

THE
UNITED STATES
BUDGET
IN BRIEF

FISCAL YEAR
1982

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

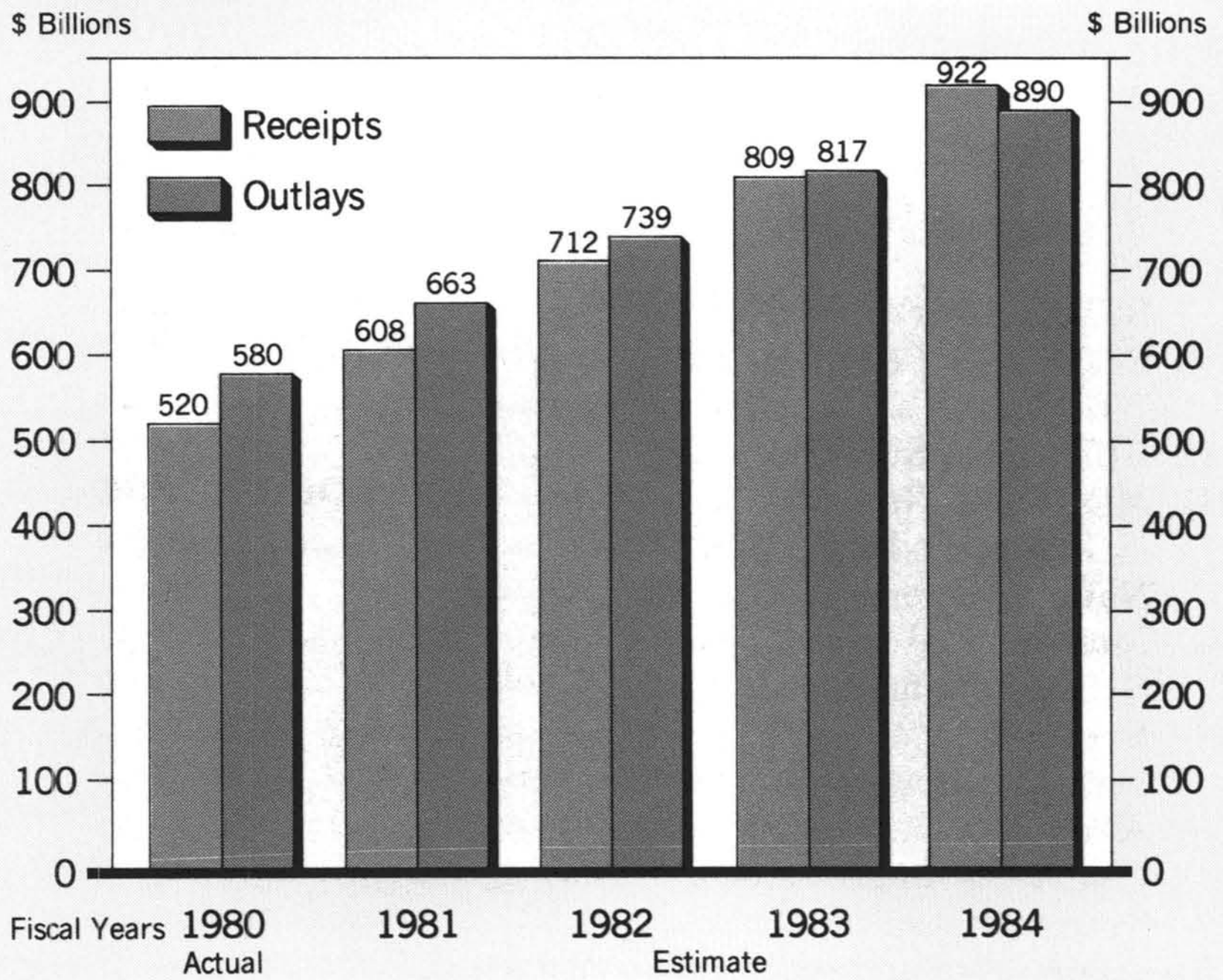
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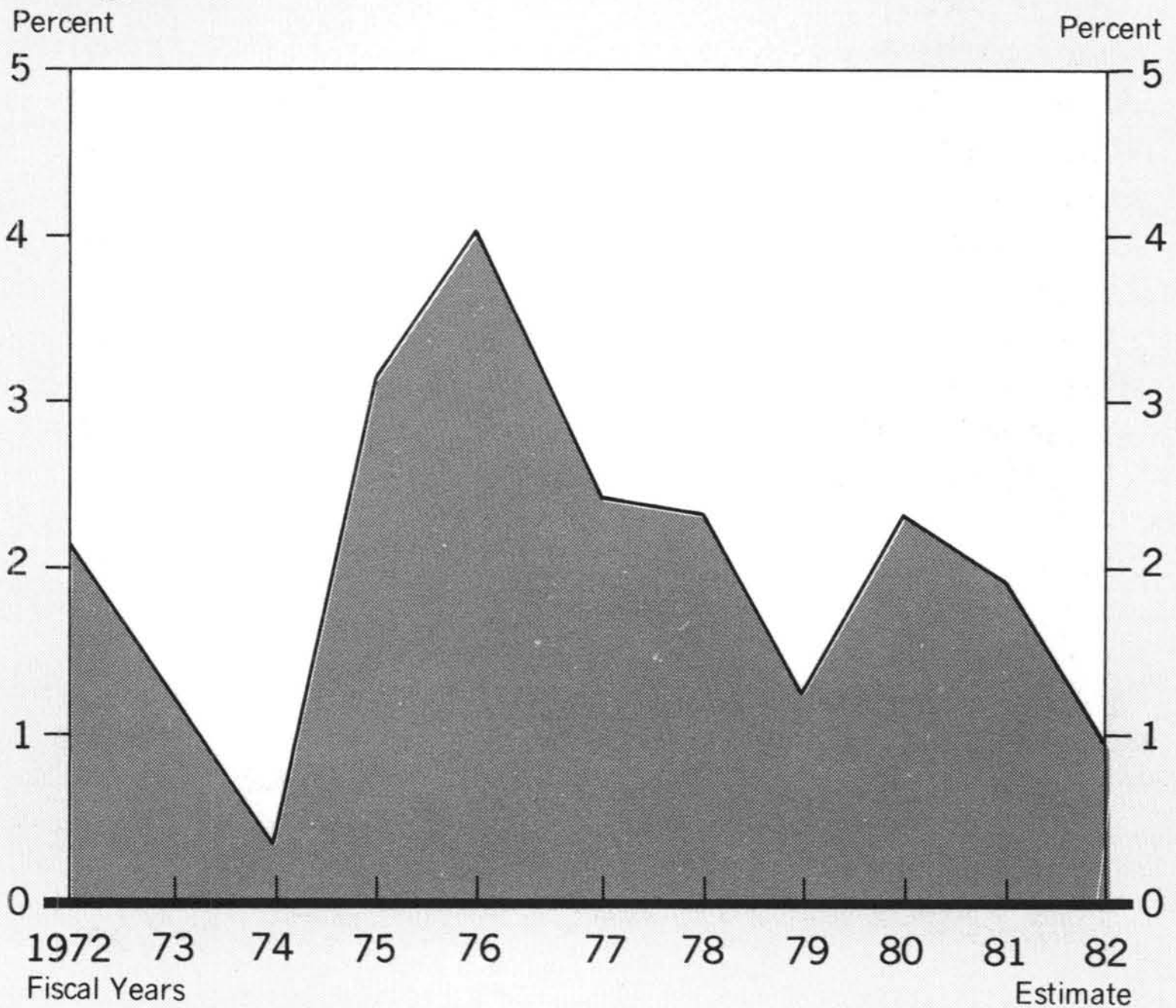
GENERAL NOTES

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, 1980-1984



Budget Deficits as a Percent of GNP



BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

My administration has faced a wide range of challenges at home and abroad, challenges stemming from our strengths, not our weaknesses: our strengths as a world leader, as a developed industrial nation, and as a heterogeneous democracy with high goals and great ambitions. Meeting these challenges satisfactorily requires that we establish priorities, recognizing the limits to even our Nation's enormous resources. We cannot do all that we wish at the same time. But we must provide for our security, establish the basis for a strong economy, protect the disadvantaged, build human and physical capital for the future, and safeguard this Nation's magnificent natural environment.

This budget provides for meeting these needs, while continuing a 4-year policy of prudence and restraint. While our budget deficits have been higher than I would have liked, their size has been determined for the most part by economic conditions. Even so, the trend has been downward. In 1976, the budget deficit equalled 4.0% of gross national product. This was reduced to 2.3% in the budget year that ended 3 months ago. The 1982 budget deficit is estimated to equal only 0.9% of gross national product.

The rate of growth in budget outlays has been held to a minimum. In spite of significant increases in indexed programs, outlays for nondefense programs—after adjusting for inflation—decrease slightly.

The 1982 budget calls for outlays of \$739 billion, an increase of 1.0% when adjusted for inflation. Nondefense spending is projected to decline by 0.2% in real terms. The tax reductions I proposed as part of the economic revitalization program have been retained,

THE BUDGET TOTALS

(In billions of dollars)

	1980 actual	1981 estimate	1982 estimate	1983 estimate	1984 estimate
Outlays.....	579.6	662.7	739.3	817.3	890.3
Receipts.....	520.0	607.5	711.8	809.2	922.3
Surplus or deficit (—).....	—59.6	—55.2	—27.5	—8.0	32.0
Budget authority.....	658.8	726.5	809.8	892.0	962.7
Credit budget.....	131.2	165.4	152.6	.....	.....

but some have been delayed or phased in over a longer period in recognition of the continued high inflation rate. The budget deficit—which is now projected at \$55.2 billion in 1981—is estimated to decline to \$27.5 billion in 1982.

In planning this budget, I have considered four major issues:

- What is the economic policy that will ensure prosperity for all while minimizing inflation?
- How much of our Nation's wealth should be used by the Federal Government?
- What are desirable spending proposals and strategies for defense, human resources, and investment?
- How can the management of Government be improved?

THE ECONOMY

During the last decade we withstood a series of economic shocks unprecedented in peacetime. The most dramatic of these were the explosive increases of OPEC oil prices. But we have also faced world commodity shortages, natural disasters, agricultural shortages, and major challenges to world peace and security. Our ability to deal with these shocks has been impaired by slower productivity growth and persistent, underlying inflationary forces built up over the past 15 years.

Nevertheless, the economy has proved remarkably resilient. Real output has grown at an average annual rate of 3% since I took office, and employment has grown by 2½%. Nearly 8 million productive private sector jobs have been added to the economy. However, unacceptably high inflation remains our most difficult economic problem. This inflation requires that we hold down the growth of the budget to the maximum extent, while still meeting the demands of national security and human compassion. I have done so, as I did in my earlier budgets.

While budget restraint is essential to any appropriate economic policy, high inflation cannot be attributed solely to Government spending. The growth in budget outlays has been more the result of economic factors than the cause of them. For fiscal year 1981 alone, budget outlays must be increased by \$9 billion over last year's estimate as a result of higher interest rates. Yet this increase results not only from inflation but from the monetary policies undertaken to combat it. Nearly \$18 billion for 1981 reflects higher defense costs and higher automatic inflation adjustments than were anticipated a year ago.

We are now in the early stages of economic recovery following a short recession. Typically, post-recessionary periods have been marked by vigorous economic growth abetted by stimulative policies such as large tax cuts or spending programs. I am not recommending such actions, because persistent inflationary pressures dictate a restrained fiscal policy. However, I continue to recommend specific tax reductions that contribute directly to increased productivity and long-term growth.

THE SIZE AND ROLE OF GOVERNMENT

We allocate about 23% of our Nation's output through the Federal budget. (Including all levels of government, the total government share of our gross national product is about one-third.) We must come close to matching Federal outlays with tax receipts if we are to avoid excessive and inflationary Federal borrowing. This means either controlling our appetite for spending or accepting the burden of higher taxes.

The growth of budget outlays is puzzling to many Americans, but it arises from valid social and national security concerns. Other developed countries face similar pressures. We face a threat to our security, as events in Afghanistan, the Middle East, and Eastern Europe make clear. We have a steadily aging population; as a result, the biggest single increase in the Federal budget is the rising cost of retirement programs, particularly social security. We must meet other important domestic needs: to assist the disadvantaged; to provide the capital needed by our cities and our transportation systems; to protect our environment; and to revitalize American industry.

I have been concerned with the proper role of the Federal Government in designing and providing such assistance. The Federal Government must not usurp functions that are best left to the private sector or to State and local governments. My administration has sought to make the proper assignments of responsibility, to resolve problems in the most efficient manner.

We have also recognized the need to simplify the system of Federal grants to State and local governments. Once again, I am proposing several grant consolidations in the 1982 budget, including a new proposal that would consolidate several highway programs. Previous consolidation proposals of my administration have been in the areas of youth training and employment, environment, energy conservation, airport development, and rehabilitation services. These consolidations are essential to improving our intergovernmental system. However, the Congress has so far agreed to consolidate only rehabilitation services grants. Therefore, I am proposing again the consolidations recommended earlier.

MAJOR BUDGET PRIORITIES

Spending growth can be constrained; not easily, not quickly, but it is possible. My budget priorities have been established, once again, to achieve this goal in a responsible manner.

Three years ago, in my 1979 budget message, I outlined the following principles:

- The Nation's armed forces must always stand sufficiently strong to deter aggression and to assure our security.
- An effective national energy plan is essential to reduce our increasingly critical dependence upon diminishing supplies of oil and gas, to encourage conservation of scarce energy resources, to stimulate conversion to more abundant fuels, and to reduce our large trade deficit.
- The essential human needs of our citizens must be given high priority.
- The Federal Government must lead the way in investment in the Nation's technological future.
- The Federal Government has an obligation to nurture and protect our environment—the common resource, birthright, and sustenance of the American people.

My 1982 budget is again based on these principles.

Tax policy and economic revitalization.—I continue to believe that large inflationary individual income tax cuts are neither appropriate nor possible today, however popular they might appear in the short run. My economic revitalization program stresses tax reductions on a timetable that we can afford, and that will fight inflation by encouraging capital formation and increasing industrial productivity. This program stresses:

- simplification and liberalization of depreciation allowances;
- modification of the investment tax credit to encourage investment by temporarily depressed firms and by growing new firms;
- an income tax credit to offset increases in social security taxes;
- a liberalized earned income credit to also offset social security taxes and to encourage low-income earners to work;
- a working-spouse deduction to make more equitable the way working husbands and wives are taxed; and
- more favorable tax treatment for Americans in certain areas overseas to help American exports and strengthen the dollar.

Defense.—Maintaining a strong defense has been a primary objective of this administration. In order to meet the security needs of the Nation, real spending for defense increased in 1979 and 1980 by more than the 3% target I set at the NATO ministerial meeting

in 1977. This real growth rate in defense spending has been maintained despite the adverse effects of higher than anticipated inflation, and restrained budgets.

To meet critical remaining needs, this budget includes a \$6.3 billion supplemental request for 1981, largely for military pay increases and combat readiness. Together with congressional add-ons to my earlier 1981 request, this supplemental will increase defense programs almost 8% in real terms over 1980. For 1982 and beyond, the budget charts a course of sustained and balanced improvements in defense programs that will require real annual increases in funding of about 5% per year.

The budget request reflects a careful balance between the need to meet all critical defense needs, while maintaining fiscal restraint. There will be advocates for higher defense levels, but after careful review I do not believe that higher spending would add significantly to our national security. My budget already provides for the three major defense requirements:

- *Personnel recruitment and retention.*—Our armed forces can be no better than the quality of the people who serve in them. Accordingly, I recently approved the largest pay and benefits increase in history—a \$4.5 billion compensation package that provides for an average compensation increase of 16%. This increase in base pay, plus better housing allowances, expanded enlistment and reenlistment bonuses, and special pay enhancements for submariners and other specialists, will help attract and retain highly qualified men and women.
- *Improving combat readiness.*—Increased compensation will be a key factor in overcoming key personnel shortages, which are the major source of readiness problems. In addition, there have been shortages in critical spare parts and, in a few cases, inadequate funds for training. The funds recommended by this budget should alleviate these problems.
- *Modernizing our forces.*—I also propose major investments to enhance substantially the capabilities of our forces. Strategic forces are being upgraded through continued procurement of Trident submarines and missiles, procurement of cruise missiles, modification of the B-52 bomber, and development of the MX missile. Army equipment, including tanks, armored vehicles, helicopters, and air defense and other missile systems, is being modernized. Fighter and attack planes are being added to Navy and Marine forces, and a continuing major shipbuilding program will add over 80 ships to our growing fleet between 1982 and 1986. The rapid deployment of our forces is being improved through the acquisition of more cargo ships and modification of airlift aircraft.

Foreign aid.—Foreign assistance remains crucial in achieving our country's international political and economic goals. From the start of my administration, I have stressed the need for substantial increases in assistance to friendly nations, many of whom are drastically harmed by constantly increasing oil prices and other external economic and security pressures. At the same time, I have insisted upon improved management of both our security and development assistance programs.

In the first 2 years of this administration, the Congress reduced my foreign aid requests but permitted some program growth. For the past 2 years, however, the Congress has failed to pass regular foreign aid appropriations. Assistance programs in 1981 are being funded under a continuing resolution that provides amounts slightly above the 1979 levels in nominal terms, and substantially below them in real terms.

I believe in the need for higher levels of aid to achieve foreign policy objectives, promote economic growth, and help needy people abroad. Foreign aid is not politically popular and represents an easy target for budget reduction. But it is not a wise one. For 1982, therefore, I am requesting a foreign assistance program level that is higher by 14% in real terms than the amount currently available for 1981. This request would reverse the recent real decline in aid and demonstrate that the United States retains its commitment to a world of politically stable and economically secure nations.

The bilateral development aid budget includes a U.S. response to the 1980 Venice Summit agreement that the major industrial countries should increase bilateral aid for food production, energy production and conservation, and family planning in the developing countries. Such an effort to increase the availability of resources on which the industrial countries depend will serve U.S. national security, and will stimulate additional actions by the private sector in the recipient countries. This U.S. effort is planned in the expectation that the other Summit countries will also increase aid in these sectors, in response to the Venice Summit agreement. We hope this initiative will lead to agreement on arrangements for increased consultation and cooperation among the major industrial countries providing increased bilateral aid to these three vital sectors.

Energy.—My administration, working with the Congress, has established fundamental new policies that will profoundly change the way the Nation produces and uses energy. They have already led to more domestic exploration and to substantial energy conservation. This energy program represents a major long-range national commitment to meeting one of our most pressing problems. It includes:

- Deregulation and decontrol of oil prices to be completed by October of this year.
- Establishment of the Synthetic Fuels Corporation, which will share with the private sector the risk in producing oil and natural gas substitutes that directly reduce U.S. oil imports.
- Support for energy research and development in technologies, such as solar and fusion energy, that the private sector would not finance.
- Development of the strategic petroleum reserve to reduce the impact of disruptions in world oil supplies.
- Energy conservation in public and nonprofit enterprises.
- Research on the environmental effects of energy production and use to assure that adverse effects on environmental quality are minimized.

Continuation of a sound energy policy is essential to the Nation's well-being in the coming decades. Such a policy must include the pricing of energy at its true cost, mechanisms to stimulate conservation, incentives for the continued development of our own domestic sources of energy, encouragement for longer-run renewable forms of energy, and equity for all our citizens as we adjust to this new reality.

Basic science and space technology.—Basic research is essential to the long-term vitality of the Nation's economy. Because the benefits of such investments cannot be fully realized by individual companies, the Federal Government plays a key role in supporting such research.

My budgets have reversed a long period of decline in Federal support for basic research. The 1982 budget continues that policy by providing for 4% real growth in support for the conduct of basic research across all Federal agencies. The budget also provides for greater efforts to foster cooperation among government, business, and universities in research.

In addition, we have recognized the growing importance of improving scientific technology in the Nation's universities as critical to the advancement of science and to the training of scientific and engineering manpower.

My administration's comprehensive space policy encourages the practical, effective use of information obtained from orbiting satellites and the coordinated use of the Space Shuttle, now nearing completion. Successful resolution of development problems is expected to lead to the first manned orbital flight of the Shuttle in 1981.

With these increases, Federal support for basic research will have increased by almost 58% over 1978.

Social programs.—This budget supports my deep commitment to programs that help our citizens develop their full potential, and to programs assisting the poor, the unemployed, the elderly, and the sick.

The most extensive such programs are *social security* and *medicare*. Parts of this system are expected to experience short-run financing problems because higher than expected unemployment has decreased payroll taxes below previous forecasts, and high inflation has increased benefit payments. Therefore, the administration continues to urge the passage of legislation that would permit the three major social security trust funds to borrow from each other. In addition, it is essential that the Congress and the American people give early consideration to medium-term financing concerns.

The reports of the Commission on Pension Policy, which I established 2 years ago, and the National Commission on Social Security should stimulate constructive debate on these issues. These Commissions will complete their final reports during the coming months.

My administration has consistently maintained a strong commitment to remedying *youth unemployment* and the problems it causes. This budget includes an increase of \$1.2 billion in 1982 and an additional increase of \$0.8 billion in 1983 for the youth initiative I proposed last year. This initiative emphasizes the mastery of basic arithmetic and literacy skills, as well as the link between the classroom and the workplace.

The Job Corps would be continued at this year's level, serving twice as many youth as when my administration took office. In addition, my budget provides 240,000 public service jobs for low-income, long-term unemployed persons in 1982. This program is designed for the hard-core structurally unemployed, and includes substantial training in order to place men and women in permanent jobs. At the same time, the budget continues the countercyclical public service employment program through 1982 at the 100,000 level set by the Congress for 1981. The budget also provides a slight increase for the administration's private sector jobs initiative and essentially maintains the 1980 level of summer youth employment.

I am again proposing to augment medicaid with a *child health assurance* program effective by the end of 1982. This proposal, which the House of Representatives passed last year, would extend medicaid coverage to an additional 2 million children and pregnant women.

I am also proposing a number of changes in existing programs. For example, I am again proposing that retirement benefits for government employees be adjusted for inflation once, rather than twice, a year. This change would make these adjustments comparable to those for social security and most private sector automatic

adjustment practices. The Congress approved a similar administration initiative last year for the food stamp program. This proposal would save \$1.1 billion in 1982.

Benefits that are adjusted by statute for inflation will comprise nearly one-third of total Federal spending in 1981. During the last year, my administration has been assessing whether these adjustments are fair and equitable. We have concluded that the Consumer Price Index has several deficiencies as a measure of the true cost of living, particularly because of the manner in which it represents housing costs. I am therefore proposing, in this budget, that future benefits be based on an alternative, more representative index. The alternative index is already calculated and published by the Bureau of Labor Statistics. This proposal is designed to improve the technique of indexing these programs, not to reduce benefits. Therefore, no cost savings are assumed in the budget.

The budget also includes legislation to make unemployment benefits more nearly uniform among the States and to coordinate benefits more precisely with unemployment rates. Although this proposal would save about \$2 billion in 1982 under the unemployment rates being projected for this budget, a slightly higher rate of unemployment would trigger extended benefits nationally. In such a case, unemployment benefits would be very close to those under current law. Even with the projected change, under current economic projections \$1.5 billion would be paid in 1982 for extended benefits in States where the program is triggered.

I remain committed to a national health plan that would assure basic and catastrophic medical coverage for all Americans, as well as for prenatal and infant care. An estimated 22 million Americans lack any private or public health insurance coverage. Another 60 million people lack adequate basic coverage or protection against catastrophic medical expenses. Given the fact that adequate cost containment does not exist and the need for overall budgetary constraints, the budget does not include specific amounts for this plan. However, it is important that our Nation attempt to meet these needs and that the incentives in our health care system be restructured. A clear demonstration of success in restraining medical care costs is an essential prerequisite to the enactment of a national health plan.

My proposals to reform our welfare system should also be enacted as soon as possible. Such a program is essential to ensuring that no American goes hungry or lacks a reasonable income, and to provide needed fiscal relief to States, counties, and cities.

IMPROVING GOVERNMENT MANAGEMENT

This budget reinforces my commitment to use resources not only wisely, but efficiently. During my administration we have:

- installed new Offices of Inspectors General in 15 major agencies to combat waste, fraud, and abuse;
- carried out a major Government-wide reform of the civil service system;
- reorganized important areas of the Federal Government, particularly those concerned with education and energy;
- reduced permanent Federal civilian employment by 45,000;
- achieved budgetary savings directly through improved cash management; and
- reduced paperwork and established a paperwork budget.

Such efforts to streamline the way the Government conducts its business are rarely dramatic. Improved efficiency is not the product of a simple sweeping reform but, rather, of diligent, persistent attention to many aspects of Federal program management.

One important aspect of improved management has been in the budget process itself. *Zero-base budgeting* is now an integral part of the decisionmaking system, providing a more systematic basis for making decisions. We have also instituted a 3-year budget planning horizon so that the longer range consequences of short-term budget decisions are fully considered and understood.

In 1978 I made a major commitment to establish a system of controlling *Federal credit* since, in the past, the very large Federal loan guarantee programs had largely escaped the discipline of the budget process. This system is now in place.

I am gratified that the Congress has supported these efforts to improve budget control. Appropriations bills now include limits on many credit programs. The congressional budget resolutions place significantly greater emphasis on longer range budget trends and set overall credit targets.

While the credit control system provides a means of assessing and limiting Federal credit programs, I believe Federal credit programs have become unduly complex and pose an increasing threat to the effective and efficient operation of private capital markets. In particular, the Federal Financing Bank has become a major and rapidly growing source of off-budget funds for direct loans to a wide range of borrowers.

Therefore, I am recommending that a panel of outstanding financial and budget experts should be established to examine these issues. Such a panel should consider the treatment of credit activities in the budget, the adequacy of program administration, uniform rules and procedures for Federal credit programs, the role of

the Federal Financing Bank, and the relationship of tax-exempt financing to overall credit and tax policies.

CONCLUSION

My budget recommendations reflect the major changes that have taken place in our country over recent decades. In 1950, social security and railroad retirement benefits accounted for less than 3% of budget outlays. Last year they accounted for more than one-fifth of the total. Mandatory outlays for entitlement programs, the levels of which are fixed by law, for interest on the public debt, and for payments under binding contracts account for three-fourths of total budget outlays. Because so much of the budget is committed under current law before either the President or the Congress begins the annual budget formulation process, controlling budget growth has been difficult, and the results uneven. It has been difficult because benefit payments and other legal obligations have too often been spared from annual budget scrutiny. The results have been uneven because budget restraint has fallen disproportionately on programs subject to the annual appropriations process.

My administration and the Congress began to redress this imbalance in the 1981 budget. The Congress passed, and I signed into law, a reconciliation bill that for the first time was used as a mechanism for changing a variety of entitlement and tax programs. I do not propose that we break faith with the American people by arbitrarily or unfairly reducing entitlement programs. However, these programs developed independently, and they should be made less duplicative, more consistent, and more equitable. The size of these programs, and our need for budget restraint, requires that we address these problems. I urge the Congress to build upon last year's experience and review all aspects of the budget with equal care.

The allocation of one-fifth of our Nation's resources through the Federal budget is a complex, difficult, and contentious process. Restraint on any program, small or large, is usually subject to heated debate. At a time when there is broad consensus that the size of the Federal budget is too large, we can no longer—as individuals or groups—make special pleas for exceptions to budget discipline. Too often we have taken the attitude that individual benefits or particular programs or specific tax measures are not large enough to require restraint. Too often we have taken the attitude that there must be alternative sources for reductions in programs that benefit our particular group. This attitude is in part responsible for the rapid budget growth we have experienced—and can no longer afford.

Given our Nation's needs and our economic constraints, my recommendations meet the fundamental demands of our society: a strong defense, adequate protection for the poor and the disadvantaged, support for our free enterprise economy, and investment in the Nation's future.

JIMMY CARTER.

JANUARY 15, 1981.

PART I

ECONOMIC ASSUMPTIONS AND THE BUDGET OUTLOOK

This section discusses the budget outlook and the economic assumptions that underlie it. The first section presents economic assumptions for calendar years 1980 through 1986. The second section discusses several aspects of the short-range budget outlook. The final section examines the budget's multiyear planning base for fiscal years 1982-84 and the projections for 1985 and 1986.

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 to both real economic growth and inflation. Variations in receipts, as well as in some benefit payments, such as unemployment compensation, normally serve as "automatic stabilizers" for the economy by restraining growth during boom periods and cushioning economic downturns. Other activities of Government that are not reflected in the budget totals, such as loan guarantees, off-budget outlays, and regulations also affect the economy, although their effect is generally less direct and less easily measured.

Conversely, receipts and outlays for many Federal programs are directly linked to developments in the economy. For example, most retirement and other social insurance benefit payments are now tied by law to price indexes. Medicare and medicaid outlays are affected directly by the price of medical services. 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. Loan asset sales, which reduce budget outlays, are also affected by interest rates. Outlays for certain benefits, such as unemployment compensation and food stamps, vary with the rate of unemployment and income levels and are thereby linked to the state of the economy.

Because of the complex interrelationships between the budget and the economy, budget estimates depend to a very significant extent upon economic assumptions. Thus, budget estimates can change very significantly if economic conditions differ greatly from those assumed.

In 1980, for example, actual Federal spending was \$48 billion higher than the original budget estimate in January 1979, with over half the increase directly attributable to economic conditions different from those originally assumed.

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, whereas the budget estimates are for fiscal years.

SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1979	Forecast		
		1980 ¹	1981	1982
Gross national product:				
Current dollars:				
Amount	2,414	2,627	2,928	3,312
Percent change: Fourth quarter over fourth quarter	9.9	9.6	12.3	12.6
Constant (1972) dollars:				
Amount	1,483	1,481	1,493	1,545
Percent change: Fourth quarter over fourth quarter	1.7	-.3	1.7	3.5
Income (current dollars):				
Personal income	1,944	2,160	2,420	2,700
Wages and salaries	1,236	1,344	1,486	1,656
Corporate profits	255	241	233	269
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	8.1	10.0	10.4	8.8
Consumer Price Index: Fourth quarter over fourth quarter ²	12.8	12.8	12.6	9.6
Unemployment rates (percent):				
Total: Fourth quarter	5.9	7.5	7.7	7.4
Total: Annual average	5.8	7.2	7.8	7.5
Federal pay raise (percent): ³				
Civilian	7.0	9.1	5.5	9.0
Military	7.0	11.7	9.1	9.0
Interest rate, 91-day Treasury bills (percent) ⁴	10.0	11.5	13.5	11.0

¹ Actual data for the 1980 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 shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

³ General schedule pay raises become effective in October—the first month of the new fiscal year. Thus, the October 1981 pay raise will set new pay scales that will be in effect during fiscal year 1982.

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

During the early months of calendar year 1980, the inflationary outlook worsened significantly and the economy headed into a recession. During the second quarter, economic activity declined at a record rate. This decline, though sharp, proved to be brief as economic activity began to pick up in the summer. Inflation, while

it has abated somewhat from the temporarily high level of the first quarter, remains unacceptably high.

The short-range economic assumptions for calendar years 1980 (for which only three-quarters of actual data were available when the forecast was made), 1981, and 1982 are forecasts of probable economic conditions consistent with the administration's budget proposals.

As the table indicates, it now appears that the economy has embarked on what is likely to be a relatively slow recovery, with real growth of 1½ to 2% during calendar year 1981 and 3 to 4% in 1982. Consistent with this pattern of growth, the unemployment rate is projected to remain at about its current level during the forecast period. The overall inflation rate, as measured by the GNP deflator, is expected to be about 10½% in 1981, slightly above the 1980 rate. A decline in this measure of inflation, to just under 9%, is projected in 1982. The consumer price index, which is more sensitive to food prices, mortgage interest rates, and oil prices, is forecast to increase by 12½% during 1981 and 9½% during 1982. These figures compare with an increase in the consumer price index of almost 13% during 1980.

LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1983	1984	1985	1986
Gross national product:				
Current dollars:				
Amount	3,718	4,156	4,611	5,081
Percent change: Fourth quarter over fourth quarter.....	12.2	11.5	10.7	9.9
Constant (1972) dollars:				
Amount	1,600	1,659	1,720	1,784
Percent change: Fourth quarter over fourth quarter.....	3.7	3.7	3.7	3.7
Incomes (current dollars):				
Personal income	3,021	3,360	3,709	4,067
Wages and salaries	1,850	2,051	2,257	2,466
Corporate profits.....	311	355	404	455
Price level (percent change):				
GNP deflator: Fourth quarter over fourth quarter	8.2	7.5	6.7	6.0
Consumer Price Index: Fourth quarter over fourth quarter ¹	8.2	7.5	6.7	6.0
Unemployment rates (percent):				
Total: Fourth quarter	7.0	6.6	6.2	5.9
Total: Annual average.....	7.1	6.7	6.3	6.0
Federal pay raise (percent) ²	8.5	8.0	7.5	7.0
Interest rate, 91-day Treasury bills (percent) ³	9.4	8.5	7.7	6.8

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

² General schedule pay raises become effective in October—the first month of the fiscal year. Thus, the October 1983 pay raise will set new pay scales that will be in effect during fiscal year 1984. These rates apply to both civilian and military pay.

³ 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.

The forecasts for 1981 and 1982 are subject to substantial margins of error. For periods further in the future, economic projections are subject to even greater uncertainty. Hence, in contrast to the short-range economic forecast, *the longer range assumptions for the period 1983 to 1986 are not forecasts of probable economic conditions*. Instead, they are projections that *assume* steady progress in reducing unemployment and inflation.

The Short-Range Budget Outlook

Overview.—Under the President's proposals, total outlays are projected to rise by \$76.6 billion between 1981 and 1982. Virtually all of this increase stems from three sources: the relatively uncontrollable programs in the budget, such as interest on the debt and benefit payments for individuals, and essential increases in spending for energy and defense.

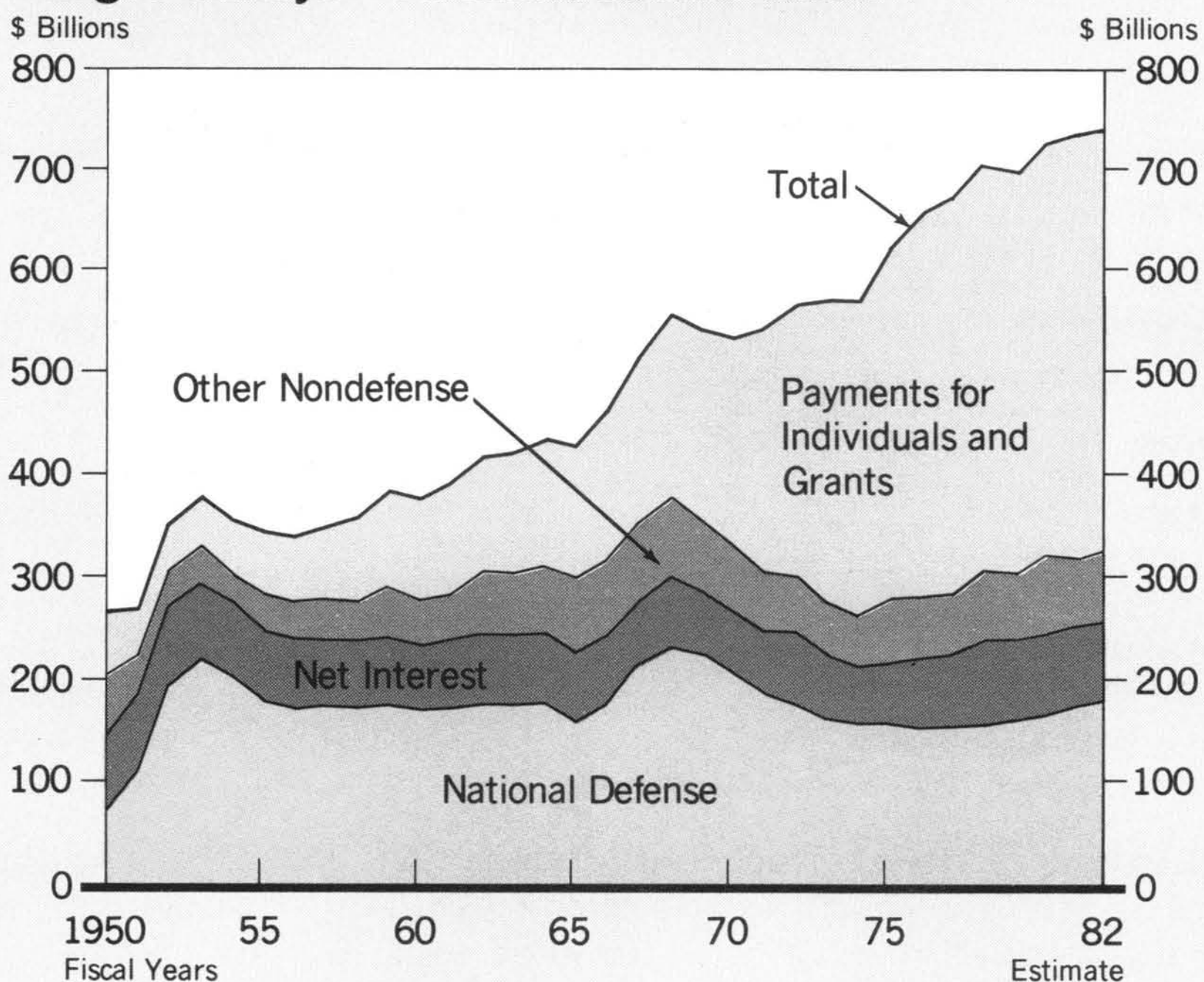
Benefit payments under retirement, disability, health care, and similar programs rise because of automatic cost-of-living adjustments and other built in price increases and because of the normal increase in the number of eligible beneficiaries. Interest on the public debt increases because of the effect of high interest rates and because of increases in debt. In total, outlays for relatively uncontrollable nondefense programs increase by \$55.2 billion from 1981 to 1982.

Expenditures to improve the combat readiness of our military force are proposed to continue to increase in real terms. This includes essential defense modernization—primarily to strengthen NATO-related and strategic capabilities and to increase our flexibility to meet crises in other areas. National defense outlays increase by \$23.3 billion from 1981 to 1982.

Necessary increases are provided for programs that will protect this Nation against supply disruptions in imported oil and reduce our long-term reliance on such oil through increased domestic energy production and conservation. These outlays increase by \$3.2 billion from 1981 to 1982.

The remainder of the budget shows selective increases for critical areas, such as for the administration's youth initiative and for the outlay effects of the economic revitalization program, principally refundable tax credits to encourage investment.

Budget Outlays - Constant 1982 Dollars



Overall, total outlays adjusted for inflation increase by about 1% in 1982. All of this increase is due to growth in defense spending, which rises by about 4½% in real terms. Nondefense spending is virtually unchanged from 1981 to 1982.

The budget deficit is projected to be cut in half in 1982, from \$55.2 billion to \$27.5 billion. As a percent of GNP, the 1982 budget deficit is only 0.9%, as compared to 4.0% in 1976 and 2.3% in 1980.

Current services.—The major policy changes in the budget can be highlighted by comparing the administration's recommendations with current services estimates. Current services estimates are projections of the costs of existing programs under current law. They include outlay changes that result from increased numbers of beneficiaries entitled to receive payments, higher benefit levels due to increases in the cost of living, and added outlays necessary to maintain program levels in the face of rising costs. They do not include increases or decreases in program levels due to proposed policy changes.

EFFECTS OF BUDGET PROPOSALS

(In billions of dollars)

	1980 actual	Estimate	
		1981	1982
Receipts:			
Current services.....	520.0	605.0	706.5
Proposed reductions (—).....		—3.1	—18.3
Proposed increases.....		5.6	23.6
Budget receipts.....	520.0	607.5	711.8
Outlays:			
Current services.....	579.6	660.5	736.2
Proposed reductions (—).....		—1.4	—15.9
Proposed increases.....		3.7	19.1
Budget outlays.....	579.6	662.7	739.3
Surplus or deficit (—):			
Current services basis.....	—59.6	—55.4	—29.7
Budget surplus or deficit (—).....	—59.6	—55.2	—27.5

Current services estimates are thus a basis for identifying the effects of all the policy changes recommended in the budget. Policy changes include both proposed legislation and changes in appropriations. Special Analysis A, which accompanies this budget, compares in detail the 1981 and 1982 budget estimates and the current services estimates.

The budget recommendations would result in 1982 outlays of \$739.3 billion, \$3.1 billion above the current services level. The two major areas where major increases over current services occur are: Defense-Military program increases, which are \$10.0 billion over current services levels in 1982; and the refundable credits from the economic revitalization program, which are \$4.2 billion above current services levels. The major reductions from current services levels include: —\$4.8 billion for pay reform and restraint and —\$2.2 billion for unemployment assistance proposals.

Receipts under the tax proposals in this budget are expected to be \$711.8 billion in 1982, \$5.3 billion higher than the current services level. The major reductions from current services estimates result from tax reductions associated with the administration's proposed economic revitalization program. These reductions are more than offset by increases resulting from the proposed increase in motor fuels and highway use taxes, the withholding of taxes on interest and dividends, and other revenue raising proposals. Additional detail on these proposals is provided in Part 3.

Proposed legislation to reduce Federal spending.—The budget restraint required to counter the current severe inflation has made it essential to propose a number of reductions in Federal programs. Zero-base budgeting is well suited to this task. With this process, it has been possible to compare programs and to judge where the largest savings could be achieved with the least sacrifice in service to the public.

This budget includes a number of legislative proposals that would reduce Federal spending. Savings would be achieved through several proposals relating to health programs, modification of entitlement programs to relate benefits more closely to need or to earned rights, increased administrative efficiencies, and further reduction of waste, fraud, and abuse. In addition, this budget contains proposals to reform Federal compensation practices and procedures, place the railroad retirement system on a solid financial footing, and sell excess materials in the national stockpile of strategic materials. Together, the legislative proposals reduce estimated Federal spending by \$9.4 billion in 1982, \$8.9 billion in 1983, and \$9.7 billion in 1984.

Federal civilian employment and pay.—The 1982 budget meets the President's objective of holding Federal civilian employment to the minimum necessary for the efficient and effective operation of the Government. Full-time permanent employment in the executive branch (excluding the Postal Service) is estimated to be 1,879,500 by the end of 1982, which is a small increase from 1981 but remains below the level that existed when the administration took office. The administration has proposed comprehensive legislation to reform and improve Federal pay-setting systems and procedures.

Federal debt.—During 1982, Federal debt held by the public is estimated to increase from \$787 billion to \$832 billion, a rise of \$45 billion. The corresponding growth during 1981 is expected to be \$72 billion. About three-fifths of the 1981 debt increase is due to the anticipated budget deficit and two-fifths is due to the outlays of the off-budget Federal entities (discussed at the end of Part 3 of this document). Other factors, such as changes in cash balances held by the Treasury, also affect borrowing. Gross Federal debt, which also includes debt held in Federal Government accounts (primarily trust funds), is projected to rise by \$78 billion in 1981 and \$65 billion in 1982.

FEDERAL DEBT

(In billions of dollars)

	1980 actual	1981 estimate	1982 estimate
Debt outstanding, end of year:			
Gross Federal debt.....	914.3	992.4	1,057.7
Debt held by the public.....	715.1	787.1	832.1

Control of Federal credit.—The administration made a major commitment in 1978 to establish and maintain a regular, systematic review of Federal credit activity. The credit control system and credit budget was announced in the 1980 budget and was carried out in the 1981 budget. The new system is an important step in restraining the growth of Federal credit activity.

In the past, Federal credit programs were only partially controlled through the normal budget process. Budget authority and outlays for most direct loans of the Federal Government are included in the budget, and limitations of various kinds have been placed on some guarantee programs. However, there is increasing concern about control over Federal guarantees of private loans, which do not generally result in budget outlays except in cases of default. Guarantees can often substitute for on-budget direct lending or other outlays in order to escape budget controls. In fact, many agencies convert their federally guaranteed loans to off-budget direct loans by financing them through the Federal Financing Bank (FFB), the activities of which are excluded from the budget by law.

The credit budget works in tandem with the conventional budget system and includes both on- and off-budget accounts. It measures total new Federal credit activity in terms of new obligations for direct loans and new commitments for loan guarantees. The credit control system is the mechanism for controlling the size of the credit budget, and it operates through the appropriations process. Wherever appropriate, the administration is requesting in this budget that annual appropriation bills include limitations on credit programs. The limitations, which were developed as part of the normal budget review process, are placed on new obligations for direct loans and new commitments for loan guarantees. The following table shows the totals of the credit budget.

THE CREDIT BUDGET TOTALS

(In billions of dollars)

	1980 actual	1981 estimate	1982 estimate
New direct loan obligations:			
On-budget.....	37.8	42.1	34.1
Off-budget.....	23.6	32.2	26.1
Total new direct loan obligations.....	61.4	74.2	60.2
New loan guarantee commitments ¹	69.8	91.1	92.4
Total	131.2	165.4	152.6

¹ To avoid double counting, excludes commitments for guarantees of loans previously guaranteed and for guarantees by one Government account of direct loans made by another Government account.

The credit budget totals rise sharply between 1980 and 1981, but decrease in 1982. For direct loans, the increase between 1980 and 1981 is due primarily to a rise in Federal Financing Bank lending. Between 1981 and 1982, new direct loan obligations are expected to decrease by \$14.1 billion. Decreases occur primarily in the Farmers Home Administration and the disaster loan program in the Small Business Administration. Total loan guarantee commitments are estimated to increase substantially between 1980 and 1981 resulting from large increases in education and housing programs. Guarantees remain relatively stable between 1981 and 1982.

For 1982, the administration is recommending appropriation bill limitations on \$23.6 billion of new direct loan obligations, about 45% of all new obligations; and it is recommending appropriation bill limitations on \$73.8 billion in new loan guarantee commitments, about 80% of all new commitments. Of the total credit budget, 67.5% is recommended for limitation in 1982.

The 5-Year Budget Outlook

Control of budget growth is very difficult in the short run. In 1982, about three-fourths of budget outlays are relatively uncontrollable under existing law—a concept discussed later in this section—and the remaining one-fourth includes many very high priority items. About 64% of relatively controllable outlays, for example, are for national defense and at least another 10% of these outlays are for employees in Veterans hospitals and other essential nondefense activities. In short, a large portion of expenditures for 1982 flows from decisions made in previous years or is associated with high priority programs.

Limits to budget growth, therefore, can best be discussed and acted upon in a longer range context. Effective limits in the future require proposals now to restrain growth, even though substantial savings may not be realized for many years.

Basic assumptions.—The receipts projections 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 program levels recommended for 1981 and 1982, planned for 1983 and 1984 and continued at planned levels in 1985 and 1986. These estimates are not precise forecasts of future budget authority or outlays. Nor are they intended as detailed recommendations of future budget levels. They are, however, consistent with the objective of restraining growth in Federal spending and holding Federal outlays as a percentage of GNP to the lowest level consistent with national needs.

The budget outlook.—The following table summarizes the budget outlook from 1980 to 1986 based on the proposals in this budget. Receipts are projected to increase by an average of 13.7% per year from 1982 to 1986, rising from \$711.8 billion to \$1,188.5 billion. Over the same period, outlays are projected to rise by an average of 9.2% a year, from \$739.3 billion to \$1,050.3 billion. Under these assumptions, the budget is projected to move into surplus by 1984.

The projections do not imply that budget surpluses will in fact occur or that resources will in fact be available for additional spending or for debt reduction. It is unrealistic to assume that Federal receipts will be permitted to rise continually as a percentage of GNP, with an attendant rise in individual tax burdens. Income tax reductions were enacted in the 1960's and 1970's partially to offset such increases. Future tax reductions will be required to lower tax burdens and as incentives to business investment and innovation that would help raise productivity and reduce inflation.

THE BUDGET OUTLOOK, 1980-86

(Dollars in billions)

	1980 actual	Estimate				Projection	
		1981	1982	1983	1984	1985	1986
Budget outlays.....	579.6	662.7	739.3	817.3	890.3	967.9	1,050.3
Budget receipts.....	520.0	607.5	711.8	809.2	922.3	1,052.6	1,188.5
Budget surplus or deficit (—)	—59.6	—55.2	—27.5	—8.0	32.0	84.7	138.2
As a percent of GNP:							
Budget outlays.....	22.6	23.3	23.0	22.6	22.0	21.5	21.2
Budget receipts.....	20.3	21.4	22.1	22.4	22.8	23.4	24.0
ADDENDUM							
Receipt reductions necessary to reduce burdens to the 1982 level (22.1% of GNP).....				—9.4	—26.9	—57.2	—89.9
Budget surplus or deficit (—) with burdens at the 1982 level				—17.4	5.1	27.5	48.3

Holding future burdens to levels consistent with recent experience will require stringent control of budget outlays if the budget is to be kept near balance in these years. The timing and structure of future reductions, however, cannot be projected in detail far in advance of events; they depend critically on economic developments, especially on progress in reducing inflation, and on the appropriate level of aggregate public sector saving.

The table also shows the budget estimates as a percent of GNP. Budget outlays are estimated to reach a peak of 23.3% of GNP in 1981, and decline to 21.2% by 1986. Under existing tax law, modified by the proposed changes in this budget, receipts would reach peak proportions of GNP each year, rising to 24.0% of GNP by 1986. (The previous peak was 21.9% in 1944.)

Because such increases are undesirable and unlikely, it may be more realistic to assume that receipts will remain at their 1982 share of GNP—22.1%. This implies substantial cuts in later years. It also means that, without substantial reductions in outlays, there could be larger deficits or smaller surpluses through 1986, even with the relatively favorable economic assumptions used for these projections.

Longer range trends and issues.—With Federal, State, and local spending having grown from one-quarter to one-third of gross national product (GNP) in the last 25 years, fundamental questions about the role of government in our society need to be raised. Despite substantial efforts by the administration and the Congress to restrain the growth of Federal spending in the last several years, it has not been possible to bring the Federal budget into balance. While budget deficits as a percentage of GNP have been reduced, the relative size of the budget has not been reduced. The reasons for this are not accurately described by simplistic criticisms of big government or by accusations of wholesale waste, fraud, or abuse. Rather, there are strong pressures in our society that increase the tendency of Federal activity to grow.

Each year the budget summarizes the results of thousands of past decisions and future recommendations about all aspects of Federal activity. These decisions and recommendations are often influenced by forces that have developed over time and that rarely fade quickly. For example, the long-term health of the economy, our Nation's changing role in the world, and the slowly shifting age distribution of the population are all factors that strongly affect the composition of the budget. Multiyear budgeting and analyses of demographic and other factors have been used by the administration to improve our understanding of basic factors that influence the budget in important ways. This year, in Part 3 of the

Budget, there is a discussion of some of the issues that form the context within which budget decisions must be made.

The discussion of *budget controllability* is concerned with the effects that indexation, the growth of non-cash benefits, and demographic change have had on programs that make payments to individuals. It highlights the following points:

- Spending programs that are beyond the immediate discretionary control of the President and the Congress have increased from slightly less than 60% of total budget outlays in 1967 to more than 75% in the 1982 estimates.
- The largest category of relatively uncontrollable spending is that of payments for individuals. These grew from \$42 billion in the 1967 budget to an estimated \$355 billion in the 1982 budget. This represents an average rate of growth of more than 14% per year, or an increase from about 27% of the budget in 1967 to an estimated 48% in 1982. The major payments to individuals are social security, railroad retirement, Federal employee retirement, unemployment compensation, medicare and medicaid, housing assistance, food stamps, public assistance, and supplemental security income.
- Most of these programs are "indexed" (i.e., by law, benefit payments automatically increase with the cost of living).
- Recent large automatic inflation adjustments to benefit levels in indexed programs, both actual and projected, have drawn attention to the importance of indexing in the budget.
- The index currently used most for adjusting benefits is the Consumer Price Index. However, it has a number of technical shortcomings. The administration is therefore recommending that an alternative index be used.
- There are alternatives to full indexing under all circumstances that should also be given consideration.
- The Government often provides or pays for services to beneficiaries instead of providing cash transfers. Twenty years ago, these so-called "in-kind" benefits made up less than 2% of all payments to individuals; in 1980 they made up nearly 7% of that total. Taken together, in-kind benefits increased from 1.4% of total budget outlays in 1960 to 7.0% in 1970 and 13.6% in 1980.
- Shifts in the age distribution of the population have had an important effect on the growth of payments for individuals. For example, the ratio of the active labor force to retirees has fallen substantially compared to what it was 20 or even 10 years ago. While there is nothing that the Federal Government can do about the age distribution of the population, it may be possible to reduce the pressure on Federal spending caused by demographic factors, by such actions as gradually

extending the minimum retirement age, which would simultaneously expand the tax base and reduce program costs for retirement programs.

The size and scope of government activity is and has been a central question in our society, dating back to the earliest debates on establishing an independent nation. More recently, debate on the *roles of government* has centered around two questions:

- Should the private sector or government have the responsibility for seeing that a particular activity is carried out?
- If it is decided that government has the responsibility, which level of government should carry it out?

These questions cannot be decided on a once-and-for-all basis. Nor is there a set of standards that objectively answers these questions. No generation can decide for future generations the proper role of government; these questions must be examined and reexamined over time. The administration strongly supports efforts to clarify the role of the Federal Government, which must reflect the fact that roles should change over time.

Federal credit has become a large and rapidly growing means for carrying out Federal programs. Accounting techniques for credit are often technical and complex. Moreover, forms of credit can often substitute for each other—loan guarantees, for example, can be used as replacements for direct loans and vice versa. Loan repayments, sometimes in the form of sales of existing loans, often mask the total volume of new credit. In some cases, the likelihood of default may be so great that the credit extended is like an outright grant or subsidy. Credit transactions are sometimes treated as offsets to budget outlays, while in fact they are a form of borrowing like Treasury securities. The Federal Financing Bank, created in 1974, routinely makes direct loans if Federal agencies guarantee them, but the outlays that result are excluded from scrutiny under the normal budget review process. Government-sponsored enterprises, chartered by the Federal Government, are privately owned, supposedly independent, and excluded from the budget. Yet some of them seem to have the attributes of public, rather than private, institutions.

These and other inconsistent and confusing practices led to a situation where many Federal credit programs were largely excluded from normal budget scrutiny and discipline.

In the 1980 budget, the administration introduced the first comprehensive effort to restrain the growth of federally assisted credit. It is too early to pass judgment on the ultimate success of the credit control system. However, it does provide a disciplined framework that permits the Congress and future administrations to improve their understanding of credit programs and to rationally and systematically determine appropriate levels of credit activity.

The President, in his budget message, is recommending the establishment of a commission of financial and budget experts to seek ways of strengthening the credit control system further and to consider modifications in Federal credit policies and institutions.

In recent years the *sensitivity of the budget to economic conditions* has become increasingly apparent. Because the spending for many programs is directly affected by changes in economic conditions, there have been large changes in recent budget estimates. For example:

- Actual Federal spending in 1980 was \$48 billion higher than the original budget estimate in January 1979, with over half the increase directly attributable to economic conditions different from those originally assumed.
- The estimates of 1981 outlays have been revised upward by about \$47 billion since 1 year ago, and the deficit has been revised upward by \$39 billion, with assumptions about economic conditions again accounting for a large part of the increases.
- Recent sharp rises in interest rates that have accompanied high inflation, stronger economic conditions, and the Federal Reserve System's restrained monetary policy are the major cause of a \$12 billion increase in 1981 interest costs since July.
- Faster than anticipated rises in consumer prices experienced in the last half of calendar year 1980 and expected in the early months of 1981 will add substantially to spending for indexed programs, such as social security, in 1981 and beyond.

Therefore, an understanding of changes in budget estimates requires an understanding of the general magnitudes of the sensitivity of the budget to the economy. The major sources of these changes are indexed programs, interest on the public debt, unemployment insurance, and Federal pay increases.

SENSITIVITY OF 1982 BUDGET OUTLAYS TO ECONOMIC ASSUMPTIONS

(In billions of dollars)

	1982 outlays
Inflation: Effect on indexed programs of 1% increase in CPI level by the first quarter of calendar year 1981	1.9
Interest rates: One percentage point increase in interest rates beginning January 1, 1981	4.2
Unemployment: One percentage point increase in rate in 1982 ¹	9.0
Federal pay: One percentage point increase .....	.7

¹ A one percentage point decline in the unemployment rate from currently projected levels would reduce outlays by about \$5.5 billion.

Part II

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 I.

Summary

Total budget receipts in 1982 are estimated to be \$711.8 billion, an increase of \$104.3 billion from the \$607.5 billion estimated for 1981. Receipts in 1983 and 1984 are estimated to be \$809.2 billion and \$922.3 billion, respectively. These estimates include the effects of:

- increases in social security taxes scheduled under current law;
- the proposed economic revitalization program, as modified in the budget;
- the proposed motor fuels tax; and
- other receipts measures that are included in the President's budget proposals.

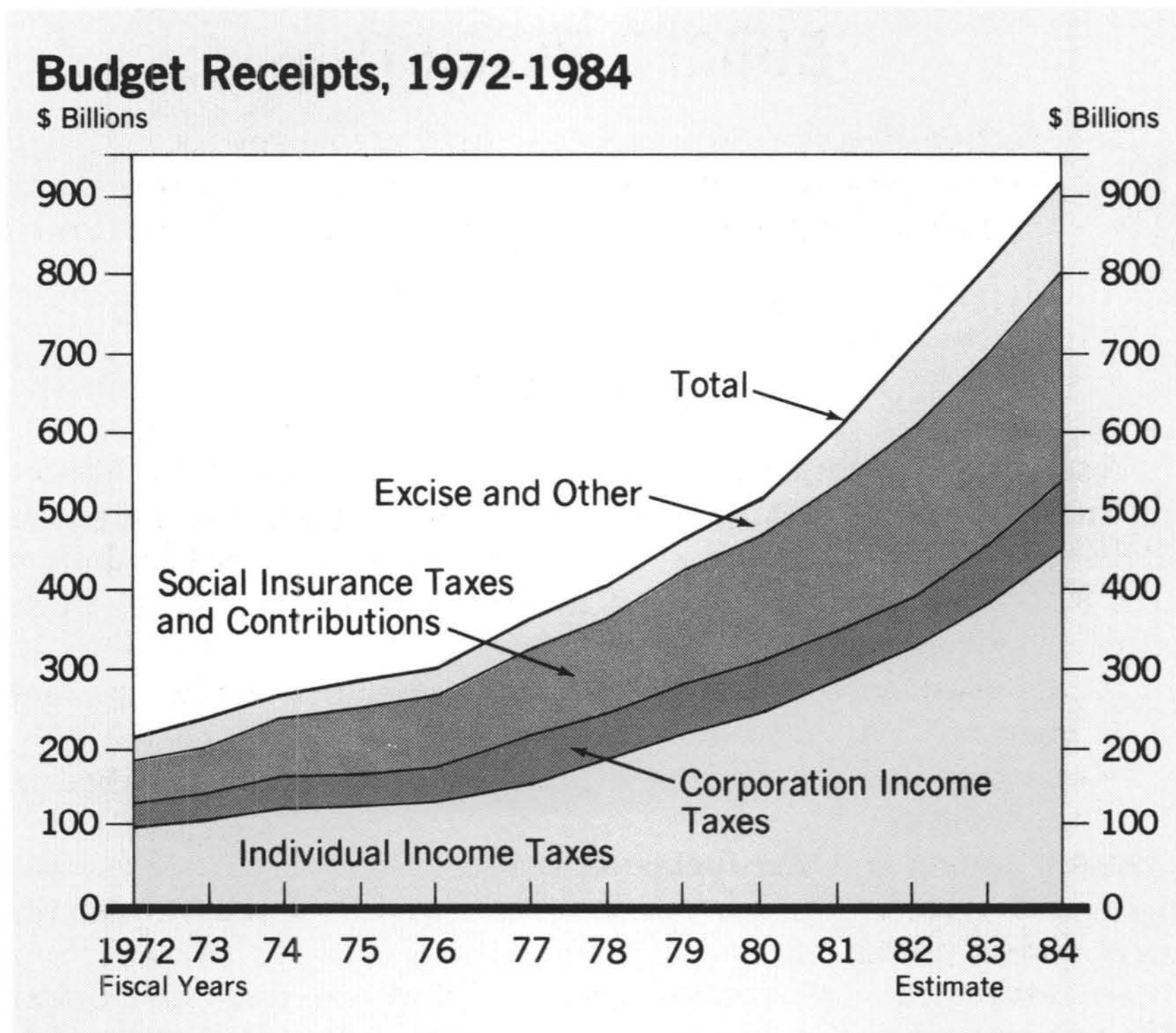
The estimates of receipts for 1983 and 1984 are based on current tax law as modified by the proposals in this budget. While the high tax burdens associated with these estimates are undesirable and should be reduced in the future, the timing, size, and structure of tax reductions in these years should be decided later in accordance with the state of the economy, especially progress in reducing inflation.

Composition of budget receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1982:

- Income taxes paid by individuals and corporations are estimated at \$331.7 billion and \$64.6 billion, respectively. Combined, these sources account for 56% of the 1982 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 \$214.7 billion, 30% of the total.

- Excise taxes, including the crude oil windfall profit tax, are expected to provide \$69.6 billion, 10% of the total.
- Estate and gift taxes, customs duties and miscellaneous receipts are estimated at \$31.2 billion, the remaining 4% of the total.



Recent changes in tax laws and regulations.—In April 1980, the Congress enacted a windfall profit tax on domestic producers of crude oil. The windfall profit tax is a temporary excise tax, which is deductible for income tax purposes. The net revenue gain associated with the tax is estimated to be \$20.9 billion in 1982. This estimate reflects a \$34.7 billion increase in excise tax receipts, partly offset by a \$13.8 billion reduction in income taxes. The windfall profits tax is scheduled to phase out over a 33-month period beginning sometime between December 1987 and December 1990.

The Windfall Profit Tax Act also includes several income tax credits to stimulate the production and conservation of energy and partially excludes interest and dividend income earned between January 1, 1981 and December 31, 1982 from individual income tax. The Congress also enacted legislation restricting the use of tax

exempt bonds issued by State and local governments to finance private housing and established a fund to assure the cleanup of hazardous waste spills and abandoned hazardous waste sites. Also, as a result of both administrative changes and legislation, income and payroll taxes will be deposited in the Treasury closer to the time when liabilities occur.

Receipts proposals

Economic revitalization program.—The tax measures included in this program are designed to increase productivity, lower unemployment and reduce the inflation rate. The major components of this program include:

- a simplified and liberalized form of business tax depreciation effective January 1, 1981;
- a partially refundable investment tax credit effective January 1, 1981;
- an income tax credit for social security taxes paid, refundable to State and local governments, nonprofit organizations and businesses with no tax liability, to become effective January 1, 1982;
- an expansion of the earned income tax credit from 10% to 12% effective January 1, 1982; and
- a special tax deduction to families with two wage earners effective January 1, 1982.

Motor fuels and highway use taxes.—The administration is proposing to replace the current 4 cents per gallon excise tax on gasoline and diesel fuels with a 14 cents per gallon tax effective June 1, 1981. The rate of tax is to be adjusted quarterly thereafter. Since motor fuel tax receipts now go to the highway trust fund, some of the receipts from the proposed tax are to be transferred to the highway fund. The equivalent of a 4 cent a gallon tax is to be transferred in the first quarter and about 6 cents a gallon thereafter. The administration also proposes to increase certain other taxes that support the highway trust fund.

Withholding of taxes on interest and dividend income.—Currently, no tax is withheld on payments of interest and dividends to domestic taxpayers, although taxes are withheld from wages. The administration proposes withholding on interest and dividend payments at a rate of 15%.

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

- foreign taxes on income from oil and gas extraction in a particular country be used to offset U.S. taxes on only that income;
- employers withhold 10% from compensation for services paid to certain independent contractors;
- airport and airway trust fund taxes be reinstated in modified form; and
- the use of tax-exempt financing for certain private purpose activities be restricted.

EFFECT OF ADMINISTRATIVE ACTION AND PROPOSED LEGISLATION¹

(In billions of dollars)

	1981	1982	1983	1984
Economic revitalization program:				
Constant rate depreciation.....	-2.9	-9.0	-14.2	-18.4
Refundable investment tax credit.....	-.1	-*	.2	.3
Social security tax credit.....		-8.5	-13.1	-14.5
Earned income tax credit.....		-*	-.2	-.1
Marriage penalty relief.....		-.4	-4.4	-9.1
Other.....	-.1	-.3	-.3	-.3
Subtotal, economic revitalization program².....	-3.1	-18.3	-32.0	-42.1
Motor fuels and highway use taxes.....	3.5	14.6	16.1	17.7
Withholding on interest and dividends.....		3.9	2.8	3.1
Foreign tax credit.....	1.4	.5	.6	.6
Independent contractors.....		.7	.7	.9
Airport and airway trust fund.....	.2	1.4	1.6	1.8
Tax exempt bonds.....	.1	.5	1.0	1.6
Other.....	.4	2.0	1.3	1.4
Total.....	2.5	5.3	-7.9	-15.0

* 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 The economic revitalization program also includes refundable payments in excess of tax liabilities, which are recorded as outlays in the budget. The outlays associated with this program are estimated to be \$0.2 billion in 1981, \$4.2 billion in 1982, \$6.4 billion in 1983, and \$7.2 billion in 1984.

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 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 the national needs 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 single 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. Outlays for off-budget entities are shown at the end of this section.

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 has established a credit control process that subjects 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.

National Defense

The 1982 budget requests significant increases in U.S. defense funding. It proposes budget authority of \$200.3 billion in 1982 for national defense, including \$195.7 billion for the Department of Defense—Military. Outlays for the function are estimated at \$184.4 billion for 1982, an increase of more than 4% in real terms over the \$161.1 billion estimated for 1981. The major defense proposals for 1982 would:

- upgrade our strategic forces so that they continue to make initiation of nuclear war clearly disadvantageous for the Soviet Union;
- improve, in cooperation with our NATO allies, the ability of our forces to mobilize quickly and fight effectively in defense of Europe in order to make initiation of a conventional war clearly disadvantageous for the Soviet Union and its Warsaw Pact allies;
- increase 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; and
- maintain our ability to monitor foreign military developments and activities and to verify arms control agreements.

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. Our forces are adequate to protect against today's threats, but Soviet military capability continues to grow. It is essential that we continue to build and maintain our conventional and strategic forces to the levels

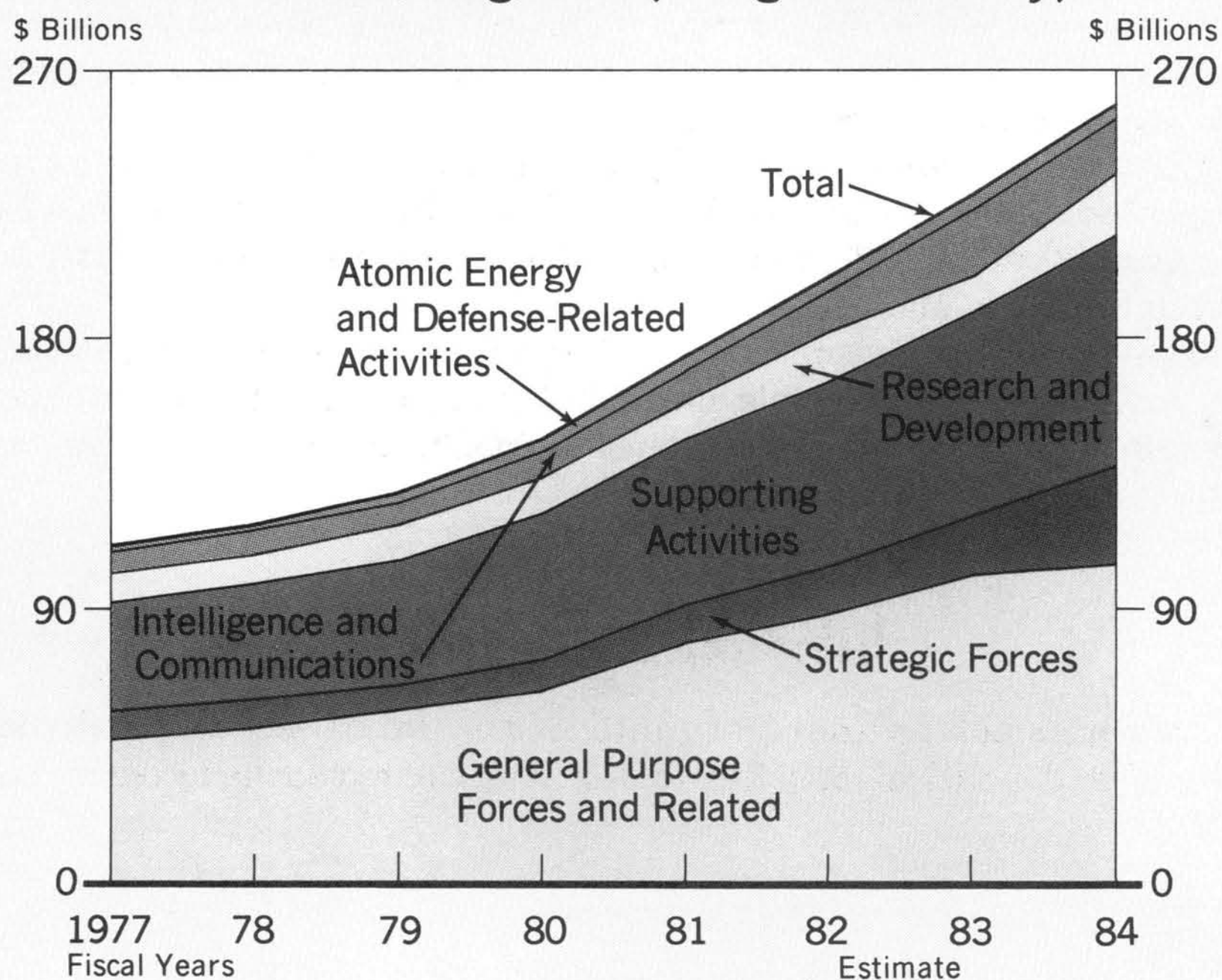
required to assure our future security. This will require a sustained commitment over a period of years. The United States and its NATO (North Atlantic Treaty Organization) allies have made that commitment, each seeking to increase its defense spending by 3% or more per year in real terms. If we are to maintain a credible capability to oppose the Soviets and their allies in the future, such increases will continue to be required. Every effort must be made by the U.S. and its allies to maintain that commitment, even in the face of economic difficulties.

The proposed increase in defense spending would improve the readiness and capability of our forces through the provision of essential weapons systems, training, support, and adequate pay and benefit levels.

Strategic force improvements would assure that U.S. forces will be an effective deterrent to nuclear attack on the United States and its allies. Planned improvements include full scale development of the MX, a large, more accurate intercontinental ballistic missile, continued procurement of Trident submarines and submarine-launched intercontinental ballistic missiles, development of long-range air-launched cruise missiles, and improvements to our existing bomber fleet.

The U.S. 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.

National Defense Programs (Budget Authority)



The budget includes a variety of programs to modernize our *conventional forces* and improve their readiness. These programs would strengthen the forces that deter or stand ready to respond to nonnuclear military threats against Western Europe or in other areas. They include cooperative programs with our NATO allies, such as joint purchase and operation of a fleet of airborne warning and control aircraft (AWACS), co-production of the new F-16 fighter aircraft, and development of a standard 120 mm gun for use on new tanks of various NATO countries. A sizable increase in the purchase of modern equipment for our ground forces is proposed, including advanced helicopters and the continued introduction into the force of new air defense systems and armored fighting vehicles. In addition, naval forces would be strengthened by the commissioning of 28 new ships, and air defenses for NATO would be strengthened by the deployment of F-16 fighter aircraft in Europe.

The budget includes measures that would improve the readiness and abilities of our conventional forces. These include increased pay and benefit levels to attract and retain high quality personnel; increased training; and additional spare parts for aircraft and other equipment. A high level of deployment and other exercises is scheduled to keep our units fully prepared to move rapidly to potential trouble spots. Special emphasis is being placed on the readiness of rapid deployment forces.

The administration continues to support legislation to reform the military retirement system and correct inefficiencies and inequities. Although more costly in the near term, these proposals would eventually result in substantial cost reductions. Additional proposals that would modify current indexing procedures for military retirement and reform pay are discussed in the income security section and allowances.

Outlays for *atomic energy defense activities* are estimated to increase from \$3.6 billion in 1981 to \$4.5 billion in 1982, primarily because of increased production of nuclear missile warheads and special nuclear materials.

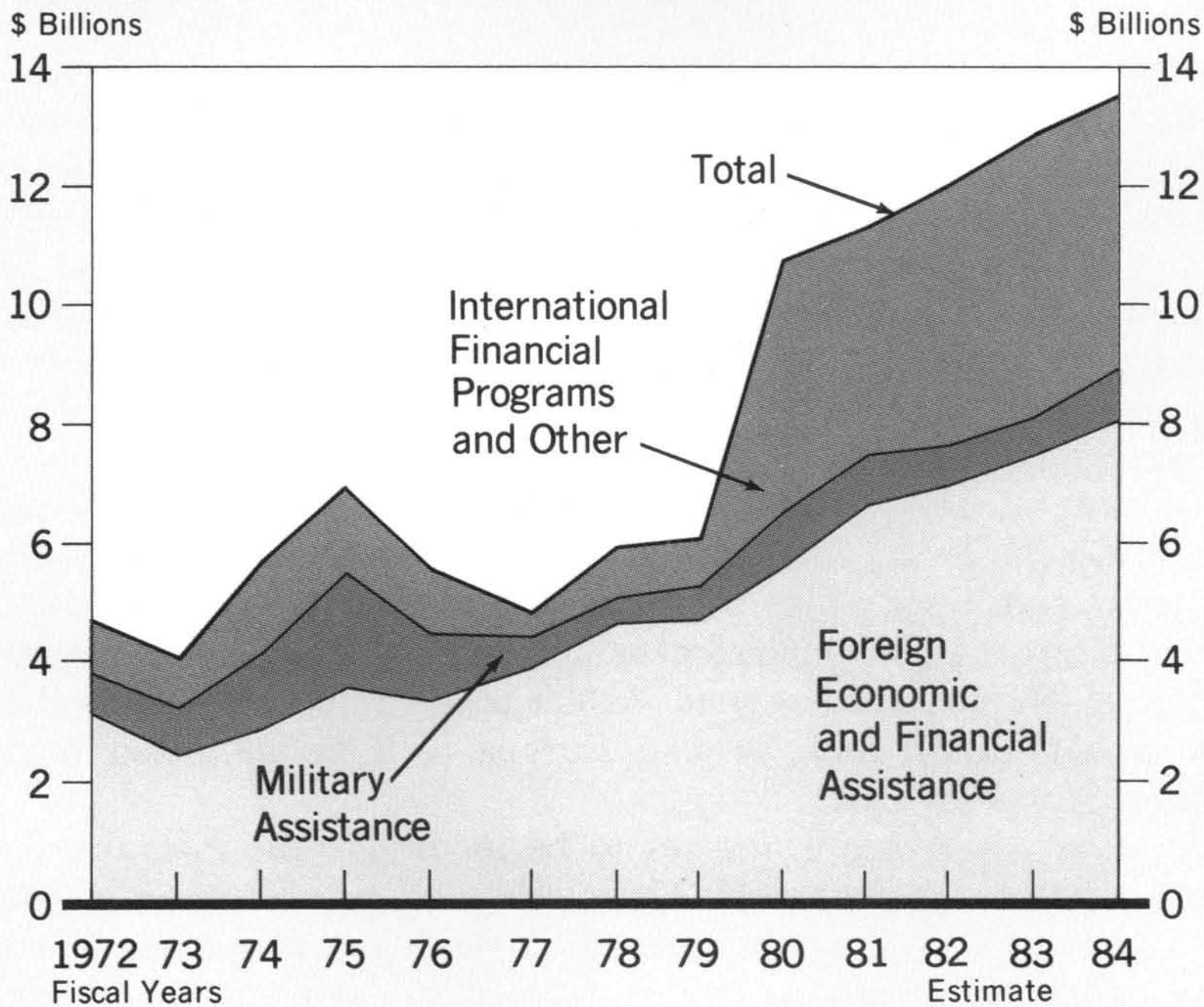
The major tax expenditure in the defense function arises from the exclusion from taxable income of housing and meals provided to military personnel. This exclusion results in an estimated revenue loss of \$1.7 billion in 1982.

International Affairs

International programs are intended to bring security and economic and political benefits to the American people by reducing

conflicts, encouraging world economic progress, and bringing greater respect for human rights. Outlays for international affairs programs are estimated to increase from \$11.3 billion in 1981, to \$12.2 billion in 1982.

Outlays for International Affairs



The budget includes outlays of \$6.7 billion in 1981 and \$7.0 billion in 1982 for *foreign economic and financial assistance*. Aimed primarily at developing countries, these funds promote economic development, provide humanitarian aid to needy people abroad, and support the foreign policy interests of the United States. For the foreseeable future, the non-oil-exporting developing countries will need considerable assistance to meet critical import and investment requirements and to finance the economic costs of maintaining their national security.

Coordination of the U.S. development aid response to these needs is directed by the International Development Cooperation Agency (IDCA). Under IDCA policy direction, 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. The budget proposes a substantial increase in AID budget authority over 1981, which was held to low levels under a continuing resolution. This reflects, in part, a response to the 1980 Venice Summit agreement that the major indus-

trial countries should increase their bilateral aid. Outlays for IDCA are estimated to be \$1.8 billion in 1981 and \$1.9 billion in 1982.

The U.S. participates in the World Bank and regional development banks, which finance capital projects and related technical assistance primarily for Third World countries. Outlays to support these banks are estimated to rise from \$1.0 billion in 1981 to \$1.2 billion in 1982.

Public Law 480 food aid meets humanitarian needs and promotes economic development abroad. Estimated outlays of \$1.3 billion in 1982 would be concentrated on the poorest countries, on countries of high importance to the United States, and on refugee needs.

The economic support fund finances development projects and supports the balance of payments of countries whose security is important to the United States. Spending from this fund and for peacekeeping operations is heavily concentrated in the Middle East. Outlays are estimated to total \$2.3 billion in 1982.

Outlays of \$0.6 billion are included for international refugee assistance in 1982. This level of support would allow the United States to continue to play a leading and responsible role in international efforts to care for refugees abroad. The budget also assumes that 144,000 Indochinese and 43,000 other refugees, mostly from the Soviet Union and Eastern Europe, will be admitted to the United States in 1982.

Military assistance continues to be an important instrument of foreign policy by which the U.S. assists allies and friendly countries to maintain adequate defense capabilities. Emphasis of military assistance programs continues to shift from grants to credit financing of military exports. No new grant military assistance programs are requested for 1982. Outlays for military assistance are estimated to decline from \$0.9 billion in 1981 to \$0.6 billion in 1982.

International financial programs advance U.S. interests by improving the functioning of the international financial system, facilitating U.S. exports and military sales, and stabilizing world commodity markets. The Export-Import Bank provides direct loans, loan guarantees, and insurance to facilitate the export of U.S. goods and services. Budget stringency will require that the Bank be selective and meet only the most crucial foreign credit competition. Net outlays by the Export-Import Bank are estimated to rise from \$2.4 billion in 1981 to \$2.7 billion in 1982. Offsetting collections associated with other international financial programs are estimated to exceed disbursements by \$0.6 billion in 1982.

Outlays for the *conduct of foreign affairs* are estimated to increase from \$1.5 billion in 1981 to \$1.8 billion in 1982, largely because of rising costs of operating our diplomatic and consular posts abroad and the cost of our assessed share for the United

Nations and other international organizations. Outlays for *foreign information and exchange activities*, which include radio broadcasts and academic and cultural exchanges, are estimated to be \$0.6 billion in both 1981 and 1982.

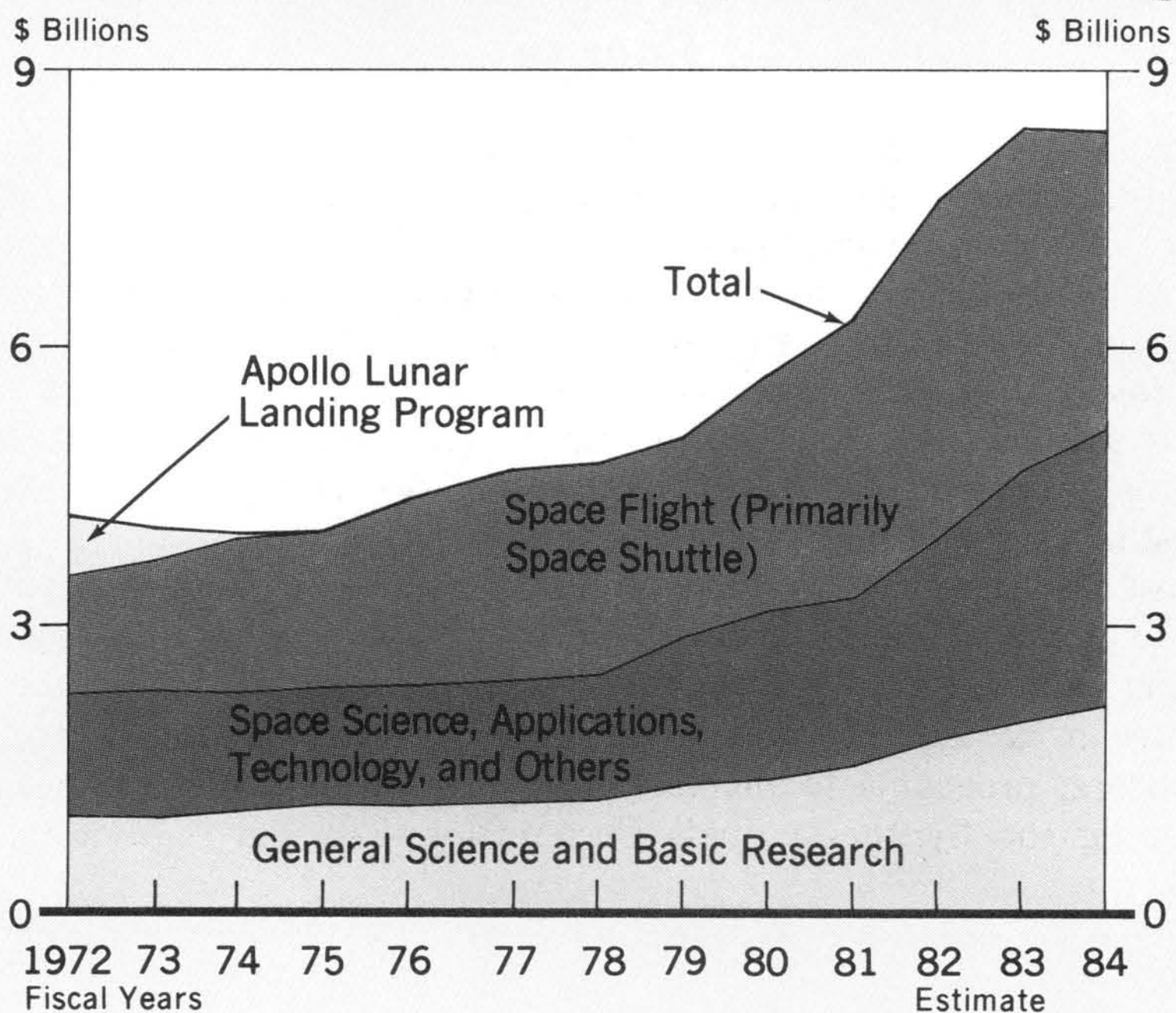
The primary tax expenditure in this function results from the deferral of tax on one-half of the profits derived from domestic international sales operations. The revenue loss resulting from this deferral is estimated to be \$1.8 billion in 1982. U.S. citizens who earn income abroad also receive certain tax benefits.

General Science, Space and Technology

This function includes all of the activities of the National Science Foundation, which supports basic research in all scientific disciplines, the high energy and nuclear science programs of the Department of Energy, and the space programs of the National Aeronautics and Space Administration. The budget proposes to increase outlays for these programs from \$6.3 billion in 1981 to \$7.6 billion in 1982.

Many institutions outside the Federal Government invest in basic research, including major corporations, universities, and private foundations. But as a whole, they do not invest enough to meet the Nation's needs. Thus, for many years, the Federal Government has accepted responsibility not only for the support of basic research related to specific agency goals, but also for the support of basic research that is in the broad interests of the Nation.

Outlays for General Science, Space, and Technology



Outlays for *general science* programs in this function are estimated to rise from \$1.5 billion in 1981 to \$1.8 billion in 1982. Spending for basic research has significantly increased in each of the last 4 years, and the administration has pursued policies that promote cooperation among Government, industry, and universities in order to improve the effectiveness of Federal investments in basic research. A further increase is proposed in this budget to provide for 4% real growth in overall Federal support for basic research. Total Federal obligations for basic research, including programs outside this function, are proposed to increase from \$5.1 billion in 1981 to \$5.9 billion in 1982.

The budget proposes an increase in total outlays for *space* programs from \$4.7 billion in 1981 to \$5.8 billion in 1982. This \$1.1 billion increase in outlays would provide for a balanced space program. It gives highest priority to continued development and production of the Space Shuttle. Although technical problems have caused some delays and increases in cost, the Space Shuttle is now expected to make its first flight in 1981. Because it is reusable, it is expected to reduce significantly the cost of space missions. The budget also includes funds to initiate a mission to explore Venus.

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 when they are incurred rather than amortize them over several years. This tax expenditure will result in an estimated revenue loss of \$2.3 billion in 1982.

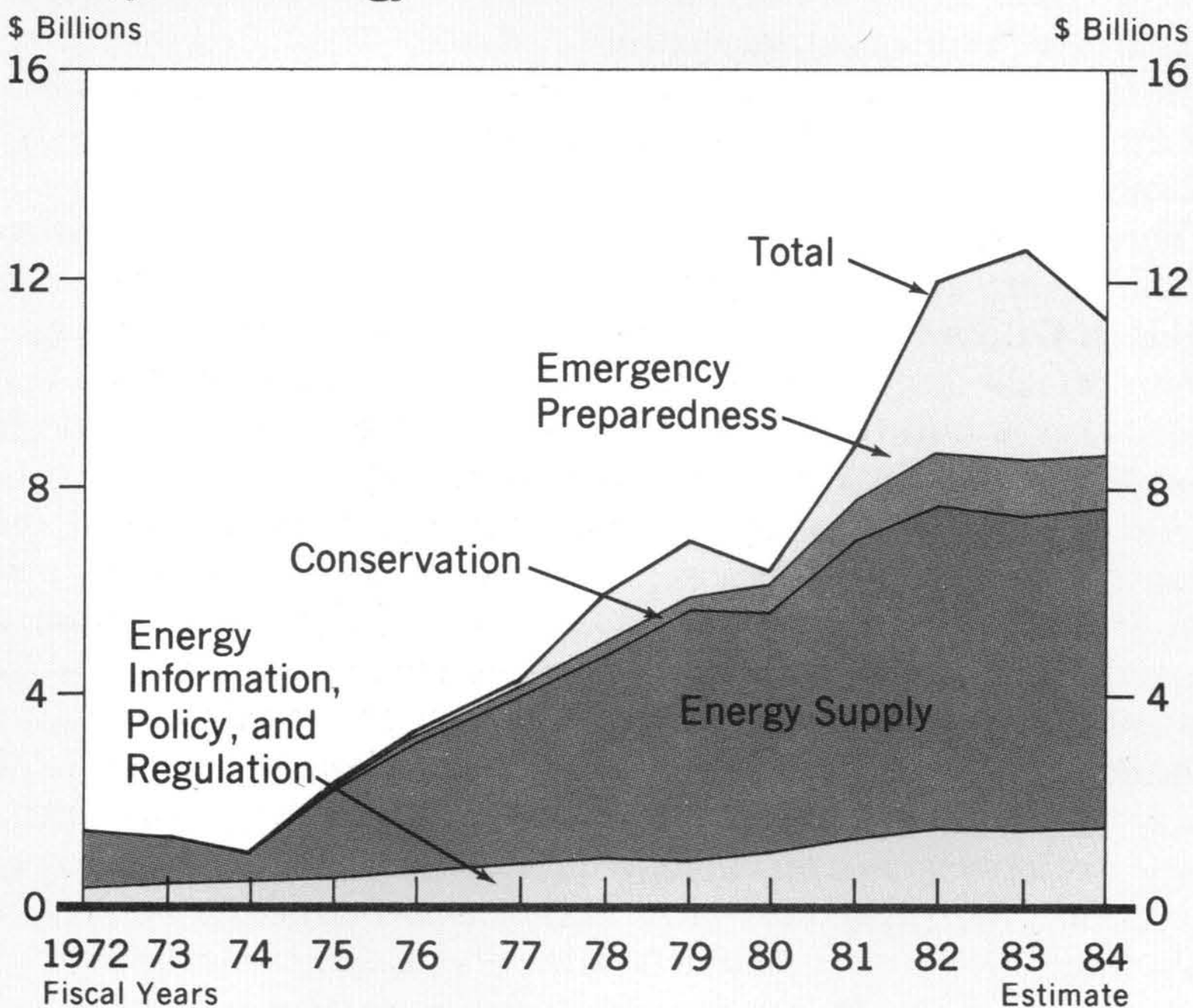
Energy

The primary role of the Federal Government in energy is to establish policies that reflect the realities of energy markets, stimulate long-term investments in energy supply and conservation, and help the Nation cope with severe energy supply interruptions. Government spending should be directed toward activities and technologies in which private firms and individuals would not invest sufficiently or quickly enough to serve the national interest. In this way, Federal Government policies can help the Nation adjust to an era of higher-cost energy.

Over the past 4 years, the administration has developed a strategy to achieve energy security, which includes a more realistic pricing policy for oil and natural gas; a windfall profit tax to capture a portion of the increased income that will flow to oil producers; programs to increase our domestic supplies of energy, including the Synthetic Fuels Corporation; reduced regulation of

energy markets; and expanded programs to encourage energy conservation throughout the Nation. Outlays for programs in the energy function are estimated to increase from \$8.7 billion in 1981 to \$12.0 billion in 1982.

Outlays for Energy



The Federal Government's programs to increase the Nation's sources of *energy supply* fall into three major categories:

- promoting private sector production of domestic energy, including synthetic fuels;
- supporting research, development, and demonstration of new energy technologies; and
- direct energy production.

The Department of Energy and the recently established Synthetic Fuels Corporation promote private sector production of substitutes for imported crude oil through price, loan, and purchase guarantees for synthetic fuels. It is anticipated that the Corporation will take over the interim Department of Energy programs and become the primary organization in support of synthetic fuels production. In addition, the Departments of Energy and Agriculture administer biomass programs, which promote the production of liquid and gaseous fuels from organic materials. Outlays for

these programs are expected to be \$0.4 billion in 1982, about the same as the 1981 level.

Federal support for research, development, and demonstration of energy technologies includes programs for solar energy, other renewable energy resources, oil, gas, coal, and nuclear fission. Particular emphasis in nuclear energy research and development programs is placed on improving the safety of existing nuclear power plants and developing safe ways to dispose of nuclear waste. Outlays for these research and development programs are expected to be \$4.8 billion in 1982, an increase of \$1.0 billion over the 1981 estimate.

The Federal Government directly produces and sells enriched uranium for nuclear power plants, oil from Government-owned fields in California and Wyoming, and electricity from five regional power marketing administrations and the Tennessee Valley Authority. Net outlays for these programs are expected to decline from \$1.5 billion in 1981 to \$1.0 billion in 1982.

An effective energy *conservation* strategy includes much more than direct Federal spending programs. Oil and natural gas prices that reflect market realities and accurate public information are essential to promote conservation in the public and private sectors. Conservation is also encouraged through tax credits and sound regulatory policies, such as efficiency standards for automobiles, buildings, and appliances. Direct Federal spending programs for conservation include technology development; State and local conservation grants; financial and technical assistance to public agencies, industries, and individuals; the Solar Energy and Energy Conservation Bank; and energy efficiency improvements in Federal buildings. The budget includes \$1.1 billion in outlays for conservation programs in 1982, \$0.3 billion above the 1981 level.

Outlays for *emergency energy preparedness* programs are intended to cope with disruptions in energy supply by developing a strategic petroleum reserve. Outlays are estimated to rise from \$1.2 billion in 1981 to \$3.4 billion in 1982. Although purchases of oil for the reserve ceased in March of 1979 because of unstable markets, the Department of Energy has resumed purchases at the rate of 100,000 barrels per day. The budget requests sufficient funding to expand purchases to a rate of 200,000 barrels per day in 1981 and 230,000 barrels per day in 1982, which would fill the reserve to an estimated capacity of 252 million barrels of oil at the end of 1982.

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 independent Nuclear Regulatory Commission. The budget requests additional funds to improve the effectiveness of the Nuclear Regulatory

Commission. Total outlays for these activities are estimated to increase from \$1.1 billion in 1981 to \$1.3 billion in 1982.

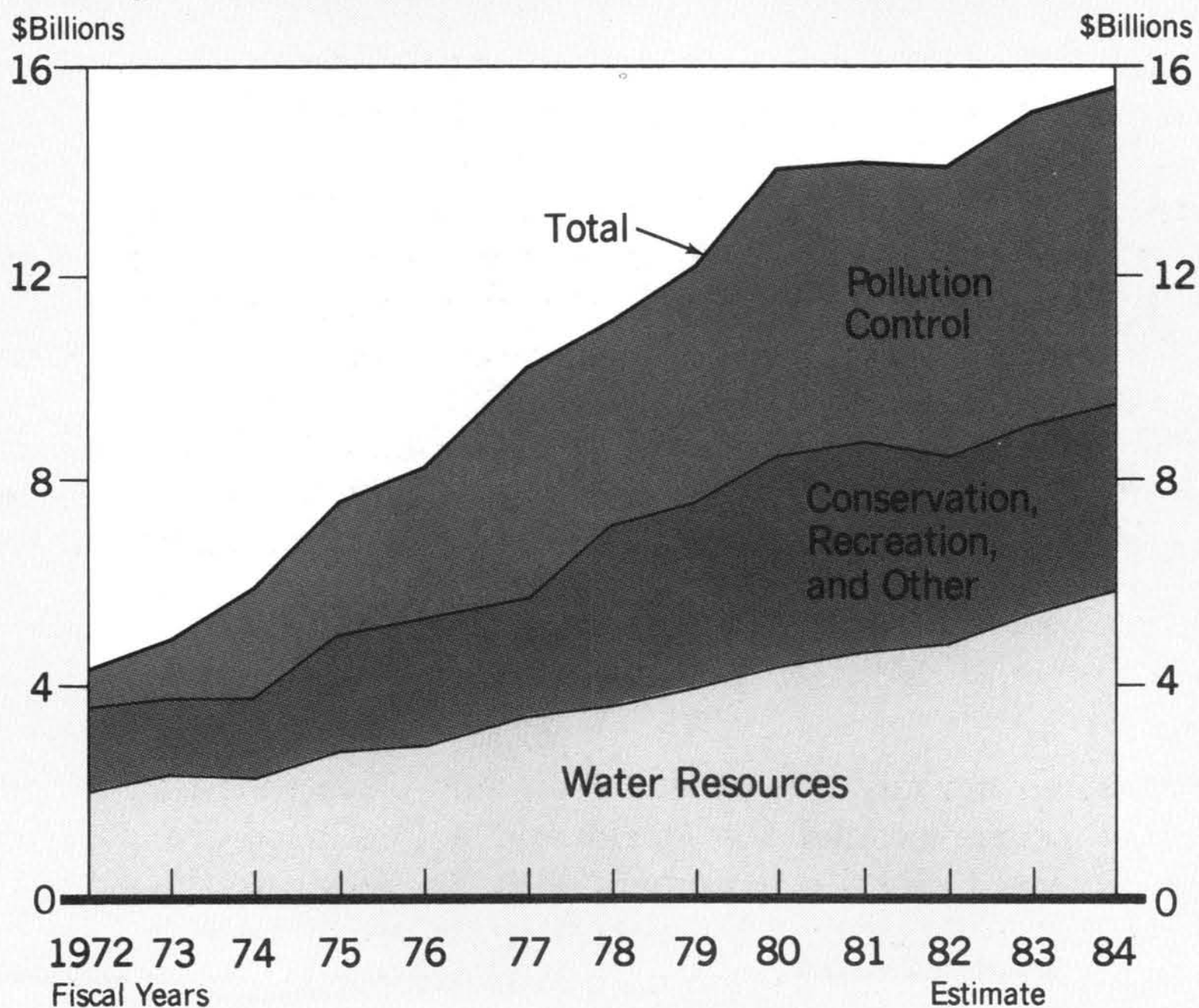
Tax expenditures for energy arise from provisions of the income tax laws such as the oil depletion allowance and the 15% residential energy credit, which encourage the expansion of domestic energy supplies and conservation. The revenue loss associated with energy tax expenditures is estimated at \$7.3 billion in 1982.

A significant part of the Federal Government's energy policies are carried out through loans and loan guarantees. New loan guarantees of \$6.0 billion are expected in 1981 and of \$2.0 billion in 1982 for synthetic fuels promotion. The off-budget activities of the Rural electrification and telephone revolving fund which provide electricity generation and service to rural areas, are expected to result in new direct loans of \$1.1 billion in 1981 and \$1.2 billion in 1982. New loan guarantees in the energy function are expected to be \$2.2 billion in 1982.

Natural Resources and Environment

Outlays to support the use and preservation of our natural resources and to improve the environment are estimated to be \$14.1 billion in 1981 and \$14.0 billion in 1982.

Outlays for Natural Resources and Environment



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 \$5.5 billion in 1981 to \$5.8 billion in 1982.

The administration's proposal to create a hazardous waste cleanup and emergency response fund of up to \$1.6 billion over 5 years was enacted into law in December 1980. The fund will be financed primarily by taxes paid by industry. The budget provides a strong start in controlling hazardous substances by earmarking \$117 million in 1981 and \$249 million in 1982 in budget authority for this effort. The administration is also requesting budget authority of \$3.7 billion for grants to construct sewage treatment plants in 1982, an increase of \$0.4 billion over the enacted 1981 level.

Consistent with State and local responsibilities, the Federal Government plans, constructs, and maintains *water resource* projects. Project benefits include flood control, water supply, irrigation, development and maintenance of inland waterways and harbors, hydroelectric power development, erosion control, and recreation and wildlife preservation. Outlays for water resources programs are estimated to be \$4.5 billion in 1981 and \$4.6 billion in 1982.

Conservation and land management is a continual balancing of programs to provide for energy and mineral extraction, timber harvest and responsible rangeland management while providing recreational opportunities, protecting wildlife and preserving archeological and cultural resources. In addition, the regulation of surface coal mining to prevent degradation of the land, and the reclamation of lands previously mined protects against future abuses. Outlays for conservation and land management are estimated to be \$2.4 billion in 1982, compared to \$2.6 billion in 1981.

Outlays for Federal activities to acquire, develop, and operate *recreation* areas, historic sites and wildlife refuges, such as the 104 million acres of Alaskan wild lands recently set aside, are estimated to be \$1.7 billion in both 1981 and 1982.

The major tax expenditures in this function arise from the exclusion of interest on State and local government bonds for pollution control and certain tax benefits for non fuel minerals and timber.

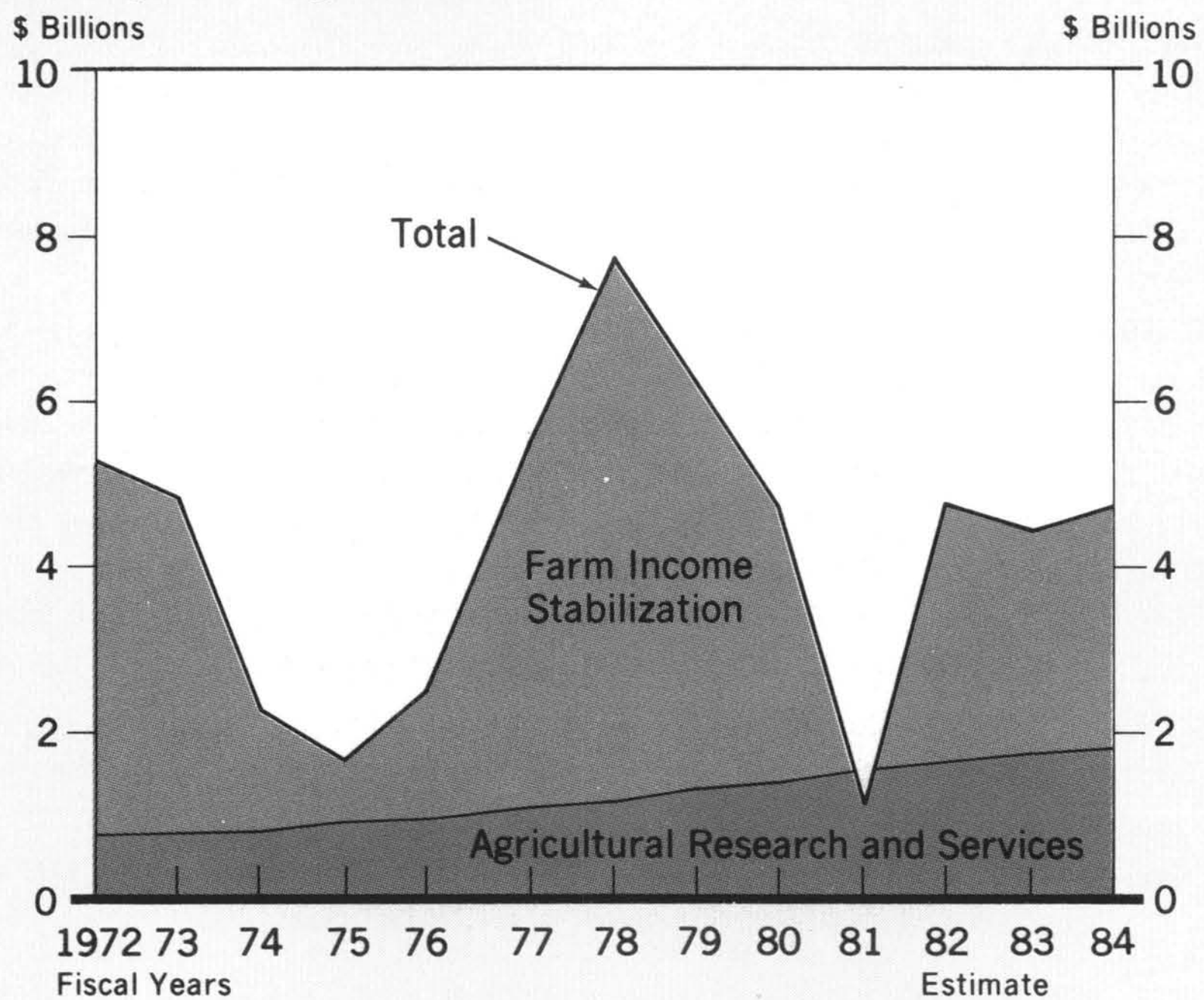
Agriculture

American agricultural products provide basic nutrition for millions of people around the world and a livelihood for American farmers. 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.

Outlays for the agriculture function are estimated to increase from \$1.1 billion in 1981 to \$4.8 billion in 1982. This increase reflects additional costs associated with price support lending, credit insurance, and related activities.

Many countries depend on us for food and we look to them as markets for our farm products. As a result, the administration is continuing to build and expand agricultural export markets. Growth in U.S. exports to other countries in 1980 more than offset the reduction in exports to the Soviet Union created by the grain embargo. Exports are projected to increase even further, from \$40.5 billion in 1980 to \$48.5 billion in 1981.

Outlays for Agriculture



Farm income stabilization includes price support programs, crop insurance and various agricultural loan programs. Net outlays for farm income stabilization are estimated to increase from \$-0.5 billion in 1981 to \$3.1 in 1982.

Estimates of price support outlays are highly speculative and subject to the uncertainties of weather and markets at home and abroad. The drought that occurred last year caused a large amount of corn to be taken out of reserve. As a result, receipts from sales and loan repayments are estimated to exceed disbursements by \$0.2 billion in 1981. In 1982, repayments and sales are expected to decline to more normal levels, while disbursements are expected to

increase. Net outlays are estimated to be \$2.1 billion in 1982. The budget proposes export credit guarantees of \$2.0 billion in 1982. This is the same as in 1981 and represents the highest level of federally backed credit ever extended for agricultural exports.

The Federal Government provides insurance against crop losses from natural hazards. A new, all-risk crop insurance program is scheduled to take the place of certain existing emergency loans and disaster payments. Outlays under the new program will depend on the number of participants in the new system and the movements in crop prices. Outlays are estimated to be \$0.2 billion in 1982.

New obligations for loans by the agricultural insurance fund totaled \$6.4 billion in 1980, with over 70% of this amount going for disaster and economic emergency loans. Total direct loan obligations by the fund are estimated to decline from \$8.0 billion in 1981 to \$5.1 billion in 1982. Priority is given to providing loan assistance to farmers with limited resources. Net outlays are estimated to increase from \$-0.7 billion in 1981 to \$0.6 billion in 1982. The 1981 estimates are negative because of loan repayments and sales to the Federal Financing Bank.

Estimated outlays for *agricultural research and services* in 1982 are \$1.7 billion, which is \$88 million more than the level estimated for 1981. The budget proposes to emphasize research on animal and plant production and protection, managing natural environmental changes, expanding use of the earth satellites, and enhancing the agricultural capacities of developing countries.

The major tax expenditure for agriculture arises from the tax treatment of certain capital investments and capital gains by farmers.

Commerce and Housing Credit

A principal concern of this administration is to avoid disproportionate reductions in housing credit that can result from tight monetary policies. The administration also seeks to ensure that the Federal Government provides adequate investment incentives and an economic environment that fosters continued strength in the housing market. Other major concerns are to achieve Federal commerce and housing credit objectives more efficiently, and to target Federal resources more effectively to those groups, regions, or economic sectors with the greatest need.

While Federal expenditure programs in this function contribute significantly to the achievement of Federal objectives, Federal tax policies and credit programs make an even greater contribution. Outlays for commerce and housing credit are estimated to increase from \$3.5 billion in 1981 to \$8.1 billion in 1982. The 1982 estimates

include outlays of \$3.5 billion for the administration's economic revitalization program.

OUTLAYS FOR COMMERCE AND HOUSING CREDIT

(In billions of dollars)

	Mortgage credit and thrift insurance	Postal Service	Refundable business tax credits (proposed)	Other ¹	Total
1972.....	—*	1.8		0.5	2.2
1973.....	-1.2	1.6		0.6	0.9
1974.....	1.5	1.7		0.7	3.9
1975.....	2.8	1.9		0.9	5.6
1976.....	1.2	1.7		0.9	3.8
1977.....	-3.3	2.3		1.1	0.1
1978.....	0.2	1.8		1.3	3.3
1979.....	-0.7	1.8		1.5	2.6
1980.....	3.7	1.7		2.4	7.8
1981 estimate.....	-0.2	1.3	0.2	2.1	3.5
1982 estimate.....	1.4	1.1	3.5	2.1	8.1
1983 estimate.....	0.1	0.9	4.7	2.2	7.9
1984 estimate.....	0.7	0.8	5.4	2.3	9.2

*50 million or less.

¹ Includes other advancement and regulation of commerce and small amounts of offsetting receipts.

Mortgage credit and thrift insurance programs are aimed at increasing the supply of credit for housing and assuring the soundness of the savings and loan industry. Outlays for these programs fluctuate markedly due to economic conditions and loan asset sales, which are offset against outlays. Net outlays for these programs are estimated to increase from -\$0.2 billion in 1981 to \$1.4 billion in 1982.

The Government National Mortgage Association (GNMA) buys mortgages insured or guaranteed by Federal agencies and sells them in the private market. The budget assumes that GNMA will purchase \$2.4 billion of mortgages in 1982.

The Federal Housing Administration (FHA) provides mortgage credit and insurance to families not adequately served by the private market. The FHA plans to write \$31.0 billion of mortgage insurance in 1982, about \$5.7 billion more than estimated for 1981. The Farmers Home Administration (FmHA) also provides direct and guaranteed loan housing assistance to low- and moderate-income families in rural communities. The 1982 budget proposes \$4.4 billion in obligations to assist through six direct loan programs for approximately 116,760 housing units.

The Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration insure depositors' accounts in banks and credit unions and help assure the soundness of the banking system. Re-

ceipts from these activities are expected to exceed outlays by \$1.9 billion in 1982.

The *Postal Service* is an independent Federal entity subsidized by the Government. The request for 1982 supports the administration's policy that postal costs should be paid directly by mailers, not by the taxpaying public. A payment of \$1.1 billion is requested for 1982, a \$0.2 billion decrease from the current administration request for 1981. This decrease reflects an accelerated phaseout of the public service subsidy.

Many Federal programs provide technical assistance to and promote the development of new business. Other programs provide oversight of the economy and business community to assure fair and equal practices and opportunities. Outlays for *advancement and regulation of commerce* are proposed to increase from \$2.3 billion in 1981 to \$5.6 billion in 1982. These estimates include outlays of \$0.2 billion in 1981 and \$3.5 billion in 1982 for proposed tax credits for businesses. As part of the administration's economic revitalization program, businesses would receive payments for a portion of social security taxes paid and those that have no tax liability would receive payments equal to a portion of the investment tax credit.

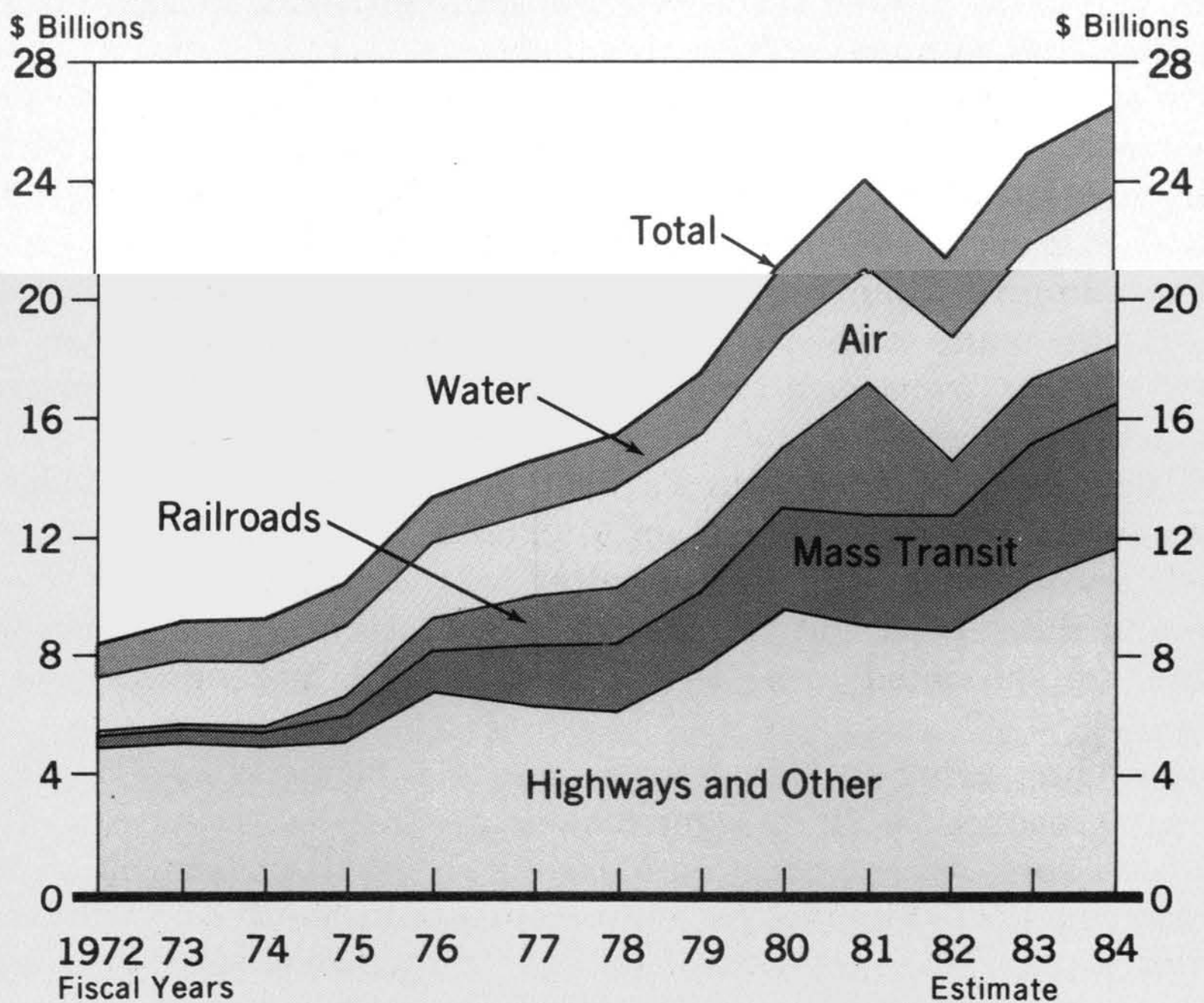
The budget provides for \$4.2 billion of new commitments for guaranteed business loans by the Small Business Administration (SBA) in 1981 and 1982. As part of an effort to target assistance more effectively, the SBA proposes to restructure its business loans program to emphasize guaranteed lending, and direct loans, where competition is inadequate, for minority, and women-owned businesses. It is anticipated that in 1982, 11.1% of business loans would be approved for minority-owned businesses and 8.5% for women-owned businesses. Net outlays to assist small businesses are estimated to total \$0.8 billion in 1982.

The tax system provides a variety of incentives for commerce and housing. The major tax expenditures and the estimated 1982 revenue losses are: the deductibility of mortgage interest and property taxes on owner-occupied housing (\$35.5 billion); various capital gains benefits (\$22.0 billion); the 10% investment tax credit for capital equipment (\$20.7 billion); reduced corporate income tax rates (\$7.6 billion); deductibility of interest on consumer credit (\$6.0 billion); rapid depreciation methods (\$13.3 billion, including proposed legislation); the dividend and interest exclusion (\$3.2 billion); and the exclusion of interest on certain State and local debt (\$2.8 billion).

Transportation

The Federal Government, together with State and local governments and the private sector, is committed to meeting the transportation needs of commerce and the public in a safe, reliable, and efficient manner. Outlays for transportation are estimated to decline from \$24.1 billion in 1981 to \$21.6 billion in 1982, largely because of a one-time \$2.1 billion payment to the Penn Central Corporation in 1981.

Outlays for Transportation



For *highways*, the budget focuses on completing and preserving the Interstate system and other highway systems of high national priority. In addition, the budget proposes the consolidation of numerous separate highway programs and other changes to give State and local governments greater flexibility in meeting their diverse needs. To support increased authorizations and improve the financial soundness of the highway trust fund, the budget recommends tax increases that would maintain the existing relative tax burden imposed on users of the highway system. Outlays for highways are estimated to decline from \$9.0 billion in 1981 to \$8.8 billion in 1982.

The budget request for *mass transit* continues the President's transportation energy initiatives by increasing capital improve-

ment assistance for construction, rehabilitation, and modernization of fixed rail and bus facilities, and for the purchase of new equipment. The administration believes that a corresponding increase in operating assistance should await enactment of legislation to restructure the distribution formulas. Outlays for mass transit are estimated to be \$3.8 billion in 1982, compared to \$3.7 billion in 1981.

For *railroads*, the budget reflects deregulation of the railroad industry brought about by the Staggers Rail Act of 1980. The Act provides railroads with much needed flexibility in setting rates. The recent deregulation of both the trucking and railroad industries will make ground transportation more efficient, increase competition, and improve service to consumers. The 1981 outlay estimate of \$4.3 billion for rail programs includes a \$2.1 billion settlement with the Penn Central Corporation for the value of property transferred to Conrail on April 1, 1976. Outlays for 1982, which do not include such settlements, are estimated to be \$1.8 billion.

The administration recognizes the need to upgrade and expand the capital plant of the Federal Aviation Administration (FAA) to meet the *air transportation* demands of the 1980's. The budget recommends a \$2.35 billion capital investment initiative for FAA facilities and equipment during 1982-86. In addition, the budget assumes enactment of legislation to extend the airport and airway trust fund through 1985 and to better balance the sources of revenue and the groups that receive benefits. Outlays for air transportation are estimated to be \$4.2 billion in 1982, \$0.2 billion above 1981.

Upgrading aging capital plant is also a priority in *water transportation* programs. The budget request for the Coast Guard would fund the replacement of three older cutters and modernization of its aircraft fleet. Funding for improvements in shore and training facilities would be rescheduled to 1983. Funds requested to subsidize construction of new ships for the U.S. merchant marine would be targeted toward eventual replacement of old dry bulk carriers. Total outlays for water transportation are estimated to decline from \$2.9 billion in 1981 to \$2.8 billion in 1982.

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 decrease from \$11.1 billion in 1981 to \$9.1 billion in 1982, because of an exceptionally high level of disaster assistance in 1981. Excluding disaster assistance, outlays are estimated to increase from \$7.9 billion in

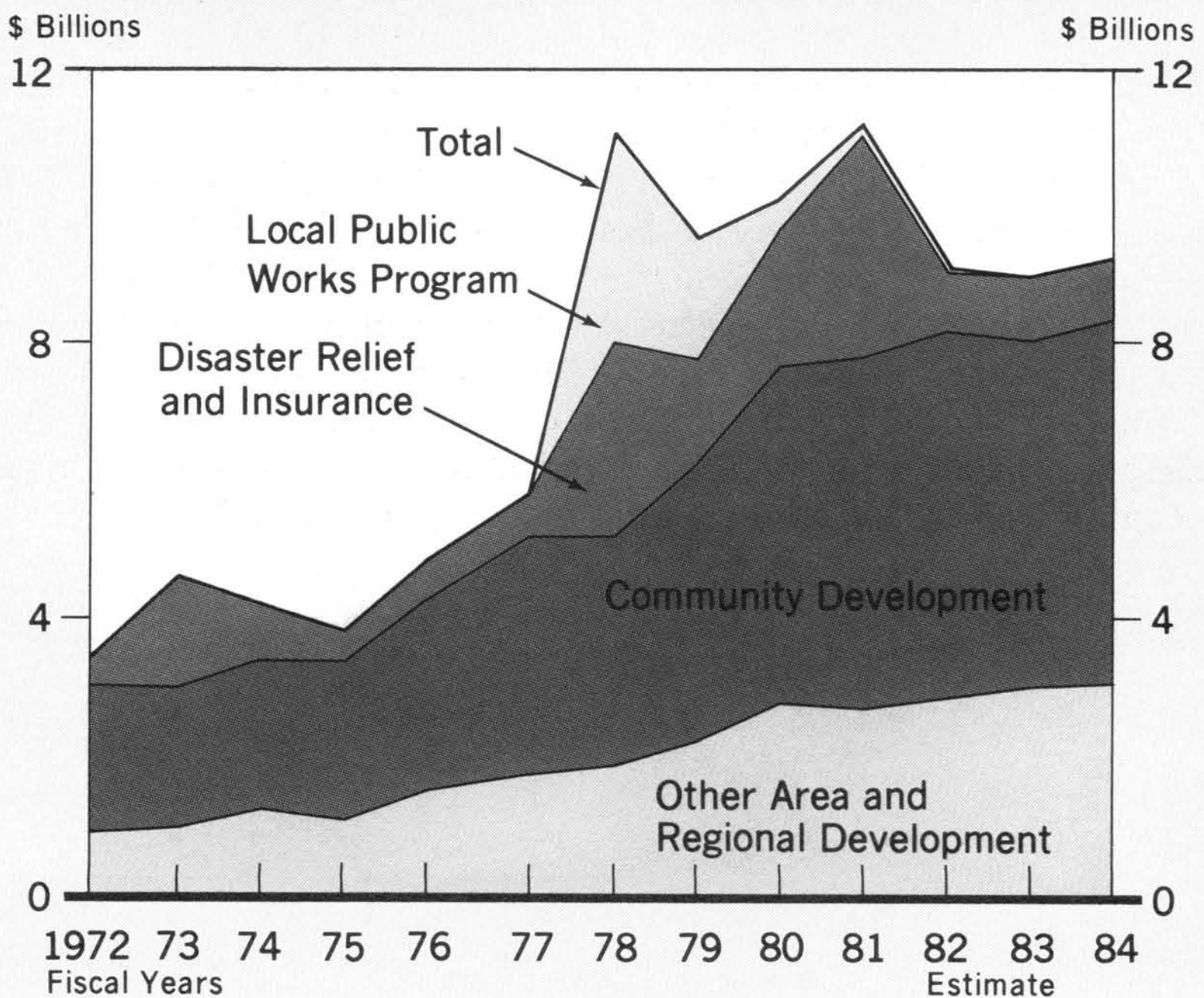
1981 to \$8.2 billion in 1982. The budget emphasizes two key objectives: promoting the development of economically and socially viable areas, and developing a partnership between the public and private sectors to revitalize economically depressed or declining areas.

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 \$3.9 billion in 1981 to \$4.0 billion in 1982.

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. Outlays for the program are estimated to rise from \$0.4 billion in 1981 to \$0.6 billion in 1982.

Outlays for HUD's rehabilitation loan program, which offers low-interest loans for the rehabilitation of residential structures in specified areas, are estimated to be \$0.1 billion in both 1981 and 1982. The budget request would finance the rehabilitation of about 12,500 units in 1982.

Outlays for Community and Regional Development



Area and regional development is provided through programs of the Department of Agriculture, the Department of Commerce, the Department of the Interior and other agencies. Outlays for area and regional development are estimated to increase from \$2.8 billion in 1981 to \$2.9 billion in 1982.

The Department of Agriculture administers a variety of programs aimed at developing rural areas. The 1982 budget provides for \$0.8 billion in new direct loan obligations and \$0.1 billion in grants for water and waste disposal systems and community facilities, as well as \$0.5 billion in new loan guarantee commitments for business and industrial development. Outlays for these and other rural development programs are estimated to be \$0.9 billion in both 1981 and 1982.

The Economic Development Administration (EDA) in the Department of Commerce assists States, rural and urban communities, and Indian tribes in efforts to foster economic development and provide permanent employment opportunities in distressed areas. The budget includes \$0.5 billion in outlays for these programs in 1981 and \$0.6 billion in 1982. New loan guarantee authority of \$0.4 billion is requested for 1982, the same as in 1981.

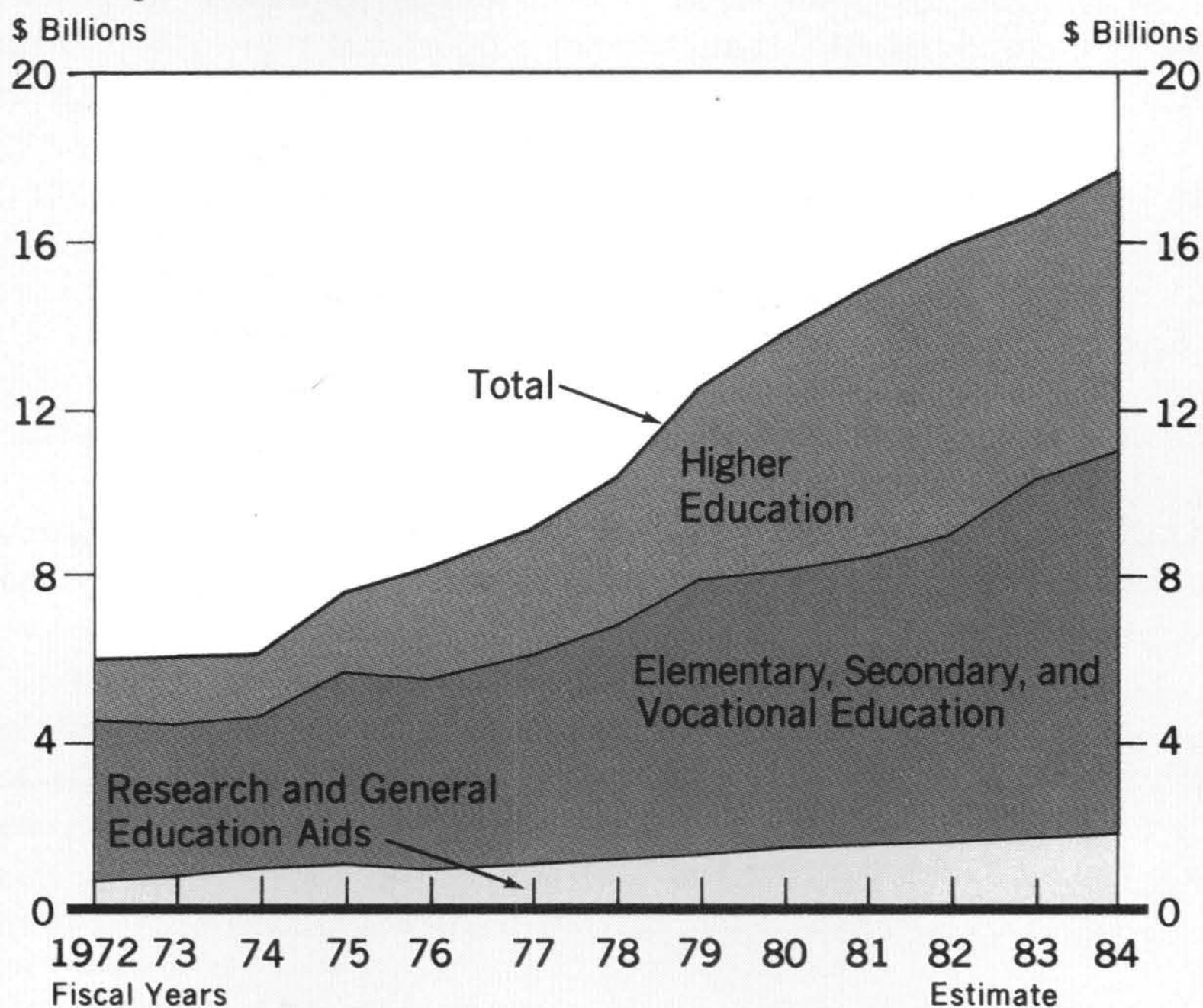
The Department of the Interior provides grants, training, and technical assistance to Indians to strengthen tribal management and planning abilities. It also encourages economic development through business development assistance, direct Federal loans, loan guarantees, and interest subsidies. Federal Indian programs also fund community development activities, such as construction of roads, schools, and irrigation systems. Outlays for Indian programs for regional development are estimated to be \$0.9 billion in 1982, \$57 million below 1981. Additional assistance to Indian tribes is provided through programs in other budget functions.

The Federal Government provides *disaster relief and insurance* to supplement private, State, and local assistance when such assistance is inadequate. Disaster relief needs cannot be accurately forecast. Demands on Federal disaster assistance grants and loans were unusually heavy in 1980 because of the Mount St. Helens eruptions, other natural disasters, and the influx of Cuban and Haitian entrants. In anticipation of more normal requirements for such assistance, outlays for disaster relief and insurance are estimated to decline from \$3.3 billion in 1981 to \$0.9 billion in 1982.

Education

Establishment of the Department of Education has resulted in closer coordination and better management of Federal education programs. Legislation creating the Department was proposed by the administration and enacted by the Congress in recognition of the importance of Federal support for education. This budget requests \$17.2 billion in budget authority for education in 1982. Outlays are estimated to rise from \$14.9 billion in 1981 to \$15.8 billion in 1982.

Outlays for Education



Most of the \$7.4 billion in estimated 1982 outlays for *elementary, secondary, and vocational education* is for formula and discretionary grants to assist State and local educational agencies. The youth initiative proposed by the administration (which is also discussed in the training, employment, and social services section) includes grants to support special programs for students in school districts with high concentrations of low-income, unemployed youth. The budget requests \$0.9 billion in budget authority for use in the 1982-83 school year for the education component of the initiative.

The administration proposes to target impact aid, which compensates school districts whose tax base is affected by Federal activities, to districts that bear a disproportionate burden due to those

activities. Budget authority of \$401 million is requested for 1982, \$241 million below the 1981 level.

The Education Amendments of 1980 reauthorized Federal higher education programs and greatly expanded their scope and potential cost. The law created a new loan guarantee program for parents of students and simplified student aid procedures. The budget requests \$7.1 billion in budget authority for *higher education* in 1982. Outlays are estimated to increase from \$6.5 billion in 1981 to \$6.9 billion in 1982.

Budget authority of \$2.7 billion is requested for Pell grants (formerly called basic education opportunity grants) to provide up to \$1,800 to 2.6 million higher education students who demonstrate financial need. An additional \$1.0 billion is requested for 1982 to fund the supplemental educational opportunity grants program, State student incentive grants, and college work-study programs.

The Federal Government also provides loans and loan guarantees to help qualified students pursue higher education. The administration is proposing to slow the rapid growth of the guaranteed loan program by altering the terms of the loans. Budget authority of \$2.3 billion is requested to subsidize and guarantee \$5.7 billion in loans in 1982 to 3.4 million students and 2.3 million parents. This budget also requests \$286 million in budget authority for national direct student loans.

Outlays for *education research and general education aids*, including cultural activities, are estimated to be \$1.5 billion in both 1981 and 1982.

The largest tax expenditures for education are the deduction of charitable contributions for education and the personal exemption for parents of college-age students who also claim an exemption. The 1982 revenue losses resulting from these provisions are estimated to be \$1.5 billion and \$1.1 billion, respectively.

Training, Employment, and Social Services

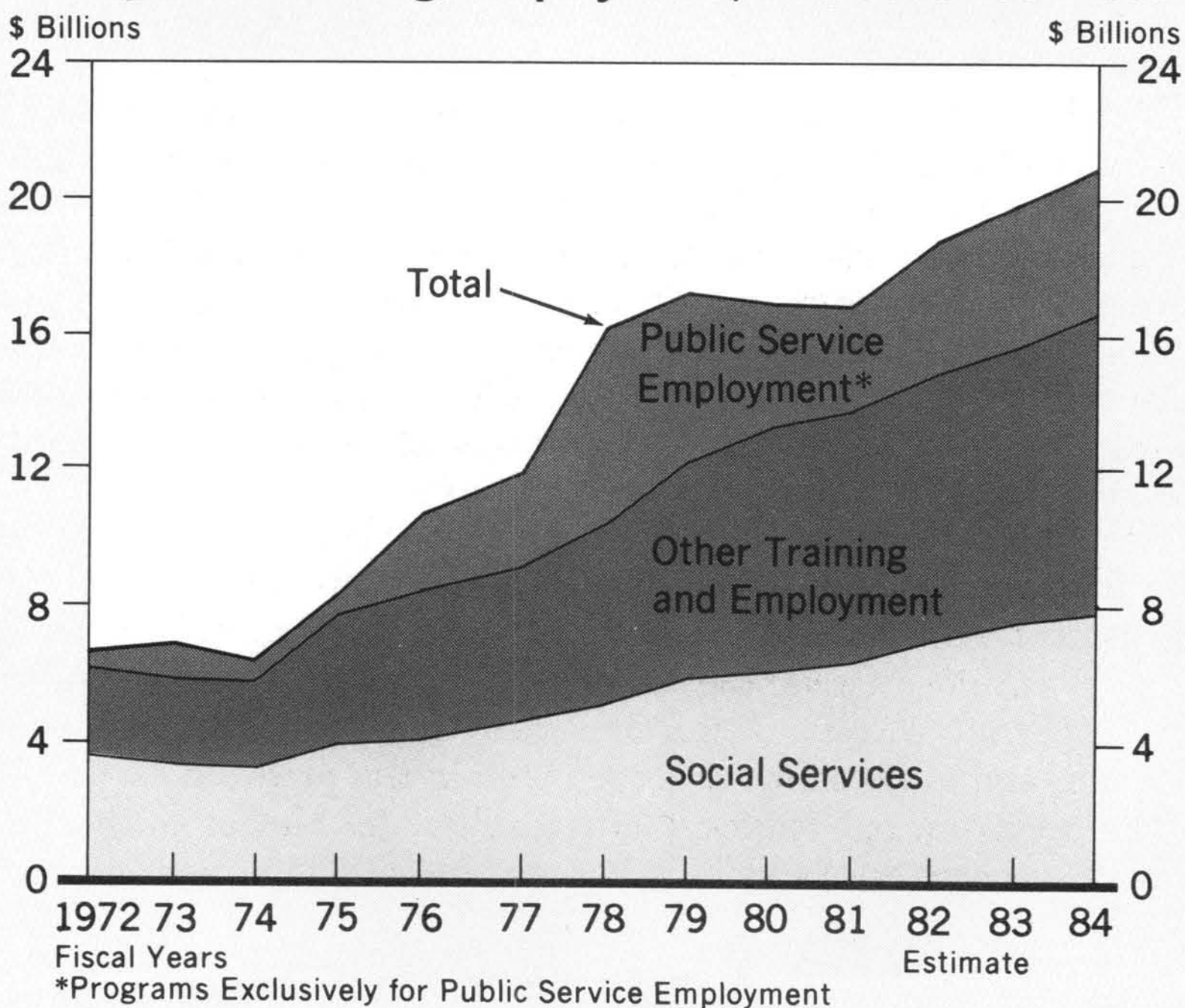
Training and employment programs help develop work skills, provide temporary employment and work experience, and increase long-term employment opportunities for the disadvantaged. Social services programs are primarily intended to help the disabled and the disadvantaged become self-sufficient. Total outlays for training, employment, and social services are estimated to increase from \$16.9 billion in 1981 to \$18.7 billion in 1982.

The administration remains committed to the youth initiative that was first proposed in the 1981 budget to address the problems associated with youth unemployment. The training and employment component of this initiative proposes consolidation, replace-

ment, and enhancement of three experimental programs—the youth employment and training programs, the youth community conservation and improvement projects, and the youth incentive entitlement pilot projects. The budget authority requested for 1982 is \$250 million above the 1981 level of the programs to be replaced. Under this proposal, prime sponsors would work closely with local school systems to provide the combination of training in basic arithmetic, language skills and workplace discipline that will help disadvantaged youth, particularly older youth between the ages of 18 and 21, prepare for jobs. Outlays for Labor Department programs designed specifically for youth are estimated to be \$2.7 billion in 1982. This funding level would maintain Job Corps enrollment at 44,000—double the 1977 level—and provide between 800,000 and 900,000 part-time summer jobs for youth, the same level as in 1980 and 1981.

The 1982 budget continues to direct *training and employment* resources toward the economically disadvantaged and the long-term unemployed. Strategies for job development and job placement in the private sector continue to stress programs designed by States and localities with the aid of Private Industry Councils. The request also includes resources to test alternative ways of providing training and relocation assistance to workers permanently unemployed due to rising imports and other economic changes. Outlays

Outlays for Training, Employment, and Social Services



for non-youth-related training and employment programs are estimated to be \$3.0 billion in 1982. Estimated outlays of \$3.8 billion would provide for an average of 340,000 public service employment (PSE) jobs in 1982, the same as the level expected to be reached at the end of 1981.

The work incentive (WIN) program helps those receiving AFDC (aid to families with dependent children) find and retain jobs. Estimated outlays of \$385 million in 1982 would place approximately 286,000 individuals in unsubsidized private sector jobs. Estimated outlays of \$0.9 billion in 1982 would permit the Federal-State employment service to continue to provide job-matching services for workers and employers.

The administration proposed a welfare reform initiative that integrated cash assistance with an employment and training strategy, the targeted employment tax credit, and revisions in the earned income tax credit. The last Congress failed to complete action on the welfare reform proposal. The budget includes \$166 million in outlays to continue the welfare demonstration projects that were initiated as part of the process for developing a new and better income support system.

Outlays for a variety of *social service* programs are estimated to increase from \$6.3 billion in 1981 to \$7.1 billion in 1982.

As part of the economic revitalization program, the administration is proposing an income tax credit equal to 8% of social security taxes paid, to become effective January 1, 1982. This credit, which is refundable to nonprofit organizations, is estimated to increase outlays by \$0.2 billion in 1982.

Social services grants to States provide a broad range of services to groups with special needs. Outlays for these programs are estimated to be \$3.1 billion in both 1981 and 1982.

Last year, the Congress enacted legislation proposed by the administration to improve significantly the welfare of children and to protect their rights and those of their parents. The budget includes \$220 million in 1982 outlays, \$163 million above 1980, for services to reunite children with their families when possible, and facilitate the adoption of children with special needs.

Head Start provides social, health, educational, and other services to low-income, preschool children and their families. For 1982, the budget requests \$950 million in budget authority, an increase of \$130 million above the 1981 level. This increase in funding would permit 375,000 children to continue participation in the program and allow some improvements in the program.

The 1982 budget requests \$704 million in budget authority to provide services to the elderly, an increase of \$30 million above the

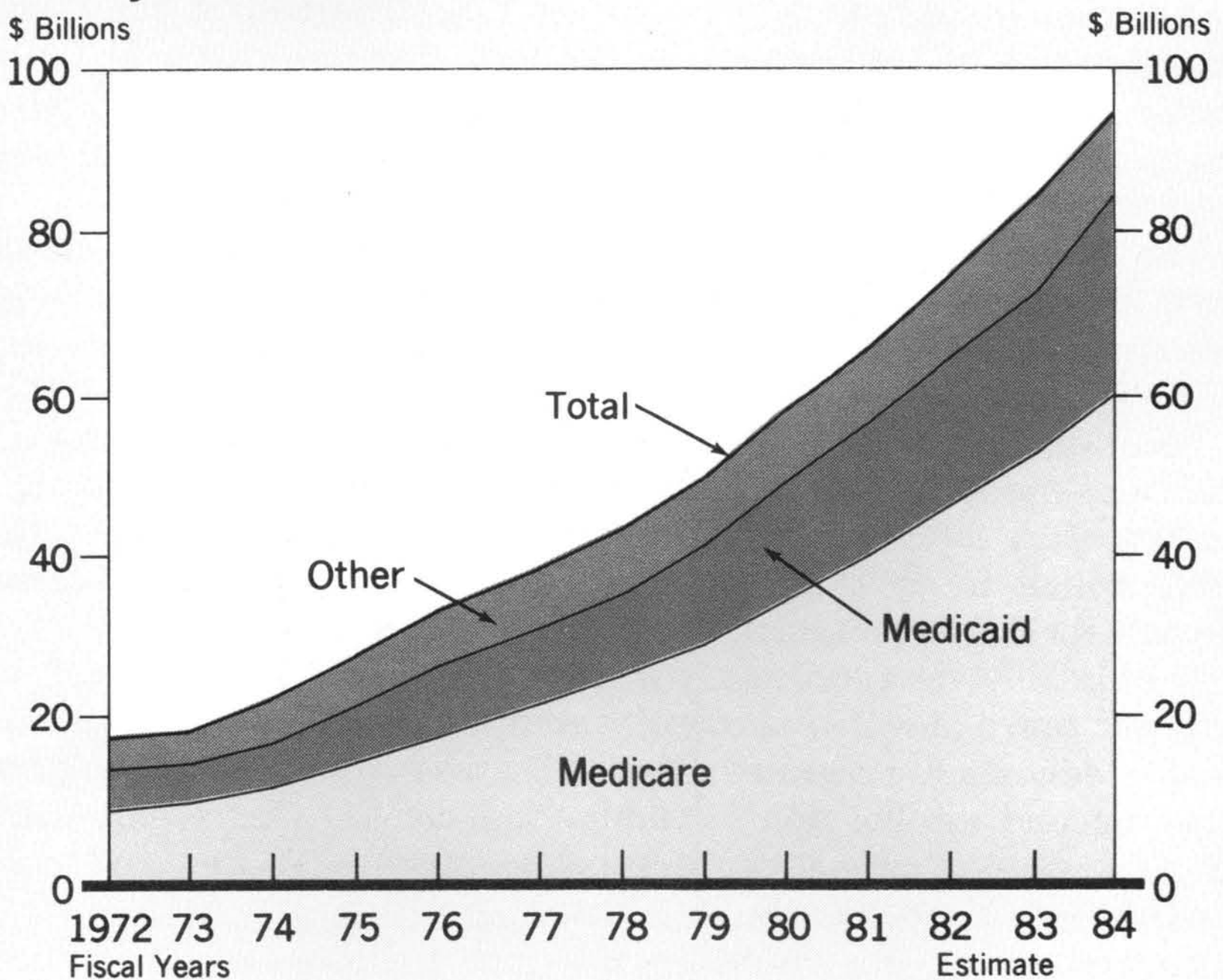
1981 level. The request would finance 431,000 meals daily and a variety of legal and other services for the elderly.

The income tax deduction for contributions to charitable, religious, and other nonprofit organizations is estimated to reduce 1982 receipts by \$9.0 billion. There are also various employment tax credits.

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. While funds are not included for the national health plan, the administration continues to support enactment of this legislation when budget resources are available. Total outlays for health are estimated to be \$74.6 billion in 1982, \$8.6 billion above 1981. All but \$0.3 billion of this increase is for medicare and medicaid.

Outlays for Health



Estimated outlays for *medicare* of \$46.6 billion would provide services to 25 million aged and 3 million disabled Americans in 1982. Outlays for *medicaid* of \$18.2 billion in 1982 would finance care for 24 million poor people. The medicare and medicaid esti-

mates include the impact of proposed legislation that would, in total, reduce 1982 outlays by \$0.5 billion. The major expansions recommended in the budget are the child health assurance program, which would improve services and extend medicaid eligibility to an additional 2 million children and pregnant women, and improved mental health benefits.

Inflation in health care costs erodes 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 more than 2½ times as fast as the Consumer Price Index. Without major changes in the medical system, national health expenditures are projected to reach 11.5% of GNP in 1990.

The administration is attempting to reduce hospital inflation in cooperation with the hospital industry's own voluntary effort, which is estimated to save \$0.8 billion in 1982 medicare outlays. The budget includes numerous legislative and administrative actions that would reduce medicare and medicaid costs by \$1.0 billion in 1982. It also endorses other strategies and reforms to reduce inflation in health care costs.

Outlays for *other health care services* are estimated to rise from \$4.1 billion in 1981 to \$4.2 billion in 1982. The budget continues efforts begun in 1980 to provide the basic framework for an integrated system of budgeting and managing Government health services programs. These reforms are being phased in on a voluntary basis with State and local governments.

The Mental Health Systems Act of 1980 established a Federal-State partnership in the delivery and coordination of mental health services for which the budget includes \$325 million in 1982 outlays.

Federal support for primary health care services would provide additional services to medically underserved populations through an expanded community health center program, additional health professionals in the National Health Service Corps, and increased support for the Indian health service programs.

The 1982 budget reflects the administration's commitment to effective and innovative disease prevention, health promotion, and health education programs. Key initiatives include discouraging smoking and alcohol abuse, eliminating measles, increasing community water fluoridation, improving genetic services and controlling high blood pressure.

Federal outlays for *health research* are estimated at \$3.6 billion in 1981 and \$3.8 billion in 1982. Requested funding would allow the National Institutes of Health to support 5,000 new and renewed research grants for a total of 16,085 research projects. The budget

provides increases in 1982 for basic and clinical biomedical research grants.

Outlays for *education and training of the health care workforce* are estimated to be \$0.6 billion in 1982, \$106 million below 1981. Outlays for *consumer and occupational health and safety* are estimated to be \$1.2 billion in 1982, \$86 million above 1981.

In addition to direct Federal spending, Federal income tax laws help finance health care. The major tax expenditures for health and the estimated 1982 revenue loss are: the exclusion from employees' taxable income of the health insurance premiums paid by employers (\$16.6 billion); the medical expense deductions (\$4.2 billion); the deductions for health care expenses and health-related charitable contributions (\$1.9 billion); and the exclusion for interest on State and local bonds to finance hospital construction (\$0.7 billion).

Income Security

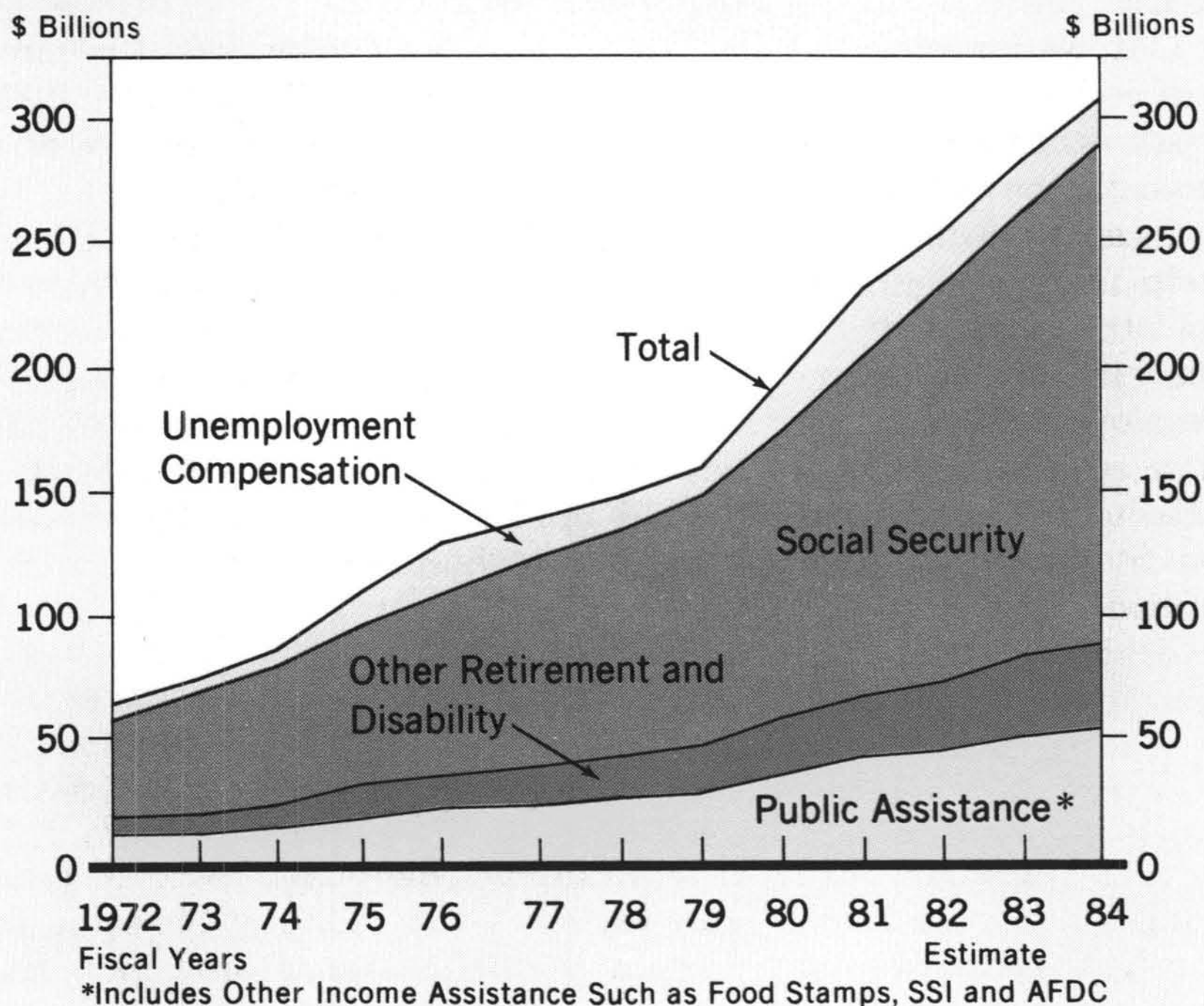
Income security is the largest and one of the most steadily growing functions in the Federal budget. In 1982, income security outlays are estimated to reach \$255 billion, more than 34% of total budget outlays, while 25 years earlier it was 15.2% of the total. In the last quarter century, Federal social insurance protection has been extended to virtually all Americans who are aged, disabled, or unemployed. Benefits for individuals and families in need have also increased.

The 1982 budget continues to support policies that simplify program administration, increase program accountability, decrease costs by reducing fraud and abuse, and direct benefits to those most in need. The budget also requests funds to offset the effects of rising energy costs on low-income families and to expand the earned income tax credit.

The administration is proposing two modifications to current procedures for adjusting benefits for cost-of-living increases. First, it is proposed that automatic benefit increases be limited to once a year for all programs. While most programs are currently indexed annually, civilian and military Federal employee retirement benefits receive two cost-of-living increases a year. Child nutrition programs are also scheduled to receive two increases in 1982. Second, the administration is proposing a more representative index to replace the Consumer Price Index, which is currently used to adjust several programs.

The greatest portion of income security outlays is for *retirement and disability* insurance. Outlays for *social security*, the largest single expenditure in the budget, are estimated to rise from \$138.3 billion in 1981 to \$159.6 billion in 1982. An estimated 36.5 million

Outlays for Income Security



people will receive social security benefits in 1982. The administration supports legislation that would assure timely payment of all social security benefits by authorizing interfund borrowing. The administration also supports legislation to extend social security coverage and benefits to railroad workers, and their dependents and survivors, who are currently excluded from certain social insurance benefits available under social security.

Outlays for other Federal retirement and disability programs—including Federal civilian employees, railroad workers, and disabled coal miners—are estimated to increase from \$24.9 billion in 1981 to \$27.6 billion in 1982. The administration supports proposals to restore the rail industry pension fund to solvency by increasing payroll taxes, restraining the growth in benefits, and limiting the growing Federal subsidy.

About 97% of wage and salaried employment in the United States is covered by *unemployment compensation*, which provides support to individuals who are temporarily out of work and who are searching for jobs. Special benefits are available to certain workers whose unemployment is attributed to increased imports or other factors. It is estimated that an average of 4.1 million workers per week will receive unemployment benefits in 1981 and 3.4 million in 1982.

Outlays for unemployment compensation are estimated to decline from \$26.1 billion in 1981 to \$21.9 billion in 1982. In addition to the projected decline in the unemployment rate, these estimates reflect the impact of proposed legislation that reduces 1982 outlays for unemployment compensation by \$2.2 billion. The administration supports legislation to change the method of calculating the insured unemployment rate that determines when an extra 13 weeks of benefits are paid. The current method can delay the start of such benefits when unemployment rises and results in the extra benefits being paid in some States but not others experiencing the same unemployment. Moreover, the current method keeps paying the benefits even when unemployment decreases below the level needed to get them started. Although the proposal would save about \$2 billion in 1982 under the unemployment rates being projected for the budget, a slightly higher rate of unemployment would trigger extended benefits nationally. In such a case, unemployment benefits would be very close to those under current law.

The Federal Government provides a broad range of assistance for housing, food and nutrition, and other aid to needy families and individuals. *Housing assistance* is currently provided through three major, subsidized housing programs: lower income housing assistance (section 8 housing), public housing, and homeownership assistance. Total outlays for housing assistance are estimated to rise from \$6.9 billion in 1981 to \$8.5 billion in 1982. The budget request would provide rental housing assistance for up to 260,000 additional low-income households. Total budget authority of \$31.4 billion in 1982 is proposed to support Federal long-term housing commitments and other housing programs.

Several programs provide *food and nutrition* assistance. The food stamp program will help an estimated 21.5 million recipients buy food for an adequate diet in 1982. Outlays are estimated to increase from \$11.0 billion in 1981 to \$12.2 billion in 1982. The budget reflects recently enacted legislation to reduce errors and improve administration, and proposes legislation to retain the present method of annually indexing food stamp allotments. Outlays for other Federal programs to assist States in feeding children and needy persons are estimated to total \$4.2 billion in 1982. In addition, outlays for the supplemental food program for women, infants, and children (WIC) are proposed to increase by \$0.1 billion to \$1.0 billion in 1982. Studies suggest that this program leads to significant reductions in the incidence of low-birth-weight babies and anemic children.

Outlays for the *supplemental security income* (SSI) program, which will finance benefits to an estimated 4.2 million aged, blind, and disabled beneficiaries, are estimated at \$8.0 billion in 1982. The high error rates in the program's initial years have been

markedly reduced. The program of *aid to families with dependent children* (AFDC) assists States and localities in making cash assistance payments to needy families. Outlays are estimated at \$7.7 billion in 1982, compared with \$7.8 billion in 1981. The budget reflects proposed legislation to improve program administration, reduce errors, increase child support collections, and make Federal-State cost sharing more equitable.

The *earned income tax credit* encourages employment and aids low-income couples with children by providing an income tax reduction or a payment if the tax credit exceeds the individual's tax liability. The revenue loss is estimated at \$0.8 billion in 1982. As part of the President's economic revitalization program, an expansion of the earned income tax credit is proposed, effective January 1, 1982. Total outlays for payments in excess of tax liability are estimated to be \$1.1 billion in 1982.

To help offset the impact of rising energy costs on low-income families, the administration supports continued funding of grants to States for low-income energy assistance. Outlays are estimated at \$1.85 billion in 1982.

The major tax expenditure provisions for the aged are the exclusion from taxable income of all social security and most railroad retirement benefits, the extra exemption for taxpayers 65 and over, and the tax credit for the elderly. The combined benefits for these tax expenditures are estimated to be \$15.8 billion in 1982. Other tax expenditures in this function, and the estimated 1982 revenue loss, include the untaxed portion of unemployment benefits (\$4.5 billion); the exclusion of interest on life insurance savings (\$2.1 billion); and the exclusion of pension contributions and earnings (\$30.2 billion).

Veterans Benefits and Services

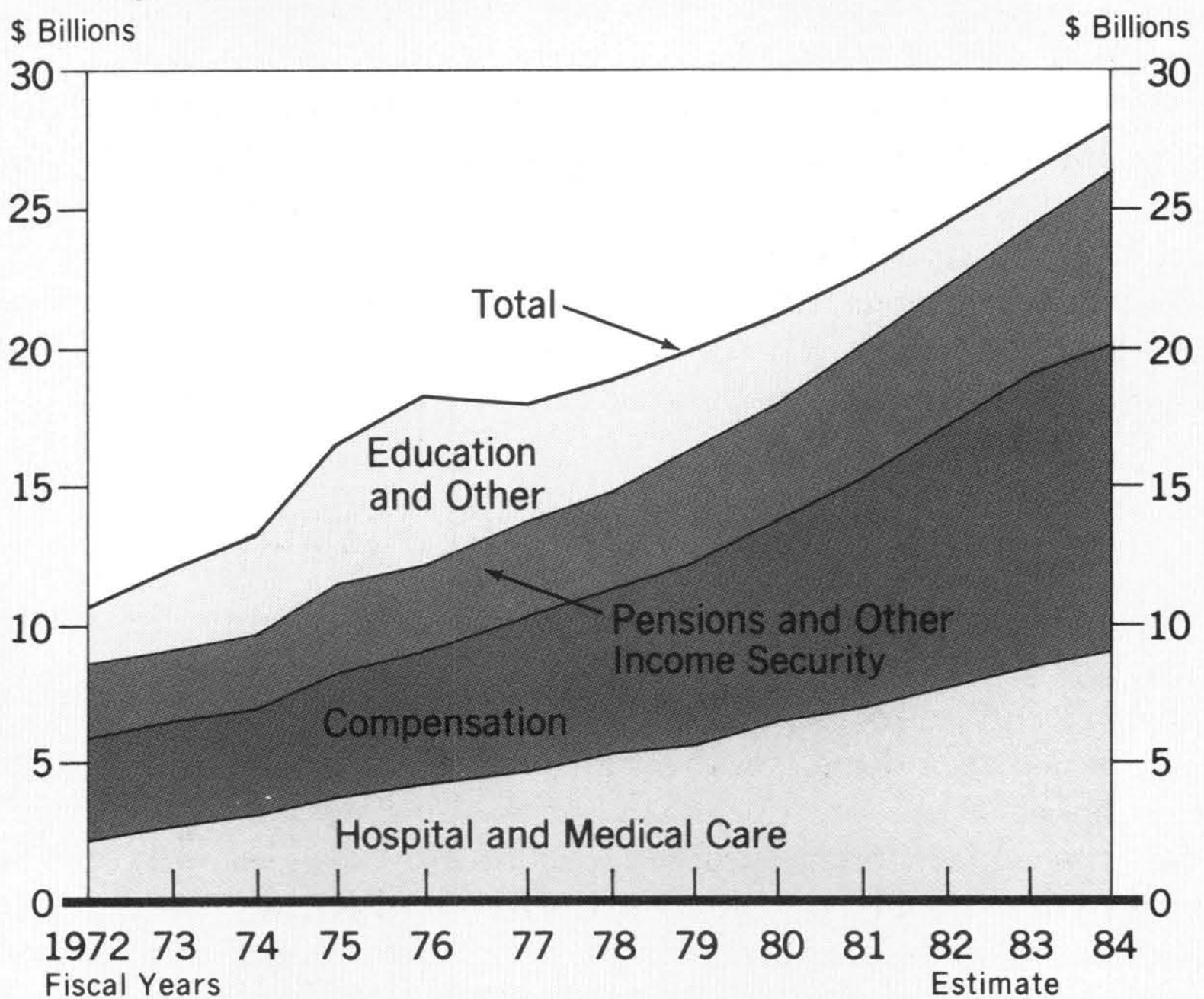
The Federal Government supports veterans and their dependents and survivors who have special needs resulting from the sacrifices that veterans have made in military service to our country. This administration has achieved a number of improvements in veterans programs, in particular, special assistance to Vietnam veterans, improvements in medical care, and reform of the pension program. Further improvements in veterans benefits and services are proposed for 1982. The administration supports several cost-saving proposals to partially offset the costs of these proposed improvements. Outlays for veterans benefits and services are estimated to rise from \$22.6 billion in 1981 to \$24.5 billion in 1982.

Compensation benefits are provided to an estimated 2.6 million veterans with service-connected disabilities and to their survivors.

Legislation effective in October 1980 increased compensation benefits by 14.3% for veterans rated 50% disabled or higher, and 13% for those rated 10% to 40% disabled. A cost-of-living increase of 12.3% is proposed to become effective in October 1981. Outlays for compensation benefits are estimated to increase from \$8.5 billion in 1981 to \$9.6 billion in 1982.

Pensions are provided to needy veterans with wartime service and to their dependents and survivors. The number of beneficiaries is estimated at 1.9 million in 1982. 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. Outlays for pension benefits are estimated to rise from \$3.8 billion in 1981 to \$4.1 billion in 1982.

Outlays for Veterans Benefits and Services



The GI bill provides education benefits designed primarily to assist veterans who entered military service before 1977 in adjusting to civilian life. The budget reflects an administration proposal to extend the period of eligibility from 10 to 12 years for certain needy and educationally disadvantaged Vietnam-era veterans. GI bill benefits and benefits paid to veterans under the vocational rehabilitation program were increased in 1980 and legislation was enacted to improve and modernize vocational rehabilitation services offered to disabled veterans. Outlays for veterans *education,*

training, and rehabilitation are estimated to decrease from \$2.0 billion in 1981 to \$1.6 billion in 1982, reflecting the decline in the number of eligible veterans.

The Veterans Administration (VA) operates the largest nationwide medical care system. The budget proposes to continue the emphasis on providing efficient medical care for veterans with service-connected disabilities, while accommodating the rapidly growing population of eligible elderly veterans. However, the administration believes that the medical needs of service-disabled veterans should be recognized above all others. The Veterans Administration Health Care Amendments of 1980 strengthened the ability of the VA to recruit and retain an adequate health care staff; authorized an expansion of facilities for geriatric research, education, and clinical activities; and gave VA the authority to require evidence of the inability to pay, which is a prerequisite to admission for VA medical treatment for certain nonservice-disabled veterans. Outlays for veterans *hospital and medical care* are estimated to rise from \$6.9 billion in 1981 to \$7.7 billion in 1982.

The VA provides additional assistance to veterans through direct loans and loan guarantees. VA mortgage loan guarantee and direct loan programs are expected to assist 355,400 veterans obtain \$21.1 billion in mortgage loans in 1982.

Veterans compensation, pension and GI bill benefits are excluded from taxable income. The largest revenue loss is from the exclusion of compensation and is estimated to be \$1.6 billion in 1982.

Administration of Justice

The most basic of all American rights is the equitable administration of justice. Outlays to meet this responsibility are estimated to be \$4.9 billion in 1982.

After nearly a decade and a half of Federal financial and technical support, State and local authorities are better able to handle local law enforcement problems than in the past. Given these improvements and continued pressure on Federal resources, the administration has redirected its programs toward crimes of national significance and decreased the Federal role where State and local governments are capable of assuming responsibility.

Over half of the resources and 60% of the personnel associated with programs in this function are for *law enforcement activities*. Federal law enforcement outlays are estimated to be \$2.5 billion in 1982, \$0.1 billion above 1981. The budget requests funding to combat those problems that are most appropriately handled by the Federal Government, including organized crime, white-collar crime,

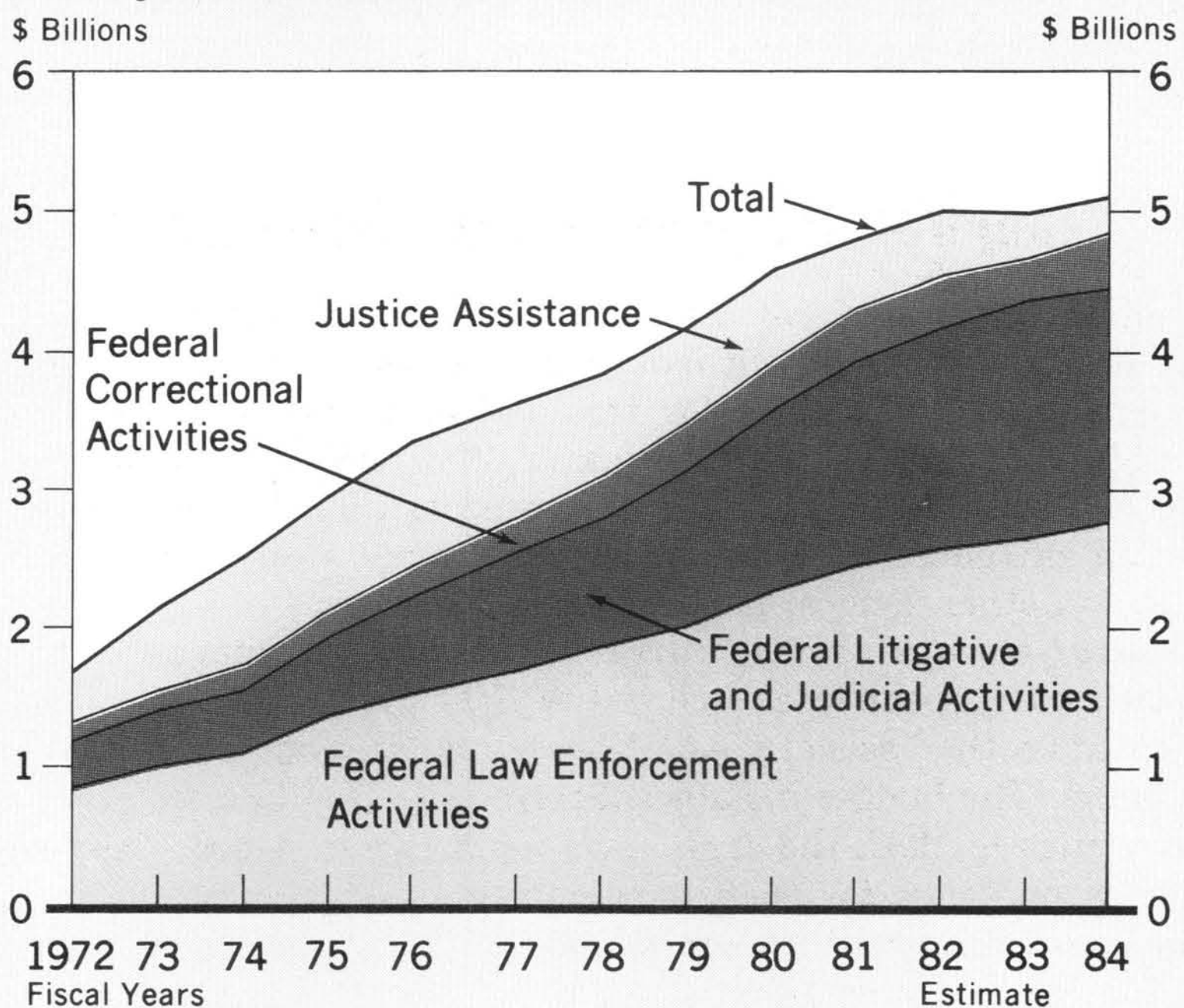
foreign intelligence activities, major trafficking in narcotics and other dangerous drugs, public corruption, denial of civil rights, and illegal immigration.

The goals of *Federal litigative and judicial activities* are to provide those accused of crimes with fair and prompt trials and to represent the public in civil litigation and criminal prosecution. Outlays for these activities are estimated to increase from \$1.5 billion in 1981 to \$1.6 billion in 1982. The budget places special emphasis on better management of litigative resources and on increased efforts to collect debts owed to the United States.

The Federal Government is also responsible for the care and custody of prisoners convicted of violating Federal laws. Outlays for *Federal correctional activities* are estimated to be \$0.4 billion in both 1981 and 1982. No new long-term prison facilities are being proposed since the Federal prison population is declining; however, there is a need to house Federal detainees awaiting trial, sentencing or transfer to another institution. A new Federal detention facility in the Southwest is scheduled to open in 1982.

In 1979, assistance to State and local governments changed from providing financial support to emphasis on criminal justice research and statistics. In 1982, the few outstanding law enforcement

Outlays for Administration of Justice



grant programs will be closed out. The budget does propose the continuation of grants to meet the needs of juvenile offenders. Outlays for *criminal justice assistance activities* are estimated to decrease from \$501 million in 1981 to \$359 million in 1982 as a result of the elimination of law enforcement assistance grants.

General Government

General government includes a variety of central government activities such as the legislative branch and the Executive Office of the President. It also includes tax collection and other fiscal operations, general property control, records management, and the administration of U.S. territories. Outlays for general government are estimated to be \$5.2 billion in 1982, \$0.1 billion above 1981.

The budget includes several proposals to make the collection of taxes more efficient. It requests funds for the first phase of a major conversion of the computers that are used to process tax returns in each of the IRS service centers. It also includes a substantial increase in staff to process tax returns and collect revenues under the Crude Oil Windfall Profit Tax Act and to increase efforts to collect unpaid tax accounts. Outlays for tax collection are estimated to be \$2.6 billion in 1982.

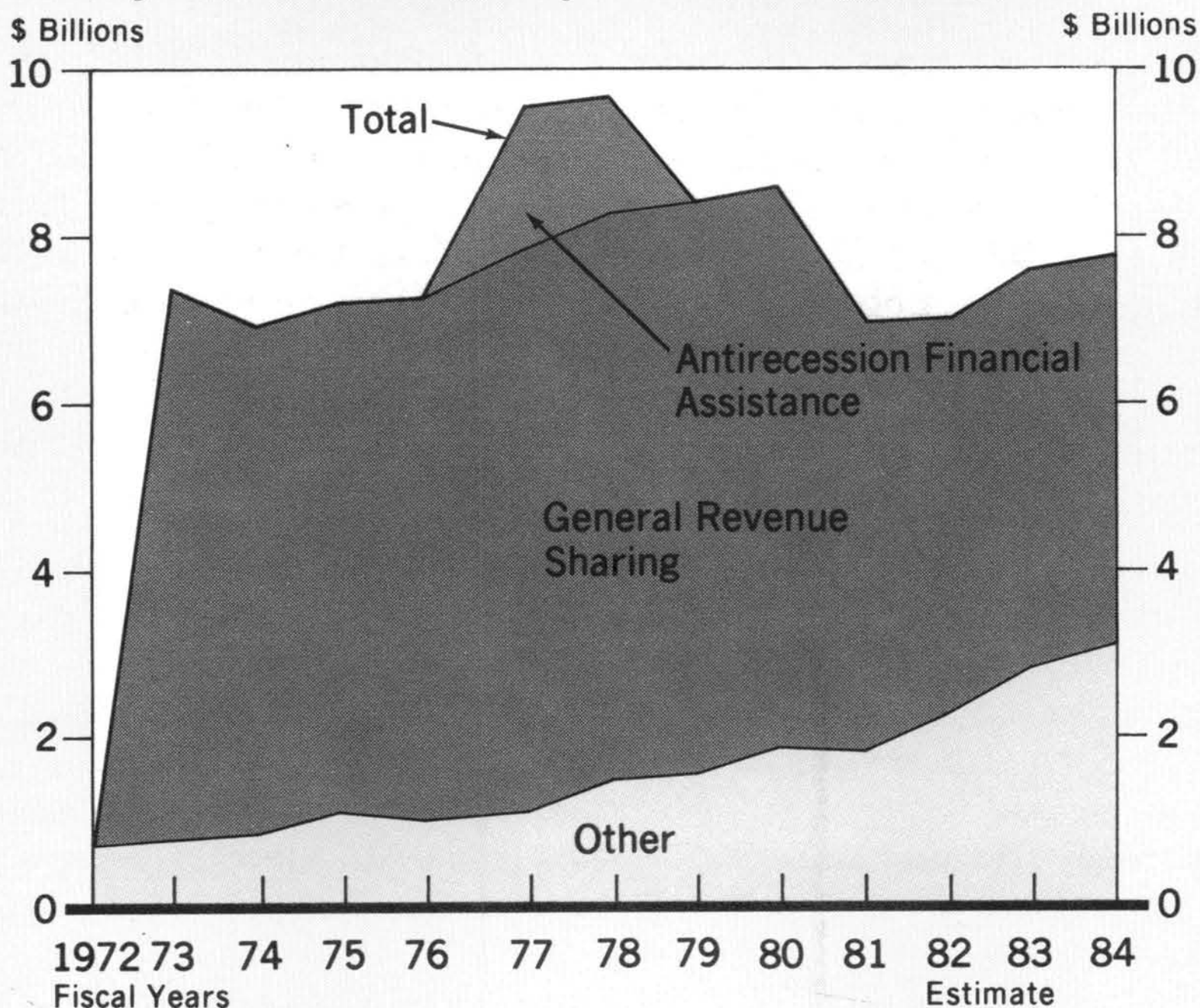
The budget proposes a sizable increase in the new construction of Federal buildings. New obligational authority for construction is proposed to increase from \$16 million in 1981 to \$196 million in 1982.

General Purpose Fiscal Assistance

General purpose fiscal assistance provides Federal aid to State and local governments without major restrictions or matching requirements. Total outlays for this assistance are estimated to be \$6.9 billion in 1982, the same as in 1981, and \$1.7 billion below 1980. The net decrease from 1980 reflects the elimination of the \$2.3 billion general revenue sharing payment to States and increases in other general purpose aid.

General revenue sharing currently provides assistance to nearly 39,000 local jurisdictions below the State level. These funds are allocated on the basis of population, per capita income, and general tax effort. The budget includes outlays of \$4.6 billion for payments to localities in 1982, the same level as in earlier years. The budget requests no funds for such payments to States in 1982. This program was eliminated beginning in 1981. The long-term improvement in the relative fiscal strength of States indicates that such payments are no longer needed.

Outlays for General Purpose Fiscal Assistance



Outlays for *other general purpose fiscal assistance* are estimated to increase from \$1.7 billion in 1981 to \$2.3 billion in 1982. As part of the economic revitalization program, the administration proposed an 8% tax credit for social security taxes paid effective in January 1982. This credit would be refundable to State and local governments, with payments estimated at \$0.5 billion in 1982.

The Federal Government also provides payments to the District of Columbia, loan guarantees to New York City, and other general payments to States, localities, and territories. The District of Columbia's operating budget is financed in part by the Federal Government, in recognition of the fiscal impact of the Federal establishment. Federal outlays to the District are estimated to be \$0.6 billion in 1982. 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 allows State and local governments to borrow at lower interest rates and individuals to exclude the interest income from their Federal taxes. Estimated revenue losses to the Treasury in 1982 are \$6.5 billion. In addition, the deductibility of various State and local nonbusiness taxes from Federal taxable income is estimated to result in a \$23.1 billion revenue loss in 1982.

Net Interest

The interest function includes interest paid on the public debt, interest paid on refunds of tax collections, and interest collections from the public and from revolving funds. Net interest also includes the offsetting collections for interest received by trust funds such as social security. Since these payments are not made to the public but consist of offsetting transactions within the budget, trust fund interest receipts are deducted from both budget authority and outlays before arriving at the net interest total. Net interest outlays are estimated to increase substantially, rising to \$67.0 billion in 1981 and \$74.8 billion in 1982.

NET IMPACT OF INTEREST OF THE SURPLUS OR DEFICIT

(In billions of dollars)

	1980 actual	1981 estimate	1982 estimate	1983 estimate	1984 estimate
Interest on the public debt.....	74.8	94.1	106.5	110.6	109.9
Other interest function.....	-10.3	-13.7	-16.6	-18.9	-20.8
Interest received by trust funds.....	-12.0	-13.4	-15.2	-17.2	-16.1
Net interest outlays.....	52.5	67.0	74.8	74.5	72.9
Deposit of earnings by the Federal Reserve System ¹	-11.8	-13.1	-14.7	-16.3	-19.5
Net Impact ².....	40.7	53.9	60.1	58.2	53.4

¹ Shown as budget receipts.

² Net cost of interest to the taxpayer.

Nominal interest rates are assumed to decline as inflation declines; therefore, outlays for net interest are projected to grow at a much slower rate in 1982 than in 1981, and then decline in 1983 and 1984. This pattern also results from reduced growth in estimated Federal debt outstanding.

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 \$60.1 billion in 1982.

Other

Allowances are included in the budget to cover the October 1981 pay raise for Federal civilian agency employees, and unforeseen requirements that may arise. Outlays of \$1.9 billion are included for these allowances in 1982.

Comprehensive legislation to improve Federal pay-setting systems and procedures was submitted to the last Congress. The administration urges that this Congress give early consideration to these reforms. 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 data, as well as on data from private industry. Certain features of the Federal wage system for the blue collar workforce would be changed, and a number of other modifications would be made to improve comparability with non-Federal rates. These proposals are designed to modernize the management of the entire Federal compensation program.

The budget includes an allowance of \$0.9 billion in outlays to cover an overall increase of 5.5% in the pay of civilian agency employees beginning with the first pay period after October 1, 1981. The defense function includes outlays of \$3.7 billion for a 9.1% increase in military pay and a 5.5% increase in civilian pay. A final decision on the level of the October 1981 pay increase is generally made in the late summer after the President reviews the recommendations of the President's Compensation Agency, the Federal Employees Compensation Council, the Advisory Committee on Federal Compensation, and the economic conditions at that time.

Every 4 years, a commission is established to review the salaries of top level officials in the executive, legislative, and judicial branches. The Commission's recommendations are reviewed by the President and sent to the Congress, which must act on the President's recommendation within 60 days. The Commission recommended salary increases of about 40%. The budget includes the President's recommendation for a 16.8% increase in such salaries now and a 5.5% increase in October 1981.

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. To eliminate the double counting of outlays and to reflect properly transactions with the public, the payment that each agency makes as its share of employee retirement costs is deducted as an undistributed offsetting receipt.

Current estimates for rent and royalties on the Outer Continental Shelf (OCS), which are also offsetting receipts, assume that seven scheduled OCS sales will be conducted in 1982. No final decision will be made on these sales until environmental and other

requirements under the National Environmental Policy Act have been met. OCS receipts are estimated to increase from \$7.8 billion in 1981 to \$9.9 billion in 1982.

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 Federal deficit that has to be financed by borrowing from the public or by other means.

One off-budget entity, the Federal Financing Bank (FFB), accounts for most of the off-budget outlays. It provides financial intermediary services for Federal agencies. For example, the FFB buys title to direct loans made by various agencies. These purchases, which show up as off-budget FFB outlays, are counted as offsets to the outlays of the on-budget agency. The FFB also makes direct loans in some cases in which another Federal agency has guaranteed the loans. All such loans count as off-budget FFB outlays. FFB activities support agency programs in a variety of budget subfunctions. A few other credit programs and the Postal Service are also off-budget. The table below shows off-budget outlays by subfunction.

DISTRIBUTION OF OFF-BUDGET OUTLAYS

(In billions of dollars)

Subfunction	1980 actual	1981 estimate	1982 estimate	1983 estimate	1984 estimate
Foreign economic and financial assistance.....	—*	—*	—*	—*	—*
Military assistance.....	1.9	2.0	2.2	1.8	1.4
Supporting space activities.....	0.1	0.1	0.1	*	—0.1
Energy supply.....	3.8	5.1	6.0	7.6	7.7
Energy conservation.....	*				
Farm income stabilization.....	4.0	6.1	1.6	0.9	0.7
Mortgage credit and thrift insurance.....	1.9	5.3	3.4	2.7	2.5
Postal Service.....	—0.4	0.2	—0.1	—1.4	—1.5
Other advancement and regulation of commerce.....	0.1	0.3	0.3	0.3	0.3
Ground transportation.....	0.2	—*	0.3	0.2	0.1
Community development.....	*	0.2	0.2	0.2	0.2
Area and regional development.....	1.2	1.2	1.2	1.0	1.0
Higher education.....	1.1	1.1	1.9	2.2	2.5
Health care services.....	*	*	0.1	0.1	0.1
Housing assistance.....	0.1	1.5	0.9	—0.3	—0.3
Central fiscal operations.....	0.1	—*	—*	—*	—*
General property records and management.....	*	0.1	—*	—*	*
Other general government.....	*	—*	—*	—*	—*
Total off-budget outlays.....	14.2	23.2	18.3	15.3	14.7

*\$50 million or less.

PART IV

THE BUDGET PROCESS

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.

Executive formulation and transmittal.—The budget sets forth the President's proposed financial plan of operation for the Federal Government. 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. When a new President takes office in January, as is the case this year, the outgoing President submits the budget. Usually, the new President subsequently proposes changes to that budget.

Formulation of the 1982 budget began in the spring of 1980, although general goals and some specific targets were set earlier. Each spring, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. The President reviews the budget projections in 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 multi-year budget planning system, for the 2 fiscal years beyond. Tentative policy decisions for the budget year and multi-year planning ceilings for the following 2 years are then given to the agencies as guidelines for preparing their budgets.

Decisionmaking in the budget process is aided by the use of zero-base budgeting, a management process that provides for an in-depth evaluation of all programs and activities.

In the summer, agencies prepare their 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 thus reflects the President's recom-

mendations 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.

By law, the President must update this budget on or before April 10 and again by July 15, taking into account newly enacted legislation, the administration's latest economic assumptions and any new recommendations and revised estimates. The law 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 1982 are transmitted with the President's budget. See Special Analysis A, *Special Analyses, Budget of the United States Government, 1982*.

Congressional action.—The Congress begins its formal review of the President's budget proposals in January.

Before passing appropriations for a specific program, the Congress enacts legislation to authorize the programs and provide guidance on funding levels. Many programs, such as social security and interest on the public debt, are authorized indefinitely or for several years; other programs, such as space exploration, nuclear energy, defense procurement, foreign affairs, and some construction programs, require annual authorization.

Budget authority is usually provided separately after the program authorization has been enacted. 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 established by the Congressional Budget Act of 1974, the Congress considers budget totals prior to beginning action on individual appropriation bills. The act requires that the House and Senate Budget Committees receive reports on budget estimates from the other congressional committees by March 15, and report out a budget resolution by April 15. The Congress is supposed to adopt the first resolution on the budget, which sets overall targets for receipts, outlays and budget authority, by May 15. After action has been completed on all or most money bills, the Congress adopts a second budget resolution, which is binding on the Congress. The first or second budget resolution can contain a "reconciliation" directive calling on various committees to cut spending or increase receipts by specified amounts. The Congress used this procedure for the first time last year.

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 appropriations are not enacted by the beginning of the fiscal year, the Congress must 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 operation 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 the Congress does not approve a proposed rescission, the funds must be made available for obligation.

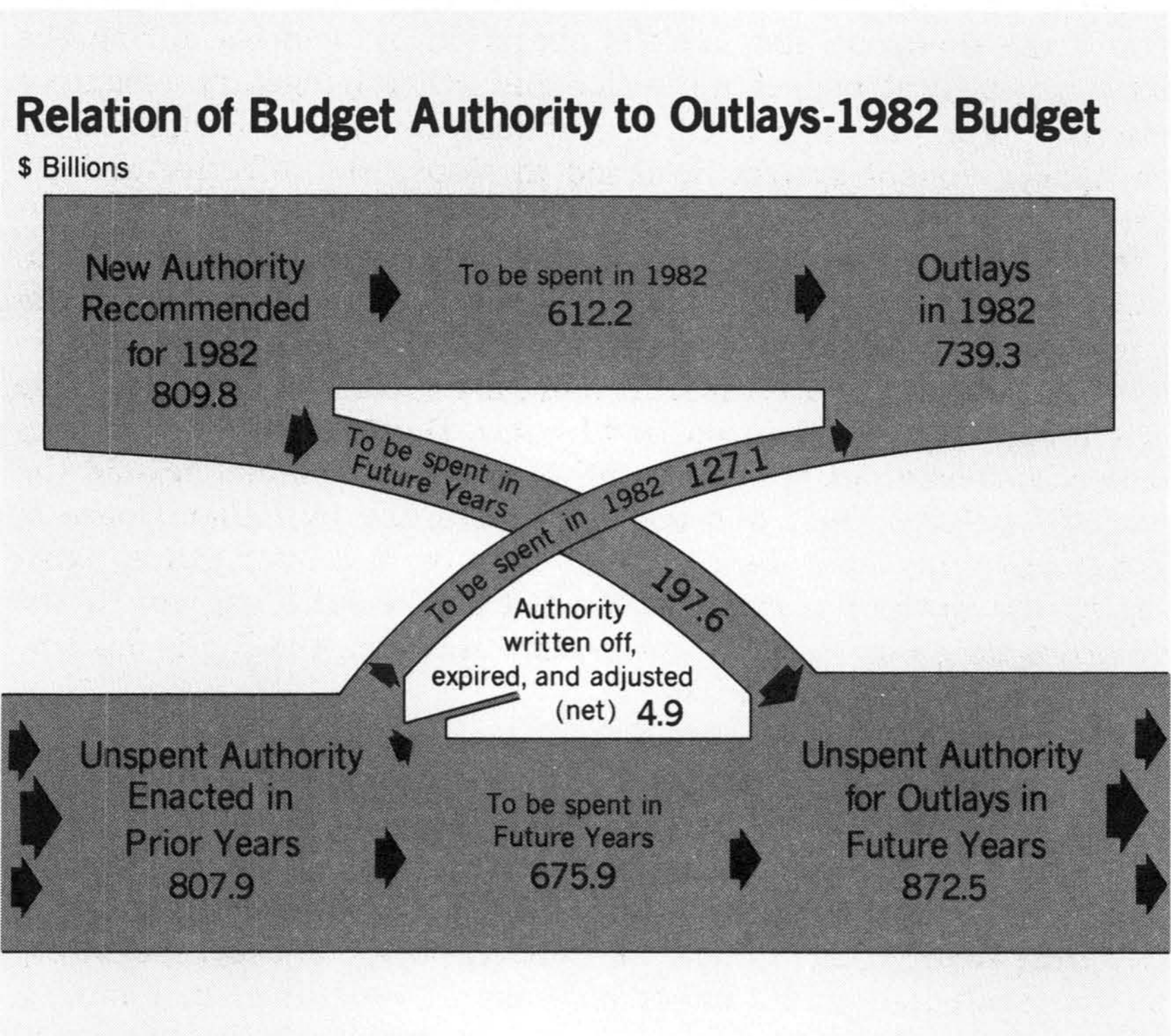
Review and audit.—Individual agencies are responsible for assuring that the obligations they incur and the resulting outlays are in accordance with the laws and regulations. The Office of Management and Budget reviews program and financial reports and the General Accounting Office, a congressional agency, regularly audits, evaluates, and reports on Federal programs. In addition, offices of Inspectors General have been established by law in 15 major departments and agencies to perform audit activities.

Relation of Budget Authority to Outlays

Not all of the new budget authority for 1982 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 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.



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 published in Part 9 of the *Budget of the United States Government, 1982*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1972-84

(In billions of dollars)

Description	Actual										Estimate			
	1972	1973	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984
Receipts:														
Federal funds.....	148.8	161.4	181.2	187.5	201.1	54.1	241.3	270.5	316.4	350.8	415.2	484.1	556.2	644.7
Trust funds.....	73.0	92.2	104.8	118.6	133.7	32.1	152.8	168.0	189.6	213.9	242.5	286.1	314.5	340.3
Interfund transactions.....	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-44.7	-50.3	-58.4	-61.5	-62.8
Total budget receipts.....	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	465.9	520.0	607.5	711.8	809.2	922.3
Outlays:														
Federal funds.....	178.1	187.0	199.9	240.1	269.9	65.1	295.8	332.0	362.4	419.2	474.9	530.8	578.8	620.7
Trust funds.....	67.1	81.4	90.8	111.2	131.3	34.0	143.3	155.3	171.3	205.1	238.1	266.9	300.0	332.3
Interfund transactions.....	-13.2	-21.3	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-44.7	-50.3	-58.4	-61.5	-62.8
Total budget outlays.....	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.6	579.6	662.7	739.3	817.3	890.3
<i>Outlays, off-budget Federal entities.....</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>(10.4)</i>	<i>(12.5)</i>	<i>(14.2)</i>	<i>(23.2)</i>	<i>(18.3)</i>	<i>(15.3)</i>	<i>(14.7)</i>
<i>Outlays including off-budget.....</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>(593.9)</i>	<i>(685.9)</i>	<i>(757.6)</i>	<i>(832.6)</i>	<i>(905.0)</i>
Surplus or deficit (-):														
Federal funds.....	-29.3	-25.6	-18.7	-52.6	-68.8	-11.0	-54.5	-61.5	-46.1	-68.4	-59.7	-46.7	-22.5	24.0
Trust funds.....	5.9	10.7	14.0	7.4	2.4	-2.0	9.5	12.7	18.3	8.8	4.5	19.2	14.4	8.0
Total surplus or deficit (-).....	-23.4	-14.8	-4.7	-45.2	-66.4	-13.0	-45.0	-48.8	-27.7	-59.6	-55.2	-27.5	-8.0	32.0
<i>Deficit (-), off-budget Federal entities.....</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>(-10.4)</i>	<i>(-12.5)</i>	<i>(-14.2)</i>	<i>(-23.2)</i>	<i>(-18.3)</i>	<i>(-15.3)</i>	<i>(-14.7)</i>
<i>Surplus or deficit (-) including off-budget.....</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>(-73.8)</i>	<i>(-78.4)</i>	<i>(-45.8)</i>	<i>(-23.4)</i>	<i>(17.3)</i>
Debt outstanding, end of year:														
Gross Federal debt.....	437.3	468.4	486.2	544.1	631.9	646.4	709.1	780.4	833.8	914.3	992.4	1,057.7	1,094.4	1,084.1
Held by the public.....	323.8	343.0	346.1	396.9	480.3	498.3	551.8	610.9	644.6	715.1	787.1	832.1	854.4	836.1

¹ 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.

Table 2. COMPOSITION OF BUDGET OUTLAYS IN CURRENT AND CONSTANT (FISCAL YEAR 1972) PRICES: 1959-84

(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
1959.....	92.1	46.0	46.1	22.3	5.8	18.1	154.1	75.6	78.5	31.7	16.5	30.3
1960.....	92.2	45.2	47.1	23.6	6.9	16.5	150.8	73.7	77.1	33.1	16.3	27.6
1961.....	97.8	46.6	51.2	27.3	6.7	17.1	157.0	74.8	82.2	37.8	16.3	28.1
1962.....	106.8	49.0	57.8	28.7	6.9	22.2	168.5	77.2	91.3	39.2	16.6	35.4
1963.....	111.3	50.1	61.2	30.4	7.7	23.1	170.0	76.8	93.1	41.1	16.7	35.4
1964.....	118.6	51.5	67.1	31.6	8.2	27.3	176.6	77.0	99.6	42.1	16.6	40.9
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	188.1	76.6	111.5	46.7	16.4	48.4
1967.....	158.3	68.2	90.0	43.1	10.3	36.7	212.3	92.3	119.9	53.8	16.1	50.0
1968.....	178.8	78.8	100.1	48.7	11.1	40.3	229.8	101.7	128.1	58.9	16.9	52.3
1969.....	184.5	79.4	105.1	55.3	12.7	37.2	223.3	98.1	125.2	63.8	15.5	45.9
1970.....	196.6	78.6	118.0	63.2	14.4	40.5	220.6	90.3	130.3	68.8	15.0	46.5
1971.....	211.4	75.8	135.6	78.7	14.8	42.1	223.3	81.5	141.8	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	69.9	163.4	98.1	15.4	49.9
1974.....	269.6	77.8	191.8	117.5	21.4	52.9	232.9	68.1	164.7	103.7	14.4	46.7
1975.....	326.2	85.6	240.6	150.4	23.2	67.0	255.4	68.4	187.0	119.5	14.8	52.8
1976.....	366.4	89.4	277.0	176.6	26.7	73.7	268.4	66.9	201.6	131.0	16.6	54.0
1977.....	402.7	97.5	305.2	192.4	29.9	83.0	273.9	67.3	206.6	132.7	17.6	56.3
1978.....	450.8	105.2	345.6	206.5	35.4	103.7	284.4	67.5	216.9	133.1	18.1	65.7
1979.....	493.6	117.7	376.0	227.5	42.6	105.8	282.6	70.1	212.5	132.8	17.2	62.5
1980.....	579.6	135.9	443.8	271.2	52.5	120.1	294.9	72.5	222.4	139.4	17.4	65.6
1981 estimate.....	662.7	161.1	501.7	319.2	67.0	115.5	297.3	77.0	220.3	145.7	17.0	57.6
1982 estimate.....	739.3	184.4	554.9	353.4	74.8	126.8	300.3	80.4	219.8	145.3	16.1	58.5
1983 estimate.....	817.3	210.4	606.9	393.3	74.5	139.0	306.6	84.4	222.2	148.2	15.0	59.0
1984 estimate.....	890.3	237.8	652.5	431.1	72.9	148.5	310.7	88.2	222.5	150.5	13.9	58.2

Table 3. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1972-82

(In billions of dollars)

Description	Actual										Estimate	
	1972	1973	1974	1975	1976 ¹	TQ	1977	1978	1979	1980	1981	1982
RECEIPTS BY SOURCE												
Individual income taxes.....	94.7	103.2	119.0	122.4	131.6	38.8	157.6	181.0	217.8	244.1	284.0	331.7
Corporation income taxes.....	32.2	36.2	38.6	40.6	41.4	8.5	54.9	60.0	65.7	64.6	66.0	64.6
Social insurance taxes and contributions:												
Employment taxes and contributions.....	46.1	54.9	65.9	75.2	79.9	21.8	92.2	103.9	120.1	138.8	161.1	187.0
Unemployment insurance.....	4.4	6.1	6.8	6.8	8.1	2.7	11.3	13.8	15.4	15.3	16.3	19.6
Contributions for other insurance and retirement.....	3.4	3.6	4.1	4.5	4.8	1.3	5.2	5.7	6.1	6.6	7.4	8.0
Total social insurance taxes and contributions.....	53.9	64.5	76.8	86.4	92.7	25.8	108.7	123.4	141.6	160.7	184.8	214.7
Excise taxes:												
Alcohol.....	5.0	5.0	5.2	5.2	5.3	1.3	5.3	5.5	5.5	5.6	5.6	5.9
Tobacco.....	2.2	2.3	2.4	2.3	2.5	0.6	2.4	2.4	2.5	2.4	2.7	2.6
Highway.....	5.3	5.7	6.3	6.2	5.4	1.7	6.7	6.9	7.2	6.6	6.9	10.4
Airport and airway.....	0.6	0.8	0.8	1.0	0.9	0.3	1.2	1.3	1.5	1.9	.3	2.8
Windfall profit tax.....										6.0	22.2	34.7
Other.....	2.3	2.5	2.1	1.8	2.8	0.6	2.0	2.2	2.0	1.8	6.6	13.3
Total excise taxes.....	15.5	16.3	16.8	16.6	17.0	4.5	17.5	18.4	18.7	24.3	44.4	69.6
Estate and gift taxes.....	5.4	4.9	5.0	4.6	5.2	1.5	7.3	5.3	5.4	6.4	6.9	7.7
Customs duties.....	3.3	3.2	3.3	3.7	4.1	1.2	5.2	6.6	7.4	7.2	7.4	7.8
Miscellaneous receipts.....	3.6	3.9	5.4	6.7	8.0	1.6	6.5	7.4	9.2	12.7	13.9	15.7
Total budget receipts.....	208.6	232.2	264.9	281.0	300.0	81.8	357.8	402.0	465.9	520.0	607.5	711.8

OUTLAYS BY FUNCTION												
National defense ²	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	117.7	135.9	161.1	184.4
International affairs	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.7	11.3	12.2
General science, space, and technology	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.7	6.3	7.6
Energy	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	6.9	6.3	8.7	12.0
Natural resources and environment	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	12.1	13.8	14.1	14.0
Agriculture	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.8	1.1	4.8
Commerce and housing credit	2.2	.9	3.9	5.6	3.8	1.4	.1	3.3	2.6	7.8	3.5	8.1
Transportation	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.5	21.1	24.1	21.6
Community and regional development	3.4	4.6	4.1	3.7	4.8	1.3	6.3	11.1	9.5	10.1	11.1	9.1
Education, training, employment, and social services	12.5	12.7	12.3	15.9	18.7	5.2	21.0	26.5	29.7	30.8	31.8	34.5
Health	17.5	18.8	22.1	27.6	33.4	8.7	38.8	43.7	49.6	58.2	66.0	74.6
Income security:												
Social security	39.4	48.3	54.9	63.6	72.7	19.8	83.9	92.2	102.6	117.1	138.3	159.6
Other	24.5	24.7	29.5	44.9	54.7	13.0	54.0	53.9	57.6	76.0	93.4	95.4
Total income security	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	160.2	193.1	231.6	255.0
Veterans benefits and services	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	19.9	21.2	22.6	24.5
Administration of justice	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.2	4.6	4.8	4.9
General government	2.4	2.6	3.2	3.1	2.9	.9	3.2	3.7	4.1	4.5	5.2	5.2
General purpose fiscal assistance .....	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.6	6.9	6.9
Interest	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.6	64.5	80.4	89.9
Allowances ³												1.9
Undistributed offsetting receipts	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.1	-15.8	-18.5	-21.9	-27.8	-31.9
Total budget outlays	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.6	579.6	662.7	739.3

¹ 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.

² Includes civilian and military pay raises for the Department of Defense.

³ Includes allowances for civilian agency pay raises and contingencies for relatively uncontrollable programs, and other requirements.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1972-84

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1972	1973	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984
National defense:														
Department of Defense—Military:														
Military personnel.....	23.0	23.2	23.7	25.0	25.1	6.4	25.7	27.1	28.4	30.8	36.7	38.3	38.9	39.4
Retired military personnel.....	3.9	4.4	5.1	6.2	7.3	1.9	8.2	9.2	10.3	11.9	13.8	15.6	18.4	20.4
Operation and maintenance.....	21.7	21.1	22.5	26.3	27.8	7.2	30.6	33.6	36.4	44.8	52.1	59.7	66.3	72.8
Procurement.....	17.1	15.7	15.2	16.0	16.0	3.8	18.2	20.0	25.4	29.0	35.4	40.1	47.3	56.1
Research and development.....	7.9	8.2	8.6	8.9	8.9	2.2	9.8	10.5	11.2	13.1	15.4	18.5	20.9	22.9
Military construction and other ¹	1.5	.7	2.4	2.5	2.8	.4	3.1	2.7	3.3	3.2	4.1	7.9	13.6	20.7
Subtotal, Department of Defense—Military....	75.1	73.2	77.6	84.9	87.9	21.9	95.6	103.0	115.0	132.8	157.6	180.0	205.3	232.3
Atomic energy defense activities.....	1.4	1.4	1.5	1.5	1.6	.4	1.9	2.1	2.5	2.9	3.6	4.5	5.0	5.5
Defense-related activities.....	.1	-.1	-1.2	-.8	-*	-*	*	.1	.1	.1	-.1	-.1	.1	*
Deductions for offsetting receipts.....	-*	-*	-*	-*	-*	*	-*	-*	-*	-*	-*	-*	-*	-*
Total national defense.....	76.6	74.5	77.8	85.6	89.4	22.3	97.5	105.2	117.7	135.9	161.1	184.4	210.4	237.8
International affairs:														
Foreign economic and financial assistance.....	3.1	2.4	2.9	3.6	3.3	1.4	3.9	4.6	4.7	5.6	6.7	7.0	7.5	8.2
Military assistance.....	.7	.8	1.3	1.9	1.1	.9	.6	.5	.6	.9	.9	.6	.6	.8
Conduct of foreign affairs.....	.5	.5	.6	.7	.7	.3	1.0	1.1	1.3	1.4	1.5	1.8	2.0	2.1
Foreign information and exchange activities.....	.3	.3	.3	.3	.4	.1	.4	.4	.5	.5	.6	.6	.7	.7
International financial programs.....	.2	.1	.6	.5	.1	-.5	-.9	-.6	-.9	2.4	1.8	2.1	2.2	1.8
Deductions for offsetting receipts.....	-*	-.1	-.1	-.1	-.1	-*	-.1	-.1	-.1	-.1	-.1	-.1	-.1	-.1
Total international affairs.....	4.7	4.1	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.7	11.3	12.2	12.9	13.6
General science, space, and technology:														
General science and basic research.....	1.0	1.0	1.0	1.0	1.0	.3	1.1	1.2	1.3	1.4	1.5	1.8	2.0	2.1
Space flight.....	1.9	1.7	1.7	1.7	2.0	.5	2.3	2.3	2.2	2.6	3.0	3.7	3.7	3.2
Space science, applications, and technology.....	1.0	1.0	.9	1.0	1.0	.3	1.0	1.0	1.2	1.3	1.3	1.6	2.0	2.2
Supporting space activities.....	.3	.3	.3	.3	.4	.1	.3	.4	.4	.4	.4	.5	.7	.8

Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology.....	4.2	4.0	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.7	6.3	7.6	8.3	8.3
Energy:														
Energy supply.....	1.1	1.0	.5	1.7	2.5	.6	3.3	4.0	4.9	4.6	5.7	6.2	6.1	6.2
Energy conservation.....	.6	.8	*	*	.1	*	.1	.2	.3	.6	.8	1.1	1.1	.9
Emergency energy preparedness.....				*	.1	*	.1	.9	1.0	.3	1.2	3.4	4.1	2.7
Energy information, policy, and regulation.....	.2	.2	.3	.4	.6	.1	.7	.8	.7	.9	1.1	1.3	1.3	1.4
Deductions for offsetting receipts.....	—*	—*	—*	—*	—1	—*	—*	—*	—1	—1	—1	—1	—1	—1
Total energy.....	1.3	1.2	.8	2.2	3.1	.8	4.2	5.9	6.9	6.3	8.7	12.0	12.4	11.1
Natural resources and environment:														
Water resources.....	2.0	2.2	2.2	2.6	2.8	.8	3.2	3.5	3.9	4.3	4.5	4.6	5.4	5.7
Conservation and land management.....	.8	.7	.7	1.3	1.2	.5	1.3	2.0	1.9	2.3	2.6	2.4	2.4	2.4
Recreation resources.....	.5	.6	.7	.8	.9	.3	1.0	1.4	1.5	1.7	1.7	1.7	1.7	1.8
Pollution control and abatement.....	.8	1.1	2.0	2.5	3.1	1.1	4.3	4.0	4.7	5.5	5.5	5.8	6.0	6.2
Other natural resources.....	.6	.6	.7	.8	.9	.2	1.0	1.2	1.3	1.4	1.6	1.8	2.0	2.1
Deductions for offsetting receipts.....	—4	—5	—7	—7	—8	—3	—8	—1.1	—1.2	—1.4	—1.7	—2.2	—2.5	—2.7
Total natural resources and environment.....	4.2	4.8	5.7	7.3	8.1	2.5	10.0	10.9	12.1	13.8	14.1	14.0	15.0	15.5
Agriculture:														
Farm income stabilization.....	4.6	4.1	1.5	.8	1.6	.3	4.5	6.6	4.9	3.5	—5	3.1	2.7	3.0
Agricultural research and services.....	.7	.8	.8	.9	.9	.2	1.1	1.1	1.3	1.4	1.6	1.7	1.8	1.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	*	*	—*	*	*	—1	—*	—*	—*	—*
Total agriculture.....	5.3	4.9	2.2	1.7	2.5	.6	5.5	7.7	6.2	4.8	1.1	4.8	4.5	4.8
Commerce and housing credit:														
Mortgage credit and thrift insurance.....	—*	—1.2	1.5	2.8	1.2	.3	—3.3	.2	—7	3.7	—2	1.4	.1	.7
Postal Service.....	1.8	1.6	1.7	1.9	1.7	.9	2.3	1.8	1.8	1.7	1.3	1.1	.9	.8
Other advancement and regulation of commerce.....	.5	.6	.7	.9	.9	.2	1.1	1.3	1.5	2.4	2.3	5.6	6.9	7.7
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*	—*

See footnotes at end of table.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1972-84 —Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1972	1973	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984
Total commerce and housing credit.....	2.2	.9	3.9	5.6	3.8	1.4	0.1	3.3	2.6	7.8	3.5	8.1	7.9	9.2
Transportation:														
Ground transportation.....	5.4	5.6	5.6	6.5	9.3	2.3	10.0	10.4	12.1	15.1	17.1	14.5	17.3	18.4
Air transportation.....	1.9	2.2	2.2	2.4	2.6	.6	2.8	3.3	3.4	3.8	4.0	4.2	4.6	5.0
Water transportation.....	1.1	1.2	1.4	1.5	1.6	.4	1.7	1.9	2.0	2.2	2.9	2.8	3.0	3.1
Other transportation.....	*	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1	.1	.1
Deductions for offsetting receipts.....	—*	—*	—1	—1	—*	—*	—*	—1	—1	—1	—1	—1	—1	—1
Total transportation.....	8.4	9.1	9.2	10.4	13.4	3.3	14.6	15.4	17.5	21.1	24.1	21.6	24.9	26.6
Community and regional development:														
Community development.....	2.1	2.0	2.1	2.3	2.8	.9	3.4	3.3	4.0	4.9	5.1	5.3	5.1	5.3
Area and regional development.....	.9	1.0	1.3	1.1	1.5	.3	2.3	4.9	4.0	3.2	2.8	2.9	3.0	3.1
Disaster relief and insurance.....	.4	1.6	.8	.4	.5	.1	.6	2.9	1.6	2.0	3.3	.9	.8	.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional develop- ment.....	3.4	4.6	4.1	3.7	4.8	1.3	6.3	11.1	9.5	10.1	11.1	9.1	8.9	9.2
Education, training, employment, and social services:														
Elementary, secondary, and vocational education.....	3.5	3.3	3.3	4.2	4.2	1.1	4.6	5.1	6.0	6.7	6.9	7.4	8.6	9.1
Higher education.....	1.4	1.5	1.3	2.0	2.7	.7	3.1	3.5	4.5	5.7	6.5	6.9	6.5	6.8
Research and general education aids.....	.5	.7	.9	.9	.8	.2	.9	1.1	1.2	1.4	1.5	1.5	1.6	1.7
Training and employment.....	2.9	3.3	2.9	4.1	6.3	1.9	6.9	10.8	10.8	10.3	9.9	11.0	11.4	11.8
Other labor services.....	.2	.2	.2	.3	.3	.1	.4	.4	.5	.6	.6	.7	.7	.7
Social services.....	4.0	3.7	3.7	4.4	4.5	1.2	5.1	5.6	6.6	6.1	6.3	7.1	7.5	7.8
Youth initiative.....													.3	.8
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*

Total education, training, employment, and social services.....	12.5	12.7	12.3	15.9	18.7	5.2	21.0	26.5	29.7	30.8	31.8	34.5	36.5	38.6
Health:														
Health care services	15.0	16.0	19.1	24.2	29.4	7.7	34.5	39.1	45.1	53.0	60.6	69.0	78.7	89.5
Health research	1.3	1.6	1.7	1.9	2.3	.5	2.5	2.8	3.0	3.4	3.6	3.8	4.0	4.1
Education and training of health care work force.....	.7	.9	.8	.9	1.0	.3	1.0	.9	.6	.7	.8	.6	.7	.7
Consumer and occupational health and safety .....	.4	.4	.5	.6	.7	.2	.7	.8	.9	1.0	1.1	1.2	1.2	1.2
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total health	17.5	18.8	22.1	27.6	33.4	8.7	38.8	43.7	49.6	58.2	66.0	74.6	84.5	95.4
Income security:														
General retirement and disability insurance	42.0	51.7	58.6	69.3	77.2	20.9	88.6	97.2	108.5	123.7	145.5	167.3	189.0	209.8
Federal employee retirement and disability	3.8	4.5	5.6	7.0	8.2	2.3	9.5	10.7	12.4	14.7	17.6	19.9	22.5	25.2
Unemployment compensation	7.1	5.4	6.1	13.5	19.5	4.0	15.3	11.8	10.7	18.0	26.1	21.9	20.9	20.0
Housing assistance	1.1	1.6	1.8	2.1	2.5	.7	3.0	3.7	4.4	5.5	6.9	8.5	10.0	11.8
Food and nutrition assistance	3.2	3.6	4.4	6.6	8.0	1.8	8.5	8.9	10.8	14.0	15.9	17.5	19.2	20.7
Other income security	6.7	6.2	7.9	10.1	12.2	3.1	13.0	13.9	13.4	17.2	19.6	20.0	22.3	21.6
Total income security	63.9	73.0	84.4	108.6	127.4	32.8	137.9	146.2	160.2	193.1	231.6	255.0	284.0	309.1
Veterans benefits and services:														
Income security for veterans	6.3	6.5	6.8	7.9	8.4	2.1	9.2	9.7	10.8	11.7	13.1	14.5	15.9	17.3
Veterans education, training, and rehabilitation	2.0	2.8	3.2	4.6	5.5	.8	3.7	3.4	2.8	2.3	2.0	1.6	1.2	1.0
Hospital and medical care for veterans.....	2.4	2.7	3.0	3.7	4.0	1.0	4.7	5.3	5.6	6.5	6.9	7.7	8.4	9.0
Veterans housing	—3	—4	—*	*	—1	—1	—1	*	.2	—*	—1	—1	—*	—*
Other veterans benefits and services .....	.3	.4	.4	.5	.6	.1	.5	.6	.6	.7	.7	.7	.7	.7
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services.....	10.7	12.0	13.4	16.6	18.4	4.0	18.0	19.0	19.9	21.2	22.6	24.5	26.2	28.0
Administration of justice:														
Federal law enforcement activities.....	.8	1.0	1.1	1.3	1.5	.4	1.7	1.8	2.0	2.2	2.4	2.5	2.6	2.7
Federal litigative and judicial activities .....	.3	.4	.4	.5	.7	.2	.8	.9	1.1	1.3	1.5	1.6	1.6	1.7
Federal correctional activities.....	.1	.1	.2	.2	.2	.1	.2	.3	.3	.3	.4	.4	.4	.4
Criminal justice assistance.....	.4	.6	.8	.9	.9	.2	.8	.7	.7	.7	.5	.4	.3	.3

See footnotes at end of table.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1972-84—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1972	1973	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total administration of justice.....	1.6	2.1	2.5	2.9	3.3	.9	3.6	3.8	4.2	4.6	4.8	4.9	4.9	5.1
General government:														
Legislative functions.....	.4	.4	.5	.6	.7	.2	.8	.9	.9	1.0	1.2	1.2	1.2	1.2
Executive direction and management.....	.1	.1	.1	.1	.1	*	.1	.1	.1	.1	.1	.1	.1	.1
Central fiscal operations.....	1.2	1.2	1.3	1.8	1.8	.4	1.8	2.1	2.3	2.5	2.8	3.0	3.0	3.1
General property and records management.....	.7	.9	1.0	.4	.1	.1	.1	.2	.2	.4	.6	.5	.3	.3
Central personnel management.....	.1	.1	.1	.1	.1	*	.1	.1	.1	.2	.2	.2	.2	.2
Other general government.....	.2	.2	.4	.4	.4	.2	.4	.5	.5	.6	.6	.5	.6	.7
Deductions for offsetting receipts.....	—2	—3	—2	—2	—2	—1	—2	—2	—1	—2	—3	—2	—1	—1
Total general government.....	2.4	2.6	3.2	3.1	2.9	.9	3.2	3.7	4.1	4.5	5.2	5.2	5.2	5.4
General purpose fiscal assistance:														
General revenue sharing.....		6.6	6.1	6.1	6.2	1.6	6.8	6.8	6.9	6.8	5.2	4.6	4.6	4.6
Other general purpose fiscal assistance.....	.7	.7	.8	1.1	1.0	.5	2.7	2.8	1.5	1.7	1.7	2.3	2.9	3.0
Total general purpose fiscal assistance....	.7	7.4	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.6	6.9	6.9	7.5	7.6
Interest:														
Interest on the public debt.....	21.8	24.2	29.3	32.7	37.1	8.1	41.9	48.7	59.8	74.8	94.1	106.5	110.6	109.9
Other interest.....	—1.3	—1.4	—1.3	—1.8	—2.6	—9	—3.9	—4.7	—7.3	—10.3	—13.7	—16.6	—18.9	—20.8
Total interest.....	20.6	22.8	28.0	30.9	34.5	7.2	38.0	44.0	52.6	64.5	80.4	89.9	91.7	89.1
Allowances:														
Civilian agency pay raises.....												.9	3.7	6.2
Contingencies for other requirements.....												1.0	2.0	3.0
Total allowances.....												1.9	5.7	9.2

Undistributed offsetting receipts:														
Employer share, employee retirement	-2.8	-2.9	-3.3	-4.0	-4.2	-1.0	-4.5	-5.0	-5.3	-5.8	-6.6	-6.8	-7.0	-7.2
Interest received by trust funds.....	-5.1	-5.4	-6.6	-7.7	-7.8	-.3	-8.1	-8.5	-9.9	-12.0	-13.4	-15.2	-17.2	-16.1
Rents and royalties on the Outer Continental Shelf	-.3	-4.0	-6.7	-2.4	-2.7	-1.3	-2.4	-2.3	-3.3	-4.1	-7.8	-9.9	-9.9	-9.9
Total undistributed offsetting receipts	-8.1	-12.3	-16.7	-14.1	-14.7	-2.6	-15.1	-15.8	-18.5	-21.9	-27.8	-31.9	-34.1	-33.2
Total budget outlays	232.0	247.1	269.6	326.2	366.4	94.7	402.7	450.8	493.6	579.6	662.7	739.3	817.3	890.3
<i>Outlays of off-budget Federal entities:</i>														
<i>International affairs</i>				.1	.8	.2	1.4	1.5	1.3	1.9	2.0	2.2	1.8	1.4
<i>General science, space and technology</i>							.1	.2	.2	.1	.1	.1	*	-.1
<i>Energy</i>		.1	.5	.7	1.1	.3	1.6	2.2	2.1	3.8	5.1	6.0	7.6	7.7
<i>Agriculture</i>				1.4	.7	.4	1.2	3.6	5.0	4.0	6.1	1.6	.9	.7
<i>Commerce and housing credit:</i>														
<i>Postal Service</i>			.8	1.1	1.1	-.7	-.2	-.5	-.9	-.4	-.2	-.1	-1.4	-1.5
<i>Mortgage credit and other</i>				3.2	2.7	.3	3.2	3.4	3.0	2.0	5.7	3.7	3.0	2.8
<i>Total, commerce and housing credit</i>			.8	4.3	3.8	-.5	3.0	2.9	2.1	1.6	5.9	3.7	1.6	1.2
<i>Transportation</i>				.5	.3	.1	.2	.1	.1	.2	-*	.3	.2	.1
<i>Community and regional development</i>		*	.1	.6	.7	.2	.7	.8	.9	1.2	1.4	1.5	1.2	1.2
<i>Education</i>			.1	.1	.2	*	.1	.2	.5	1.1	1.1	1.9	2.2	2.5
<i>Health</i>			*	.1	.1	*	.1	*	*	*	*	.1	.1	.1
<i>Income security</i>										.1	1.5	.9	-.3	-.3
<i>General government</i>				.2	-.2	-.1	.2	*	-*	.2	.1	-*	-*	-*
<i>General purpose fiscal assistance</i>						1.1	.1	-1.2						
<i>Outlays off-budget Federal entities</i>		.1	1.4	8.1	7.3	1.8	8.7	10.4	12.5	14.2	23.2	18.3	15.3	14.7
<i>Outlays including off-budget Federal entities ..</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>593.9</i>	<i>685.9</i>	<i>757.6</i>	<i>832.6</i>	<i>905.0</i>

*\$50 million or less.

¹ 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.

² The estimates for 1982-84 include allowances for civilian and military pay raises for Department of Defense.

Table 5. BUDGET AUTHORITY AND OUTLAYS BY AGENCY

(In millions of dollars)

Department or other unit	Budget authority			Outlays		
	1980 actual	1981 estimate	1982 estimate	1980 actual	1981 estimate	1982 estimate
Legislative branch	1,312	1,327	1,456	1,218	1,448	1,423
The Judiciary	606	670	749	564	673	734
Executive Office of the President	100	110	111	95	108	111
Funds appropriated to the President	12,457	14,657	10,903	7,523	6,212	6,348
Agriculture	24,897	26,654	30,069	24,555	20,897	28,038
Commerce	3,083	2,862	3,064	3,755	2,996	3,222
Defense—Military ¹	142,621	170,305	195,660	132,840	157,600	180,000
Defense—Civil	3,259	3,042	3,367	3,227	3,360	3,383
Education	13,797	15,639	17,031	13,112	14,826	15,713
Energy	10,018	11,663	14,614	6,464	9,726	14,109
Health and Human Services	195,855	225,506	258,406	194,703	227,328	258,180
Housing and Urban Development	35,677	38,391	38,209	12,576	13,305	15,507
Interior	4,579	4,476	4,540	4,377	4,704	4,138
Justice	2,462	2,359	2,557	2,632	2,680	2,658
Labor	28,796	33,608	37,023	29,724	37,588	34,479
State	2,135	2,376	3,024	1,938	2,142	2,596
Transportation	18,243	24,077	23,984	18,963	21,800	19,971
Treasury	90,551	90,901	104,727	76,691	91,166	104,331
Environmental Protection Agency	4,669	4,755	5,325	5,602	5,542	5,799
National Aeronautics and Space Administration	5,240	5,534	6,722	4,850	5,283	6,360
Veterans Administration	21,175	23,160	24,946	21,135	22,500	24,430
Other independent agencies	59,189	52,199	52,247	35,002	38,651	37,708
Allowances ²			2,958			1,920
Undistributed offsetting receipts:						
Employer share, employee retirement	-5,787	-6,561	-6,798	-5,787	-6,561	-6,798
Interest received by trust funds	-12,045	-13,435	-15,165	-12,045	-13,435	-15,165
Rents and royalties on the Outer Continental Shelf lands	-4,101	-7,800	-9,900	-4,101	-7,800	-9,900
Total budget authority and outlays.....	658,790	726,474	809,829	579,613	662,740	739,296
MEMORANDUM						
Portion available through current action by Congress	411,748	449,886	491,391	236,436	273,909	307,911
Portion available without current action by Congress	325,201	371,759	427,400	251,384	304,749	362,769
Outlays from obligated balances ³				131,165	141,641	161,796
Outlays from unobligated balances ³				38,787	37,612	15,782
Deductions for offsetting receipts:						
Intragovernmental transactions	-57,117	-66,330	-77,801	-57,117	-66,330	-77,801
Proprietary receipts from the public ..	-21,041	-28,841	-31,161	-21,041	-28,841	-31,161
Total budget authority and outlays.....	658,790	726,474	809,829	579,613	662,740	739,296

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

Table 6. NEW DIRECT LOAN OBLIGATIONS BY AGENCY

(In millions of dollars)

Department or other unit	1980 actual	1981 estimate	1982 estimate
ON-BUDGET AGENCIES			
Funds Appropriated to the President	1,797	1,781	2,506
Agriculture	21,537	21,729	16,877
Commerce	161	179	131
Education	689	638	836
Energy	5	12	16
Health and Human Services	66	66	93
Housing and Urban Development	4,967	3,534	1,960
Interior	31	40	50
Labor		2	3
State	1	1	1
Transportation	154	122	174
Treasury		100	80
Veterans Administration	626	718	744
Other independent agencies:			
Export-Import Bank	4,365	5,900	5,000
National Credit Union Administration	327	2,227	3,671
Small Business Administration	1,998	3,648	1,365
All other independent agencies	1,053	1,375	564
Subtotal, on-budget agencies	37,776	42,073	34,071
OFF-BUDGET AGENCIES			
Rural Electrification Administration	1,175	1,100	1,100
Federal Financing Bank	22,188	30,873	24,846
All other off-budget agencies	219	192	186
Subtotal, off-budget agencies	23,583	32,165	26,132
Total	61,359	74,238	60,203

Table 7. NEW LOAN GUARANTEE COMMITMENTS BY AGENCY

(In millions of dollars)

Department or other unit	1980 actual	1981 estimate	1982 estimate
Funds Appropriated to the President	1,800	2,866	3,361
Agriculture ¹	19,161	24,402	15,591
Commerce	1,345	1,725	1,925
Defense	1	30	30
Education	5,820	8,280	7,620
Energy	84	4,746	204
Health and Human Services	65	100	176
Housing and Urban Development	109,441	129,673	136,691
Interior	9	2	59
Transportation	525	719	704
Treasury	1,100	1,054	791
Veterans Administration	6,310	7,422	7,383
Other Independent Agencies:			
Energy Security Corporation ²		1,500	2,000
Export-Import Bank	8,031	8,560	9,420
Small Business Administration	4,812	5,878	5,925
All other independent agencies	80	51	25
Less: Secondary guarantees of loans that are already guaranteed	-64,393	-73,190	-74,317
Less: Guaranteed loans held as direct loans	-24,383	-32,697	-25,151
Total	69,806	91,120	92,438

¹ Includes Rural Electrification Administration off-budget activities as follows: 1980, \$5,711 million; 1980, \$5,148 million; 1981, \$5,179 million.² This is an off-budget Federal entity.

Table 8. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1964-84

(Dollar amounts in billions)

Fiscal year	Gross national product	Budget receipts		Outlays				Surplus or deficit (-)				Federal debt, end of year					
		Amount	Percent of GNP	Budget		Off-budget Federal entities		Total		Budget		Total (including off-budget) ¹		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	Amount	Percent of GNP	Amount	Percent of GNP
1964	618.4	112.7	18.2	118.6	19.2			118.6	19.2	-5.9	1.0	-5.9	1.0	316.8	51.2	257.6	41.7
1965	660.5	116.8	17.7	118.4	17.9			118.4	17.9	-1.6	.2	-1.6	.2	323.2	48.9	261.6	39.6
1966	725.5	130.9	18.0	134.7	18.6			134.7	18.6	-3.8	.5	-3.8	.5	329.5	45.4	264.7	36.5
1967	776.2	149.6	19.3	158.3	20.4			158.3	20.4	-8.7	1.1	-8.7	1.1	341.3	44.0	267.5	34.5
1968	834.4	153.7	18.4	178.8	21.4			178.8	21.4	-25.2	3.0	-25.2	3.0	369.8	44.3	290.6	34.8
1969	911.0	187.8	20.6	184.5	20.3			184.5	20.3	3.2	.4	3.2	.4	367.1	40.3	279.5	30.7
1970	968.9	193.7	20.0	196.6	20.3			196.6	20.3	-2.8	.3	-2.8	.3	382.6	39.5	284.9	29.4
1971	1,032.7	188.4	18.2	211.4	20.5			211.4	20.5	-23.0	2.2	-23.0	2.2	409.5	39.7	304.3	29.5
1972	1,126.6	208.6	18.5	232.0	20.6			232.0	20.6	-23.4	2.1	-23.4	2.1	437.3	38.8	323.8	28.7
1973	1,255.2	232.2	18.5	247.1	19.7	.1	*	247.1	19.7	-14.8	1.2	-14.9	1.2	468.4	37.3	343.0	27.3
1974	1,381.5	264.9	19.2	269.6	19.5	1.4	.1	271.1	19.6	-4.7	.3	-6.1	.4	486.2	35.2	346.1	25.1
1975	1,480.5	281.0	19.0	326.2	22.0	8.1	.6	334.2	22.6	-45.2	3.1	-53.2	3.6	544.1	36.8	396.9	26.8
1976	1,642.7	300.0	18.3	366.4	22.3	7.3	.4	373.7	22.7	-66.4	4.0	-73.7	4.5	631.9	38.5	480.3	29.2
1977	1,864.0	357.8	19.2	402.7	21.6	8.7	.5	411.4	22.1	-44.9	2.4	-53.6	2.9	709.1	38.0	551.8	29.6
1978	2,085.3	402.0	19.3	450.8	21.6	10.4	.5	461.2	22.1	-48.8	2.3	-59.2	2.8	780.4	37.4	610.9	29.3
1979	2,357.8	465.9	19.8	493.6	20.9	12.5	.5	506.1	21.5	-27.7	1.2	-40.2	1.7	833.8	35.4	644.6	27.3
1980	2,567.5	520.0	20.3	579.6	22.6	14.2	.6	593.9	23.1	-59.6	2.3	-73.8	2.9	914.3	35.6	715.1	27.9
1981 estimate.....	2,843.7	607.5	21.4	662.7	23.3	23.2	.8	685.9	24.1	-55.2	1.9	-78.4	2.8	992.4	34.9	787.1	27.7
1982 estimate.....	3,214.8	711.8	22.1	739.3	23.0	18.3	.6	757.6	23.6	-27.5	.9	-45.8	1.4	1,057.7	32.9	832.1	25.9
1983 estimate.....	3,612.5	809.2	22.4	817.3	22.6	15.3	.4	832.6	23.1	-8.0	.2	-23.4	.7	1,094.4	30.3	854.4	23.7
1984 estimate.....	4,044.0	922.3	22.8	890.3	22.0	14.7	.4	905.0	22.4	32.0	.8	17.3	.4	1,084.1	26.8	836.1	20.7

*0.05% or less.

¹ The off-budget deficits are equal to the off-budget outlays but with the opposite sign.

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

(Excluding the Postal Service)

(Full-time equivalent basis)

Agency	Fiscal year			Change 1981-82
	1980 actual	1981 estimate	1982 estimate	
Agriculture	85,400	86,500	87,000	500
Commerce	29,300	32,300	32,700	400
Defense—military functions ²	880,000	865,000	865,000	.....
Defense—civil functions	27,700	27,800	27,600	-200
Education	6,400	6,100	6,100	.....
Energy	19,600	19,700	20,200	500
Health and Human Services	136,400	135,700	136,100	400
Housing and Urban Development	15,600	16,000	16,300	300
Interior	53,800	53,600	55,000	1,400
Justice	53,400	54,200	54,400	200
Labor	22,100	22,300	22,600	300
State	21,800	22,000	22,000	.....
Transportation	68,800	68,800	69,100	300
Treasury	109,400	110,400	113,600	3,200
Environmental Protection Agency	10,700	11,200	11,700	500
National Aeronautics and Space Administration	22,600	22,300	22,300	.....
Veterans Administration	193,100	195,600	195,800	200
Other:				
General Services Administration	32,300	32,200	32,200	.....
International Communication Agency	8,000	7,900	7,900	.....
International Development Cooperation Agency	5,700	5,700	5,700	.....
Nuclear Regulatory Commission	2,800	3,200	3,400	200
Office of Personnel Management	6,400	6,200	6,200	.....
Panama Canal Commission	7,700	8,300	8,400	100
Small Business Administration	4,400	4,700	4,700	.....
Tennessee Valley Authority	16,500	16,600	16,600	.....
Miscellaneous	42,400	43,300	44,000	700
Subtotal	1,882,300	1,877,600	1,886,600	9,000
Contingencies ³ .....	.....	2,000	2,000	.....
Total	1,882,300	1,879,600	1,888,600	9,000

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

² Entries for Department of Defense, military functions do not reflect a technical change in conversion to the FTE system that will result in a decrease of about 25,000.

³ Subject to later distribution.

Table 10. BUDGET RECEIPTS AND OUTLAYS, 1789-1984 (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	326,151	-45,154
1932.....	1,924	4,659	-2,735	1976.....	300,005	366,418	-66,413
1933.....	1,997	4,598	-2,602	TQ.....	81,773	94,728	-12,956
1934.....	3,015	6,645	-3,630	1977.....	357,762	402,710	-44,948
1935.....	3,706	6,497	-2,791	1978.....	401,997	450,804	-48,807
1936.....	3,997	8,442	-4,425	1979.....	465,940	493,635	-27,694
1937.....	4,956	7,733	-2,777	1980.....	520,050	579,613	-59,563
1938.....	5,588	6,765	-1,177	1981 est.....	607,525	662,740	-55,215
1939.....	4,979	8,841	-3,862	1982 est.....	711,780	739,296	-27,516
1940.....	6,361	9,456	-3,095	1983 est.....	809,209	817,254	-8,045
1941.....	8,621	13,634	-5,013	1984 est.....	922,266	890,258	+32,008
1942.....	14,350	35,114	-20,764	<i>Totals, including outlays of off-budget Federal entities</i>			
1943.....	23,649	78,533	-54,884	Fiscal year	Outlays of off-budget Federal entities	Total outlays	Total surplus or deficit (-)
1944.....	44,276	91,280	-47,004	1973.....	60	247,134	-14,908
1945.....	45,216	92,690	-47,474	1974.....	1,447	271,067	-6,135
1946.....	39,327	55,183	-15,856	1975.....	8,088	334,239	-53,242
1947.....	38,394	34,532	+3,862	1976.....	7,307	373,724	-73,719
1948.....	41,774	29,773	+12,001	TQ.....	1,785	96,514	-14,741
1949.....	39,437	38,834	+603	1977.....	8,700	411,409	-53,647
1950.....	39,485	42,597	-3,112	1978.....	10,359	461,163	-59,166
1951.....	51,646	45,546	+6,100	1979.....	12,467	506,102	-40,162
1952.....	66,204	67,721	-1,517	1980.....	14,245	593,858	-73,808
1953.....	69,574	76,107	-6,533	1981 est.....	23,198	685,939	-78,414
1954.....	69,719	70,890	-1,170	1982 est.....	18,309	757,605	-45,825
1955.....	65,469	68,509	-3,041	1983 est.....	15,326	832,580	-23,371
1956.....	74,547	70,460	+4,087	1984 est.....	14,726	904,983	+17,283
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

AUTHORIZING—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 revised request that the President transmits to the Congress after he formally transmits the budget but before the Congress has completed appropriations action.

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.

Authority to borrow—statutory authority that permits Federal agencies to incur obligations and to borrow money to make payments.

Contract authority—statutory authority 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. Budget receipts also include 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 the 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 the Congress to provide budget authority for specific ongoing activities when a regular appropriation for such activities has not been enacted by the beginning of the fiscal year.

CONTROLLABILITY—In the President's budget this refers to the ability of the President to control budget authority or outlays during a fiscal year without changing existing substantive law. The concept "relatively uncontrollable under current law" includes outlays for open-ended programs and fixed costs, such as interest on the public debt and social security and veterans benefits, and outlays to liquidate (pay for) prior-year obligations.

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.

CURRENT SERVICES ESTIMATES—Estimates of receipts, outlays and budget authority for the upcoming fiscal year that assume no policy changes from the year in progress. The estimates do reflect the budget impact of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and changes required under existing law. The Congressional Budget Act of 1974 requires that the President transmit current services estimates to the Congress. The current services estimates for 1982 are published in Special Analysis A of the 1982 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 the Congress.

FEDERAL FUNDS—Amounts 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 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 1982 begins on October 1, 1981, and ends on September 30, 1982. (From fiscal year 1844 to fiscal year 1976 the fiscal year began on July 1 and ended on the following June 30.)

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

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

Agency 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 received, or similar legally binding 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—The value of checks issued, interest accrued on the public debt, or other payments made, net of refunds and reimbursements.

RECONCILIATION—A directive in the concurrent resolution on the budget that calls on various committees of the Congress to recommend legislative changes that reduce outlays or increase receipts by specified amounts.

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.

TRUST FUNDS—Amounts 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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