement functions, installation of commodity managers, and greater audit review. It is also taking steps to improve the administration of contracts and to reduce opportunities for fraud and abuse.

In 1978, a comprehensive reform of the Federal civil service system was enacted into law. The personnel management tasks previously performed by the Civil Service Commission were broadened and became the responsibility of the Office of Personnel Management. Merit system review, investigation of reprisals against "whistleblowers," and employee appeals adjudication are now performed by the Merit Systems Protection Board. In 1981, resources will be focused on carrying out and evaluating these reforms. Special attention will be given to research, executive development, and improvement of Federal productivity.

In the past, capital improvements projects in the trust territories were 100% federally financed. To provide incentives for increased territorial funding and efficiency in local programs and projects, the budget proposes a 50% Federal matching of territorial tax increases, and a 90% Federal cost sharing for territorial capital projects funded by the Department of the Interior.

General Purpose Fiscal Assistance

General purpose fiscal assistance provides Federal aid to State and local governments without using major restrictions or matching requirements. Outlays for this assistance are estimated to be \$8.7 billion in 1980 and \$9.6 billion in 1981.

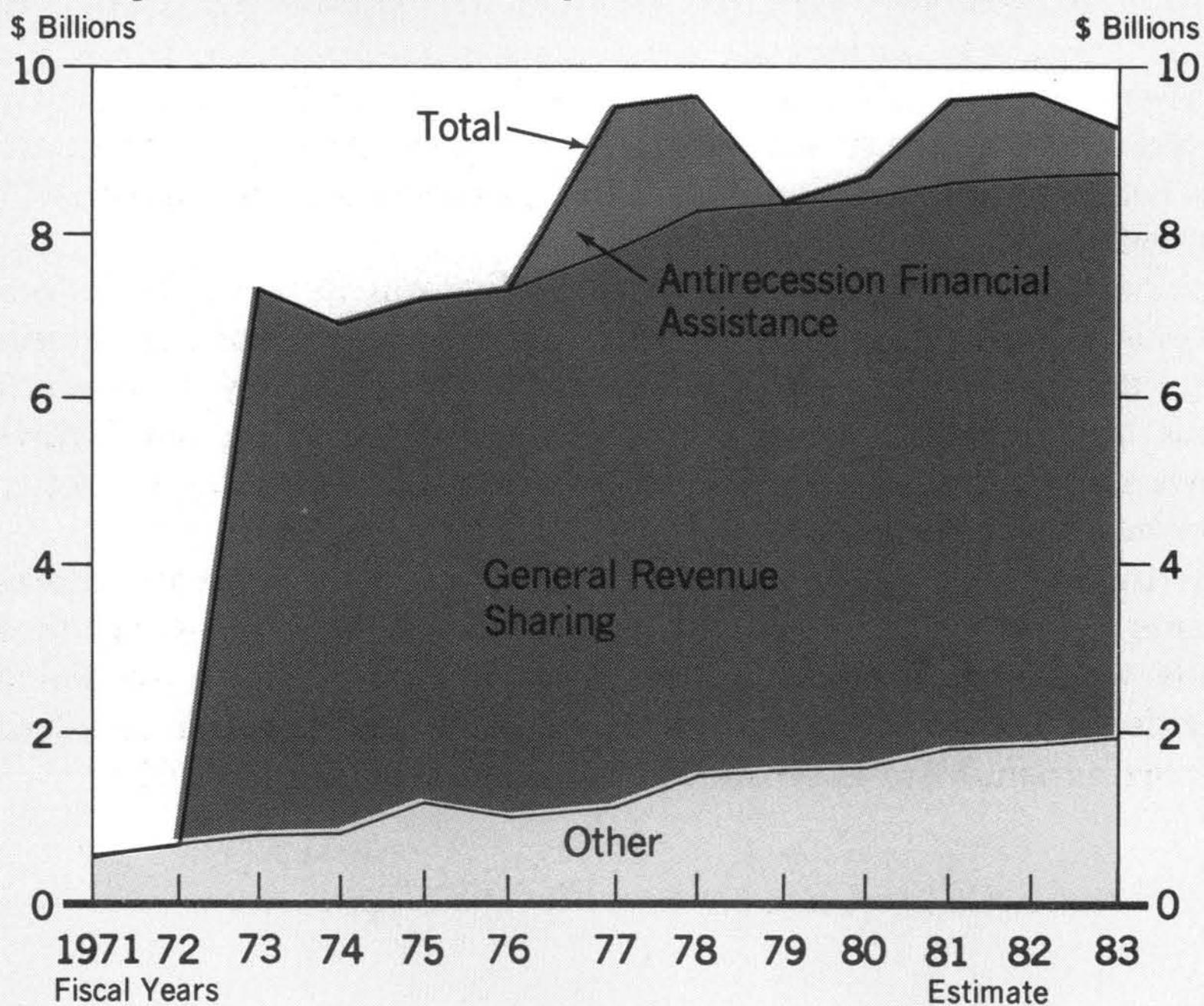
General revenue sharing has been the primary means by which the Federal Government provides general purpose assistance to State and local governments. Each jurisdiction may spend the money for any purpose permissible under its own State and local laws, subject to minimal Federal controls. Outlays for revenue sharing are estimated at \$6.9 billion in 1981. The administration is proposing a 5-year reauthorization of general revenue sharing at 1980 levels. The proposed allocation formula will moderately increase the targeting of payments to communities less able to pay for essential services from available resources. Revenue sharing payments to State governments will be continued at about the same amounts and allocations as the current program. In return, States and local governments, through broadly-based study commissions, will be required to assess rigorously their responsibilities and fiscal resources, the structure and impact of Federal assistance programs, and the quality of municipal financial management. States would be expected to act on the commissions' recommendations.

Legislation authorizing countercyclical and targeted fiscal assistance to States and local governments in 1980, is currently under consideration in the Congress. The administration proposal would authorize one-time targeted fiscal assistance payments in 1980, and countercyclical payments to States and localities whenever the national unemployment rate exceeded 6.5%. The program would channel funds to jurisdictions experiencing the greatest fiscal distress. Outlays are estimated to rise from \$250 million in 1980 to \$1.0 billion in 1981.

The Secretary of the Treasury is authorized to guarantee up to \$1.6 billion of New York City obligations through June 30, 1982. The loan guarantees are not included in the budget, but \$1 million in administrative costs are.

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 1981 are \$6.5 billion. In addition, the deductibility of most State and local taxes from Federal taxable income is estimated to add about \$17.3 billion to revenue losses in 1981.

Outlays for General Purpose Fiscal Assistance



Net Interest

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. A portion of interest outlays is paid to trust funds on securities held by the funds. Since these payments are not made to the public, but consist of offsetting transactions within the budget, trust fund interest is deducted from both budget authority and outlays before arriving at the net interest total. *Net interest* outlays are estimated to increase substantially, rising to \$51.8 billion in 1980 and \$54.2 billion in 1981.

NET IMPACT OF INTEREST OUTLAYS ON THE SURPLUS OR DEFICIT

(In billions of dollars)

	1979 actual	1980 estimate	1981 estimate	1982 estimate	1983 estimate
Outlays for the interest function	52.6	63.3	67.2	68.0	68.3
Less: Interest received by trust funds.....	10.0	11.5	13.0	14.1	15.4
Net interest	42.6	51.8	54.2	53.9	53.0
Less: Deposit of earnings, Federal Reserve System (budget receipts)	8.3	10.1	10.9	11.8	12.9
Net impact	34.3	41.8	43.4	42.1	40.0

Nominal interest rates are assumed to decline as inflation declines; therefore, outlays for new interest are projected to grow at a slower rate in 1981, and then decline in 1982 and 1983. 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 \$43.4 billion in 1981.

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 \$250 million in 1981.

Other

Allowances are included in the budget to cover the administration's compensation reforms for Federal civilian agency employees, future initiatives, and unforeseen requirements that may arise. Outlays of \$2.6 billion are estimated for these allowances in 1981.

Funds are included in the allowances for the expected costs of welfare reform and, beginning in 1983, for the national health insurance proposal. These allowances represent the net 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, outlays, and revenues forgone.

The administration has proposed comprehensive legislation to improve Federal pay-setting systems and procedures. The legislative proposal would broaden the principle of comparability and make certain structural changes to bring Federal compensation rates and practices more closely into line with those of the private and non-Federal governmental sectors. Both pay and benefits—rather than just pay—would be used to determine comparability. Compensation scales would be based on State and local government pay and benefits, as well as on those for private industry. The Federal wage system for the blue-collar work force would be changed to improve comparability with local prevailing rates. These proposals are designed to modernize the management of the entire Federal compensation program.

Allowances are included in the budget to cover an overall increase in pay of 6.2% for white-collar and blue-collar employees. A final decision on the level of the October 1980 pay increase will be made in the late summer after appropriate Presidential review of recommendations of the President's Compensation Agency, the Federal Employees Compensation Council, and the Advisory Committee on Federal Compensation, and after a review of economic conditions at that time. Allowances for a 7.4% increase in military pay are carried in the defense function.

In general, offsetting receipts are deducted from budget totals at the agency and function level. Exceptions are made when such payments are extremely large and would mislead analysis of Federal program trends. Current estimates for rent and royalties on the Outer Continental Shelf (OCS) assume that seven scheduled OCS sales will be conducted in 1981. No final decision will be made on these sales until environmental and other requirements under the National Environmental Policy Act have been met.

Off-Budget Federal Entities

Under current law, some Federal spending activities are excluded from the budget totals. These federally owned and controlled activities are called off-budget Federal entities. The outlays resulting from these activities are added to the budget deficit to derive the total Government deficit to be financed by borrowing from the public or by other means. The outlays of off-budget Federal entities are shown by function and subfunction at the end of table 3 in Part V of this volume.

The Federal Financing Bank (FFB), an off-budget entity that provides financial intermediary services for Federal agencies, accounts for most of the off-budget outlays. Although the FFB outlays are all classified in a separate subfunction in the commerce and housing credit function, its activities actually support agency programs in a variety of budget subfunctions. The accompanying table provides an attribution of FFB outlays to the subfunctions supported by its activities.

ATTRIBUTION OF FEDERAL FINANCING BANK OUTLAYS

(In billions of dollars)

	1978 actual	1979 actual	1980 estimate	1981 estimate
Military assistance	1.5	1.3	2.4	2.0
Supporting space activities	0.2	0.2	0.1	0.1
Energy supply	2.1	2.3	4.8	4.8
Farm income stabilization	3.6	5.0	2.9	2.5
Mortgage credit and thrift insurance	3.4	2.9	1.9	4.9
Other advancement and regulation of commerce	0.1	0.1	0.2	0.2
Area and regional development	0.7	0.8	1.0	1.1
Higher education	0.2	0.5	0.7	-0.2
Public assistance and other income supplements			1.6	-*
General property and records management	0.1	0.1	*	0.1
Other subfunctions	-1.2	-0.1	0.8	1.0
Total, Federal Financing Bank	10.6	13.2	16.4	16.3

*\$50 million or less.

PART IV

THE BUDGET PROCESS

The budget sets forth the President's proposed financial plan of operation for the Federal Government for the forthcoming fiscal year and planning ceilings for the 2 subsequent fiscal years. In raising and spending tax receipts, 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 1980, began with the multiyear planning target for 1981 published in the 1980 budget. A more detailed formulation was started in the spring of 1979. Each spring, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. In preparing for the 1981 budget, as for the previous two, a zero-base (ZBB) review 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 multiyear budget planning system, for the 2 fiscal years beyond. Tentative policy determinations for the budget year and multiyear planning ceilings for the following 2 years are then given to the agencies as guidelines for preparing their budgets.

In the summer, agencies formulate their zero-base 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 again by 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 annually. These estimates represent the budget authority and outlays required to continue existing programs in the forthcoming fiscal year without any policy changes, thereby providing a base to compare program initiatives against current spending levels. Current services estimates for 1981 are transmitted with the President's budget. See Special Analysis A, *Special Analyses, Budget of the United States Government, 1981*.

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,

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.

and a fiscal policy report from the Congressional Budget Office by April 1. Under this schedule, the Congress adopts a concurrent resolution containing budget targets by May 15. It completes action on setting budget ceilings by September 15, and, by September 25, it completes action on any required reconciliation bill or resolution. A summary of the congressional timetable is presented above.

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 proposed 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 the Congress, a conference committee (consisting of Members of both bodies) resolves the issues and submits a report to both Houses for approval. After 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.

Relation of Budget Authority to Outlays

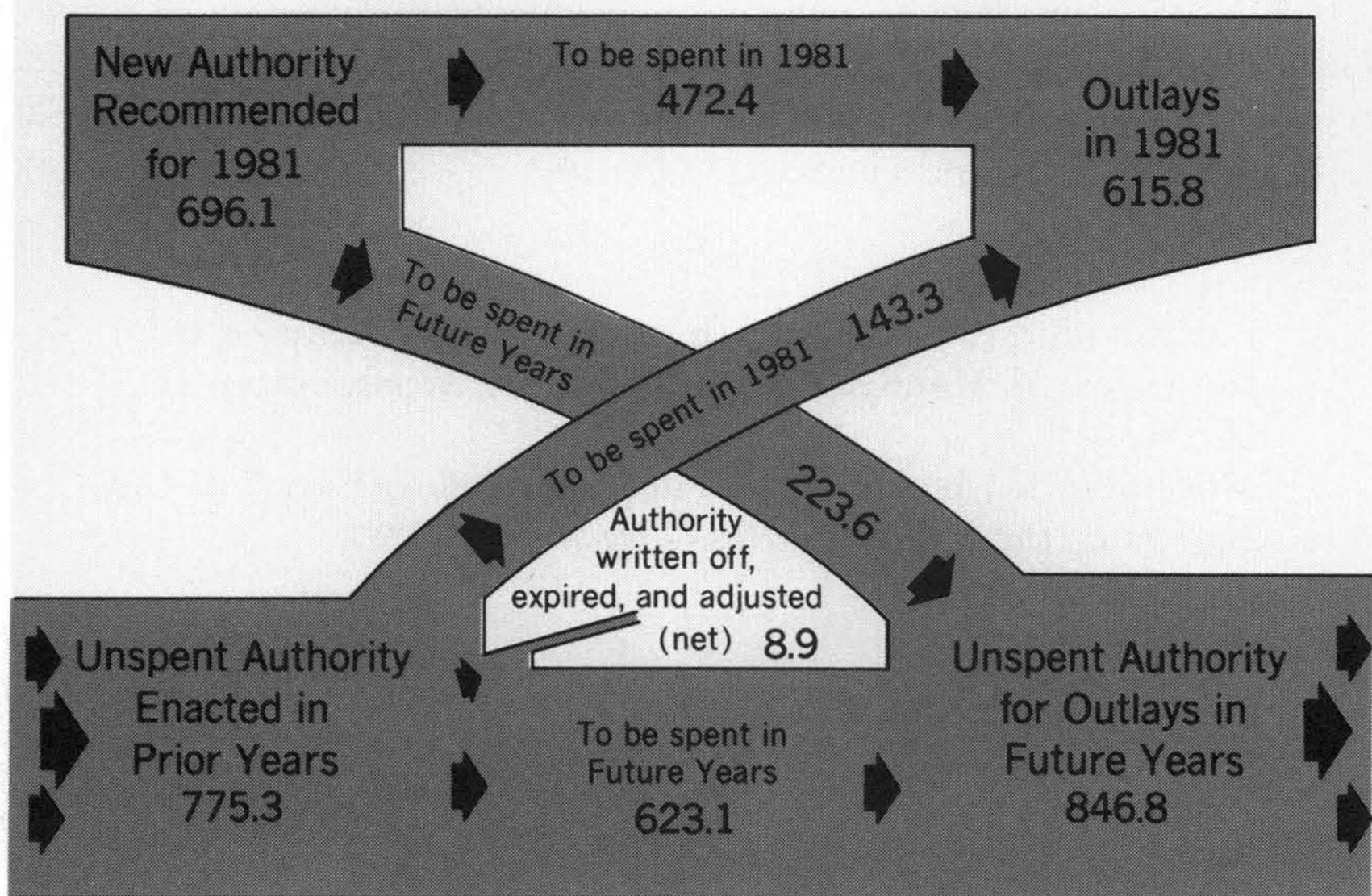
Not all of the new budget authority for 1981 will be obligated or spent in that year.

- Budget authority for most major trust funds arises from their receipts and is used over time 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.
- Budget authority for many loan and guarantee (or insurance) programs also provides financing for a period of years or constitutes a contingency backup that may never result in outlays.
- Government enterprises occasionally receive budget authority 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 - 1981 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, 1981*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1971-83¹

(In billions of dollars)

Description	Actual							Estimate						
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982	1983
Receipts:														
Federal funds	133.8	148.8	161.4	181.2	187.5	201.1	54.1	241.3	270.5	316.4	347.8	383.2	438.3	515.5
Trust funds.....	66.2	73.0	92.2	104.8	118.6	133.7	32.1	152.8	168.0	189.6	222.2	265.1	307.0	340.7
Interfund transactions	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-46.2	-48.3	-54.2	-57.3
Total budget receipts.....	188.4	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	465.9	523.8	600.0	691.1	798.8
Outlays: ¹														
Federal funds	163.7	178.1	187.0	199.9	240.1	269.9	65.1	295.8	332.0	362.4	405.7	429.7	480.2	543.6
Trust funds.....	59.4	67.1	81.4	90.8	111.2	131.3	34.0	143.3	155.3	171.3	204.1	234.3	260.3	288.1
Interfund transactions	-11.6	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-46.2	-48.3	-54.2	-57.3
Total budget outlays.....	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.7	563.6	615.8	686.3	774.3
<i>Outlays, off-budget Federal entities</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>(12.4)</i>	<i>(16.8)</i>	<i>(18.1)</i>	<i>(15.1)</i>	<i>(12.9)</i>
<i>Outlays including off-budget.....</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>(506.1)</i>	<i>(580.3)</i>	<i>(633.9)</i>	<i>(701.4)</i>	<i>(787.2)</i>
Surplus or deficit (-):														
Federal funds	-29.9	-29.3	-25.6	-18.7	-52.6	-68.8	-11.0	-54.5	-61.5	-46.1	-57.8	-46.5	-41.9	-28.1
Trust funds.....	6.8	5.9	10.7	14.0	7.4	2.4	-2.0	9.5	12.7	18.3	18.1	30.8	46.7	52.6
Total surplus or deficit (-).....	-23.0	-23.4	-14.8	-4.7	-45.2	-66.4	-13.0	-45.0	-48.8	-27.7	-39.8	-15.8	4.8	24.5
<i>Deficit (-), off-budget Federal entities.....</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>(-12.4)</i>	<i>(-16.8)</i>	<i>(-18.1)</i>	<i>(-15.1)</i>	<i>(-12.9)</i>
<i>Surplus or deficit (-) including off-budget.....</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>(-40.2)</i>	<i>(-56.5)</i>	<i>(-33.9)</i>	<i>(-10.3)</i>	<i>(11.7)</i>
Debt outstanding, end of year:														
Gross Federal debt	409.5	437.3	468.4	486.2	544.1	631.9	646.4	709.1	780.4	833.8	892.8	939.4	972.6	988.8
Held by the public.....	304.3	323.8	343.0	346.1	396.9	480.3	498.3	551.8	610.9	644.6	688.9	722.0	731.3	718.5

¹ Net gains and losses, proceeds and reductions from the transactions of the Exchange stabilization fund are now included in the budget (past year only).

Table 2. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1971-81

(In billions of dollars)

Description	Actual							Estimate				
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981
RECEIPTS BY SOURCE												
Individual income taxes.....	86.2	94.7	103.2	119.0	122.4	131.6	38.8	157.6	181.0	217.8	238.7	274.4
Corporation income taxes.....	26.8	32.2	36.2	38.6	40.6	41.4	8.5	54.9	60.0	65.7	72.3	71.6
Social insurance taxes and contributions:												
Employment taxes and contributions.....	41.7	46.1	54.9	65.9	75.2	79.9	21.8	92.2	103.9	120.1	138.6	161.6
Unemployment insurance.....	3.7	4.4	6.1	6.8	6.8	8.1	2.7	11.3	13.8	15.4	16.8	18.6
Contributions for other insurance and retirement.....	3.2	3.4	3.6	4.1	4.5	4.8	1.3	5.2	5.7	6.1	6.7	7.1
Total social insurance taxes and contributions.....	<u>48.6</u>	<u>53.9</u>	<u>64.5</u>	<u>76.8</u>	<u>86.4</u>	<u>92.7</u>	<u>25.8</u>	<u>108.7</u>	<u>123.4</u>	<u>141.6</u>	<u>162.2</u>	<u>187.4</u>
Excise taxes:												
Alcohol.....	4.7	5.0	5.0	5.2	5.2	5.3	1.3	5.3	5.5	5.5	5.6	5.6
Tobacco.....	2.2	2.2	2.3	2.4	2.3	2.5	0.6	2.4	2.4	2.5	2.5	2.7
Highway.....	5.5	5.3	5.7	6.3	6.2	5.4	1.7	6.7	6.9	7.2	6.9	7.1
Airport and airway.....	0.6	0.6	0.8	0.8	1.0	0.9	0.3	1.2	1.3	1.5	1.7	2.1
Windfall profit tax.....											7.7	20.9
Other.....	3.6	2.3	2.5	2.1	1.8	2.8	0.6	2.0	2.2	2.0	1.8	1.8
Total excise taxes.....	<u>16.6</u>	<u>15.5</u>	<u>16.3</u>	<u>16.8</u>	<u>16.6</u>	<u>17.0</u>	<u>4.5</u>	<u>17.5</u>	<u>18.4</u>	<u>18.7</u>	<u>26.3</u>	<u>40.2</u>
Estate and gift taxes.....	3.7	5.4	4.9	5.0	4.6	5.2	1.5	7.3	5.3	5.4	5.8	5.9
Customs duties.....	2.6	3.3	3.2	3.3	3.7	4.1	1.2	5.2	6.6	7.4	7.6	8.4
Miscellaneous receipts.....	3.9	3.6	3.9	5.4	6.7	8.0	1.6	6.5	7.4	9.2	10.9	12.1
Total budget receipts.....	<u>188.4</u>	<u>208.6</u>	<u>232.2</u>	<u>264.9</u>	<u>281.0</u>	<u>300.0</u>	<u>81.8</u>	<u>357.8</u>	<u>402.0</u>	<u>465.9</u>	<u>523.8</u>	<u>600.0</u>

OUTLAYS BY FUNCTION

National defense ¹	75.8	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	117.7	130.4	146.2
International affairs.....	4.1	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.4	9.6
General science, space, and technology	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.9	6.4
Energy	1.0	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	6.9	7.8	8.1
Natural resources and environment.....	3.9	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	12.1	12.8	12.8
Agriculture.....	4.3	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.6	2.8
Commerce and housing credit.....	2.4	2.2	.9	3.9	5.6	3.8	1.4	—*	3.3	2.6	5.5	.7
Transportation.....	8.1	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.5	19.6	20.2
Community and regional development.....	2.9	3.4	4.6	4.1	3.7	4.8	1.3	6.3	11.0	9.5	8.5	8.8
Education, training, employment, and social services.....	9.8	12.5	12.7	12.3	15.9	18.7	5.2	21.0	26.5	29.7	30.7	32.0
Health.....	14.7	17.5	18.8	22.1	27.6	33.4	8.7	38.8	43.7	49.6	56.6	62.4
Income security:												
Social security.....	35.2	39.4	48.3	54.9	63.6	72.7	19.8	83.9	92.2	102.6	117.9	136.9
Other.....	20.2	24.5	24.7	29.5	45.0	54.7	13.0	54.1	54.0	57.6	73.0	83.1
Total income security.....	55.4	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	160.2	190.9	220.0
Veterans benefits and services.....	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	19.9	20.8	21.7
Administration of justice.....	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.2	4.5	4.7
General government.....	2.0	2.4	2.6	3.2	3.1	2.9	.9	3.3	3.7	4.2	4.9	4.9
General purpose fiscal assistance.....	.5	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.7	9.6
Interest.....	19.6	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.6	63.3	67.2
Allowances ².....											.1	2.6
Undistributed offsetting receipts.....	—8.4	—8.1	—12.3	—16.7	—14.1	—14.7	—2.6	—15.1	—15.8	—18.5	—22.3	—25.1
Total budget outlays.....	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.7	563.6	615.8

* \$50 million or less.

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

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

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1971-83

(In billions of dollars)

Function and subfunction	Actual							Estimate						
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982	1983
National defense:														
Department of Defense—Military:														
Military personnel	22.6	23.0	23.2	23.7	25.0	25.1	6.4	25.7	27.1	28.4	30.6	31.7	32.2	32.5
Retired military personnel	3.4	3.9	4.4	5.1	6.2	7.3	1.9	8.2	9.2	10.3	11.9	13.7	16.1	17.9
Operation and maintenance	20.9	21.7	21.1	22.5	26.3	27.8	7.2	30.6	33.6	36.4	40.9	46.4	49.9	53.4
Procurement	18.9	17.1	15.7	15.2	16.0	16.0	3.8	18.2	20.0	25.4	27.6	30.5	36.1	43.6
Research and development	7.3	7.9	8.2	8.6	8.9	8.9	2.2	9.8	10.5	11.2	12.9	14.8	15.9	17.8
Military construction and other ¹	1.4	1.5	.7	2.4	2.5	2.8	.4	3.1	2.7	3.3	3.5	5.6	11.5	16.5
Subtotal, Department of De- fense—Military	74.5	75.1	73.2	77.6	84.9	87.9	21.9	95.6	103.0	115.0	127.4	142.7	161.6	181.7
Atomic energy defense activities	1.4	1.4	1.4	1.5	1.5	1.6	.4	1.9	2.1	2.5	3.0	3.4	3.6	4.0
Defense-related activities	—*	.1	— .1	— 1.2	— .8	—*	—*	*	.1	.1	—*	.2	.2	.2
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*	—*	—*	—*
Total national defense	75.8	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	117.7	130.4	146.2	165.5	185.9
International affairs:														
Foreign economic and financial assist- ance	2.8	3.1	2.4	2.9	3.6	3.3	1.4	3.9	4.6	4.7	6.0	6.2	6.8	7.2
Military assistance	1.0	.7	.8	1.3	1.9	1.1	.9	.6	.5	.6	.9	.8	.6	.5
Conduct of foreign affairs .....	.4	.5	.5	.6	.7	.7	.3	1.0	1.1	1.3	1.4	1.5	1.6	1.8
Foreign information and exchange activi- ties .....	.2	.3	.3	.3	.3	.4	.1	.4	.4	.5	.5	.6	.6	.6
International financial programs	— .2	.2	.1	.6	.5	.1	— .5	— .9	— .6	— .9	1.7	.7	.6	1.2
Deductions for offsetting receipts	—*	—*	— .1	— .1	— .1	— .1	—*	— .1	— .1	— .1	— .1	— .1	— .1	— .1
Total international affairs	4.1	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.4	9.6	10.2	11.2
General science, space, and technology:														
General science and basic research	1.0	1.0	1.0	1.0	1.0	1.0	.3	1.1	1.2	1.3	1.4	1.6	1.6	1.7

Space flight.....	2.0	1.9	1.7	1.7	1.7	2.0	.5	2.3	2.3	2.2	2.7	3.0	3.1	2.8
Space science, applications, and technology .....	.8	1.0	1.0	.9	1.0	1.0	.3	1.0	1.0	1.2	1.3	1.4	1.6	1.8
Supporting space activities.....	.4	.3	.3	.3	.3	.4	.1	.3	.4	.4	.4	.4	.6	.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology.....	4.2	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.9	6.4	6.9	7.0
Energy:														
Energy supply.....	.9	1.1	1.0	.5	1.7	2.5	.6	3.3	4.0	4.9	5.5	4.5	4.5	4.3
Energy conservation				*	*	.1	*	.1	.2	.3	.6	1.2	2.5	4.1
Emergency energy preparedness.....					*	.1	*	.1	.9	1.0	.8	1.3	2.9	4.0
Energy information, policy, and regulation.....	.2	.2	.2	.3	.4	.6	.1	.7	.8	.7	.9	1.2	1.2	1.2
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—1	—*	—*	—*	—1	—1	—1	—1	—1
Total energy.....	1.0	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	6.9	7.8	8.1	11.0	13.5
Natural resources and environment:														
Water resources	1.8	2.0	2.2	2.2	2.6	2.8	.8	3.2	3.5	3.9	4.2	4.1	4.6	4.7
Conservation and land management.....	.9	.8	.7	.7	1.3	1.2	.5	1.3	2.0	1.9	2.3	2.2	2.3	2.2
Recreation resources .....	.5	.5	.6	.7	.8	.9	.3	1.0	1.4	1.5	1.5	1.5	1.7	1.8
Pollution control and abatement.....	.7	.8	1.1	2.0	2.5	3.1	1.1	4.3	4.0	4.7	4.9	5.1	5.4	5.7
Other natural resources.....	.5	.6	.6	.7	.8	.9	.2	1.0	1.2	1.3	1.4	1.5	1.5	1.7
Deductions for offsetting receipts.....	—4	—4	—5	—7	—7	—8	—3	—8	—1.1	—1.2	—1.4	—1.6	—1.8	—1.9
Total natural resources and environment.....	3.9	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	12.1	12.8	12.8	13.7	14.1
Agriculture:														
Farm income stabilization.....	3.7	4.6	4.1	1.5	.8	1.6	.3	4.5	6.6	4.9	3.3	1.4	1.5	2.3
Agricultural research and services.....	.6	.7	.8	.8	.9	.9	.2	1.1	1.1	1.3	1.4	1.4	1.5	1.6
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	*	*	—*	*	*	—*	—*	—*	—*
Total agriculture.....	4.3	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.6	2.8	3.0	3.9

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1971-83—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982	1983
Commerce and housing credit:														
Mortgage credit and thrift insurance.....	-.3	—*	-1.2	1.5	2.8	1.2	.3	-3.3	.2	-.7	1.9	-2.8	-.5	-.5
Postal Service.....	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	1.5
Federal Financing Bank.....	.....	.....	.....	.....	.....	.....	.....	-.1	.....	.....	-.3	-.2	-.1	-.1
Other advancement and regulation of commerce.....	.5	.5	.6	.7	.9	.9	.2	1.1	1.3	1.5	2.1	2.1	2.2	2.2
Deductions for offsetting receipts.....	-.1	—*	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*
Total commerce and housing credit.....	2.4	2.2	.9	3.9	5.6	3.8	1.4	—*	3.3	2.6	5.5	.7	3.2	3.1
Transportation:														
Ground transportation.....	5.2	5.4	5.6	5.6	6.5	9.3	2.3	10.0	10.4	12.1	13.6	13.8	15.0	16.2
Air transportation.....	1.8	1.9	2.2	2.2	2.4	2.6	.6	2.8	3.3	3.4	3.8	4.0	4.1	4.4
Water transportation.....	1.1	1.1	1.2	1.4	1.5	1.6	.4	1.7	1.9	2.0	2.2	2.3	2.4	2.5
Other transportation.....	*	*	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1	.1
Deductions for offsetting receipts.....	—*	—*	—*	-.1	-.1	—*	—*	—*	-.1	-.1	-.1	-.1	-.1	-.1
Total transportation.....	8.1	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.5	19.6	20.2	21.6	23.2
Community and regional development:														
Community development.....	1.7	2.1	2.0	2.1	2.3	2.8	.9	3.4	3.3	4.0	4.5	5.0	5.2	5.3
Area and regional development.....	.8	.9	1.0	1.3	1.1	1.5	.3	2.3	4.9	3.9	2.7	3.0	3.4	3.6
Disaster relief and insurance.....	.4	.4	1.6	.8	.4	.5	.1	.6	2.9	1.6	1.3	.9	.8	1.0
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional development.....	2.9	3.4	4.6	4.1	3.7	4.8	1.3	6.3	11.0	9.5	8.5	8.8	9.4	9.9

Education, training, employment, and social services:

Elementary, secondary, and vocational education

3.5 4.0 3.7 3.8 4.6 4.7 1.2 5.1 5.7 6.7 7.3 7.8 9.2 9.9

Higher education

1.4 1.4 1.5 1.3 2.0 2.7 .7 3.1 3.5 4.5 5.5 5.2 5.5 6.2

Research and general education aids

.5 .5 .7 .9 .9 .8 .2 .9 1.1 1.2 1.4 1.4 1.5 1.6

Training and employment

2.0 2.9 3.3 2.9 4.1 6.3 1.9 6.9 10.8 10.8 10.4 11.3 11.8 12.3

Other labor services

.2 .2 .2 .2 .3 .3 .1 .4 .4 .5 .6 .6 .6 .6

Social services.....

2.2 3.5 3.3 3.2 3.9 4.0 1.0 4.6 5.0 5.9 5.5 5.7 6.0 6.3

Youth initiative.....

.3 .8

Deductions for offsetting receipts.....

—* —* —* —* —* —* —* —* —* —* —* —* —* —*

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

9.8 12.5 12.7 12.3 15.9 18.7 5.2 21.0 26.5 29.7 30.7 32.0 35.0 37.7

Health:

Health care services.....

12.6 15.0 16.0 19.1 24.2 29.4 7.7 34.5 39.1 45.1 51.6 57.3 65.2 73.9

Health research.....

1.1 1.3 1.6 1.7 1.9 2.3 .5 2.5 2.8 3.0 3.3 3.6 3.9 4.1

Education and training of health care work force.....

.7 .7 .9 .8 .9 1.0 .3 1.0 .9 .6 .7 .6 .7 .8

Consumer and occupational health and safety

.3 .4 .4 .5 .6 .7 .2 .7 .8 .9 1.0 1.0 1.1 1.1

Deductions for offsetting receipts.....

—* —* —* —* —* —* —* —* —* —* —* —* —* —*

Total health.....

14.7 17.5 18.8 22.1 27.6 33.4 8.7 38.8 43.7 49.6 56.6 62.4 70.8 79.9

Income security:

General retirement and disability insurance.....

37.5 42.0 51.7 58.6 69.4 77.2 20.9 88.6 97.3 108.5 124.6 144.1 161.3 179.8

Federal employee retirement and disability.....

3.2 3.8 4.5 5.6 7.0 8.2 2.3 9.5 10.7 12.4 14.6 17.1 19.4 21.7

Unemployment compensation.....

6.2 7.1 5.4 6.1 13.5 19.5 4.0 15.3 11.8 10.7 15.6 18.8 17.4 15.6

Public assistance and other income supplements.....

8.6 11.1 11.4 14.1 18.8 22.6 5.6 24.5 26.5 28.6 36.1 40.1 43.6 46.9

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1971-83—Continued

(In billions of dollars)

Function and subfunction	Actual							Estimate						
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982	1983
Deduction for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	*	*	—*	—*	—*	—*	—*
Total income security	55.4	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	160.2	190.9	220.0	241.7	264.0
Veterans benefits and services:														
Income security for veterans	6.0	6.3	6.5	6.8	7.9	8.4	2.1	9.2	9.7	10.8	11.7	13.0	14.2	15.2
Veterans education, training, and rehabilitation.....	1.7	2.0	2.8	3.2	4.6	5.5	.8	3.7	3.4	2.8	2.2	1.9	1.5	1.2
Hospital and medical care for veterans...	2.0	2.4	2.7	3.0	3.7	4.0	1.0	4.7	5.3	5.6	6.4	6.4	6.8	7.5
Veterans housing.....	-.2	-.3	-.4	—*	*	-.1	-.1	-.1	*	.2	-.2	-.3	*	*
Other veterans benefits and services.....	.3	.3	.4	.4	.5	.6	.1	.5	.6	.6	.7	.7	.7	.7
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services	9.8	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	19.9	20.8	21.7	23.2	24.6
*Administration of justice:														
Federal law enforcement activities .....	.7	.8	1.0	1.1	1.3	1.5	.4	1.7	1.8	2.0	2.2	2.3	2.3	2.4
Federal litigative and judicial activities....	.3	.3	.4	.4	.5	.7	.2	.8	.9	1.1	1.4	1.5	1.5	1.6
Federal correctional activities .....	.1	.1	.1	.2	.2	.2	.1	.2	.3	.3	.3	.4	.4	.4
Criminal justice assistance .....	.2	.4	.6	.8	.9	.9	.2	.8	.7	.7	.6	.6	.7	.7
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total administration of justice ..	1.3	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.2	4.5	4.7	4.9	5.0
General government:														
Legislative functions.....	.3	.4	.4	.5	.6	.7	.2	.8	.9	.9	1.1	1.1	1.1	1.1
Executive direction and management	*	.1	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1	.1
Central fiscal operations.....	1.0	1.2	1.2	1.3	1.8	1.8	.4	1.9	2.1	2.3	2.7	2.8	2.9	2.9
General property and records management.....	.6	.7	.9	1.0	.4	.1	.1	.1	.2	.2	.3	.4	.5	.5
Central personnel management.....	.1	.1	.1	.1	.1	.1	*	.1	.1	.1	.2	.2	.2	.2
Other general government.....	.1	.2	.2	.4	.4	.4	.2	.4	.5	.6	.7	.5	.5	.4

Deductions for offsetting receipts.....	-.2	-.2	-.3	-.2	-.2	-.2	-.1	-.2	-.2	-.1	-.2	-.1	-.1	-.1
Total general government.....	2.0	2.4	2.6	3.2	3.1	2.9	.9	3.3	3.7	4.2	4.9	4.9	5.1	5.1
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	6.9
Other general purpose fiscal assistance...	.5	.7	.7	.8	1.1	1.0	.5	2.7	2.8	1.5	1.8	2.8	2.8	2.4
Total general purpose fiscal assistance.....	.5	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.7	9.6	9.7	9.3
Interest:														
Interest on the public debt.....	21.0	21.8	24.2	29.3	32.7	37.1	8.1	41.9	48.7	59.8	73.3	79.4	82.0	83.6
Other interest.....	-1.4	-1.3	-1.4	-1.3	-1.8	-2.6	-.9	-3.9	-4.7	-7.3	-10.0	-12.2	-14.0	-15.3
Total interest.....	19.6	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.6	63.3	67.2	68.0	68.3
Allowances:														
Civilian agency pay raises.....												1.1	3.3	5.3
National health insurance.....														24.1
Contingencies for other requirements.....											.1	1.5	6.5	7.1
Total allowances.....											.1	2.6	9.8	36.5
Undistributed offsetting receipts:														
Employer share, employee retirement.....	-2.6	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.5	-5.0	-5.3	-5.9	-6.2	-6.4	-6.5
Interest received by trust funds.....	-4.8	-5.1	-5.4	-6.6	-7.7	-7.8	-.3	-8.1	-8.5	-9.9	-11.5	-13.0	-14.1	-15.4
Rents and royalties on the Outer Continental Shelf.....	-1.1	-.3	-4.0	-6.7	-2.4	-2.7	-1.3	-2.4	-2.3	-3.3	-4.8	-6.0	-6.0	-6.0
Total undistributed offsetting receipts.....	-8.4	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.1	-15.8	-18.5	-22.3	-25.1	-26.4	-27.9
Total budget outlays.....	211.4	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.7	563.6	615.8	686.3	774.3

See footnotes at end of table.

Table 3. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1971-83—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980	1981	1982	1983
<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	-.9	.2	1.6	-.1	.9
<i>Federal Financing Bank</i> .....				.1	6.4	5.9	2.6	8.2	10.6	13.2	16.4	16.3	15.0	11.8
<i>Total, commerce and housing credit</i> .....				.9	7.5	6.9	1.8	8.0	10.1	12.3	16.6	17.9	14.9	12.7
<i>Transportation: Ground transportation</i>					*	.1	*	.2	.1	.1	.1	.1	.1	.1
<i>Community and regional development:</i>														
<i>Area and regional development</i>			*	.1	.1	.1	*	.1	.1	.1	.2	.1	.1	.2
<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	12.4	16.8	18.1	15.1	12.9
<i>Outlays including off-budget Federal entities</i>	211.4	232.0	247.1	271.1	334.2	373.7	96.5	411.4	461.2	506.1	580.3	633.9	701.4	787.2

* \$50 million or less.

† 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, 1958-83

(In billions of dollars)

Fiscal year	Current prices						Constant (fiscal year 1972) prices					
	Total outlays	National defense	Nondefense				Total outlays	National defense	Nondefense			
			Total non-defense	Payments for individuals	Net interest	All other			Total non-defense	Payments for individuals	Net interest	All other
1958.....	82.6	43.7	38.9	20.5	5.6	12.7	141.6	74.0	67.6	29.5	16.2	21.9
1959.....	92.1	46.0	46.1	22.3	5.8	18.1	153.7	75.3	78.4	31.7	16.5	30.2
1960.....	92.2	45.2	47.1	23.6	6.9	16.5	150.6	73.8	76.8	33.1	16.3	27.4
1961.....	97.8	46.6	51.2	27.3	6.7	17.1	156.7	74.8	81.9	37.8	16.2	27.9
1962.....	106.8	49.0	57.8	28.7	6.9	22.2	168.4	77.2	91.2	39.2	16.6	35.4
1963.....	111.3	50.1	61.2	30.4	7.7	23.1	170.4	76.8	93.6	41.1	16.8	35.7
1964.....	118.6	51.5	67.1	31.6	8.2	27.3	177.1	77.0	100.1	42.1	16.7	41.2
1965.....	118.4	47.5	71.0	32.3	8.6	30.1	173.0	69.3	103.7	42.5	16.7	44.5
1966.....	134.7	54.9	79.8	36.2	9.4	34.2	187.7	76.3	111.4	46.7	16.4	48.2
1967.....	158.3	68.2	90.0	43.1	10.3	36.7	211.8	92.0	119.8	53.8	16.1	49.8
1968.....	178.8	78.8	100.1	48.7	11.1	40.3	229.3	101.4	127.9	58.9	16.9	52.1
1969.....	184.5	79.4	105.1	55.3	12.7	37.2	222.9	97.9	125.0	63.8	15.5	45.8
1970.....	196.6	73.6	118.0	63.2	14.4	40.5	220.6	90.3	130.3	68.8	15.0	46.6
1971.....	211.4	75.8	135.6	78.7	14.8	42.1	222.9	81.2	141.7	81.5	15.2	45.0
1972.....	232.0	76.6	155.5	90.8	15.5	49.2	232.0	76.6	155.5	90.8	15.5	49.2
1973.....	247.1	74.5	172.5	102.1	17.3	53.1	233.3	70.0	163.3	98.1	15.4	49.8
1974.....	269.6	77.8	191.8	117.5	21.4	52.9	232.0	67.9	164.0	103.7	14.3	46.0
1975.....	326.2	85.6	240.6	150.4	23.2	67.0	253.6	67.2	186.4	119.5	14.6	52.4
1976.....	366.4	89.4	277.0	176.6	26.7	73.7	266.6	65.6	201.0	131.0	16.4	53.7
1977.....	402.7	97.5	305.2	192.4	29.9	83.0	272.2	66.5	205.7	132.7	17.4	55.6
1978.....	450.8	105.2	345.6	206.5	35.4	103.8	282.0	66.6	215.4	133.1	17.8	64.5
1979.....	493.7	117.7	376.0	227.5	42.6	105.9	280.0	69.3	210.7	132.8	17.0	60.9
1980 estimate.....	563.6	130.4	433.2	266.9	51.8	114.6	286.3	70.7	215.6	138.6	16.3	60.7
1981 estimate.....	615.8	146.2	469.5	302.6	54.2	112.7	286.8	73.2	213.5	143.3	15.3	54.9
1982 estimate.....	686.3	165.5	520.8	333.4	53.9	133.5	296.6	76.6	220.0	145.6	14.2	60.2
1983 estimate.....	774.3	185.9	588.5	390.4	53.0	145.1	312.3	80.0	232.3	158.5	13.2	60.7

Table 5. BUDGET AUTHORITY AND OUTLAYS BY AGENCY

(In millions of dollars)

Department or other unit	Budget authority			Outlays		
	1979 actual	1980 estimate	1981 estimate	1979 actual	1980 estimate	1981 estimate
Legislative branch.....	1,109	1,294	1,304	1,077	1,331	1,318
The Judiciary.....	520	624	655	480	623	649
Executive Office of the President.....	82	101	107	80	100	105
Funds appropriated to the President..	5,921	13,031	11,355	2,623	9,505	9,263
Agriculture.....	24,544	24,684	24,622	20,636	23,624	20,084
Commerce.....	2,595	3,683	3,421	4,072	3,561	3,416
Defense—Military ¹	125,004	138,635	158,155	115,013	127,400	142,700
Defense—Civil.....	2,797	2,889	3,046	2,908	3,230	3,052
Education ²	12,635	13,887	15,482	10,879	12,864	13,479
Energy.....	10,325	10,467	10,170	7,893	7,681	8,689
Health and Human Services ³	172,805	195,411	222,949	170,303	193,745	219,333
Housing and Urban Development.....	31,135	35,687	40,408	9,213	11,636	11,776
Interior.....	4,685	4,649	4,704	4,087	4,219	4,242
Justice.....	2,494	2,454	2,654	2,522	2,563	2,672
Labor.....	28,619	28,051	32,970	22,649	27,503	31,795
State.....	1,732	2,094	2,343	1,548	1,971	2,171
Transportation.....	17,237	17,842	20,503	15,486	17,347	17,873
Treasury.....	64,749	94,139	80,895	65,044	75,826	80,348
Environmental Protection Agency.....	5,402	4,686	5,341	4,800	4,984	5,197
National Aeronautics and Space Administration.....	4,549	5,267	5,734	4,187	5,011	5,437
Veterans Administration.....	20,467	21,171	22,684	19,887	20,711	21,697
Other independent agencies ⁴	35,815	55,334	48,582	26,776	30,304	33,012
Allowances ⁵.....	.....	150	3,115	.....	100	2,570
Undistributed offsetting receipts:						
Employer share, employee retirement.....	-5,271	-5,919	-6,161	-5,271	-5,919	-6,161
Interest received by trust funds....	-9,950	-11,539	-12,958	-9,950	-11,539	-12,958
Rents and royalties on the Outer Continental Shelf lands.....	-3,267	-4,800	-6,000	-3,267	-4,800	-6,000
Total budget authority and outlays.....	556,732	653,974	696,080	493,673	563,583	615,761

MEMORANDUM

Portion available through current action by Congress.....	360,136	415,957	432,892	213,741	233,519	254,287
Portion available without current action by Congress.....	264,626	318,253	351,778	187,374	229,739	266,429
Outlays from obligated balances ⁶.....	.....	.....	.....	109,519	129,750	142,900
Outlays from unobligated balances ⁶.....	.....	.....	.....	51,070	50,811	40,736
Deductions for offsetting receipts:						
Intragovernmental transactions.....	-49,364	-58,915	-63,159	-49,364	-58,915	-63,159
Proprietary receipts from the public.....	-18,666	-21,321	-25,432	-18,666	-21,321	-25,432
Total budget authority and outlays.....	556,732	653,974	696,080	493,673	563,583	615,761

¹ Includes allowances for civilian and military pay raises for Department of Defense.² This agency assumes the education activities previously performed by the Department of Health, Education, and Welfare (HEW).³ This agency, formerly part of the Department of Health, Education, and Welfare (HEW), has been designated the Department of Health and Human Services. It assumed the health and welfare activities of HEW.⁴ Includes budget authority and outlays of the General Services Administration formerly displayed separately.⁵ Includes allowances for civilian agency pay raises and contingencies.⁶ Outlays from appropriations to liquidate contract authority are included as outlays from balances.

Table 6. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1958-83

(Dollar amounts in billions)

Fiscal year	Gross national product	Budget receipts		Outlays						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.....	1,019.2	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.....	1,621.0	300.0	18.5	366.4	22.6	7.3	.4	373.7	23.1	631.9	39.0	480.3	29.6
1977.....	1,843.3	357.8	19.4	402.7	21.8	8.7	.5	411.4	22.3	709.1	38.5	551.8	29.9
1978.....	2,060.4	402.0	19.5	450.8	21.9	10.3	.5	461.2	22.4	780.4	37.9	610.9	29.7
1979.....	2,313.4	465.9	20.1	493.7	21.3	12.4	.5	506.1	21.9	833.8	36.0	644.6	27.9
1980 estimate.....	2,518.0	523.8	20.8	563.6	22.4	16.8	.7	580.3	23.0	892.8	35.5	688.9	27.4
1981 estimate.....	2,764.4	560.0	21.7	615.8	22.3	18.1	.7	633.9	22.9	939.4	34.0	722.0	26.1
1982 estimate.....	3,107.6	691.1	22.2	686.3	22.1	15.1	.5	701.4	22.6	972.6	31.3	731.3	23.5
1983 estimate.....	3,513.0	798.8	22.7	774.3	22.0	12.9	.4	787.2	22.4	988.8	28.1	718.5	20.5

* 0.05% or less.

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

(Excluding the Postal Service)

	As of September 30			Change 1980-81
	1979 ² actual	1980 estimate	1981 estimate	
Agriculture	83,899	85,200	85,100	-100
Commerce	29,127	30,800	31,200	400
Defense—military functions.....	885,990	886,000	885,000	-1,000
Defense—civil functions	28,592	28,400	28,400	.....
Education ³ .....	.....	6,100	6,000	-100
Energy.....	19,005	20,300	20,300	.....
Health, Education, and Welfare.....	141,945	.....	.....	.....
Health and Human Services .....	.....	140,900	138,800	-2,100
Housing and Urban Development	16,101	16,000	16,000	.....
Interior.....	54,343	55,100	55,300	200
Justice.....	52,743	55,700	55,400	-300
Labor	22,148	23,000	22,700	-300
State.....	22,130	21,900	22,000	100
Transportation	70,166	71,700	72,200	500
Treasury.....	109,382	111,400	112,000	600
Environmental Protection Agency	10,153	11,000	11,200	200
National Aeronautics and Space Administration.....	22,633	22,600	22,700	100
Veterans Administration	193,641	201,900	200,800	-1,100
Other:				
Agency for International Development	5,753	.....	.....	.....
General Services Administration.....	32,787	34,700	34,900	200
International Communication Agency	8,020	8,400	8,400	.....
International Development Cooperation Agency.....	.....	5,900	5,800	-100
Nuclear Regulatory Commission.....	2,839	3,100	3,400	300
Office of Personnel Management.....	6,276	6,600	6,600	.....
Panama Canal Commission	11,666	8,300	8,300	.....
Small Business Administration.....	4,372	4,700	4,700	.....
Tennessee Valley Authority	17,065	17,700	17,700	.....
Miscellaneous	42,615	45,300	45,100	-200
Subtotal.....	1,893,391	1,922,600	1,920,000	-2,600
Contingencies ⁴ .....	.....	700	2,000	1,300
Subtotal.....	1,893,391	1,923,300	1,922,000	-1,300
Expected lapse .....	.....	-13,000	-13,000	.....
Total.....	1,893,391	1,910,300	1,909,000	-1,300

¹ Excludes Postal Service employment. Actual employment for 1979 was 532,627; employment for 1980 is estimated to be 531,800, and 532,100 for 1981. Also excludes developmental positions under the worker trainee opportunity program, as well as certain statutory exemptions.

² The 1979 column reflects the organizational structure as of September 30, 1979. Beginning with the 1980 column, the table reflects the changes from the Department of Health, Education, and Welfare to the Departments of Education and Health and Human Services. The table also reflects the change from the Agency for International Development to the International Development Cooperation Agency.

³ Section 403 of the Department of Education Organization Act requires that the number of full-time equivalent positions in the Department be reduced by 500 by the end of 1981. One hundred of that reduction will be taken in full-time permanent positions, the remaining 400 from temporary, part-time, and intermittent positions.

⁴ Subject to later distribution.

Table 8. BUDGET RECEIPTS AND OUTLAYS, 1789-1983

(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	1959.....	79,249	92,104	-12,855
1850-1900	14,462	15,453	-991	1960.....	92,492	92,223	+269
1901-1905	2,797	2,678	+119	1961.....	94,389	97,795	-3,406
1906-1910	3,143	3,196	-52	1962.....	99,676	106,813	-7,137
1911-1915	3,517	3,568	-49	1963.....	106,560	111,311	-4,751
1916-1920	17,286	40,195	-22,909	1964.....	112,662	118,584	-5,922
1921.....	5,571	5,062	+509	1965.....	116,833	118,430	-1,596
1922.....	4,026	3,289	+736	1966.....	130,856	134,652	-3,796
1923.....	3,853	3,140	+713	1967.....	149,552	158,254	-8,702
1924.....	3,871	2,908	+963	1968.....	153,671	178,833	-25,161
1925.....	3,641	2,924	+717	1969.....	187,784	184,548	+3,236
1926.....	3,795	2,930	+865	1970.....	193,743	196,588	-2,845
1927.....	4,013	2,857	+1,155	1971.....	188,392	211,425	-23,033
1928.....	3,900	2,961	+939	1972.....	208,649	232,021	-23,373
1929.....	3,862	3,127	+734	1973.....	232,225	247,074	-14,849
1930.....	4,058	3,320	+738	1974.....	264,932	269,620	-4,688
1931.....	3,116	3,577	-462	1975.....	280,997	326,185	-45,188
1932.....	1,924	4,659	-2,735	1976.....	300,005	366,439	-66,434
1933.....	1,997	4,598	-2,602	TQ.....	81,773	94,729	-12,956
1934.....	3,015	6,645	-3,630	1977.....	357,762	402,725	-44,963
1935.....	3,706	6,497	-2,791	1978.....	401,997	450,836	-48,839
1936.....	3,997	8,442	-4,425	1979.....	465,940	493,673	-27,733
1937.....	4,956	7,733	-2,777	1980 est.....	523,829	563,583	-39,754
1938.....	5,588	6,765	-1,177	1981 est.....	599,988	615,761	-15,773
1939.....	4,979	8,841	-3,862	1982 est.....	691,097	686,279	+4,818
1940.....	6,361	9,456	-3,095	1983 est.....	798,844	774,335	+24,509
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 budget 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.....	12,428	506,102	-40,162
1951.....	51,646	45,546	+6,100	1980 est.....	16,766	580,349	-56,519
1952.....	66,204	67,721	-1,517	1981 est.....	18,090	633,851	-33,862
1953.....	69,574	76,107	-6,533	1982 est.....	15,078	701,357	-10,259
1954.....	69,719	70,890	-1,170	1983 est.....	12,852	787,187	+11,657
1955.....	65,469	68,509	-3,041				
1956.....	74,547	70,460	+4,087				
1957.....	79,990	76,741	+3,249				
1958.....	79,636	82,575	-2,939				

Data for 1789-1939 are for the administrative budget; data for 1940 and all following years are for the unified budget.

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

Off-budget Federal entity outlays begin in 1973.

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 through 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 Federal budget totals for the Congress.

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,

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.

such as 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 1981 are published in Special Analysis A of the 1981 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 1981 is the fiscal year ending September 30, 1981. (From fiscal year 1844 to fiscal year 1976 the fiscal year began on July 1 and ended on the following June 30.)

GOVERNMENT-SPONSORED ENTERPRISES—Enterprises with completely private ownership, such as the Federal land banks and Federal home loans banks, established and chartered by the Federal Government to perform specialized credit 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 that have been excluded from the budget totals under provisions of law. 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 the public through 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 (TQ)**—The 3-month period (July 1 to September 30, 1976) between fiscal year 1976 and fiscal year 1977 resulting from a change in the fiscal year from July 1 through June 30 to October 1 through September 30, 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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THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1981 are published in four documents:

The Budget of the United States Government, 1981 contains the Budget Message of the President and presents an overview of the President's budget proposals. It includes explanations of spending programs in terms of national needs, agency missions, and basic programs, and an analysis of estimated receipts including a discussion of the President's tax program. This document also contains a description of the budget system and various summary tables on the budget as a whole.

The United States Budget in Brief, 1981 is designed for use by the general public. It provides a more concise, less technical overview of the 1981 budget than the above volume. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays.

The Budget of the United States Government, 1981—Appendix contains detailed information on the various appropriations and funds that comprise the budget. The *Appendix* contains more detailed information than any of the other budget documents. It includes for each agency: the proposed text of appropriation language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of agencies, and schedules of permanent positions. Supplementals and rescission proposals for the current year are presented separately. Information is also provided on certain activities whose outlays are not part of the budget totals.

Special Analyses, Budget of the United States Government, 1981 contains analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data. This document includes information about: alternative views of the budget, i.e., current services and national income accounts; economic and financial analyses of the budget covering Government finances and operations as a whole, and Government-wide program and financial information for Federal civil rights and research and development programs; and some major accomplishments.

Instructions for purchasing copies of any of these documents are on the preceding two pages of this volume.

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